

# European Commission Development Effectiveness Summary\*

## Context

**Mandate:** The European Commission is not a development institution, but the executive of a political and economic European Union (EU) of 27 Member States, with a range of objectives in its external relations. 90% of the EU's budget is spent on internal policies. Part of the European Commission's remit is to act as a European development donor. It provides grant aid in addition to managing trade and diplomatic relations with third countries. A separate EU institution, the European Investment Bank, lends around €6 billion a year outside the EU mainly to support the private sector and infrastructure. Development cooperation is a shared competency – both the Member States and Commission pursue this independently, although there is a mandate for coordination between the Commission and Member States. The Commission's mandate is set out in the Treaty of the European Communities, and is detailed in policies such as the European Consensus for Development, EU Africa Strategy, European Neighbourhood Policy, etc. These set poverty reduction as the primary objective of development assistance, and commit the Commission to promoting development best practice, including facilitating coordination and harmonisation and concentrating on a limited number of sectors in each country. Nine areas of comparative advantage are defined. Budget support is the preferred modality and the Commission is aiming to increase its use. The Commission's impact on poverty is not limited to spending in developing countries - its actions to further enlarge and to promote reforms in the neighbourhood are also very important. In addition, the impact of non-developmental policies on poverty is very high (e.g. the common agricultural and fisheries policies, trade, climate change, migration, security, etc.).

**Size:** The EU provides 60% of the world's official development assistance amounting to €46 billion in 2007.<sup>18</sup> Almost one fifth of this - €8.5 billion - was managed by the European Commission.<sup>6</sup> Assistance went to approximately 160 countries, territories or organisations.<sup>6</sup> The Commission has about 3,500 staff working on development cooperation, of which some 75% are overseas.<sup>2</sup> Inside the Commission, Directorates-General (DGs) External Relations and Development are responsible for aid programming, while EuropeAid is responsible for almost all aid implementation. Separate DGs work on enlargement issues and on humanitarian aid. In this MDES report ODA data is on the Commission as a whole, whereas most qualitative data relates to EuropeAid performance.

**Key Issues:** Although there remain areas for further improvement<sup>17</sup>, the Commission has improved its effectiveness substantially since reforms began in 2000. The new financial instruments, implemented in 2007/08 provide for less micromanagement by Member States, but there is still a lack of flexibility due to a heavily regulated oversight role of Member States, European Parliament and the Commission's internal collegiate structure itself<sup>28</sup>. Decentralised responsibilities do not include the possibility to adapt previously agreed financing decisions to changing circumstances. The Commission sometimes lacks people with skills and experience appropriate for development. Poverty focus continues to differ between the main budget and the EDF. The latter allocates funds to achieve a strong poverty focus, unlike the budget which spends much in middle income countries and has broader aims such as preparation for enlargement. The Fundamental Review of the Budget will provide an opportunity to examine the role of the European Investment Bank, including by better integrating its work into the development activities of the Community. The Commission needs to keep on working to ensure that development objectives are taken into account in other EC policy initiatives such as climate change peace and security, trade and migration.<sup>17</sup>

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# Is the EC *BUILDING FOR THE FUTURE*?

**Summary** The Commission has a mandate to promote development best practice though not to be a policy leader. With some notable exceptions, it has limited policy capacity. Nevertheless, it is improving its practices and influencing Member States. The Commission shows a desire to improve, to take a more active role in coordinating Member States' actions and pushing the international debate, and has set up systems to encourage this. Recent reforms like allowing for co-financing, the rapid adoption of the Paris Declaration, leadership to bring about results at Accra, a push for an EU Agenda for Action, policy coherence for development and improved processes to reinforce the impact and quality of its support all demonstrate this. However, more needs to be done. Internally, the quality support groups and thematic support networks help. However, institutional rigidity and limited administrative resources of the Commission makes change difficult and slow to take effect.

## Commitment to Continual Improvement

### Does the Board require management to act on performance results?

⇔ Partially. The reform programme (implemented from 2000 - 2005) has introduced better evaluation capacity, new information and monitoring tools and systems, and audit rules. There is also a growing awareness of the need to focus on results and to introduce a performance-based culture. The CSP process focuses on measuring progress against a set of results-based indicators (related to the MDGs), and the MTR offers an opportunity to adjust programmes in view of experience.<sup>1</sup>

✓ The European Consensus on Development and numerous Council conclusions require the Commission to provide "better aid", including taking steps to measure results and improve impacts.<sup>7</sup>

✓ Monitoring of corporate objectives is improving, with good tools (CRIS and ROM) increasingly being used at all levels.

