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Part II

**Aid Responses to Afghanistan:
Lessons from Previous Evaluations**

FOREWORD

“Aid Responses to Afghanistan: Lessons from Previous Evaluations” was a key background paper prepared by Niels Dabelstein¹ for the DAC Experts’ Meeting on “Afghanistan Reconstruction and Recovery: Seeing Round the Corner” (May 2002, OECD, Paris). It was also discussed at the DAC Senior Level Meeting in December 2001.

The DAC Afghanistan meeting provided some useful independent advice to policy makers and practitioners by discussing openly the complex, fundamental issues underpinning reconstruction and relief strategies. Participants delved into questions of governance and security, capacity building in government and civil society, and the regional dynamics, such as the role of the war economy; topics that were in keeping with the broader set of priorities identified at the Ministerial Meeting in Tokyo, 21-22 January 2002² and the Implementation Group meeting on 10-11 April 2002.

The DAC meeting brought together some 80 participants, including independent experts on conflict prevention, reconstruction, and Afghanistan, along with senior policy makers and operational planners from multilateral and bilateral aid agencies and from the Interim Administration of Afghanistan. Topics were discussed both in terms of relevant parallels to other situations, and the current context in Afghanistan. Discussions included how to work positively with neighbours’ interests/influence to create regional win/win situations; and how to ensure sustained and consistent, long-term commitment internally and from external actors.

This paper was prepared as an input to those discussions and ongoing considerations for providing support to Afghan reconstruction and development. The lessons learned from past evaluations of large-scale emergencies and reconstruction efforts provide a basis for action which could be valuable in this specific context, and could be applied to others. Indeed, whilst Afghanistan is a larger and more populous country than many previous major crisis zones³ and certain aspects of the current situation are unique, many elements and their likely evolution bear direct comparison with previous crises and the international response to them. Evaluations of responses to earlier crises conducted by DAC members and other development and humanitarian organisations constitute an important and valuable body of lessons for the international community as it attempts to respond effectively to the evolving situation.

1. Mr. Niels Dabelstein is the former chair of the DAC Working Party on Aid Evaluation (WP-EV).

2. The major components of the Preliminary Needs Assessment for Recovery and Reconstruction (ADB, UNDP, WB, January 2002) discussed in Tokyo are: the Development Framework; Security; Governance and Economic Management; Social Protection, Health and Education; Infrastructure; Agriculture; Food Safety; Natural Resources Management.

3. The total population of Afghanistan is an estimated 25 million (including Afghan refugees). By comparison the population of East Timor is 0.5 million, Kosovo 2 million, Bosnia-Herzegovina 4.5 million Rwanda 7.5 million, Haiti 8 million and Somalia 10 million. The geographical area of Afghanistan is 75 per cent of the combined area of these six countries.

DAC members and other key international actors could consider how to ensure that the lessons from previous operations are built into the planning and co-ordination mechanisms for aid to Afghanistan and how to institute the necessary actions and safeguards. Such arrangements need to take into account relevant lessons both at the international level as well as at the regional and national operational level. The current climate, characterised by a justified sense of urgency among aid agencies to maximise the impact of aid and avoid the recurrent problems of the past, provides a real opportunity to put into place effective mechanisms for getting the relief and rehabilitation effort in Afghanistan “right”.

Introduction

Whilst Afghanistan is a larger and more populous country than many previous major crisis zones⁴ and certain aspects of the current situation are unique, many elements and their likely evolution bear direct comparison with previous crises and the international response to them. Evaluations of responses to earlier crises conducted by DAC members and other development and humanitarian organisations constitute an important and valuable body of lessons for the international community as it attempts to respond effectively to the evolving situation.

The DAC Working Party on Aid Evaluation meeting on 14-15 November 2001 suggested that the Chair distil key lessons from previous evaluations which may have direct or potential relevance to the current, highly fluid, context in Afghanistan⁵.

The following nine lessons are based on a review of more than 50 formal evaluation reports supplemented by key evaluative studies - the most important of which are listed in the annex. They were compiled with the support of the Active Learning Network for Accountability and Performance in Humanitarian Action (ALNAP) and an expert group⁶.

The current climate, characterised by a justified sense of urgency among aid agencies to maximise the impact of aid and avoid the recurrent problems of the past, provides a real opportunity to put into place effective mechanisms for getting the relief and rehabilitation effort in Afghanistan “right”.

DAC Members and other key international actors should consider how to ensure that the lessons from previous operations are built into the planning and co-ordination mechanisms for aid to Afghanistan and how to institute the necessary actions and safeguards. Such arrangements need to take into account relevant lessons both at the international level as well as at the regional and national operational level.

1. Develop a coherent policy framework that recognises that humanitarian aid requires its own ‘space’

The central finding of the Joint Evaluation of Emergency Assistance to Rwanda was that aid can not be a substitute for political action. In the absence of a just and sustainable political settlement the potential achievements of aid will be modest. International responses are most effective when the full range of tools and forms of influence (political/diplomatic, military, economic, administrative, legal, social, rule of law and human rights instruments) are employed in a complementary manner. In East Timor and Kosovo (once UNMIK had been established) the international community achieved significant coherence in its approach, resulting in improved effectiveness of assistance activities.

⁴. The total population of Afghanistan is an estimated 25 million (including Afghan refugees). By comparison the population of East Timor is 0.5 million, Kosovo 2 million, Bosnia-Herzegovina 4.5 million Rwanda 7.5 million, Haiti 8 million and Somalia 10 million. The geographical area of Afghanistan is 75 per cent of the combined area of these six countries.

⁵. This note was prepared during the first week of December, at which time only pockets of Taliban military resistance remained and, on the political front, the meetings of Afghan factions with international actors were beginning to address post-conflict reconstruction issues.

⁶. The group consisted of John Borton, ALNAP, ODI; Ian Christoplos, Collegium for Development Studies, Uppsala University; John Eriksson, Operations Evaluation Department, IBRD; Shepard Forman, Center for International Cooperation, NYU; Hans Lundgren, OECD/DAC; Larry Minear, Humanitarianism and War Project, Tufts University; and Joanna Macrae, Humanitarian Policy Group, ODI. (www.alnap.org).

Policy coherence should not lead to integration of all these tools into one monolithic management framework. They should be seen as complementary but different, sometimes uncomfortable bedfellows. When seeking coherence it is important to respect the comparative advantages and different modus operandi of different types of organisations. For instance, the humanitarian principles of neutrality and impartiality and provision of aid on the basis of need have to be respected in relation to humanitarian work. The evidence is that overriding or disregarding such principles is likely to lead to reduced access to at-risk populations and endanger the lives of humanitarian aid personnel.

As a result of the UN-led Strategic Framework for Afghanistan (SFA) process launched in 1997, the international community has significant experience of efforts to achieve policy coherence in the previous Afghanistan context. However, the SFA failed in its basic aims for a variety of reasons including: differing conceptions of ‘politics’, ‘assistance’ and ‘rights’ within the international community; the project level focus of the assistance system and the failure of donor organisations to agree to the creation of a common fund; the limited influence that could be wielded by what was then an under-resourced and fragmented aid effort; and the difficulty of achieving common, consistent approaches between UN actors and between donor organisations. The lessons of this experience, including both the importance and the difficulty of putting into place a functioning SFA, should be heeded.

2. The results of peace building efforts have been mixed; the need for international engagement to be long-term and inclusive is clear

Whilst post-Cold War experience of peace building has had very mixed results, understanding of the elements required is improving over time and with successive crises. The two most critical lessons seem to be that:

- The process has to be ‘owned’ by the population concerned.
- High levels of international engagement need to be sustained for many years in order to create the ‘space’ and necessary framework of incentives and disincentives to enable all parties to learn to live and work together and to achieve meaningful changes.

Where these conditions are not met (*e.g.* as at key points in Somalia, Rwanda, Angola and Sierra Leone) the situation can rapidly deteriorate and conflicts resume and deepen.

Inclusiveness and ‘local ownership’ should be seen to embrace not only the leadership of different factions but also key elements of civil society. Somalia’s experience was that early efforts to establish a centralised, internationally recognisable form of government tended to play into the hands of factional ‘warlords’. Later strategies of undercutting the power-base of such factional leaders by strengthening the standing of elders, traditional leaders, and women’s organisations have been broadly effective. However, the potential and procedures for transferring and scaling-up such initiatives are unclear, particularly when the situation remains complex and fragile. In any event, emergency activities need to be undertaken in ways that lay the groundwork for enduring social change.

3. Approach and manage the situation as a regional crisis

In Rwanda, Somalia and Kosovo neighbouring states were involved, sometimes deeply, in the conflicts and were also impacted by the crisis as a result of refugee movements, trade disruptions and the need to host military forces involved in peace-enforcement/peacekeeping interventions. In all three countries the international community’s response initially failed to take into account the regional nature of the crisis and the need to closely co-ordinate the approaches inside the affected country with

the approaches in the neighbouring countries. In Rwanda this resulted in the pursuit of refugee and stabilisation/recovery strategies that were contradictory, sending confused or inappropriate signals to key parties which delayed conflict resolution and prolonged the need for humanitarian aid.

Instigating a regional approach requires some form of regional political framework and the involvement of regional and sub-regional organisations. The so-called ‘6+2 Group’ (Pakistan, Iran, Uzbekistan, Tajikistan, Turkmenistan and China plus the USA and Russia) would seem to offer a key element of such a framework. At the operational level a regional approach requires:

- Appropriate arrangements within organisations where two or even three separate departments may be responsible for Afghanistan and its six neighbours.
- Good communications and regular face-to-face contacts between key personnel working in Afghanistan and the neighbouring states.
- A cross-border communication/media strategy so that all actors are informed about the goals and how aid and other forms of intervention are structured to realise them.
- Clear accountabilities framed according to the agreed division of labour among organisations.

4. Co-ordination requires clarity of structure, leadership and a willingness not to “fly national flags”

Co-ordination is vital in sensitive, potentially volatile contexts where disjointed aid is less than fully effective, sending unintended ‘signals’ and affecting local perceptions of the role of external assistance. Evaluations reveal a tendency for large-scale responses to generate multiple, overlapping co-ordination mechanisms where lines of authority (and consequently accountabilities) are unclear. The recurrent pattern is for many organisations and agencies to disregard co-ordination mechanisms when it does not suit their perceived interests. The initial relief response in Kosovo was markedly bilateral with wide discrepancies in the level of provision for beneficiaries served by different national agencies. Co-ordination has been good in some places such as East Timor and in Rwandan refugee camps in Tanzania, where strong leadership by agency personnel was reinforced by an ability to exercise control over physical access by agencies and their ability to access financial resources. Bilateral and multilateral donor organisations have a critical role to play in supporting international, national and local co-ordination mechanisms through their own behaviour, in vesting greater responsibility in the principal co-ordination mechanisms, and in their selection of operational agencies and sector activities. Donor organisations should collectively take the lead in developing criteria and benchmarks for assessing the performance of co-ordination mechanisms and the behaviour of those being co-ordinated.

5. The primary role of external military forces should be the provision of security and protection rather than aid delivery

External military and peacekeeping forces have assumed varying degrees of ‘humanitarian’ aid delivery roles in many of the large-scale emergency operations since 1990 (*e.g.* northern Iraq, Somalia, Rwanda, Bosnia, Haiti, Kosovo, East Timor). Where their role has been evaluated, the evidence is that they are several times more expensive per unit of aid delivered than humanitarian or commercial suppliers. In contexts where fighting has just ended and where the capacity of those channels is not sufficient, the military may play a useful role in the immediate restoration of vital infrastructure (roads, bridges, public utilities, tele-communications). Where external military forces

undertake security roles, and particularly in those situations where they are belligerents in the conflict, a clear separation has to be maintained between such forces and any humanitarian and other aid delivery. Confusion of roles and of local perceptions of humanitarian and aid agencies can endanger the activities of agency personnel.

6. The relief-rehabilitation-development transition requires delegation of authority, flexibility and strengthened monitoring

Evaluations of relief-rehabilitation-development transitions reveal continuing disjunctions between initial relief provision and the delivery of rehabilitation and longer-term development assistance. Implicated in the difficulties are: differences in relation to conceptual frameworks; the fragile legitimacy of new governments; inadequately linked and differential timetables; high turnover of agency personnel; cumbersome organisational aid structures and procedures, micro-management by donor organisations; and rapid falls in what may have been initially generous levels of assistance in the face of the very real difficulties of working in weak institutional environments and the diversion of attention and resources to subsequent crises elsewhere. Current assessments of best practice point to the need for:

- A vision of the end goals which is shared by the donor community and key local actors.
- A joint needs assessment that prioritises the essential elements of basic needs and peace-building efforts.
- Early support for rule of law (judiciary, security/policing) and land tenure institutions.
- Rapid dispersal of funds for prioritised recovery needs, preferably through a common fund.
- Delegation of spending authority to the field, and avoiding tying funds to particular projects, functions, or donor country nationals, which inhibits its flexible and effective use.
- The establishment of a tracking system for aid flows and benchmark measures in order to enable mid-course corrections, inform communication strategies and ensure accountability at all levels.
- Clear schedules and assigned responsibilities for hand-over from emergency personnel and agencies to their successors undertaking rehabilitation and development programmes.
- Debt relief and underwriting of recurrent costs for civil administration are often important elements of recovery giving local populations a sense of confidence that there are structures in place to deliver the goods, services and protection they need.

7. Strengthen, use and support local institutional capacity

After such a long period of conflict and instability the notion of what constitutes ‘normality’ may not be altogether clear in the Afghanistan context. However, evaluation evidence points to the critical role of normal daily activities and functioning local institutions (governmental and civil society), particularly those concerned with the rule of law, in creating a sense of progress, security and routine. In Rwanda the level of destruction and disruption was so great that it took a considerable time to build up the implementation capacity of central and local government – a delay that increased local suspicions about the sincerity of the international community’s commitment to the country. Great care

is needed in providing institutions and organisations with sufficient resources to rebuild confidence in them whilst preventing the growth of corruption and in identifying local partners which are legitimate and not associated with violence, and engaging with them in a principled way. International aid actors often fail to give appropriate priority to capacitating local structures, however weak they may be.

Unmanaged influxes of aid agencies – multilateral, bilateral and NGOs – are an increasing feature of high profile international political-military-aid interventions. In Rwanda approximately 200 organisations were present, in Kosovo some 300. Such influxes drive up office and housing rents, draw good local staff away from their normal roles/jobs, spur “bidding competition” among organisations, and create the perception that the agencies and their personnel are “benefiting more than the local population”. The heightened cultural/religious sensitivities in Afghanistan reinforce the need to limit the number of international agencies and personnel and ensure the quality and training of those agencies and staffs operating in Afghanistan. The most efficient way to contain the problems of expatriate dominance and disruption is to prioritise the identification and engagement of local and national emergency and rehabilitation actors, even where national and governmental structures remain weak or not fully legitimate. The significant skills and capacities within Afghanistan and the Afghan diaspora should be recognised and harnessed.

Leadership and action by donor organisations is required to ensure that the familiar problems of earlier crises are translated into changed practice on the ground.

8. Control the “war economy” and confront the risk of entrenched chronic violence

Evaluations and other studies on Sierra Leone, Liberia, Angola, and Cambodia have shown that semi-legal and illegal activities can be an important motivation for factional conflict and for sustaining certain faction leaders in power. In the Afghanistan context narcotics production plays a very significant role and it will be necessary to understand how such activities may be influencing political negotiations and ongoing instability, and work to reduce the incentive for poppy production. Early efforts to rehabilitate irrigation systems and re-establish production of food and other legal crops will be required together with efforts to regulate and reduce the role of illicit trade. If drastic narcotic substitution programmes are implemented, safety nets will be required for those who may be rendered destitute.

After such a long period of conflict Afghanistan faces the very real prospect of entrenched chronic violence. Evaluative evidence points to the need for demobilisation and the regulation and reduction of war economies as being vital for effective peace-building. Evaluative evidence from Ethiopia, Namibia and Uganda and other cases points to the need for the careful design of three phases for effective demobilisation: i) demobilization per se (including disarming and discharge); ii) reinsertion into civilian life; and iii) reintegration into the economy and society.

9. Accountability and learning mechanisms of the aid system require strengthening

Weaknesses in the accountability structures of aid organisations have been recurrent findings of many evaluations. The Joint Evaluation of Emergency Assistance to Rwanda recommended the establishment of an independent monitoring entity and ombudsman function. While this recommendation has not been acted upon, it did lead to the creation of the Humanitarian Accountability Project (which is planning to field test methods for ensuring the accountability of all aid agencies in Afghanistan over the next few months).

Donors have a particular responsibility to provide leadership in promulgating consistent standards of accountability to beneficiaries of their assistance as well as to taxpayers. Codes of Conduct that have been developed in several contexts (including South Sudan, Sierra Leone, the Great Lakes and Somalia) have proved of some benefit and deserve consideration and adaptation for use in the Afghanistan context. Mechanisms for ensuring that lessons from previous operations are incorporated into new and on-going operations are insufficiently developed in many organisations and the aid system generally. A potential mechanism at the field level is the Learning Support Office concept developed by ALNAP.

The Rwanda crisis remains the only occasion where a collaborative, system-wide evaluation of the overall response has been undertaken, making that crisis a particularly rich source of lessons for Afghanistan. Generalised lessons from crises situations such as Kosovo are limited by the specific agency, sector and issue focus of much of the evaluation evidence. Despite the significant level of expenditures on rehabilitation, recovery and peace building, few formal evaluations have been undertaken of such programmes and their relationship with humanitarian efforts. Given the centrifugal tendencies of the humanitarian system, it would be helpful for the DAC to consider possible vehicles for orchestrating a system-wide evaluation of efforts in Afghanistan.

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ANNEXES

ANNEX I

THE 1998 DAC PEER REVIEW AND EC ACHIEVEMENTS SINCE 2001

The EC **policy and programming** has been strengthened in the following ways:

- A single development policy to cover all developing countries will improve the consistency of EC aid.
- Poverty reduction is the principal aim, in line with DAC Guidelines.
- A focus on six priority areas and three cross-cutting issues will improve the effectiveness of EC aid.
- A series of papers show how the poverty reduction objective is to be translated into sectoral policies.
- The Cotonou Agreement enhances the partnership of the EC with African, Caribbean, and Pacific (ACP) countries to address the challenge of poverty reduction through political, trade and development co-operation.
- Country Strategy Papers (CSP) and Regional Strategy Papers (RSP) follow improved guidelines.
- The CSP gives particular emphasis to the concepts of partnership and country ownership.
- As well as the CSP, there are other improved mechanisms for addressing issues of policy coherence.
- There is a single annual report that, from 2002, will replace the specific regional reports.

Furthermore, several improvements in **organisation and management** tend to improve the efficiency and effectiveness of EC aid:

- Putting the RELEX “family” on a formal basis has improved policy co-ordination.
- EuropeAid was established to unify the project cycle and harmonise the management of all development assistance.
- This harmonisation will be further assisted by the creation of a management information and reporting system (CRIS) for all the external relations areas, and which will in future use DAC classifications.
- There are further institutional improvements in quality assurance such as the creation of the inter-service Quality Support Group (iQSG) focusing on the CSP process and the mandating of the evaluation unit to cover all developing countries, while remaining independent of the operational management.
- There have been several urgent improvements in the area of financial management to reduce the heavy bureaucratic burden of EC aid – *e.g.* reductions in the number of budget lines, of old and dormant commitments, and of procedures for procurement and contracting.

- An ambitious programme of “deconcentration” is moving about half the staff out from EuropeAid to the country delegations, which are being given new authority to manage their country programmes.
- This programme is accompanied by the dismantling of the Technical Assistance Offices (TAO) that were responsible for contracting independent consultants, and the integration of their work into EuropeAid or the country delegations.
- At the same time, there is now active recruitment of extra staff urgently required to move to the country delegations.

Table I-1 below shows how these reforms have addressed the concerns expressed in the 1998 Peer Reviews.

Table I-1. Comments on 1998 Recommendations

Key Issues	Concerns expressed in 1998⁶⁹	Progress⁷⁰
<i>Overall strategy and policy.</i>	Need for a coherent overall development strategy	Adopted in 2000.
<i>Results and aid effectiveness</i>	Focus on results rather than procedures Evaluation lacking in some programmes	Reform process taking place. Reforms undertaken.
<i>Partnership strategy</i>	Considerable differences between programmes	Strategies still differ.
<i>Poverty Reduction</i>	Need to implement the policy in all regions	Development policy statement. Implementation still a concern.
<i>Gender</i>	Need to integrate into all programmes Weak field capacity	Both still a concern.
<i>Conflict</i>	Others look to EC leadership	Capacities further developed.
<i>Aid co-ordination</i>	Need for capacity in Delegations Need clear accountability in RELEX group	Deconcentration may help. Further work needed.
<i>Country strategies</i>	Further progress required. EC staff should take the lead	Major improvements made. Done.
<i>Aid management</i>	Need a proposal to simplify the complicated system of management and proliferation of budget lines. More staff needed, especially in the field for dialogue. Deconcentrate financial control. Reorganisation of DGs to simplify procedures and reintegrate the project cycle. Train DG RELEX staff in development finance.	Management reforms tackle these issues. More staff moved to the field. Deconcentration doing this. Creation of EuropeAid does this. Training in place.
<i>Institutions for coherence</i>	Complexity of decision making. Develop analytical capacities.	Process being clarified. Problems still at country level.
<i>Policy coherence</i>	Incoherence of Common Agriculture Policy with development. Weaknesses in import policies and Lomé trade agreements. Weak in private sector support. Food aid should link to food security.	Measures taken but seems still to be an ongoing problem. Cotonou is an improvement. Policies being developed. Done.
<i>Public opinion</i>	Need clear message. Common policy needed for different regional programmes. European Parliament oversight could be enhanced.	Development Policy statement provides common policy and message of poverty reduction. EP aiming to be more strategic.
<i>Volume of aid</i>	Gap between commitments and disbursements of ODA. Need to make a series of improvements to ensure effective implementation.	Still a concern. Reform process dealing with the issues raised by the Review.

Source: OECD.

69. Summarised from the 1998 DAC Peer Review.

70. Judgements by the DAC Peer Review examiners in 2001.

ANNEX II
STATISTICAL TABLES

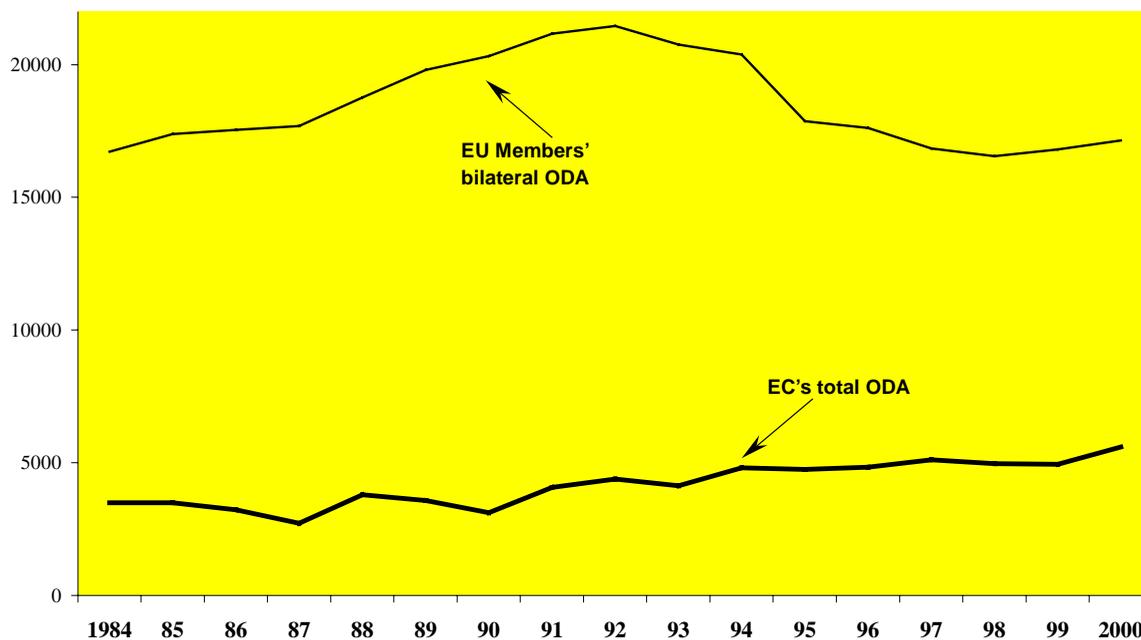
Table II-1. Total financial flows

USD million at current prices and exchange rates

EC	<i>Net disbursements</i>						
	1984-85	1989-90	1996	1997	1998	1999	2000
Total official flows	1 611	3 390	7 580	8 031	8 876	8 653	8 393
Official development assistance	1 493	2 777	5 455	5 261	5 140	4 937	4 912
Bilateral	1 347	2 546	5 261	5 156	5 124	4 911	4 414
Multilateral	145	231	193	105	16	26	498
Official aid	n.a.	199	1 434	1 441	2 414	2 818	2 808
Bilateral		199	1 434	1 441	2 409	2 818	2 802
Multilateral		-	-	-	5	-	6
Other official flows	118	415	690	1 329	1 322	899	673
Bilateral	118	415	690	1 329	1 322	899	673
Multilateral	-	-	-	-	-	-	-
<i>for reference:</i>							
ODA (at constant 1999 \$ million)	3 491	3 350	4 824	5 114	4 967	4 937	5 601

ODA net disbursements
At constant 1999 prices and exchange rates

US\$ million

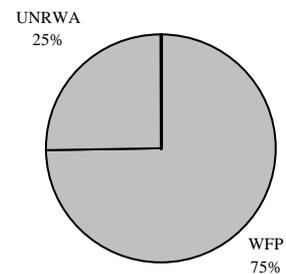


Source : OECD.

Table II-2. ODA by main categories

EC	Constant 1999 USD million					Per cent share of gross bilateral disbursements					Total DAC 2000%
						1996	1997	1998	1999	2000	
	1996	1997	1998	1999	2000	1996	1997	1998	1999	2000	
Gross Bilateral ODA	4 859	5 244	5 214	5 238	5 430	100	100	100	100	100	100
<i>Grants</i>	<i>4 378</i>	<i>4 433</i>	<i>4 312</i>	<i>4 514</i>	<i>4 582</i>	<i>90</i>	<i>85</i>	<i>83</i>	<i>86</i>	<i>84</i>	<i>79</i>
Project and programme aid	2 875	2 362	2 634	2 634	3 083	59	44	50	50	51	19
Technical co-operation	200	259	208	195	241	4	5	4	4	4	30
Developmental food aid	312	347	351	382	365	6	7	7	7	7	3
Emergency and distress relief	679	762	484	677	592	14	15	9	13	11	9
Action relating to debt	-	-	-	-	-	-	-	-	-	-	6
Administrative costs	104	109	102	101	116	2	2	2	2	2	7
Other grants	208	593	532	525	185	4	11	10	10	3	6
<i>Non-grant bilateral ODA</i>	<i>481</i>	<i>811</i>	<i>903</i>	<i>725</i>	<i>848</i>	<i>10</i>	<i>15</i>	<i>17</i>	<i>14</i>	<i>16</i>	<i>21</i>
New development lending	481	811	903	725	848	10	15	17	14	16	20
Debt rescheduling	-	-	-	-	-	-	-	-	-	-	1
Acquisition of equity and other	-	-	-	-	-	-	-	-	-	-	1
<i>For reference:</i>											
<i>ODA to and channelled through NGOs</i>	<i>169</i>	<i>177</i>	<i>157</i>	<i>184</i>	<i>137</i>						
<i>Associated financing (a)</i>	<i>36</i>	<i>58</i>	<i>25</i>	<i>23</i>	<i>44</i>						
Gross Multilateral ODA	171	102	15	26	568						
UN agencies	80	102	15	26	137						
EC	-	-	-	-	-						
World Bank group	-	-	-	-	431						
Regional development banks	-	-	-	-	-						
Other multilateral	91	-	-	-	-						
Total gross ODA	5 030	5 346	5 230	5 264	5 998						
Repayments and debt cancellation	- 206	- 231	- 263	- 327	- 398						
Total net ODA	4 824	5 114	4 967	4 937	5 601						

1
Contributions to UN Agencies
(1999-2000 Average)

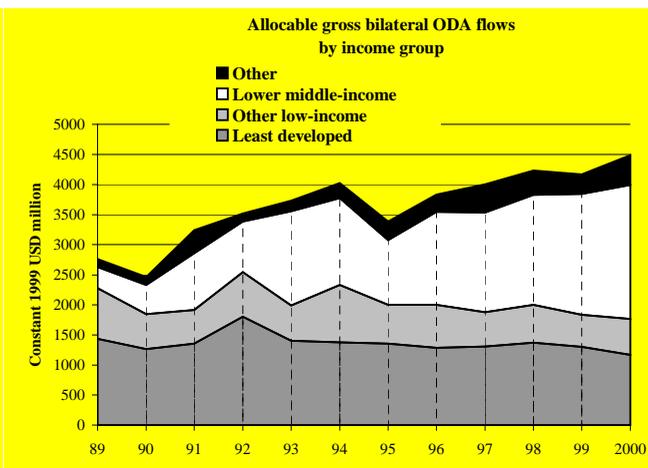
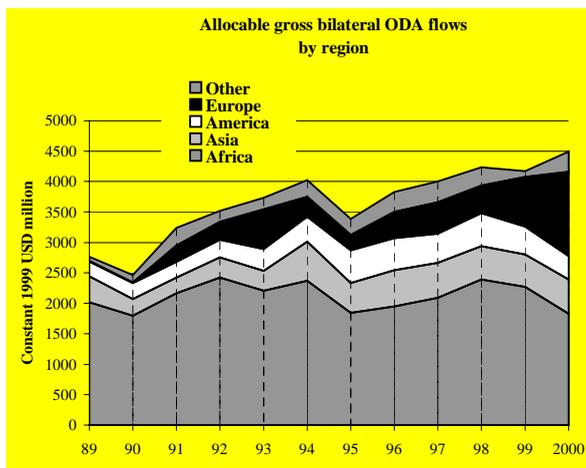


a. ODA grants and loans in associated financing packages.

Source : OECD.

Table II-3. Bilateral ODA allocable by region and income group

EC	Constant 1999 USD million					Per cent share					Total DAC 2000%
	1996	1997	1998	1999	2000	1996	1997	1998	1999	2000	
	<i>Gross disbursements</i>										
Africa	1 947	2 092	2 395	2 272	1 828	51	52	57	54	41	36
Sub-Saharan Africa	1 518	1 506	1 631	1 578	1 367	40	38	39	38	30	29
North Africa	429	586	764	695	461	11	15	18	17	10	7
Asia	598	575	546	532	562	16	14	13	13	13	39
South and Central Asia	411	382	340	338	335	11	10	8	8	7	13
Far East	188	193	205	193	227	5	5	5	5	5	25
America	524	477	542	459	387	14	12	13	11	9	12
North and Central America	347	332	322	272	239	9	8	8	7	5	6
South America	177	145	221	187	148	5	4	5	4	3	7
Middle East	284	281	235	75	257	7	7	6	2	6	4
Oceania	48	65	65	18	75	1	2	2	0	2	2
Europe	430	513	453	817	1 383	11	13	11	20	31	7
Total bilateral allocable	3 832	4 003	4 235	4 172	4 492	100	100	100	100	100	100
Least developed	1 284	1 309	1 372	1 299	1 169	34	33	32	31	26	26
Other low-income	715	568	625	534	599	19	14	15	13	13	33
Lower middle-income	1 547	1 659	1 833	2 012	2 225	40	41	43	48	50	35
Upper middle-income	214	352	360	289	426	6	9	9	7	9	6
High-income	50	104	33	34	73	1	3	1	1	2	0
More advanced developing countries	22	11	12	4	-	1	0	0	0	-	-
<i>For reference:</i>											
<i>Total bilateral</i>	4 859	5 244	5 214	5 238	5 430	100	100	100	100	100	100
<i>of which: Unallocated</i>	1 027	1 240	979	1 066	938	21	24	19	20	17	26



Source : OECD.

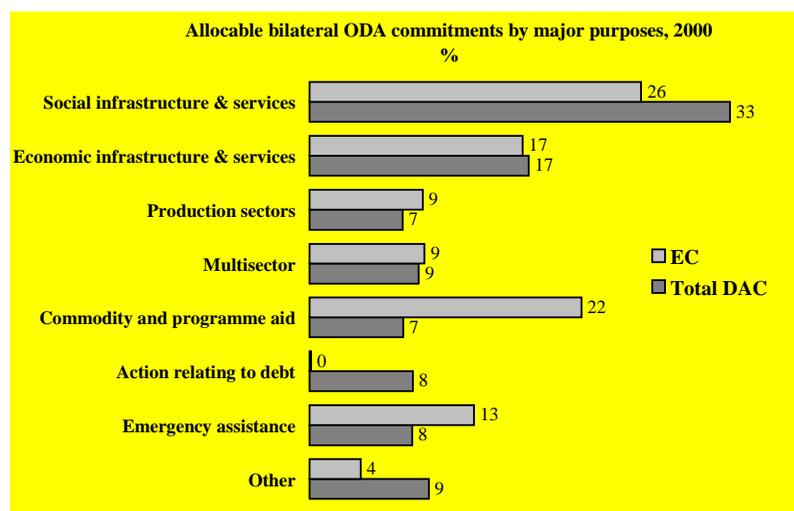
Table II-4. Main recipients of bilateral ODA

EC	1989-90			1994-95			1999-2000		
	Current USD million	Constant 1999 USD mn.	Per cent share	Current USD million	Constant 1999 USD mn.	Per cent share	Current USD million	Constant 1999 USD mn.	Per cent share
Côte d'Ivoire	136	164	6	153	146	4	235	268	6
Cameroun	122	151	6	134	128	3	221	230	5
Mozambique	86	104	4	127	120	3	218	231	5
India	85	106	4	117	117	3	176	182	4
Ethiopia	82	96	4	102	98	3	144	152	4
Top 5 recipients	510	621	24	633	610	16	995	1 065	25
Bangladesh	82	102	4	90	85	2	136	143	3
Sudan	78	93	4	87	83	2	128	137	3
Egypt	57	70	3	82	82	2	127	142	3
Congo, Dem. Rep.	56	68	3	87	80	2	101	107	2
Kenya	54	68	3	84	77	2	86	92	2
Top 10 recipients	837	1 021	39	1 068	1 018	27	1 574	1 685	39
Tanzania	48	59	2	82	78	2	86	92	2
China	46	56	2	78	74	2	81	86	2
Mali	45	55	2	76	71	2	80	85	2
Malawi	45	54	2	76	67	2	72	76	2
Madagascar	43	52	2	70	64	2	69	73	2
Top 15 recipients	1 064	1 296	49	1 449	1 371	37	1 962	2 097	48
Benin	41	49	2	66	64	2	66	71	2
Somalia	38	46	2	64	64	2	60	62	1
Angola	37	42	2	64	61	2	57	63	1
Namibia	37	40	2	64	59	2	56	59	1
Uganda	36	44	2	62	60	2	53	56	1
Top 20 recipients	1 253	1 518	58	1 770	1 679	45	2 254	2 408	56
Total (137 recipients)	2 171	2 617	100	3 943	3 705	100	4 056	4 332	100
Unallocated	422	511		777	710		945	1 002	
Total bilateral gross	2 593	3 128		4 720	4 416		5 001	5 334	
				Total (160 recipients)			Total (150 recipients)		
				Unallocated			Unallocated		
				Total bilateral gross			Total bilateral gross		

Source : OECD.

Table II-5. Bilateral ODA by major purposes
at current prices and exchange rates (approximate)

EC	2000		Total DAC per cent
	USD million	Per cent	
Social infrastructure & services	1 824	26	33
Education	392	6	8
of which: basic education	258	4	2
Health	295	4	4
of which: basic health	167	2	2
Population programmes	41	1	2
Water supply & sanitation	228	3	7
Government & civil society	641	9	5
Other social infrastructure & services	228	3	7
Economic infrastructure & services	1 171	17	17
Transport & storage	549	8	9
Communications	131	2	1
Energy	281	4	3
Banking & financial services	103	1	1
Business & other services	108	2	4
Production sectors	622	9	7
Agriculture, forestry & fishing	416	6	5
Industry, mining & construction	164	2	2
Trade & tourism	42	1	0
Other	-	-	0
Multisector	632	9	9
Commodity and programme aid	1 495	22	7
Action relating to debt	-	-	8
Emergency assistance	903	13	8
Administrative costs of donors	184	3	7
Core support to NGOs	96	1	3
Total bilateral allocable	6 927	100	100
<i>For reference:</i>			
Total bilateral	7 226	92	73
of which: Unallocated	300	4	5
Total multilateral	630	8	27
Total ODA	7 857	100	100



Source : OECD.

Table II-6. Comparative aid performance

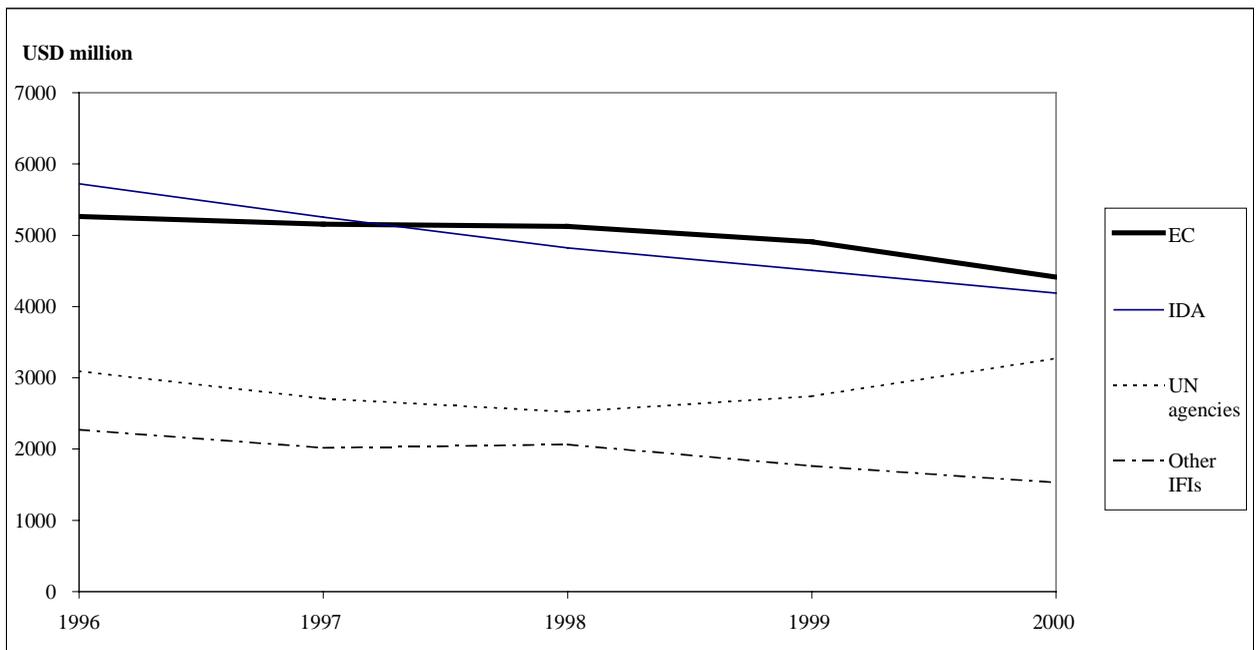
	Bilateral Official development assistance		ODA to LLDCs	Net disbursements
	2000	94-95 to 99-00	2000	2000
	USD million	Ave. annual % change in real terms	% of bilateral ODA	USD million
Australia	758	-0.9	16.3	2
Austria	257	-7.9	22.1	144
Belgium	477	3.3	29.8	5
Canada	1 160	-3.3	15.8	165
Denmark	1 024	6.2	36.5	119
Finland	217	3.9	28.8	33
France	2 829	-8.8	24.7	1 084
Germany	2 687	-3.9	24.1	223
Greece	99	..	1.8	10
Ireland	155	16.6	62.4	-
Italy	377	-20.4	59.7	213
Japan	9 768	3.4	12.7	-93
Luxembourg	93	20.5	37.8	2
Netherlands	2 243	6.0	24.7	207
New Zealand	85	4.1	27.0	0
Norway	934	2.3	32.7	27
Portugal	179	1.8	53.2	0
Spain	720	0.7	9.0	12
Sweden	1 242	0.4	27.0	119
Switzerland	627	2.0	26.0	58
United Kingdom	2 710	4.4	36.8	88
United States	7 405	0.2	13.8	2 461
Total DAC	36 043	-0.3	20.7	4 880
of which: EU Members	15 306	-2.4	28.6	2 260
EC	4 414	3.3	21.6	2 802

Notes:

.. Data not available.

Source: OECD.

Figure II-1. Net ODA from multilateral agencies



Note: Other IFIs include mainly the IMF and regional development banks.

Source : OECD.

ANNEX III

EC POLICY STATEMENTS ON SELECTED SECTORS AND CROSS-CUTTING ISSUES

A. Measures taken and to be taken by the Commission to address the poverty reduction objective of EC development policy

A.1. Introduction

Poverty⁷¹ is multidimensional. People are poor when they lack the capability to meet adequate standards of well being, in terms of economic, social and human security levels, civil rights and political empowerment. Thus, poverty reduction is closely intertwined with development issues.

Globally, the extent of poverty remains massive. A third of children under five years are malnourished. A third of women are illiterate. Half of the world's population live on less than USD 2 per day, and one in five live in extreme poverty on less than USD 1 per day. Moreover, inequalities are enormous and in many cases rising. In 1960, the ratio between the incomes of the richest 20% of the world's population to the poorest 20% was 30:1. It is now 90:1. The maternal mortality rate in Africa stands at 9.8 per 1 000 births, over twice as high as the world average. Nine out of ten of the more than 35 million people infected with HIV live in the developing world. Two-thirds of the people living in extreme poverty are women and girls.

There is wide consensus within the International Community that poverty reduction is the overarching objective of development co-operation. International development goals have been agreed. In particular, there is commitment to reduce the incidence of extreme poverty by half by 2015.

Poverty reduction is now the overarching objective of the EC's development policy (as set out in the Council Statement on EC Development Policy of 10 November 2000). The objective of this Working Paper of the Commission Services is to determine what methodology has been established in furthering the poverty focus of development co-operation, and what more needs to be done. At the same time, stress is laid on the need to distinguish direct and indirect actions towards poverty reduction.

This paper focuses on:

- The EC's principles for increasing resources to poverty reduction.
- The EC's Country Strategy Papers (CSPs)⁷² and contribution to country poverty reduction strategies.

71. The source of Annex III A is a Commission Staff Working Paper, SEC(2001)1317 of 26.7.2001.

- Maximising the impact on poverty reduction of EC programmes in the priority areas identified in the EC Development Policy.
- The instruments, tools and working methods for mainstreaming poverty reduction.

A.2. The framework for EC development co-operation

The EC Development Policy [COM(2000)212, 26 April 2000] and the Statement adopted on 10 November 2000 by the Council and the Commission focus on poverty reduction as an overarching objective of EC development co-operation and select main priorities for EC support in this context.

The geographical coverage of the Development Policy is developing countries, which are listed by the OECD Development Assistance Committee as low and middle income aid recipients.⁷³

The Cotonou Agreement (2000) provides the legal framework for a comprehensive twenty-year partnership between 77 ACP countries, the Community and its Member States, encompassing trade, political relations and development co-operation. The Agreement states that “*the partnership shall be centred on the objective of reducing and eventually eradicating poverty consistent with the objectives of sustainable development and the gradual integration of the ACP countries in the world economy*”.

Apart from the Cotonou Agreement, the EC is responsible for three development assistance and co-operation programmes (plus the strategic partnership with the Western Balkans) covering four regions, and in particular for the preparation of strategy and programming documents. These assistance and co-operation programmes are for the countries of Eastern Europe and Central Asia (Tacis), the Euro-Mediterranean partnership framework, and for Asia and Latin America. These programmes all have an important poverty reduction focus. They also aim at promoting more generally transition, reform and stabilisation.

All programmes include actions that address poverty *directly*. In other cases the attack on poverty will be *indirect*. *In general*, EC policy recognises that whilst growth is necessary for poverty reduction, it is not sufficient, and the economic, social and environmental policies accompanying the process of growth and development must address inequality in the distribution of the resources generated, and ensure that the resources on which economic growth and livelihoods of the poor depend are used in a way which allows process in poverty reduction to be sustained. Specific measures should be undertaken to make economic opportunities available to poor people, both through direct and indirect measures.

B. Environment and sustainable development: Executive Summary

Article 6 of the Treaty establishing the European Community, as amended by the Amsterdam Treaty, states that “Environmental protection requirements must be integrated into the definition and implementation of the Community policies and activities ... in particular with a view to promoting

72. The term Country Strategy Papers (CSPs) is used here to cover the Country Support Strategies prepared for ACP countries in accordance with the Cotonou Agreement, as well as the CSPs prepared for other developing countries.

73. See COM(2000) 212, annex 7, for a complete list of the countries to which the Development Policy applies.

sustainable development”. To this end, the elements of an EC strategy⁷⁴ formulated in this document aim to strengthen the inter-linkages and mutually supportive nature of the spheres of sustainable development with a main emphasis on environmental sustainability.

Developing countries themselves have primary responsibility for identifying and responding to environmental issues and for integrating environmental considerations into their policies. EC economic and development co-operation should support developing countries’ efforts to protect their own environment and the shared global environment. In this regard, increased dialogue with partner countries on environmental issues is of particular importance.

All EC policies should be coherent in relation to third countries and the impacts, including environmental impacts, of EC policies on developing countries should be analysed. In the pursuit of sustainable economic and social development through structural reforms, EC co-operation policies and developing countries should give special attention to environmental management capacity and public environmental regulatory and monitoring functions. In the context of integration of developing countries into the world economy, the EC should seek to fully integrate environmental and sustainable development considerations into the next World Trade Organisation (WTO) round. Private sector development should also take environmental considerations into account. Furthermore, the both positive and negative linkages between poverty and environment should be acknowledged in the campaign against poverty.

The EC and the developing countries are parties to a wide range of environmental agreements and processes. The EC should support the efforts of developing countries to participate effectively in the negotiations, to implement their obligations through identifying country specific priorities, and to develop appropriate policies and measures with respect to existing and emerging environmental agreements. In this regard, the Commission is putting particular emphasis on the major UN Environmental Conventions on climate, biodiversity and desertification, and the role which developing countries can play in these global environmental issues.

Although of great significance, EC funding to specifically environmental purposes remains relatively modest compared to the overall flows of EC aid. Therefore, integration of environmental considerations into the use of all EC aid and into the programming and project cycle must be continued and strengthened. In this regard, the revised guidelines on environmental integration are of particular importance, as is the capacity of existing Commission staff to integrate environmental aspects, and partner countries’ capacity to assume more tasks and responsibilities. The environmental performance of EC aid will continue to be assessed through regular evaluations and use of indicators.

There are many opportunities and options for further integration of environmental aspects into EC economic and development co-operation. The challenge is to ensure – in a credible and transparent way – that they are fully developed and that the integration process is advancing at a strong pace. Key factors for success are:

- A strong political commitment to the integration process;
- Strengthening of the institutional arrangements; and
- Sound management of the overall quality of the environment integration process.

74. The source of Annex III B is Communication from the Commission of 20 October 1999, COM (1999)499.

C. Gender and development

Gender⁷⁵ is a social, economic and cultural dimension, which cuts across all areas and sectors of development, and has crucial implications for the achievement of all development activities. Integration of gender issues in Community Development Co-operation is a determining factor to achieve a long-term development impact. Women's possibilities to contribute to and benefit from development policy changes and the outcomes of the projects at an equal footing with men are determined not only by their biological sex but also by the roles and interrelations between them and with the community. This is decided by culture traditions, law, prejudices and expectations.

Systematically mainstreaming of gender issues in the conception, design and implementations of all development policies and interventions of the Community is one of the means of the **Council Resolution n° 12847/95 on Integrating of Gender Issues** in Development Co-operation. The process of integrating gender issues in Community development co-operation is now in a critical phase, as operational tools such as gender impact assessment (instruments to measure whether (sic) the needs of both women and men are equally taken into account in programmes and projects), follow-up indicators and the integration of gender issues into project cycle management are available but has to be promoted and used at all levels.

The Support to concept of women in development has been given used supported by the Commission since 1988. (sic) Actual work focuses on mainstreaming of gender issues into development policies, projects and programmes. The Commission has given a substantial input to both the preparations for the Fourth World Conference on Women in Beijing 1995 and the follow-up of the Beijing Declaration and Platform for Action. Internal training and direct support on gender issues is offered to the Commission staff on a regular basis. The Council and the Parliament have been serviced with elaborated communications and reports on integration of gender issues in development co-operation, as stipulated in the Council Resolution and Regulation on Integrating Gender Issues in Development Co-operation. The **Regulation** (the legal basis for the special budget line on gender integration) was approved in December 1998.

Keeping in mind that the integration of gender equality issues in development co-operation is a long-term process, the need to strengthen gender mainstreaming is still considerable. The conditions for doing so are now better, partly due to the availability of new working methods such as a the Source book on Gender Integration, an the Action Plan for Mainstreaming of Gender Issues, gender screening instruments for project proposals and gender as part of the overall terms of reference for evaluations of programmes and projects. Support to National Action Plans based on the Beijing Platform for Action in developing countries has been given and still needs to be given by the Commission.

D. EU role in promoting human rights and democratisation

The European Commission (EC) has adopted a number of Communications relating to human rights and democratisation in the last decade. This Communication⁷⁶ does not seek to rewrite the

75. The source of this statement on gender is the EU website at http://europa.eu.int/comm/development/sector/social/gender_en.htm.

76. The source of this statement is the Communication from the Commission to the Council and to the European Parliament of 8 May 2001 on *The European Union's role in promoting human rights and democratisation in third countries* [COM(2001)252 final]. Other statements have been: *The European Union and the External Dimension of Human Rights Policy*, COM(95)567 final; *The Inclusion of Respect for Democratic Principles and Human Rights in Agreements between the Community and*

fundamental policy. Rather it seeks to set this policy in the context of the Commission's overall strategic approach in external relations for the coming years. Changes in the external environment, as well as internal Commission reforms, require a re-focussing of human rights and democracy strategies, in particular to ensure that these issues permeate all Community policies, programmes and projects. Prioritisation, focus, delivery and impact are the main threads running throughout the document. The Commission wants to be judged on its performance in meeting the European Union (EU)'s policy goals. This Communication outlines a way forward.

The basis for EU action is clear. The European Union seeks to uphold the universality and indivisibility of human rights – civil, political, economic, social and cultural – as reaffirmed by the 1993 World Conference on Human Rights in Vienna. The EU also upholds the principle that the human rights of women and the girl-child are an inalienable, integral and indivisible part of universal human rights, as reaffirmed by the 1995 Beijing Declaration and Platform for Action. The protection of such rights, together with the promotion of pluralistic democracy and effective guarantees for the rule of law and the fight against poverty, are among the European Union's essential objectives. The Treaty of Amsterdam – which came into force on 1 May 1999 – reaffirms in its Article 6 that the European Union "is founded on the principles of liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law, principles that are common to the Member States" and emphasises in Article 49 that the respect of these principles also is required by countries which apply for EU membership. It also introduced, in Article 7, a mechanism to sanction serious and persistent breaches of human rights by the EU Member States. This mechanism was further reinforced by the Treaty of Nice concluded in December 2000. This also extended the objective of promoting the respect of human rights and fundamental freedoms, from development co-operation to all forms of co-operation with third countries (Art. 181Bis TEC).

The Commission's action in the field of external relations will be guided by compliance with the rights and principles contained in the EU Charter of Fundamental Rights which was officially proclaimed at the Nice Summit in December 2000, since this will promote coherence between the EU's internal and external approaches. The Charter makes the overriding importance and relevance of fundamental rights more visible to the EU's citizens by codifying material from various sources of inspiration, such as the European Convention on Human Rights, common constitutional traditions, and international instruments.

The European Union is well placed to promote democracy and human rights. It is continually seeking to improve its own democratic governance, and the Commission will shortly adopt a White Paper on the theme. Uniquely amongst international actors, all fifteen Member States of the Union are democracies espousing the same Treaty-based principles in their internal and external policies. This gives the EU substantial political and moral weight. Furthermore, as an economic and political player with global diplomatic reach, and with a substantial budget for external assistance, the EU has both influence and leverage, which it can deploy on behalf of democratisation and human rights.

Since 1992, the EC has included in all its agreements with third countries a clause defining respect for human rights and democracy as "essential elements" in the EU's relationship. This clause is unique in bilateral agreements. This approach has been further developed in the Cotonou agreement signed with

Third Countries, COM(95)216 final; *Democratisation, the Rule of Law, Respect for Human Rights and Good Governance: the Challenges of the Partnership between the European Union and the ACP States*, COM(98)146 final; *Countering Racism, Xenophobia and Anti-Semitism in the Candidate Countries*, COM(99)256 final; and *Communication on EU Election Observation and Assistance*, COM(2000)191 final.

African, Caribbean and Pacific (ACP) countries in June 2000 which is based on respect for human rights, democratic principles and the rule of law, and on good governance. It constitutes a major step in the development of the European Union's human rights policies.

In November 2000, the Council and the Commission adopted an important Joint Statement on the European Community's development policy⁷⁷, which has been welcomed by the European Parliament (EP). Together with the reform of the management of external assistance it represents a new framework for the implementation of EC development policy. This new development policy is firmly grounded on the principle of sustainable, equitable and participatory human and social development. The promotion of human rights, democracy, the rule of law and good governance are an integral part of it.

Poverty reduction, the main objective of the European Community's development policy, will only be sustainably achieved where there are functioning participatory democracies and accountable governments. Corrupt and autocratic governments are likely to misuse development assistance either to maintain repression or for private enrichment at the expense of their populations. Such governments also generate conflict and instability in their region. Democratic, pluralist governments which respect the rights of minorities are less likely to resort to nationalism, violence or aggression, either internally, against their neighbours or further afield. Conflict and instability is costly in human terms. It is also likely to bear upon the EU as the world's largest aid donor, and a favoured destination for immigrants.

The process of globalisation is a potential force for freedom and justice as well as for prosperity. But it has a dark side, too. There is a danger that globalisation will have a negative effect on the welfare of the world's poorest and most vulnerable groups, that not all countries and populations will be able to reap its potential benefits, and that it will lead to a uniformity of cultural values. Special attention needs to be paid to the rights of vulnerable groups, and to empowering those at risk of exclusion, if the process of globalisation is not to increase the division between the billions who benefit and the billions who are left in squalor and misery. The European Union has a role to play in providing positive answers to those concerns. Through its human rights and democratisation policy, it can contribute to making globalisation a truly inclusive process.

The EU should also encourage other global actors, such as multinational corporations (MNCs), to play a full part in increasing respect for human rights world-wide and to use their often considerable influence within a developing country to support rather than undermine that country's own efforts to achieve sustainable development. It is in the interests of those companies: stable countries and free societies are also the best places to invest and to do business. For that reason, the promotion of human rights and democracy is also an essential complement to the EU's support for multilateral trade and investment facilitation.

The joint Statement on the European Community's development policy stresses the importance of concentrating EC development co-operation on certain sectors. It identifies institutional capacity building (and in particular for democracy and good governance) as a strategic area for Community activities. It also identifies the promotion of human rights, equality between men and women, and children's rights among the principles to be mainstreamed into co-operation activities. This Policy Statement, together with the reform of the management of external assistance currently underway, represent a new framework for the European Commission's activities in support of human rights and democratisation.

77. Joint Statement on EC Development Policy, Council and Commission, 10 November 2000 available at: http://europa.eu.int/comm/development/lex/en/council20001110_en.htm.

This Communication identifies three areas where the Commission can act effectively.

- Through promoting coherent and consistent policies in support of human rights and democratisation. This applies both to coherence between European Community policies, and between those policies and other EU action, especially the Common Foreign and Security Policy. It also relates to the promotion of consistent and complementary action by the EU and Member States, in particular in the promotion and mainstreaming of human rights through development and other official assistance.
- Through placing a higher priority on human rights and democratisation in the European Union's relations with third countries and taking a more pro-active approach, in particular by using the opportunities offered by political dialogue, trade and external assistance.
- By adopting a more strategic approach to the European Initiative for Democracy and Human Rights (EIDHR), matching programmes and projects in the field with EU commitments on human rights and democracy.

E. Conflict prevention

The ever-growing list of causes of conflict calls for international co-operation and multilateral action of a new order. The EU, itself an on-going exercise in making peace and prosperity, has a big role to play in global efforts for conflict prevention.⁷⁸ For this, it has at its disposal a wide range of instruments for long term or short-term action.

Both among its immediate neighbours and throughout the world, the EU seeks to project stability in supporting **regional integration** and in building **trade links**. With a long experience in these fields, the EU is well placed to do so. Direct support to regional structures in Africa and autonomous trade concessions to the Western Balkans are examples of instruments with a long-term stabilisation perspective.

Development policy and other co-operation programmes provide the most powerful instruments at the Community's disposal for treating the root causes of conflict. There is a need to take a genuinely long-term and integrated approach, which will address all aspects of structural stability in countries at risk. In doing so, co-ordination between Commission and Member States activities must be ensured. On a practical level, strategic documents (Country Strategy Papers) elaborated for each country receiving EC assistance will be the key tools to mainstream such an approach into co-operation programmes. Appropriate indicators will also be used.

In countries showing conflict potential, there may be a need to focus external aid on the (re)emergence of a favourable political environment (*e.g. support to democracy, rule of law, civil society, independent media, gender equality etc.*). There may be also a need for the Community to become more involved in **security sector reform**. When a country emerges from conflict, the Community should contribute to the consolidation of peace through specific programmes such as **rehabilitation**.

78. The source of this statement is the Executive summary of the Communication from the Commission on *Conflict prevention* [COM(2001)211] 11.4.2001.

Another approach to mainstreaming conflict prevention is to find more effective ways, within the Union and in the wider international context, to address **cross-cutting issues** which may contribute to tension and conflict. The most important ones concern drugs, small arms, natural resources, environmental degradation, population flows, human trafficking and to some extent, private sector interests in unstable areas. Community instruments in these areas may be further developed.

In parallel to long term preventive action, the EU should improve its **ability to react quickly** where a situation in a particular country seems to be entering a downward spiral. This clearly requires an effective early warning system. In pre-crisis situations, many Community instruments including new ones such as the **Rapid Reaction Mechanism** can be used. The EU can deploy a variety of options ranging from **political dialogue** to **Special Representatives** and including, in the future, civilian crisis management mechanisms. All of these may be improved, made more systematic and flexible. But in any case they need to be based on a common political line between EU Member States.

Potential conflicts often cross borders. This demands **international co-operation** on long term prevention activities as well as **co-ordination** of responses to pre-crisis situations. The EU will therefore strengthen its co-operation with international partners active in the field of conflict prevention, such as US, Canada, Russia, Japan and Norway, main international organisations such as UN and OSCE as well as NGOs.

F. From food aid to food security

For about ten years now, the European Commission has moved from thinking in terms of food aid⁷⁹ to thinking in terms of food security, thus expressing a different approach: the concern is now that the poorest and most vulnerable populations be guaranteed permanent access to long-term food supply of good quality. They must also be given the means, wherever possible, to participate in the economic activities of this vital sector.

The transition from classic food aid to the fight against food insecurity was made in 1996, when the Council adopted a Regulation which defines the present legal framework of the “food security” programme. This ruling is a milestone inasmuch as it **includes food security in sustainable development and in poverty reduction policies**.

It makes possible a global approach to food security by targeting simultaneously supply (increasing agricultural production and/or imports, market information systems and developing the private sector), demand (the diversification and increase of family incomes and the access of vulnerable groups to basic social services) and crisis prevention (early warning system, restructuring buffer stocks).

It also paves the way for strengthening the capacities of active local and national partners (including ministries of agriculture) as well as the development of budget support to beneficiary governments.

In this process, emphasis is placed on **various instruments**. The most important among them are access to production factors (inputs, seeds, equipment, security of land tenure) as well as to credit and information, the development of non-farming jobs and the diversification of family income, increasing

79. The sources of this Annex are a Staff Working Document on *Implementation of EC External Assistance* D(2001)32947 and Regulation No. 1292/96, adopted by the Council of the European Union on 27 June 1996.

people's ability to participate in decision-making and guaranteeing the rights of communities, all elements closely associated with the treatment of combat poverty.

Lastly, this Regulation recognises that priority must be given to targeting the food security programme on the most vulnerable populations and on least development countries (LDCs).

Food security and existing strategies

In order to be effective, the fight against food insecurity must be conducted with consultation and co-ordination. It must develop opportunities of synergy and complementarity with the different Community development programmes, taking into account the action of other donors. This leads the Commission to respect the international Food Aid Convention. (See Box III-2.)

Box III-1. Evaluation of the programme

As foreseen in the Regulation, in 2000 the Commission had an independent evaluation made of its food aid and security programme. The evaluation showed the relevance of the food security programme in the fight against poverty and the need to maintain it.

In fact, maintaining this specific instrument the support of community efforts (sic) in three directions:

- In the domain of structural food insecurity (the first step in reducing long-term poverty), the problems caused by insufficient provision of food and specific nutritional conditions.
- The need to fill the gap between urgent aid, rehabilitation and development assistance.
- The EC commitments through international agreements and multilateral initiatives so as to establish the strategic frameworks of the fight against poverty.

The evaluation principally underlined the necessity for coherence, not only in food security but also in other community actions, within the global strategy for each country. In particular, the strategies for each country should take all instruments into account, in a coherent and complementary way.

In order to better measure the impact of this programme, it was recommended that specific criteria and verifiable indicators be developed for all projects and programmes as well as the development of a systematic follow up and evaluation of actions on the ground.

Box III-2. International Food Aid Convention

This agreement is the reference document for the main donors. It fixes the minimum annual commitments in food aid from the signatory countries* and specifies common rules in order to limit the negative side effects. As re-negotiated in 1999, this international agreement aims at a better integration of food aid in the overall context of support for food security.

*Argentina, Australia, Canada, EC and Member States, Japan, Norway, Switzerland, United States.

Community programmes

The food security programme is applied in different regional areas, each of which has specific co-operation agreements with the EU, on the basis of which opportunities for synergy and co-operation are sought. These regional programmes include the EDF (Africa, Caribbean and Pacific Islands), ALA (Latin America), MEDA (Mediterranean area), OBNOVA (former Yugoslavia and the Balkans) and Tacis (Newly Independent States). This desire for coherence has now been formalised by the drafting of a single Community strategy for each country, which is vital in ensuring complementarity between the different programmes and co-operation with other financial backers, especially in the United States.

Within the Union, Member States approve the strategic guidelines of the food security programme and the funding proposals per country and per partner. There is also a code of conduct on food aid between Member States and the Commission. In practice, co-ordination is established on a case by case basis, according to the degree of commitment of the donors and the nature of the programmes being implemented.

Specific agreements

Furthermore, specific co-ordination agreements exist, with a section on food security, with certain donors. Thus in the context of United States-EC dialogue, co-operation between the Commission and the USAID co-operation agency concentrates on seven pilot countries: Bangladesh, Bolivia, Ethiopia, Haiti, Kyrgyzstan, Malawi and Mozambique.

Box III-3. Intervention countries

Concentrating the interventions of the Commission on the most vulnerable countries has been one of the priorities of the Community food security policy over the last few years. Whether direct or indirect, these interventions target 34 countries, most of which have low incomes and are not self-sufficient in food production. According to the nature of the food problems, these countries are divided into two groups: structural intervention countries and crisis or post-crisis countries.

Structural intervention countries

In these 20 countries, the respective governments are motivated to move towards a long-term food security policy, which has already been drafted or is still being negotiated.

Armenia - Azerbaijan - Bangladesh - Bolivia - Burkina Faso - Cape Verde Islands - Ethiopia - Georgia - Haiti - Honduras - Kyrgyzstan - Madagascar - Malawi - Mauritania - Moldavia - Mozambique - Nicaragua - Niger - Peru - Yemen.

Crisis or post-crisis countries

In these 14 countries, the interventions are dictated more by the current economic situation. Supply of food aid, farming implements and seeds predominates, combined with additional technical and financial support, in order to avert the risk of famine or to contribute to the restoration of the social and economic fabric, affected by conflicts.

Albania - Angola - North Korea - Ecuador - Eritrea - Liberia - Montenegro - Palestine - D.R. Congo - Rwanda - Sierra Leone - Somalia - Sudan - Tajikistan.

Geographical distribution

Geographical zones	Value in EUR million
ACP	236.83
Asia	61.34
Latin America	34.31
NEI	41.43
Europe	11.00
Mediterranean & Middle	24.80
Other	48.70
Total	458.41

G. Promoting sustainable transport in development co-operation

This communication guides the Community and Member States support to transport⁸⁰ in the developing countries for achieving the main development goals laid down in the Treaty establishing the European Community. The Communication therefore outlines a comprehensive sectoral approach that is valid for all transport modes - roads, railways, air, maritime and waterway transport as well as the services to facilitate movement of goods and people. This approach builds on a framework of principles to achieve the wider development goals, and provide a strategy that will deliver sustainable transport which is safe, economically, financially and institutionally sustainable as well as environmentally sound and socially aware.

The Community's approach draws on the European Commission's experience in working with the EU Member States, recipient countries and other donors. Since 1963, support to transport has largely focused on the Africa, Caribbean and Pacific (ACP) region. In the 1990s transport was included in the development co-operation with the countries of the Mediterranean region, Asia and Latin America, and the New Independent States. The ACP region remains the main recipient of financial support in the transport sector, with allocations currently up to almost 40% of the agreed national and regional indicative programmes. This makes the Community one of the leading donors in the ACP region, the World Bank is the other.

The sectoral approach for reaching development goals is based on principles that transport meets stakeholder needs, is safe, affordable, and efficient, and has minimal negative impact on the environment. To contribute to economic and social development, transport must receive a proper share of national budgets, which give priority to maintenance. Greater transport efficiency relies on public-private partnerships with government taking a more supervisory and regulatory role. The free flow of transit traffic will contribute to integrating the developing countries into the world economy. And, transport must be safe for all and provide mobility, equitable services and opportunities for men and women, particularly the poor.

The strategy for sustainable transport integrates sectoral and cross-cutting issues. Economic sustainability requires balanced public expenditure, fair competition and rational pricing of services. Financial sustainability relies on increasing private sector participation in railways, maritime and inland ports, and airports. But, for roads, it depends on securing sufficient revenue for maintenance. Institutional sustainability calls for more autonomous railways, ports and airports to allow

80. The source of Annex III G is a *Communication to the Council and European Parliament*, COM(2000)422 final 6.7.2000, and some programming guidelines by Commission staff.

commercialisation and eventual privatisation of operations. But, roads management has to adopt commercial practices. Specific measures are needed to mitigate environmental risks and promote non-motorised transport. And, by providing effective and appropriate means, transport should meet the different needs of people in rural and urban areas.

The way forward to creating sustainable transport in the developing countries for the European Commission and the Member States relies on political commitment and stakeholder ownership in developing countries. This is vital to the co-management of Community development co-operation. It also depends on the adoption of the sectoral approach, commercialisation and privatisation, and requires the mainstreaming of the environment, safety and social awareness. Thus, for the first time at Community level, the priority actions are for developing sound policies and affordable strategies; measures to restructure private and public transport agencies; and optimising existing transport systems before upgrading and expansion. These actions together with a widening of the Commission's co-ordinating role with Member States and other donors will help developing countries build a common approach for sustainable transport to effectively contribute to development.

Programming guidelines for the transport sector

Sustainable transport systems facilitate development and contribute to poverty reduction by facilitating the mobility of the poor and providing physical access to jobs, health and education. Appropriate access is essential for economic growth and trade, and fosters integration. Achieving these development goals requires that transport should meet stakeholder needs, be safe, affordable and efficient, and have minimal impact on the environment. To deliver sustainable transport, partner countries need to adopt a sectoral approach that integrates sectoral and cross-cutting issues. Such an approach must build economic, financial and institutional sustainability as well as being environmentally sound and socially aware.

H. Budget support

The Court examined the Commission's monitoring of the use of the counterpart funds⁸¹ from EDF support for structural adjustment in ACP States, but did not examine the structural adjustment programmes *per se*. The audit mainly considered 23 Financing Agreements concluded with eight ACP States between 1994 and 1999. Most of the support took the form of direct aid to beneficiary countries' budgets and was subject to the national implementing and control procedures applicable to public expenditure in the ACP States, not the EDF procedures.

The observations concerning the Commission's management are about the extent of budget expenditure targeting, the provision of funds, the use of technical assistance and auditing and the administrative organisation of the Commission departments. Some of the weaknesses that were noted in these different areas confirm the importance for the Commission of monitoring more closely the quality of public finance management in beneficiary countries, the volume and regularity of the social sector expenditure and the refocusing of programmes, in co-ordination with all the parties concerned, in order to achieve effective poverty reduction in the beneficiary countries.

81. The source of this statement is a Special Report from the Court of Auditors: Special Report No. 5/2001 on *Counterpart funds from structural adjustment support earmarked for budget aid (seventh and eighth EDFs)*, together with the Commission's replies. Summary.

Control of the expenditure targeted by EDF support was affected by the Commission's wishing to support balances of payments and priority sectors, and social sectors in particular, at one and the same time by refinancing expenditure. The controls were not always effective, because the data on the actual implementation of budgets were, in some cases, non-existent or inaccurate. Technical assistance was underused. Monitoring the quality and regularity of expenditure is the key to improving social services, but it was slow. From 1998 onwards the Commission's programme audit organisation improved. The irregularities that were uncovered did not result in funds being repaid to the EDF, but in several cases further aid was suspended pending corrective action.

Given the weaknesses in the national implementation and control procedures for public expenditure, it is unrealistic to think that in the priority sectors the beneficiary States' expenditure will always be effected regularly and will have a real impact on the level and quality of social services. The reforms that have been undertaken by these countries in the area of public finance management are recent and will only be fully effective in the longer term. The reality of this was confirmed by the audits that have been undertaken by the Commission from 1998 onwards. The budgetary authority must be aware of the inherent risks of the approach that has been adopted, must insist that the risks be evaluated through audits of public expenditure and should endeavour to reduce the extent of them gradually by encouraging effective implementation of reforms in the ACP States and, in particular, by means of concerted action by all the donors together.

In order to improve control over the implementation of support and ensure that it develops in line with the new guidelines from the budgetary authority, the Commission should:

- Base its programmes on a strategy and a plan for the reform of public finance management and on intensive co-ordination between all the parties concerned.
- Draw up clear guidelines so that its departments are better able to assess progress in the management of public finance in each of the countries concerned and to carry out a qualitative appraisal of the expenditure, otherwise there is a risk that programme objectives might not be achieved.
- Lay down procedures for monitoring and control of each programme, before the Financing Agreements are concluded.
- Effect a better distribution between its own departments of responsibility for monitoring general macro-economic and institutional support, on the one hand, and, on the other, responsibility for appraising the operation of the social sectors.
- In co-ordination with the IMF, improve the predictability of annual budget support, irrespective of the source of the funding.

Within the framework of multilateral approaches integrate its sectoral support into the budgets of the beneficiary countries wherever possible.

ANNEX IV

EC STATEMENTS ON ASPECTS OF POLICY COHERENCE

Some key policy statements

The European Community's Development Policy: Communication from the Commission to the Council and the European Parliament, 26.4.2000

One of the objectives of the EC's new development policy is to ensure effective, co-ordination, complementarity and coherence of policies and actions.

"Art 178 of the Treaty and common sense oblige the EU to check that the objectives of its development policy are taken into account when the implementation of other policies are likely to affect developing countries. This coherence-check is relevant for many areas of Community policy including *e.g.* trade, agriculture, environment, energy, research and technological development, fisheries, immigration, asylum, conflict prevention, health, competition, consumer protection and humanitarian aid..."

"The least that can be expected is that those who make the decisions have full knowledge of these indirect effects of policies. Thorough analysis and quantification of these effects will be promoted ... It is still possible that the EU makes a political choice to go ahead with a policy despite its potentially negative, indirect and unintended impact on developing countries. In these cases, it is important to ensure that this decision is made in full knowledge of its indirect consequences."

The European Community's Development Policy: Statement by the Council and the Commission, 10.11.2000

Following debate between the Commission and Council, this joint statement was issued and included the following paragraph on coherence:

"Efforts must be made to ensure that Community development policy objectives are taken into account in the formulation and implementation of other policies affecting the developing countries. The way to achieve this is to make a systematic and thorough analysis of any indirect effects of measures in especially sensitive areas and to take development problems into account in the Commission decision-making processes."

Cotonou Agreement on ACP-EU co-operation: Article 12

The Agreement stipulates that the joint ACP-EU Council of Ministers is responsible for political dialogue and tackling wider policies that have an effect on the sustainable development of ACP countries. It also says the following:

European Community

"... where the Community intends, in the exercise of its powers, to take measures which might affect the interests of the ACP states, as far as this Agreement objectives are concerned, it shall inform in good time the said states of its intentions... At their [ACP states] request, consultations shall be held promptly so that account may be taken of their concerns as to the impact of those measures before any final decision is made ..."

The ALA Regulation: EC co-operation with Asia and Latin America

There are no specific references in the ALA regulation to policy coherence. But it was agreed in 1992 and is about to be revised in 2002 following its evaluation in 2000-2002.

DG Trade's Mission Statement

This includes the following area of responsibility: "to ensure consistency within the Relex Group between the commercial policy and the Union's general external relations policy on the one hand and the contribution of the European Union to global economic governance on the other."

Green Paper on Common Fisheries Policy

"The Community has also to take account of the interests of emerging and developing fishing nations through a more equitable distribution of fisheries resources ... Certain priorities for the international action of the Community have to be established. These can be summarised as:

Promoting, where possible, regional Fisheries Agreements which have the advantage of better addressing the regional aspect of the resource."

The Community's bilateral relations must be adapted to changing circumstances Fisheries Agreements should from now on be able to meet developing States' requirements and legitimate aspirations to develop their own fisheries ..."

Main objectives of key EC policies affecting developing countries

Statement on EC Development Policy

The EC's new development policy was defined by the Commission's Communication (26.04.2001) (see Chapter 1, Box 2) and the subsequent joint statement by the Council and Commission (10.11.2001). The key objectives of the new policy were outlined as:

- Refocus resources towards alleviating poverty in developing countries.
- Stress the importance of national ownership of poverty reduction policies and the PRSP framework.
- Focus the Community's development assistance in six priority areas:
 - Link between trade and development.
 - Support for regional integration and co-operation.
 - Support to macro-economic policies and promotion of an equitable access to social services.
 - Transport.
 - Food security and sustainable rural development.

- Institutional capacity building, particular in the area of good governance and the rule of law.

In addition the policy will:

- Mainstream human rights, gender, children's rights, environment, conflict prevention and crisis management.
- Reform management of the EC's external assistance.
- Ensure effective, co-ordination, complementarity and coherence of policies and actions.

The Cotonou Agreement: EC-ACP co-operation

On 23 June 2000, the EC signed a new Partnership Agreement with 77 African, Caribbean and Pacific countries in Cotonou, Benin, replacing the former Lomé Convention Agreements. The Cotonou Agreement is a comprehensive framework covering development co-operation, trade and political dialogue for the period 2000–2020 (with a clause allowing revisions every five years and five-year financial protocols).

The Commission describes this new partnership as based on five interdependent pillars:

- A comprehensive political dimension.
- Participatory approaches, especially increased inclusion of civil society.
- A strengthened focus on poverty reduction.
- A new framework for economic and trade co-operation.
- A reform of financial co-operation.

The Commission (DG DEV and EuropeAid) has responsibility for administering the Cotonou agreement and there are various procedures for approval of specific programming documents and financing proposals. This includes presentation to the EDF Committee of Member State representatives who vote on specific proposals for action under the QMV procedure. Key aspects of the Cotonou Agreement include:

The political dimension

An enhanced political dimension puts more emphasis on regular, comprehensive, deep political dialogue aimed at contributing to peace, security and stability and promoting a stable and democratic political environment. It covers good governance, peace building and conflict prevention and migration.

Focus of development strategies

The central objectives of ACP-EC co-operation are poverty reduction, and eventually eradication, sustainable development and integration into the world economy. The areas of support covered are the following:

European Community

- Economic Development – investment and private sector development, macro-economic and structural reforms and policies, economic sector development, tourism.
- Social and Human Development – social sector, youth issues, cultural development.
- Regional integration and co-operation.

Economic and trade co-operation

This sets out a much more comprehensive and ambitious trading arrangement, but which complies with WTO rules. There are three prongs to the strategy:

- Smooth and gradual integration of ACP countries into world economy.
- Enhanced supply and trading capacity of ACP countries.
- Creation of a new trade dynamic between the ACP and EU.

Note: A new trading arrangement will be negotiated during a preparatory period (2002-2008) during which the current system of non-reciprocal trade preferences will be maintained. The LDCs are to in effect keep their preferential access by being accorded non-restricted and quota free access for essentially all their products to the EU market (recently confirmed under the Everything But Arms initiative). For the non-LDC ACPs, the Commission envisages negotiating Economic Partnership Agreements (EPAs) building on existing regional integration initiatives within the ACP. Negotiations on EPAs will begin in September 2002 and enter in force by January 2008 at the latest. In 2004, the Community will assess the situation of the non-LDC ACP countries not in a position to join EPAs and will examine alternative possibilities with a view to agreeing a new WTO compatible framework for trade equivalent to their existing situation.

Improved procedures and financing arrangements

A single Country Support Strategy (CSS) will now cover all EC operations in an ACP country. It will analyse the country's policy agenda and take account of the activities of other donors and NGOs. Each country will be allocated a resource envelop for use over five years which includes the basic country allocation and additional money for purposes such as debt relief, humanitarian aid and extra budgetary support. The allocations are no longer automatic, but based on performance. In addition, there is a rationalisation of financial instruments - all EDF resources will now be channelled through two financial instruments: the EDF (grants) and the Investment facility (risk capital and loans) managed by the EIB.

The ALA Regulation: EC co-operation with Asia and Latin America

The current ALA Regulation (No 43/92) was signed on 25 February 1992 and covers financial and technical assistance and economic co-operation with the developing countries in Asia and Latin America. It sets out the following objectives under two main budget lines:

- Financial and technical co-operation (EUR 315.9 million in 2000).
This is targeted mainly at the poorest populations and countries. It gives priority to the following areas:
 - Developing the rural sector and improving food security.
 - The improvement of the economic, legal and social environment for the private sector.
 - Protection of the environment and natural resources.
 - Measures to combat drugs.
 - Projects to help spread democracy, good governance and respect of human rights.
 - Support for national institutions to strengthen their capacity to manage development policies and projects.
 - Regional co-operation on the environment, trade, institutions, communications, energy etc.

- Economic co-operation (EUR 115.6 million in 2000)
This is devised to serve the “mutual interest” of the Community and its partner countries. It will help ALA developing countries to build up their institutional capacity so as to create an environment more favourable to investment. Support includes three sectors:
 - Improvement of scientific and technological potential and of the economic, social and cultural environment by means of training and transfer of know-how.
 - Improvement of the institutional structure to make the economic, legislative, administrative and social climate more conducive to investment.
 - Support for trade promotion and facilitation, business contacts, training etc.

The regulation lays a lot of emphasis on regional co-operation and also has a broad statement on the promotion of human rights, democratisation, good governance, environmental protection and trade liberalisation. It contains a clause (Article 2) permitting the Community to suspend co-operation in the event of persistent human rights violations or violations of democratic principles.

The Commission (now DG RELEX and EuropeAid) has responsibility to administer the financial and technical assistance and is assisted by a Committee of Member State representatives (ALA Committee) who vote on specific proposals for action under the QMV procedure.

The ALA regulation has recently been evaluated (2000-01) and will be revised in early 2002. It is likely that it will split into separate arrangements for Asia and Latin America.

EC Trade Policy

Aside from the specific trade arrangements covered by the Cotonou Agreement DG Trade is responsible for the European Community's external trade policy. Its key tasks include:

- To define the trade interests of the European Community in offensive and defensive terms.
- Where required, to negotiate bilateral, regional or multilateral trade agreements.
- To monitor and ensure the implementation of international agreements using the WTO dispute settlement system and trade defence instruments of the Community.

- To participate in devising and monitoring internal and external policies which have a bearing on the Union's trade and external investments (*e.g.* single market, consumers, technology).
- To ensure consistency within the RELEX group between commercial policy and the Union's general external relations policy.
- To provide the public – both sides of industry, civil societies and professional circles – with clear and comprehensive guidance.

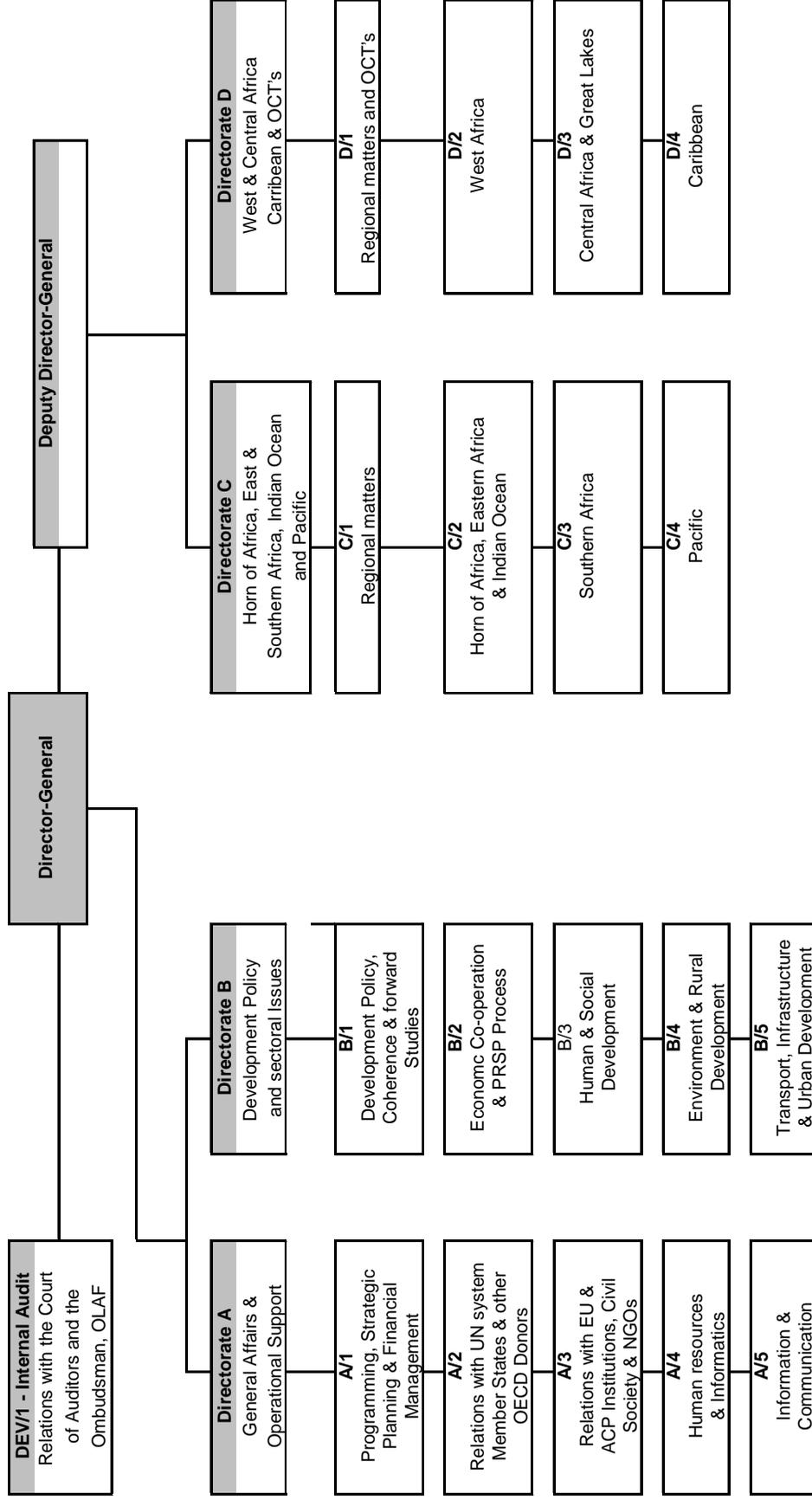
Proposed solutions to policy coherence in fisheries

The European Parliament, Council, DG Development and NGOs in the Coalition on Fair Fisheries Agreements (CFFA) have come up with a range of solutions to improve coherence. These include

- Ensure full compatibility with UNCLOS, where a fisheries agreement is only signed if a surplus of resources exists in the waters of the third country and with priority rights given to local artisanal fisheries.
- Stock assessments and impact studies for every new fisheries agreement.
- A committee of scientists to monitor each agreement.
- Consultation with the local fishing sector about each agreement and its impacts.
- Adoption of a precautionary approach to Total Allowable catches.
- EC provision of training, technical and scientific co-operation to help develop the local fishing industry and meet hygiene standards.
- A joint Fisheries and Development Council Working Group to be established to draw up a Code of Conduct on Responsible Fishing.
- Increase transparency of EC financial compensation, especially where it goes to in developing countries, where it often dwarfs the EC development programme budget.
- Ensure that old agreements coming up for renewal are also subject to these new provisions and those set out in a future CFP.
- Cut the practice of increasing vessel transfers to developing countries.

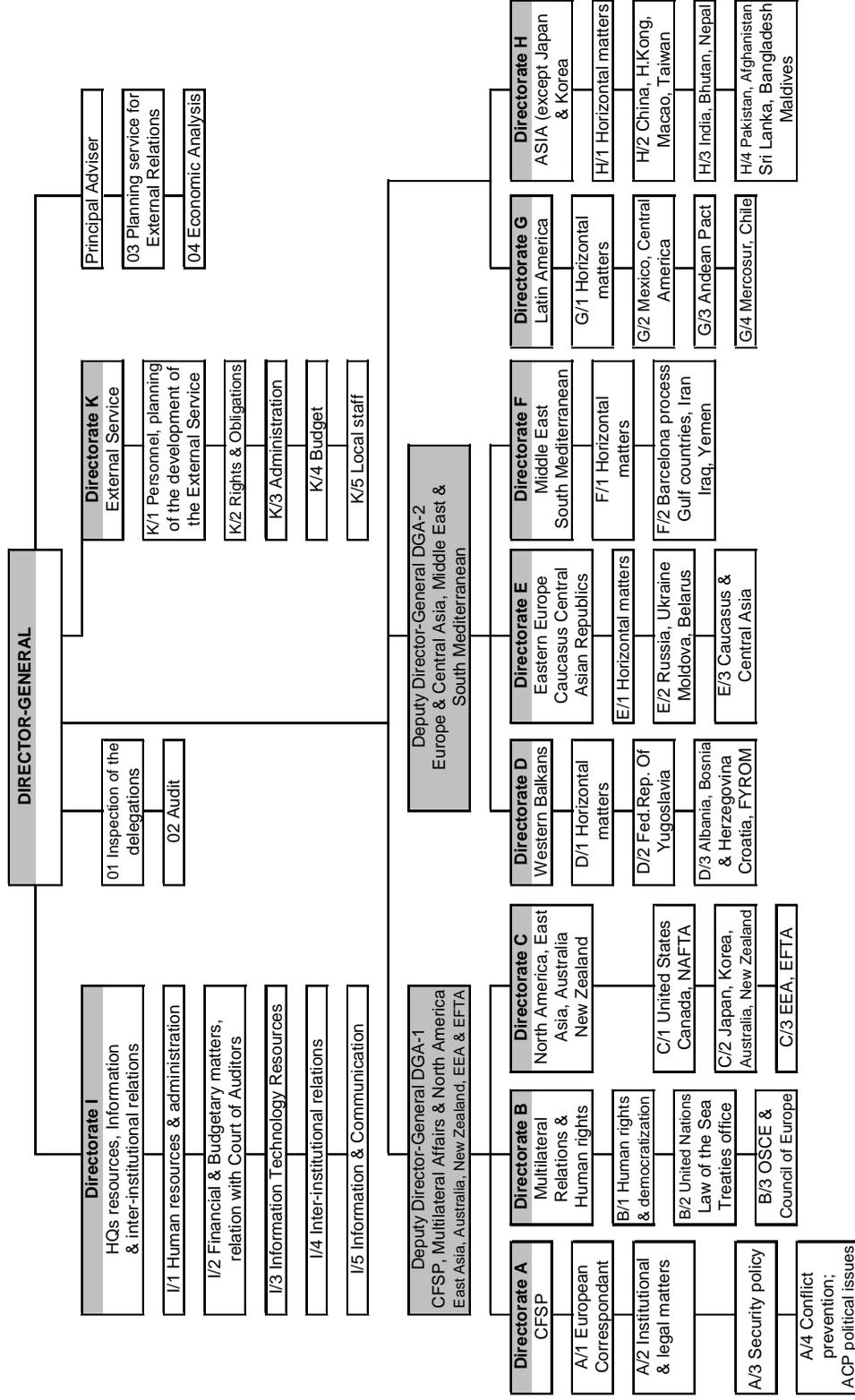
ANNEX V
ORGANISATION CHARTS

Chart V-1. Directorate-General Development (DGD DEV)



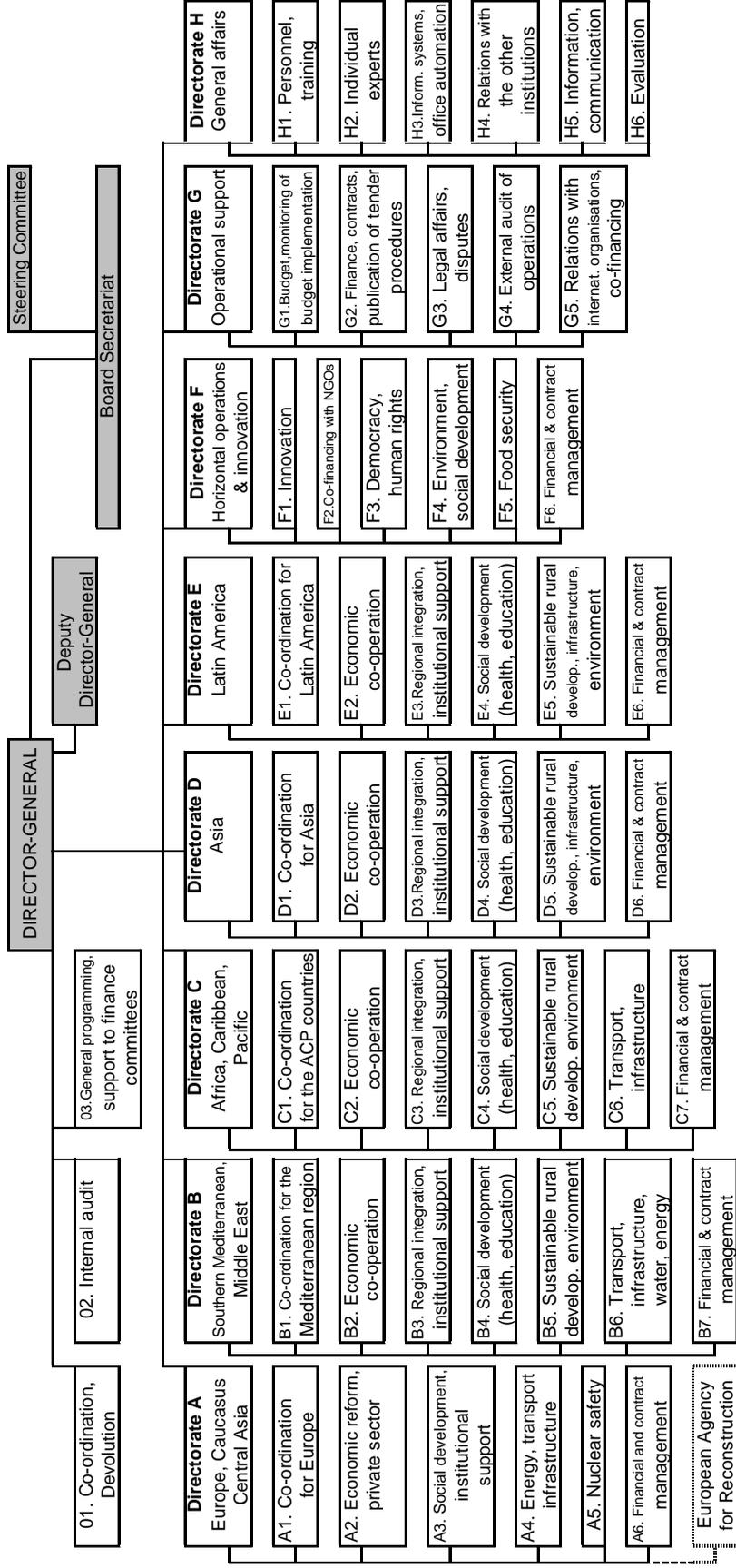
Source: DGD DEV.

Chart V-2. DG External relations



Source : DG-External relations.

Chart V-3. EuropeAid co-operation office



Source: EuropeAid Co-operation Office.

ANNEX VI

THE EC AID PROGRAMME IN BANGLADESH

Introduction

A field visit to Bangladesh was organised from 4-11 March 2002, in the context of the Development Assistance Committee (DAC) Peer Review of the development co-operation of the European Community. The visit was conducted by Examiners from Canada and Norway and two members of the DAC Secretariat. Numerous local personalities, including those in the Government of Bangladesh (GoB), local and European NGOs, informed citizens and other donors, were interviewed.

The developmental context of Bangladesh

A context of poverty. Bangladesh is one of the largest poor countries in the world. It currently has a population of approximately 130 million inhabitants and ranks 132 out of 162 countries on the UNDP Human Development Index⁸². The profile of poverty, yet a sense of hope, is evident in the country's basic socio-economic statistics. Perhaps one-half the population is illiterate. Today's gross enrolment rate in primary schools is 96%, net enrolment is 80% and completion rates were 64% in 1999. In the last twenty years, the infant mortality rate has dropped from 94 to 62 out of 1000 births and the fertility rate from 7 to 3.3 births per woman. Malnutrition rates are among the highest in the world, leaving 48% of children under five years of age underweight, and 45% stunted. Poverty is widespread, affecting some one-half of the total population. Around 30 million Bangladeshis are considered hard core poor, and live in extreme poverty. Per capita income remains close to USD 1 per day.⁸³

The special issue of trade. The economy of Bangladesh underwent significant pro-market reform in the 1990s and led to annual economic rates of growth approximating 5% in the latter half of the decade. This export-driven growth was significantly stimulated by the European Union agreement to allow tariff and quota-free entry to Bangladesh products, and resulted in major growth in the Ready Made Garment (RMG) area. Today, nearly 80% of the value of national exports is in the RMG sector. Bangladesh will face the probability of strong competition from large producers like China and India as a result of the phasing out of the Multi-fibre Arrangement (MFA) at the end of 2004, and a substantial negative slipover effect into the Bangladesh economy is expected. New opportunities for export diversification may open due to the EU's recent "Everything but Arms" (EBA) initiative, which offers non-restricted, duty-free access for virtually all products.

82. Life expectancy: 58.9 years; adult literacy rate: 40.8%; primary, secondary and tertiary gross enrolment ration: 37%.

83. USD 1 = 55 takas.

The sustainability of current policies. The structural poverty of Bangladesh is undoubtedly the greatest impediment to sustainability of current policies of economic development. This manifests itself in unequal distribution of productive assets, inequitable distribution of income, massive under-employment, and low levels of human resource development. Sustainability is also affected in Bangladesh by an unstable social system, a minimal level of law and order, and a lack of sustained good governance. Possibly a solution to long-term sustainability is the presence of a vibrant civil society, which has flourished since the return of Bangladesh to a democratic political system. While poverty reduction has always been a political priority in this country, it is important to note that the GoB soon expects to produce a more explicit Poverty Reduction Strategy Paper (PRSP), in collaboration with civil society and the donor community. An interim version of the PRSP is currently planned for June 2002. GoB officials informed the Peer Review team that it expects to use the PRSP to project vision for poverty reduction in Bangladesh which addresses sustainability issues, including those of a more political nature such as the calling of decentralised elections to empower local communities.

EC presence and strategy for Bangladesh

The evolution of EC development co-operation. EC-Bangladesh relations date from the years soon after independence, and a full-fledged Delegation was set up in 1986. Earliest interest in EU-Bangladesh relations was heavily oriented to trade issues and the provision of food aid. During the 1980s, assistance was provided to large projects in irrigation, rural development and resettlement. The current legal basis for co-operation was established in the context of a 1992 ALA Regulation⁸⁴ that covers financial, technical and economic co-operation with the developing countries of Asia and Latin America. In Bangladesh, the 1990's witnessed a gradual shift into more socially oriented portfolio of development activities. This was formally framed in the context of overall EU-Bangladesh relations, including a **political** pillar (human rights, governance), a **trade** pillar (encouragement for trade, capacity building), as well as a **development co-operation** pillar. The formal statement of this more integrated approach was the EC-Bangladesh Agreement on Partnership and Co-operation (1 March 2000). Testimony to the continued perception of the importance of trade is the fact that the Ministry of Commerce represents Bangladesh as Chair of the Joint Commission that implements the Agreement.⁸⁵ The Joint Commission set up four sub-groups (Social Development Co-operation, Economic Development Co-operation, Trade Development, Governance and Human Rights), which have the potential to play an important role in more specifically defining the nature of future official EC-Bangladeshi relations. For the moment, these sub-groups play a largely pro-forma and representative role only.

A total of EUR 1.7 billion in EC funds have been contributed to Bangladeshi development over this 25-year period. Bangladesh is now the second largest Asia programme funded by the European Community. The EC is the third largest bilateral donor after Japan and the UK. Taken together, the EU (EC and Member States) provides more than 17% of all aid funds to Bangladesh as is collectively the country's largest donor. Because of the general weakness of GoB structures, the EC programme makes

84. ALA Regulation (No 43/92), signed on 25 February 1992.

85. Given the overwhelmingly developmental orientation of the current EC portfolio in Bangladesh, it would seem appropriate to re-assess the appropriateness of the position of the Ministry of Commerce in this organisational arrangement. In the current context of deconcentration, it may also be appropriate to examine the possibility of delegating authority (currently located in Brussels) to represent the EC in this Joint Commission to the Head of Delegation in order to place more substantive responsibility for Bangladesh-specific policy and strategy debate in the hands of the mission.

extensive use of non-governmental and private sector implementation agents, although some one-half of EC funds are currently allocated to the GoB.

The Country Strategy Paper (CSP). A Country Strategy Paper for 2002-06, which is consistent with the recent EC Asia Strategy,⁸⁶ was approved in 2001. The CSP projects the use of EUR 560 million⁸⁷ over this five-year period, around the following key strategic themes:

– Improving Human Development Indicators	
Health, Population and Nutrition	120 million €
Education (formal/non-formal primary education)	125 million €
Food Security and Rural Development	120 million €
Employment Creation	10 million €
– Enhancing Trade Capacity, Economic Development and Regional	49 million €
– Other EC Priority Interventions	
EC Co-operation in Chittagong Hill Tracts	60 million €
NGO Co-financing	30 million €
Other (democracy and human rights, refugees, humanitarian aid, disaster preparedness, regional programmes, etc.)	46 million €

This new CSP is widely viewed by partners as a major improvement over past programming. Compared to the previous version in 1999 (produced essentially in Brussels), it is more strategic, more coherent, used a more participative process, and gives a more balanced emphasis on the development co-operation dimension of EC-Bangladesh relations. The May 2000 Agreement squarely states that the main objective of EC-Bangladesh co-operation is to “reduce and eventually eradicate poverty”, particularly as it uses its programme of development co-operation in support of trade. The CSP is unfortunately not very specific in developing an operational approach to that ambitious mandate. It is recommended that the Delegation undertake a formal re-evaluation of the consistency of CSP strategic choices with those of the PRSP⁸⁸, probably sometime in 2003.

The question of EC comparative advantage. Based on local discussions with Member States and Bangladeshis alike, it would appear that further analysis by the Delegation of the areas of development co-operation comparative advantage is merited. Some, more specific analysis will take place in the context of the CSP follow-on sector programming exercises, but a bigger picture poverty overview could take place in the post-PRSP exercise suggested above. Among the examples of EC comparative advantage cited by its partners in Dhaka included expansion of “trade and development” themes (noted in the 2000 Agreement on Partnership and Co-operation as an area of EC strategic interest and strength) and a special focus on governance, such as local government or judicial reform (seen as a *sine qua non* of sustainable development and where the EC could provide broader leadership to EU

86. *Europe and Asia: A Strategic Framework for Enhanced Partnerships*, Brussels, September 2001.

87. It is interesting to ponder the question of how the relatively less generous EC aid allocation for Bangladesh was calculated within the broader world calculus of geographic attribution of EC aid. Per capita annual aid for Bangladesh comes to EUR 0.9, while for Burkina Faso it was a disproportionately larger EUR 38.

88. There is currently a debate over the extent to which the PRSP will truly represent a Bangladeshi perspective and the extent to which it will be “just a donor document”. It is too early to judge, but this will, of course, influence the extent to which the PRSP will become a reference for the CSP.

Member States). Promising EC initiatives in the food security area may also be a comparative advantage area for future expansion.

This would seem to suggest interesting room for a more in-depth and locally informed analysis of strategic options for EC approaches to poverty reduction over the longer term. This could be simultaneously useful in better identifying an EC comparative advantage in this country and could impact upon the evolving issue of complementarity with EU Member States in Bangladesh, as well.

Organisation of EC aid

The current organisation. The Delegation of the European Commission in Dhaka is administratively supervised by the DG Foreign Affairs (RELEX) in Brussels, which until recently, exercised authority over the Delegation for both strategy and operations. The Dhaka Delegation includes two small, separate offices of the Food Security Unit and the humanitarian assistance office, ECHO. The current overall staff configuration of the Dhaka office (political, commercial, developmental) includes a Head of Delegation, 5 EC officials, 5 expatriate contract experts, and 6 local professionals, plus support staff.⁸⁹ This 24-person office will be “deconcentrated” in the course of 2002 and by the beginning of 2003 will be increased to 46 persons, the largest percentage of which will be support staff. It should be noted also that the Delegation employs 47 long-term technical assistants, who are generally affiliated directly with a specific GoB ministry.

A process orientation. External partners frequently commented that only a few of the current EC professional staff are known to the larger donor community. As was already remarked in the case of Burkina Faso, the officials and other expatriate and Bangladeshi professionals tend to dedicate their entire work day to implementation processes and have very little time for analytical tasks, strategic reflection or brainstorming with partner groups.⁹⁰ Because of the weight of these responsibilities, professional staff is limited to an estimated 10% of their time to visit EC field activities. This suggests that Brussels needs to pay special attention to personnel policies that it expects to use in the context of the current deconcentration effort. More senior professionals are needed to support the Delegation, both expatriate and Bangladeshi, if the EC is to effectively carry out leadership responsibilities among peers and partners.

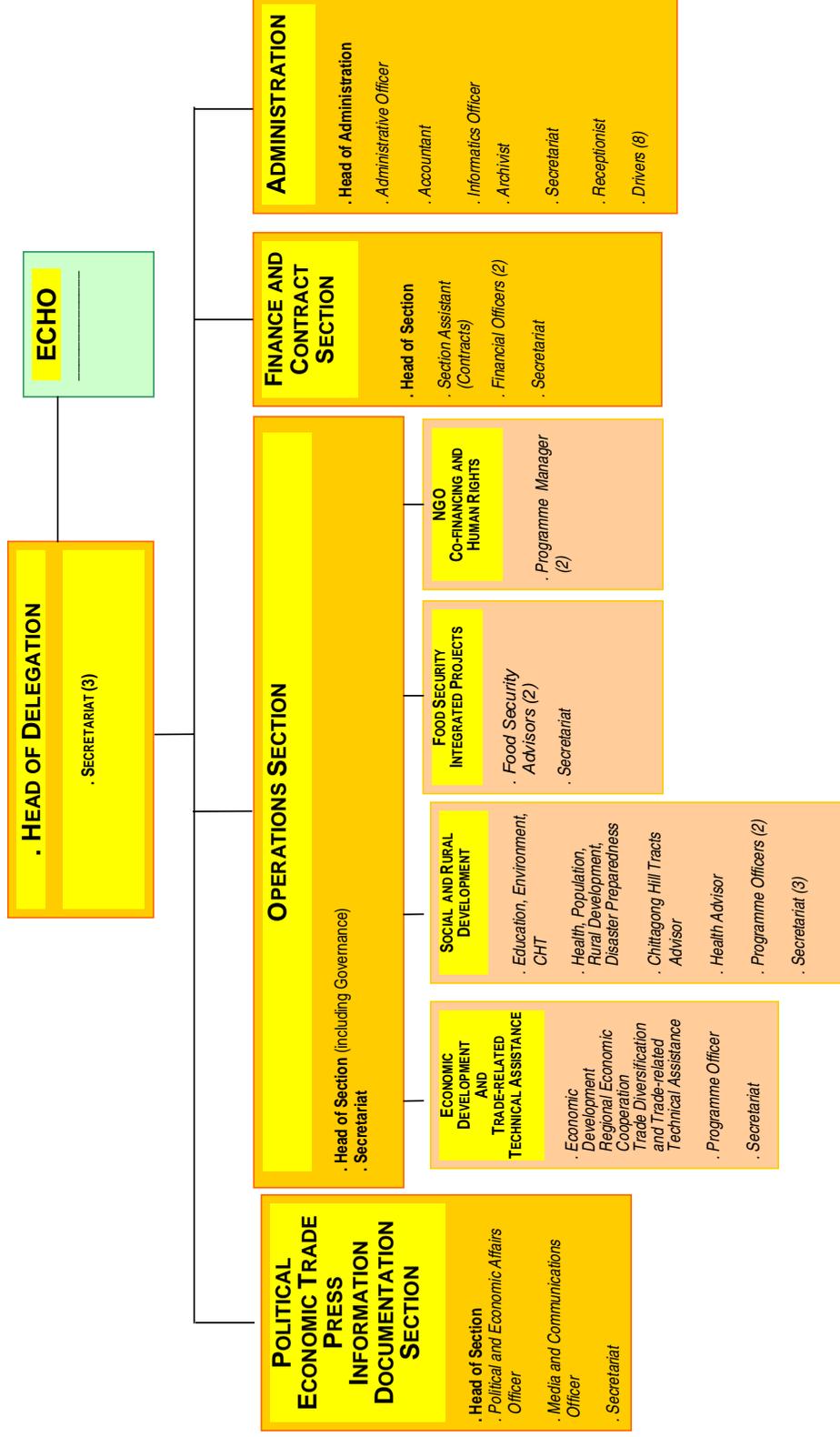
The future organisation. The Bangladesh Delegation has been targeted for deconcentration in the course of 2002. According to the formally approved organisational chart (see Chart VI-1) the Dhaka office will contain 46 staff (including some existing expatriate contract experts who will be integrated into the Delegation staff) by early 2003. The new organisation will be essentially structured around a Political-Economic-Trade Section, an Operations Section and a Finance-Contract Section. This new organisation chart appears to effectively translate the EC desire to improve the efficiency and timeliness of their aid by dedicating new staff to the key operational areas. Missing in this new organisation, and reflective of the current headquarters expectations for deconcentration of its field

89. Secretaries, drivers and lower level administrative staff.

90. As a point of comparison, DFID/Dhaka and USAID/Dhaka maintain 22 and 25 professionals respectively for an approximately similar funding level. These professionals work only on developmental issues.

Chart VI-1. Delegation of the European Commission to Bangladesh (Deconcentrated)

Version 1 February 2002



Source: EC/Dhaka.

delegations, is a clear reinforcement of the policy, strategic and planning capability of the Delegation, most of which will continue to remain in DG RELEX. As is noted elsewhere, this is an existing deficiency in capacity of the Delegation that prevents it from taking more proactive leadership, from more effectively co-ordinating with its partners and from addressing the difficult analytical issues of development in Bangladesh, including sustainability. This could become an increasingly serious omission with new pressures for PRSP-linked, field-based decision-making.

Implementation challenges

Procedures. Partner perceptions are practically unanimous concerning the slowness and complexity of EC implementation procedures. Many perceive that these procedures focus too much on control and lead to an emphasis of “formality over development reality”. Two exceptions were in the area of trade and in NGO activities, where partners found the EC reasonably flexible and where there were close relations with the local EC office. As in Burkina Faso, the centralised authority and oversight of Brussels was felt by many partners to be a major obstacle to implementation of EC aid in Bangladesh. Performance in this area will be measured by partners according to the rapidity and the flexibility with which future implementation is carried out.

Implementation modalities. European Community activities in Bangladesh are increasingly in the context of consortium approaches. Many of these activities are designed as projects, but notable exceptions are the large NGO projects and the Health and Population Sector Programme (HPSP), for which the EC is one of the four “pure” pool funders, whereas in all there are 18 other donors. Pool funds are used largely to purchase basic medical supplies, including vaccines and contraceptives. The EC is also working on the design of its activities in the education sector and would like to explore the use of a similar sector programme in this area. There are further opportunities for joint approaches in other sectors. Other possibilities may arise as the EC explores opportunities to link trade and development, and promotes better governance in various sectors.

Co-ordination with partners

A need to co-ordinate. Given its size and level of poverty, Bangladesh is a major recipient of donor funds (estimate of USD 1.5 billion per year). In-country donors, include some twenty major actors, including eight European Union Member States. Several active donors have large programmes and large decentralised missions in Dhaka (*e.g.* IBRD, AsDB, DFID, USAID, Netherlands). Co-ordination among donors and with other partners is necessarily extensive and frequent.

An intensive schedule of consultation. To quote one lead local donor, Bangladesh has perhaps the “most developed donor co-ordination scheme in the world”. At the macro level of consultation between donors and the GoB is the annual **Bangladesh Development Forum** (formerly the CG) system of meetings for Bangladesh, largely co-ordinated by the local IBRD office. As for the donor community, it has organised itself on a more routine basis around a **Local Consultative Group (LCG)** system. It includes an Executive Committee of five (UNDP, AsDB, IBRD and two bilaterals, currently DFID and CIDA) that meets bi-monthly, and 23 sub-committees, that regularly meet to exchange information and co-ordinate on key issue. The sub-committees are commonly chaired by one of the leading donors in that topic area and provide much of the topical analytical input to the LCG discussions. Lacking time to do so, the EC chairs none of the 23 sub-committees. At the level of the European Union, the **Heads of Missions** meet monthly to discuss broader issues and those of a more political nature. To promote co-ordinated action among the Member States, a **Development Council** was put together in 2000 to discuss the more specific technical questions of development co-operation. It meets 4-5 times per year. Finally, depending on the topic, select groups such **the Tuesday Group** (heads of diplomatic missions), the **Utstein Group** (Germany, Norway, Netherlands, UK – ad hoc

meetings), or the **Like-Minded Group** (Norway, Denmark, Sweden, Canada, Netherlands – ad hoc meetings) choose to meet on a periodic basis. A growing interest in the local PRSP process of collaboration, as well as a growing consensus over the utility of sector approaches suggests that partner co-ordination is an area of activity that will become even more important in the future.

A special role for civil society

Instruments for EC collaboration. Civil society organisations in Bangladesh have been vibrant and innovative, and undertake much of the development activity with the poor that the government cannot do. In recognition of this fact, the EC channels almost 50% of its funds to NGOs. The EC interacts with these organisations through three main instruments: i) NGO co-financing schemes operated from Brussels. European NGOs are funded as intermediaries and identify Bangladeshi partners to support their activities in community development, human rights, education and health. ii) Other specialised horizontal budget lines managed by Brussels, except for Food Security which has been integrated into the CSP. iii) Contracts from regular projects in the ALA Programme for Bangladesh, mainly with large local NGOs (BRAC, Proshika, Gonoshostro Kendra, RDRS).

EC relations. The EC is very positive about its work with NGOs, and NGOs regard the EC as an important partner. It can provide substantial funds and can, in certain circumstances, be flexible about the use of funds. In a few cases, it has even reacted more speedily and with greater funds to meet funding gaps than other donors. These cases, which contradict the general view of slow and bureaucratic procedures, point to the benefits of delegating authority to the Dhaka office and of reducing the role of Brussels in project management.

Role of NGOs in poverty reduction. While support to NGOs was established in the past because of their apparent ability to reach the poor, donors are now in the process of rethinking this. NGOs are also rethinking their role, their relation to government, and how to avoid inappropriately competing with the private sector. There is a need to strengthen government institutions and new effort is looking in this direction. While this debate continues, the EC should also review its support. One issue noted by the Peer Review team was NGO participation in the PRSP process. Although the Ministry of Finance did fund a study of the NGO perspective of how to most effectively deal with poverty reduction, several NGO leaders interviewed continued to express the opinion that the new interim PRSP would be written by the Ministry to be a “donor document”, with only symbolic input from civil society.

Monitoring and evaluation

The current project monitoring and evaluation system is largely carried out by NGO or contract implementation agents. A routine exception to this rule is the normal project mid-stream evaluation (largely funded and controlled by Brussels), and selected, locally and jointly tailored M&E efforts with other donors. In this latter category are the large NGO activities funded through BRAC or Proshika (where donors carry out joint evaluations that are co-ordinated with an independent Donor Liaison Office), and the joint donor evaluations of the health sector HPSP activity. A new, worldwide project monitoring system has been used on an annual basis since 2000 by EuropeAid in Brussels. So far, the Dhaka Delegation has received two annual visits from the Brussels contractor and has had little direct input into the reporting system. Delegation staff note disagreement with some of its findings. This expensive system would appear to merit re-examination by Brussels in favour of a less-expensive and more locally-informed monitoring process that could be integrated into normal Delegation responsibilities.

The current EC leadership in Brussels has made clear the importance of gathering basic feedback and evaluatory information on EC implementation as a key input to broader institutional learning. This feedback is critical to understanding the developmental impact of EC activities so as to learn progressively how to shape the design and manage human and financial resources in increasingly efficient, effective, and country-specific manner. It is the basis of all reporting back to European administrative and political leadership in Brussels, not to mention the European taxpayer. As the EC pays more attention to better quality and more focused implementation feedback, the experience in Bangladesh is a reminder of the need to rethink the entire feedback loop between Brussels and the field (who, when, how, what), especially in the new context of deconcentration. As the Dhaka office works to reinforce its part of this evolving world-wide system, it is suggested that the office be authorised to contract with a specialist to test the validity of its own monitoring and evaluation system and simultaneously inform the broader deconcentration exercise. This specialist should assess the validity of the current project monitoring process and how it can optimally feed into the evaluation process. The specialist could also examine the way in which deconcentration of the local office is structured to deal with today's M&E issues. This could include a review of the capacity of key EC implementation agents to provide appropriate and timely feedback, and an examination of the complementarity of feedback systems between the EC and EU Member States.

Main findings and recommendations

An improved country strategy. The Delegation is widely congratulated for the new Country Strategy Paper for 2002-06, which, for the first time, provides a coherent approach to EC policy and programming in Bangladesh. In line with recent policy statements by the Commission, it is suggested that more explicit framing of CSP around the overarching priority of poverty reduction be made, particularly following the expected completion of an interim PRSP this year or next. It is recommended that the Delegation and Member States formally review the CSP for consistency with the new interim PRSP soon after its completion. This could also be an opportunity to re-examine governance or other EC potential comparative advantage areas.

Complementarity with the Member States. A special effort was made to involve the Member States in the design of the CSP and most felt that EU-Member State collaboration in Dhaka has never been so strong. Nevertheless, greater clarity in defining the comparative advantage of the Delegation vis-à-vis the Member States is needed, if the value of complementarity is to be realised.

An invitation to policy dialogue. The new Agreement on Partnership and Co-operation with Bangladesh offers an opportunity to look carefully at ways of developing relations with government and promoting country ownership. This permits a new focus on trade and the political dimensions of development co-operation, including human rights and governance. There is now a special need to maintain the local analytical capacity required to address evolving issues such as the promotion of trade capacity and how to benefit from the EBA.

Perceptions of EC procedures. As was true in Burkina Faso, partner perceptions are widespread concerning the slowness and complexity of EC implementation procedures. Many felt that EC efforts on the ground were too "control" and process oriented, and created the impression of seeking "formality over development reality". Current worldwide attempts by Brussels to simplify and resolve known procedural difficulties must be explicitly tracked and pursued until this perception is reversed.

Putting the field first. Partners strongly approve of current efforts to “deconcentrate” authority to the field in those areas where the local delegation can do it best. Current plans for deconcentration are felt important for more timely and efficient implementation, but are seen as only a first phase. Building on the experience of other bilateral and multilateral donors that have already decentralised their missions in Dhaka, it is recommended that a later phase of deconcentration aim at delegation of the lead responsibility for policy and strategy decision-making, as well.

Staffing and leadership. The small professional staff within the Delegation is perceived by partners as professional and hard working. They are also seen as overworked and understandably unable to provide sufficient time to partner co-ordination, nor to properly collaborate on the bigger picture issues of strategy and local policy. The EC was graphically described by one donor as a “timid giant” with large resources, but little visibility. Given appropriate staff, the EC has the potential to play a more important role among donors, especially with the EU Member States and with the multilateral institutions. Enhanced Delegation staff capacity was also applauded as an immediate and visible response to current procedural problems, and is a first step toward improved communication and co-ordination with its partners. Additional use of experienced, Bangladeshi professionals, both in the office and in the field activities, is another cost-effective capacity building opportunity that should be fully explored in the context of deconcentration.

Measuring success. Current attempts by Brussels to carry out project monitoring in Bangladesh would seem more effective and less costly if left to the Delegation to implement. As Brussels moves progressively toward its new, deconcentrated and reformed management worldwide, it would seem important to carefully reassess the overall feedback system to ensure optimal roles and responsibilities for Brussels and the field. Greater attention to the use of joint evaluations with other partners is another effective option, and could be particularly useful as the donor community attempts to use sector approaches locally.

The strong role of NGOs in poverty reduction. Donors recognise the comparative advantage of NGOs in reaching the poor, but are in a process of rethinking how they can best provide support to NGOs, while strengthening government capacity in social development. The EC channels some 50% of its funds through NGOs and should give attention to this debate, along with other donors.

ANNEX VII

THE EC AID PROGRAMME IN BURKINA FASO

Introduction

A field visit to Burkina Faso was organised from 1-8 December 2001, in the context of the Development Assistance Committee (DAC) Peer Review of the development co-operation of the European Community. The field visit was conducted by Examiners from Canada and Norway and two members of the DAC Secretariat. Numerous local personalities, including those in the Government of Burkina Faso (GoBF), Burkina Faso non-governmental organisations (NGOs), informed citizens, and other donors, were interviewed in this effort. The results of this review of EC development co-operation in Burkina Faso follow.⁹¹

The development context of Burkina Faso

A context of difficulty. Burkina Faso is a landlocked, West African Sahelian state. It is one of the poorest countries in the world and is comprised of 11.6 million inhabitants, has a population growth rate of 2.4%/year. Burkina Faso is currently classified as 159th out of 162 countries in the world on the UNDP Human Development Index.⁹² Average life expectancy is 45 years and the current literacy rate is only 22%. Burkina Faso has few natural resources and a semi-arid environment that subsists under weak and poorly distributed rainfall. The economy is built largely on rainfed agriculture, which is the primary occupation of 80% of the active population and represents 40% of GDP, but also on a constantly growing service sector that is heavily informal. The modern economy suffers from high factor costs and depends on a limited number of export products (cotton, gold and cattle). Despite recent macro-economic progress (5% average growth over the period 1996-99) and important infusions of foreign development assistance, improvements in the living conditions of the Burkinabe people and reduction in the level of poverty remains limited. The GNP per inhabitant is USD 230 and 45% of the population lives under the poverty threshold. Burkina Faso is a member of the West African Economic and Monetary Union (UEMOA, in French), and shares its CFA Franc currency with seven other West African states.⁹³ Burkina Faso shares problems of food insecurity and desertification with many of the other states in the region and makes use of regional programmes to help address such issues. Burkina Faso is heavily dependent on donor financing. Some 75% of public investment is funded in this manner, and perhaps as much as 50% of the GoBF total budget.

91. Because the 9th EDF programme and the approaches embodied in the yet-to-be ratified Cotonou Agreement are new, it is important to note at the outset that the activities reviewed by this Peer Review in Burkina Faso were those of the more traditional 7th and 8th EDF and the approaches contained in the Lomé Agreement.

92. Life expectancy: 44.7 years; literacy level: 22.2%; primary and secondary enrolment rate: 22%.

93. 1 EUR = 655.957 FCFA.

The Burkinabe Poverty Strategy. Given this situation of extreme poverty the vulnerability of its people, the GoBF has prepared its PRSP, the *Document cadre stratégique de lutte contre la pauvreté* (DCSLP), around four strategic themes: i) to accelerate growth with equity; ii) to guarantee access of the poor to basic social services; iii) to enlarge the opportunity among the poor for employment and other revenue generating activities; and iv) to promote good governance. This new strategy was developed in 2000 by the GOBF in collaboration with representatives of civil society and the donor community, and has since become a major reference document for Burkinabe and donor funding of development in this country. Burkina Faso was one of the first countries in the world to obtain approval of its full PRSP (June 2000).

The EC strategy for Burkina Faso

The current strategy. Through the bias of the various EDF programmes governed by the Lomé Convention, the EC has maintained a development assistance programme in Burkina Faso for more than forty years. This programme was noticeably reinforced in the 1990s and led to the EC becoming the largest donor in the country by 1997. It is significant to note that the combined funding of the European Union (EC and Member States⁹⁴) represents more than one-half of the total aid provided to Burkina Faso.

In the context of the 9th EDF, the Ouagadougou Delegation produced in 2001 a new Country Strategy Paper⁹⁵ (CSP) for the period 2001-07. The CSP is seen as significantly better focused than previous versions by EC partners. The Delegation formally signed this document with the GoBF in March 2002. The new strategy comes with an estimated budget of EUR 275 million over a six-year timeframe. It builds on the principles of the new Cotonou Agreement and of the recent DCSLP poverty strategy of the GoBF. The new strategy is applauded by EU Member States locally as being consistent with the comparative advantage of the European Community in Burkina Faso and complementary to their own bilateral aid strategies in the country. The key areas of intervention of the EC strategy are:

- 1) Macro-economic assistance, through use of budget support (EUR 150 million).
- 2) Sector support.
 - Transport sector (EUR 100 million).
 - Rural development and food security (funded outside the EDF).
- 3) Selected institutional support actions (EUR 10 million) and support to non state organisations for local development (EUR 15 million).

At the level of the **macroeconomic** portion of the strategy, it is important to note that this is general budget support, although this is partly disbursed on the basis of macroeconomic indicators and partly on sector indicators for health, education and public finance management. This programme directly supports the objectives of the DCSLP, especially the assurance of equitable access to social services. More information on EC macroeconomic assistance can be found in the section on "Implementation" below.

94. EU Member States with active development assistance programmes in Burkina Faso are France, Germany, Netherlands, Denmark, Italy, Belgium, Austria, Finland, Sweden, and Luxembourg.

95. *Document de stratégie de coopération et programme indicatif pour la période 2001-07*, Burkina Faso – European Community.

As a landlocked country, more than 1000 kilometres from coastal shipping ports, Burkina Faso is highly dependent on its **transport** infrastructure. The EC will contribute essentially to support road maintenance operations in the context of the Transport Sector Programme that is jointly funded by the donor community. Transport is seen as by most EU Member States as a comparative advantage of the EC in this country and a way of permitting the smaller bilateral EU programmes to avoid involvement in these important, but large investments. Germany is the only European bilateral donor that continues to invest in this sector in Burkina Faso.

In the area of **rural development and food security**, the EC will support selected aspects of the GoBF national strategy for food security, once it is developed in 2002. Agriculture and livestock constitute the motor of national development and employ some 80% of the population of the country. The evolution of local efforts at rural development will also directly impact upon the environment and natural resource management.

EC funding for **institutional support**, particularly in terms of governance and human rights, is a feature of the new Cotonou Agreement and is an area where the EC could have a significant comparative advantage over the near future. More specifically, this programme will reinforce local institutional capacity to implement the DCSLP, support broad-based civil society, and to contribute to selected regional programmes.

While mentioned briefly, it should be noted that gender concerns, which have been relegated to the status of a cross-cutting issue, are not explicitly presented in the CSP. Currently one EDF project and a few smaller NGO projects explicitly include gender issues. Indicators used for disbursement of health and education budget support also contain gender references. Given the importance of gender issues for the future growth and equity expectations for the country, it is hoped that gender will be more specifically addressed in the follow-on technical missions for each sub part of the CSP.

Organisation of EC aid

The current organisation. The Delegation of the European Commission in Ouagadougou has the responsibility for ensuring the effective delivery of EC development assistance in Burkina Faso and for the regional organisations of UEMOA and CILSS⁹⁶, both of which are headquartered in Ouagadougou. The local EC mission is led by an expatriate Head of Delegation who has been in country since 1999. Other personnel currently include six additional European civil servants, four contract professional staff and 19 local support staff. The European civil servants include five counsellors (economy/health, regional integration, rural development, water/education, infrastructure) and one secretary. It is important to note that the Delegation also funds 22 technical assistants who are generally affiliated directly with a specific GoBF ministry or locally headquartered regional organisation.

A period of organisational change. The major organisational reforms currently being carried out by Brussels is having a profound impact on the Ouagadougou Delegation. As part of the EC worldwide effort to “deconcentrate” (decentralise) its organisation, Ouagadougou will receive in 2002 a variety of new delegations of authority and a range of human and financial resources to accomplish these new tasks. It is yet too early to know the exact configuration of this new mission, but it is particularly expected that responsibilities for contractual and financial management will be largely placed at the field level. Considerable additional resources can also be expected, including a significant increase in the

96. *Comité Inter-Etats pour la Lutte contre la Sécheresse au Sahel* (Interstate Committee for Combatting Drought in the Sahel).

size of existing professional staff, largely accomplished through a series of contracts for technical skills. This major shift in delegations and resources should be complete by the end of 2002. These changes are widely applauded by local partners who see them as a major achievement that should make the EC a better partner for the EU member states, GoBF and other donors. In the context of Peer Review discussions, the local EU Member State representatives noted their interest in an EC office that is optimally configured for closest possible collaboration between the Delegation and the members – and for which they suggested the utility of some prior, informal consultation.

Role of headquarters. Under the current administrative arrangement, the concentration of authority and approval in Brussels headquarters is widely perceived by all partners of the EC in Burkina to be a major constraint to the efficient, and particularly, the timely, delivery of EC development assistance to the country. Of particular note in this regard was the time-consuming task of contract and financial approvals and the need for EU Member State approval of key programmatic documents (*e.g.* strategy, conventions), for which the translation of documentation into all 11 languages of the EU was required. Deconcentration is expected to have a profound impact on the contractual and financial approval aspects of these delays. Under the current plan, contract and financial management will be delegated to the field following the establishment of a new Contract and Financial Unit within the Ouagadougou mission, staffed by two career European civil servants and the existing local budget staff. Technical backstopping will similarly be located in the field, with the hiring of a yet-to-be-established number of technical staff in the key sector areas of Delegation involvement. This staffing up of field capabilities is to be accompanied by a similar reduction in staff and responsibility of the current contract, financial and technical personnel in Brussels (especially EuropeAid) who are currently used by the Delegation to backstop their activities in the field.

It should also be noted that a number of European NGO and “decentralised co-operation” activities are funded directly from Brussels, and some eventually will represent an additional management responsibility for the Commission. The European Investment Bank (EIB) also maintains a modest portfolio in Burkina Faso and is interested in forging public-private sector partnerships as well as its more traditional interest in the cotton sector. While EIB staff operates from Luxembourg, they co-ordinate with the Delegation whenever they travel to Burkina Faso.

Staffing. EC professional staff in the local Delegation are heavily used for process tasks related to the implementation of field activities. In our brief oral poll with key professional staff, it was suggested that more than 80% of their time was taken up in this manner, with very little time used for “thinking out of the box”. Because of the strong local interest in co-ordinated decision-making through sector approaches, including the DCSLP, it will be important in the future for the Delegation to develop a capacity to undertake a higher level of analysis and policy dialogue. This year’s deconcentration of staff to the local level will help, although much of this new human capacity will be focussed on contractual and financial issues. One cost-effective option that merits consideration by the Delegation is a greater use of Burkinabe professional staff, which would seem to be a nature complement to deconcentration policy.

Implementation

The move toward budget support. The EC has provided varying levels of budget support to Burkina Faso for several years. The level of that support has never been higher than in the newly designed EC strategy. In percentage terms, macro-economic assistance to be provided by the EC to Burkina Faso in the 2001-07 strategy cycle will represent 55% of the cycle total and was suggested by Delegation staff to be possibly one of the highest percentages of budget support in any EC aid programme.

The EC budget support mechanism used in Burkina Faso is that of general budget support, although funds are drawn down based on two separate sets of criteria. A core “basic resources” portion (approximately one-half of budget support resources) is released by the EC following IMF evaluation of basic macroeconomic indicators. It is released annually in an “all or nothing” form. The second half of the budget support programme is released following a review of mutually agreed-upon indicators of progress in education, health and public finance management, and in a manner proportionate to the achievement of targets.

The EC has played a role of innovator in this area and has helped to raise interest and support for budget support approaches from within the donor community⁹⁷. EU Member States represented in Ouagadougou broadly approve of the use of European funds for budget support, although they may not do so themselves⁹⁸. Nevertheless, the EC admits a certain level of accountability risk in using such an approach in Burkina Faso and it recognises a number of methodological questions at the level of indicator measurement. The Delegation currently attempts to address the accountability risks through the use of regular audits on the use of these funds. Recognising the fungibility of this kind of funding, however, it expects to move progressively beyond an audit approach alone and more toward capacity building of financial management, government-wide, so as to more specifically understand (and help to correct) weaknesses identified in GoBF systems. The outstanding questions concerning target indicators are of a methodological nature (type of indicator, realistic targets, quality of data, need to involve all donors at the sector level, need for linkage with reorientation of policies). Here, the EC is playing a role of facilitator and analyst in relation with the IBRD and other interested donors (see Box 10 “A Test on the Reform of Conditionality” in Chapter 6), and hopes to be able to demonstrate the appropriateness of the future use of this approach more broadly.

The use of projects in a context of sector strategy. The 7th and 8th EDF periods were marked by the large number of project management units that they generated, and which created a major administrative burden for the Delegation and support staff in Brussels. One of the new directions in overall EC implementation reform in recent years has been a declining use of projects. According to a recent list furnished by the Delegation, 40 projects are to be closed out in year 2001, leaving 39 to manage as of year 2002, not including responsibilities for three STABEX activities, 27 NGO co-financing activities, four food aid budget lines, and six human right/democracy activities, many of which were funded and organised from Brussels. The Delegation logically is attempting to continue the trend toward reduced numbers of these individual management units, although wishes to maintain a certain number of projects as part of its portfolio mix. Where projects are used, the EC is making every effort to place them in the context of sector strategy and co-ordination. The recent adoption of a much more focussed strategy now offers the EC the opportunity to reshape its projects around the sector poles of interest, each of which has its own, broadly accepted and multi-year plan and investment strategy. Like the DCSLP, the health and education sector strategies used to frame EC budget contributions were developed through local participatory processes and permit general co-ordination among all partners around a common strategic vision. They also serve as a basic reference for the use of funds generated by the HIPC (Highly Indebted Poor Countries) Initiative. Most Member States interviewed indicated that this was a comparative advantage area of the EC. They were also pleased to see the EC take specialised responsibility for watching over the additional risks perceived as part of this type of aid.

97. Key providers of budget support to Burkina Faso, in addition to the EC, are the Bretton Woods institutions, AfDB, Switzerland, Sweden, and the Netherlands.

98. This would seem to beg the question whether the EC “comparative advantage” in the field is seen by Member States, in part, as doing what they do not want to do themselves.

Procedural heaviness. The most commonly repeated message received from partners on EC implementation was the issue of its procedural “heaviness”. Deconcentration of contract and financial staff and decision-making in 2002 will undoubtedly have a major positive impact on this problem and will hopefully turn around the current perception of EC implementation as being slow and complex. This investment in faster movement of paperwork should be accompanied by a progressive simplification and unification of EC procedures worldwide.

The role of technical assistance. Because of its low level of economic development and weak management capacity, targeted technical assistance is still widely admitted in Burkina Faso, and is, in fact requested by the GoBF. Until the new strategy and the advent of the 9th EDF, EC technical assistance was defined in accordance with the long-standing tradition in this part of Africa. It was primarily expatriate external assistance and was funded within specific ministries. New thinking about the role of technical assistance is moving the EC increasingly in the direction of greater use of Burkinabe or other African technical assistance, and in a manner that is more targeted to capacity building of indigenous institutions. Increasingly close collaboration between the EC and other donors, particularly the EU member states, means an improved potential for sharing technical capacity in common interest areas, and certainly, at least, avoiding redundancy in the assignment of technical assistance.

Co-ordination amongst donors. The co-ordination of the EC programme with member state aid programmes and with other bilateral and multilateral donors is an important aspect of the Delegation’s role in Ouagadougou. Representative of this interest, and already mentioned earlier, was the deliberate design of the 2001-07 EC strategy for Burkina Faso in a manner consistent with the programmes of the EU Member States, and so as to play to the EC comparative advantage. At the level of budget support, the EC programme is co-ordinated through the IMF/IBRD macroeconomic structures, and at the level of sectors (education, health, transport, food security), through the use of the multi-year plans that have been developed for each of these sectors. One possible gap in donor co-ordination identified by the Peer Review team was the need for better co-ordination of all donors at a more general level. No regular meeting of key agency heads currently exists in Burkina Faso, and the EC, by virtue of its preponderant size in this country would logically have an important role to play in ensuring this kind of broad-based, regular co-ordination⁹⁹. The Delegation currently expects that the new PRSP (DCSLP in Burkina Faso) implementation framework should open up this opportunity in the upcoming year and, because of the newly expanded capacity of the EC offered by de-concentration, the Delegation will be well placed to take a strong role in this area.

Regional activities. Because the EU is itself a regional entity, and one with direct monetary links with the CFA franc zone, regional programming appears to be an area of particular comparative advantage for the EC. Comments were noted, however, that the EC seems to be caught up a regional relationship with CILSS and UEMOA which may now be more historical than strategic, whereas the current political future seems to lie with the Economic Community of West African States (ECOWAS), headquartered in Nigeria. In programming its assistance in this area, Brussels would seem well advised to co-ordinate future funding with its local missions more broadly located in the region, so as ensure that traditional relationships with the older regional institutions complement and support the new political vision in West African regionalism, especially ECOWAS.

99. Macro co-ordination does take place at the bilateral level in the context of a PRSP group (SBC-CSLP), although to date the World Bank has not been willing to join the forum.

Monitoring and evaluation

The current M&E system. The new CSP contains a logframe type description (*cadres d'intervention*) which contains the elements of an impact monitoring system, including indicators, for all key sectors of EC involvement (combating poverty through budget support, transport sector, food security). Tracking for this measurement system will be carried out largely by the implementation agents of the activities (GoBF, contractor, NGO).

M&E in the future. As noted previously, the EC in Burkina Faso has moved increasingly in the direction of using jointly managed sector approaches for the monitoring and evaluation of its development co-operation. Similarly, the EC recognises the major importance of result measurement in the context of the Burkina Faso DCSLP, and has played an important role in elaborating DCSLP indicators. Appendix 3b of the CSP lays out the suggested result indicators for the timeframe 2001-03 in the sectors of education, health and budget support. Other methodological tests are now being carried out for the private sector and that of agriculture. Because of the weakness of Burkinabe statistics and difficulties in their tracking, much remains to be done before the EC and the DCSLP will have a meaningful results tracking systems. Nevertheless, the useful innovations that have been introduced to date represent an interesting point of departure (perhaps a first?) in addressing everyone's need – from the Burkinabe citizen to the European Parliament – for a reliable DCSLP impact reporting system. One of the emerging new issues is to relate local performance indicators to the Millennium Development Goals (MDG), a task for which the local Delegation has a good running start.

The multiple impacts of EC organisational deconcentration will necessarily require a rethinking of the larger EC monitoring and evaluation system, as deconcentration takes place. With additional staff capacity on the ground, it should be possible within the next few years to demonstrate a strong, perhaps predominate, ability for the Delegation to provide or co-ordinate much of the feedback needed by the broader EC monitoring systems.

Main findings and recommendations

Donor leadership. By virtue of its large volume of aid and its close association with the other (large) EU member countries in Burkina Faso, the EC is an important and influential donor. It has made progress in recent years toward playing a leadership role among the donor community, but has been constrained by a limited staff capacity.

Organisational deconcentration. The increase in staff, the improved communications, and the delegations of authority expected in 2002 as part of EC deconcentration is widely applauded by local partners. It will be a special challenge to EC leadership to implement this ambitious reform efficiently in the short timeframe allotted. If properly carried out, deconcentration can lead to greatly increased capacity to improve operational efficiency, to co-ordinate with other partners, and to take a more important role in the policy dialogue process. Concern is expressed that deconcentration of responsibilities in the policy dialogue and analysis areas be properly staffed. EC staff are now being used preponderantly for administrative purposes and will need to be freed up to take on the policy and analytical tasks of tomorrow.

Aid modalities. The new EC approach to development co-operation in Burkina Faso is being restructured around a simpler and more focused, sector programme approach than was previously the case. This more organised approach is appreciated by the GoBF, is complementary to the EU Member State programmes, and encourages government ownership. The heavy emphasis on budget support means that the EC is willing to take on the greater accountability risks associated with Burkina's poor

capacity environment. Other donors, including EU Member States, are pleased to see the EC accepting this level of risk, although they tend to avoid doing so themselves.

Procedures. The most commonly cited issue for EC aid was the heaviness of its procedures. Deconcentration will help move the locus of procedural decision-making to the field, but not simplify the procedures themselves. Although some consolidation and simplification of procedure has been carried out, it is still not clear if reform has been taken far enough for the 9th EDF.

Country strategy and ownership. The EC sees Burkina Faso's DCSLP as a country-owned document (although not all partners agree) and one which it has built its own planning for the next six years. Primary concern is now focussed on rendering operational the DCSLP structures that will permit the EC and others to work more closely policy dialogue and implementation in a partnership context. The EC Delegation in Burkina Faso has the potential to play a strong role in helping to operationalise the DCSLP and to provide useful co-ordination for the broader community of EU Member States.

Sustainability. As is the case for all partners in extremely poor Burkina Faso, it is unclear how many EC activities and programmes will be sustainable over the long term. Most actions undertaken in this country also do not have well-defined exit strategies over the long term. Whether in budget support or in projectised action, the EC could be well placed take advantage of its new deconcentrated technical capacity to provide stronger intellectual leadership in prospecting policy options for the future in its focus areas.

Results orientation. The Delegation is applauded by its partners for the work it is promoting in the use of conditionality and results indicators to promote a poverty-based contractual relationship between donors and recipients. This is viewed by many as a model for use elsewhere. Numerous methodological issues remain for the future and, because of their broader importance for donors elsewhere in the developing world, could become a "pilot" feature of the Burkina programme.

ANNEX VIII

COUNTRY COMPARISON OF BURKINA FASO AND BANGLADESH

	<i>Burkina Faso</i>	<i>Bangladesh</i>
Similarly Poor	UNDP HDI Rating: 159 Out of 162	UNDP HDI Rating: 132 Out of 162
Different View of the Future	<ul style="list-style-type: none"> • Relatively small, enclaved country (Pop: 12 million) • Little coherent vision for sustainability • Long-term aid dependency • Greatest attention to humanitarian needs 	<ul style="list-style-type: none"> • Large country (Pop: 130 million) • Aggressive interest in global issues, particularly in trade • 80% of exports are Ready-Made Garments (RMG)

DESCRIPTION OF EC DELEGATIONS

	<i>Burkina Faso</i>	<i>Bangladesh</i>
Mandate	<ul style="list-style-type: none"> • Integrated development mandate from the <i>regional Cotonou Accords</i> 	Country-specific mandate with special strategic focus on trade, <i>i.e.</i> “ <i>EC-Bangladesh Agreement on Partnership and Co-operation</i> ”
Organisation	<ul style="list-style-type: none"> • DG/DEV leadership • Large mission (17 staff) in relation to portfolio size (EUR 46 million/year) • Little use of local staff 	<ul style="list-style-type: none"> • DG/RELEX leadership • Small mission (17 staff) in relation to portfolio size (EUR 112 million/year) • Greater use of local staff
Funding Modalities	<ul style="list-style-type: none"> • Heavy use (50% of portfolio) of result-based, budget support mechanisms using GOBF systems • Little support for NGOs 	<ul style="list-style-type: none"> • Little use of budget support mechanisms • Extensive emphasis on large local NGOs

Note: This information was presented by the Secretariat at the DAC meeting on 6 June 2002.

SELECTED LESSONS FROM THE FIELD

Themes	EC Action	Local Partner Perception
Strategy	<ul style="list-style-type: none"> • Generalised use of Country Strategy Papers (CSP) • Emphasis on comprehensive approach to development 	<p><u>CSPs</u></p> <ul style="list-style-type: none"> • Improve the allocation of funds • Promotes local ownership and co-ordination <p><u>Comprehensive Approach</u></p> <ul style="list-style-type: none"> • <i>Bangladesh</i>: EC played lead role in stimulating development through RMG trade • <i>Burkina Faso</i>: EC leadership in overall donor co-ordination through budget support
Decentralisation	<ul style="list-style-type: none"> • “<i>Deconcentration</i>” of implementation authority and staff to field 	<ul style="list-style-type: none"> • Generally applaud the deconcentration process • Has potential to make EC Aid more efficient and effective • Also suggest need to deconcentrate strategy decisions
Implementation Modalities	<ul style="list-style-type: none"> • Flexibly apply budget support and project modalities according to local conditions 	<p><u>Budget Support</u></p> <ul style="list-style-type: none"> • Used in <i>Burkina Faso</i> because of PRSP framework and results-based disbursement system • Perception of corruption and mismanagement of funds in poor countries precludes widespread use <p><u>Project Modalities</u></p> <ul style="list-style-type: none"> • Viewed as appropriate in wide-range of cases, especially in the context of sector vision and implementation
Heavy Implementation procedures	<ul style="list-style-type: none"> • Considerable procedural reform in last 2 years 	<ul style="list-style-type: none"> • EC still confronts widespread perception of heavy and slow procedures • Deconcentration of financial and contract specialist will help, but further simplification of procedures should be addressed.

<p>EC - Member State Complementarity In the Field</p>	<ul style="list-style-type: none"> • EC strategies designed with Member States • EC efforts to co-ordinate member states 	<p style="text-align: center;"><u>Strategy</u></p> <ul style="list-style-type: none"> • Member States satisfied with current levels of complementarity, but reluctant to further integrate strategy <p style="text-align: center;"><u>Co-ordination</u></p> <ul style="list-style-type: none"> • EC co-ordination role still operationally ambiguous • Member states do not yet fully identify with 3Cs. Are reluctant to further defer to the EC in matters of development co-ordination
<p>Poverty Reduction</p>	<ul style="list-style-type: none"> • Delegations have reshaped programmes to favour poverty reduction, including use of PRSP framework 	<ul style="list-style-type: none"> • Appreciate use of over-arching poverty reduction theme to better integrate cross-cutting issues such as gender or environment • National political and administrative decentralisation and collaborative use of NGOs and civil society have proven central to poverty reduction strategy

PRESS RELEASE - DAC AID PEER REVIEW OF THE EUROPEAN COMMUNITY

The OECD Development Assistance Committee (DAC), meeting in Paris on 6 June 2002, discussed the Peer Review of the European Community. The DAC Chairman, Mr Jean-Claude Faure, summed up the following DAC findings. The European Community is a large donor with global reach and specific capabilities through its regional partnership agreements, linking trade and political aspects with development co-operation. The European Community has substantially improved its development policies and strategies since the last review in 1998, and remains committed to implementing all the elements of its reforms in the upcoming years. The European Commission's ambitious reforms also aim to improve its capacity to fulfil its primary aim to reduce poverty through the European Community aid programme. Further to the positive steps already taken on policy coherence, the DAC noted the need to improve the coherence of a broad range of Community policies with its development objectives, with clear benefits for the world's poor. While commending the efforts in development policy and management reform, the DAC encouraged the Commission to promote further its comparative advantage, to increase its visibility in the field, and to focus on measurable results in its regional and country programmes.

The European Community has increased its Official Development Assistance (ODA) for two consecutive years. It rose by 21.1% to USD 5.91 billion in 2001 and by 13.4% in real terms to USD 4.91 billion in 2000. This is part of broader E.U. external relations activities (some EUR 11.7 billion in 2000) which support countries' efforts to gain accession to the EU, help maintain stability in neighbouring regions, and provide development assistance. The European Commission plays a co-ordinating role with its Member States, encouraging them to raise the average of their ODA from 0.32% to 0.39% of Gross national income (GNI) by 2006. The DAC welcomes these efforts to raise ODA.

The DAC commended the work done by the European Community to enhance its development policy framework since the 1998 DAC Review by setting out six priority areas to achieve the principal aim of poverty reduction throughout the Community's global aid programme. The DAC noted some major challenges for the European Community in translating this poverty reduction aim into more effective ODA country allocations. The European Community should also aim to improve the developmental impact of its sectoral allocations, taking account of cross-cutting objectives of governance, gender equality, and environment within the context of the primary aim of poverty reduction. There is a need to adjust ODA allocations in line with these priorities, recognising the importance for European Community policy of increased economic growth, through trade and development linkages, including support for the private sector, and social sector development, taking account of country ownership. (See Chart on Aid at a Glance).

The European Community's regional, sectoral and horizontal strategies now more clearly display an overall sense of vision, though still requiring attention to implementation issues. Country Strategy Papers (CSP) have become a central mechanism for developing policy coherence and co-ordination with Member States. There has been success with policy coherence through the important "Everything But Arms" initiative that opens market access for the least developed countries. However, there is a

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need to take account of developing country interests in the European Community's internal policies, for example the Common Agricultural Policy and the Common Fisheries Policy and other policy areas. The DAC recommended that the European Commission further develop its analytical capacity to develop the CSP as a management tool and to engage more effectively in dialogue about the impact of Community policies.

The European Commission has made substantial progress since January 2001 with organisational and management reforms of its development and humanitarian aid system. Of particular note are improvements to accountability at all levels, the introduction of the CSP process, the speedy and efficient delivery of humanitarian aid, the clarification of the links between relief and development, improved evaluation systems, and progress in the decision-making process with Member States and with "deconcentration" of authority to field offices. The DAC welcomed the European Commission's commitment to implement speedily the DAC Recommendation on aid untying. The DAC also took note of the aim in the Barcelona Declaration of moving beyond the Recommendation to benefit all developing countries. In this regard, more work needs to be done for further aid untying and harmonisation of procedures with other donors in line with DAC discussions. Several issues for the reform process remain: sustaining political support, including more strategic roles for the Council and Parliament; developing organisational capacity to make deconcentration work; and ensuring appropriate and sufficient staffing to strengthen implementation. The DAC recommended the European Commission simplify its procedures further and delegate greater authority to field offices.

Mr Koos Richelle, Director-General for Development Co-operation, led the European Commission delegation at the Peer Review. The examining countries were Canada and Norway. The Main Findings and Recommendations will be available on <http://www.oecd.org/dac> from next week. For further information journalists are invited to contact Helen Fisher, Media Relations Division (Tel: [33]145248097).

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DESCRIPTION OF KEY TERMS

The following brief descriptions of the main development co-operation terms used in this publication are provided for general background information. Full definitions of these and other related terms can be found in the "Glossary of Key Terms and Concepts" published in the DAC's annual Development Co-operation Report.

ASSOCIATED FINANCING: The combination of OFFICIAL DEVELOPMENT ASSISTANCE, whether GRANTS or LOANS, with any other funding to form finance packages.

DAC (DEVELOPMENT ASSISTANCE COMMITTEE): The committee of the OECD which deals with development co-operation matters. A description of its aims and a list of its Members are given at the front of this volume.

DAC LIST OF AID RECIPIENTS: A two-part List of Aid Recipients was introduced by the DAC with effect from 1 January 1994. Part I of the List is presented in the following categories (the word "countries" includes territories):

LLDCs: Least Developed Countries. Group established by the United Nations. To be classified as an LLDC, countries must fall below thresholds established for income, economic diversification and social development. The DAC list is updated immediately to reflect any change in the LLDC group.

Other LICs: Other Low-Income Countries. Includes all non-LLDC countries with per capita GNI less than USD 760 in 1998 (World Bank Atlas basis).

LMICs: Lower Middle-Income Countries, *i.e.* with GNI per capita (World Bank Atlas basis) between USD 761 and USD 3 030 in 1998. LLDCs which are also LMICs are only shown as LLDCs – not as LMICs.

UMICs: Upper Middle-Income Countries, *i.e.* with GNI per capita (World Bank Atlas basis) between USD 3 031 and USD 9 360 in 1998.

HICs: High-Income Countries, *i.e.* with GNI per capita (World Bank Atlas basis) more than USD 9 360 in 1998.

Part II of the List comprises "Countries in Transition". These comprise: i) more advanced Central and Eastern European Countries and New Independent States of the former Soviet Union; and ii) more advanced developing countries.

DEBT REORGANISATION: Any action officially agreed between creditor and debtor that alters the terms previously established for repayment. This may include forgiveness, rescheduling or refinancing.

Key Terms

DISBURSEMENT: The release of funds to, or the purchase of goods or services for a recipient; by extension, the amount thus spent. They may be recorded **gross** (the total amount disbursed over a given accounting period) or **net** (less any repayments of LOAN principal during the same period).

EXPORT CREDITS: LOANS for the purpose of trade and which are not represented by a negotiable financial instrument. Frequently these LOANS bear interest at a rate subsidised by the government of the creditor country as a means of promoting exports.

GRANTS: Transfers made in cash, goods or services for which no repayment is required.

GRANT ELEMENT: Reflects the **financial terms** of a commitment: interest rate, maturity and grace period (*i.e.* the interval to the first repayment of principal). The grant element is nil for a LOAN carrying an interest rate of 10%; it is 100% for a GRANT; and it lies between these two limits for a LOAN at less than 10% interest.

LOANS: Transfers for which repayment is required. Data on **net loans** include deductions for repayments of principal (but not payment of interest) on earlier loans.

OFFICIAL AID: Flows which meet the conditions of eligibility for inclusion in OFFICIAL DEVELOPMENT ASSISTANCE, except that the recipients are on Part II of the DAC LIST OF AID RECIPIENTS.

OFFICIAL DEVELOPMENT ASSISTANCE (ODA): GRANTS or LOANS to countries and territories on Part I of the DAC LIST OF AID RECIPIENTS (developing countries) provided by the official sector with the promotion of economic development and welfare as the main objective and which are at concessional financial terms (if a LOAN, having a GRANT ELEMENT of at least 25%).

OTHER OFFICIAL FLOWS (OOF): Transactions by the official sector with countries on the DAC LIST OF AID RECIPIENTS which do not meet the conditions for eligibility as OFFICIAL DEVELOPMENT ASSISTANCE or OFFICIAL AID.

PARTIALLY UNTIED AID: OFFICIAL DEVELOPMENT ASSISTANCE (or OFFICIAL AID) for which the associated goods and services must be procured in the donor country or among a restricted group of other countries, which must however include substantially all recipient countries.

PRIVATE FLOWS: Consist of the following flows at market terms financed out of private sector resources:

Direct investment: Investment made to acquire or add to a lasting interest in an enterprise in a country on the DAC LIST OF AID RECIPIENTS. In practice it is recorded as the change in the net worth of a subsidiary in a recipient country to the parent company, as shown in the books of the latter.

Bilateral portfolio investment: Includes bank lending, and the purchase of shares, bonds and real estate.

Multilateral portfolio investment: This covers the transactions of the private non-bank and bank sector in the securities issued by multilateral institutions.

Private export credits: See EXPORT CREDITS.

TECHNICAL CO-OPERATION: Includes both i) GRANTS to nationals of recipient countries receiving education or training at home or abroad, and ii) payments to consultants, advisers and similar personnel as well as teachers and administrators serving in recipient countries.

TIED AID: Official GRANTS or LOANS where procurement of the goods or services involved is limited to the donor country or to a group of countries which does not include substantially all recipient countries.

UNTIED AID: OFFICIAL DEVELOPMENT ASSISTANCE (or OFFICIAL AID) for which the associated goods and services may be fully and freely procured in substantially all countries.

VOLUME: Unless otherwise stated, data are expressed in current United States dollars. Data in national currencies are converted into dollars using annual average exchange rates. To give a truer idea of the volume of flows over time, some data are presented in **constant prices and exchange rates**, with a reference year specified. This means that adjustment has been made to cover both inflation between the year in question and the reference year, and changes in the exchange rate between the currency concerned and the United States dollar over the same period.

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