⇔ Annual reporting has improved over the years but needs more focus on results.

✓ The commission has gone through a process of financial reform, including the consolidation of budget lines. This has brought greater transparency, efficiency and effectiveness.<sup>3</sup> Performance is regularly assessed, most recently through a comparative study of five donors, which showed comparable implementation performance in terms of speed of delivery but with EC processes being highly regulated.<sup>28</sup>

## Building Knowledge and Lesson Learning

### Does the EC have adequate mechanisms for spreading lesson learning?

✓ Thematic support networks provide specific expertise, guidance and support on sectoral issues.<sup>6</sup>

✓ 83% of projects committed at end-2007 had gone through an Office Quality Support Group. The OQSG monitors operations in their preparatory stages in order to ensure high quality levels.<sup>4</sup>

### Results Based Management: To what extent does the EC manage by results?

✓ The Commission is increasing its emphasis on results-based management, including subjecting all projects to midstream and final project evaluation, and operating a results-orientated monitoring system.<sup>3</sup> The Commission is also experimenting with standard project result indicators.<sup>6</sup>

✓ Individual projects are evaluated by Delegations, or units responsible for the project. The Evaluation Unit, which reports to three DGs External Relations, Development and EuropeAid, evaluates country programmes and thematic strategies. This Unit also issues guidelines to improve evaluation methodology, and conducts evaluations related to strategies, sectors and themes.<sup>6</sup>

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× There are a number of different systems for results-based monitoring and there is some concern that there is not a coherent or integrated system for results-based management.<sup>3</sup>

### Staff Development

What is the average number of days training per staff member?

✓ In 2007, an average of 13 days per person was spent on training for the staff of EuropeAid.<sup>15</sup>

What is the level of staff satisfaction?

Not known.

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# How well is the EC *MANAGING* its *RESOURCES*?

**Summary** The Commission is not a development agency but its size, level of resources, large mandate in external action and global reach make it a player with significant impact on poverty in developing and neighbourhood countries. Management of Community aid is hampered by existing Commission structures and systems, none of which were designed for the purpose of development cooperation. Community aid also sits in the middle of the Union's wider external policy aims, with sometimes competing agendas. The Commission is also continually asked to take on new areas of work. This has at times resulted in mixed messages and lack of a clear strategic direction. Nevertheless, the reform package begun in 2000 has significantly improved performance with clear signs of more effective aid management and higher performing programmes. The Commission has also stepped up its development profile by adopting new important policy work and pressing for more EU coordination in development. Decentralisation<sup>29</sup> has resulted in increasingly active field offices, while the creation of EuropeAid has improved disbursements and harmonised procedures. However, there is room for further reform, including institutional changes.

## Corporate Governance and Strategy

Is the EC's corporate strategy based on a clear definition of mandate and comparative advantage?

✓ The EU Consensus on Development states that the primary purpose of Community development assistance is poverty reduction. It also provides an explicit list of sectors in which the Commission considers itself to have a comparative advantage.<sup>7</sup>

⇔ There are a large number of other strategies and policies which govern the work of the Commission, both developmental and non-developmental. 90% of Community funds are spent on internal policies. Many of these policies have a more important impact upon poverty reduction than does the Community's development assistance. For example, agricultural subsidies through the Common Agricultural Policies, the Commission's role in the negotiating the Doha Development Agreement and market access under the Common Trade Policy, the Common Fisheries Policy, etc., are all very important for development countries, as are the European Neighbourhood Policy for the 17 countries surrounding the EU, and the European Security Strategy for foreign policy matters.

✓ The Commission and Member States have agreed an EU Code of Conduct on division of labour between donors. It builds on the commitment to complementarity in the Paris Declaration and will provide guidelines on how to progress and implement division of labour.<sup>3</sup>

## Resource Management

What is the disbursement ratio (i.e. commitments versus disbursements)?

Disbursement ratio on the EC aid budget was 90% in 2007, and 80% for the EDF.

EuropeAid disbursements (excluding the Balkans, Turkey and humanitarian aid disbursements):

Parameter	2003	2004	2005	2006	2007
EC Aid Budget (not EDF)					
Commitments (€m) <sup>4</sup>	3298	3605	3997	4206	4226
Payments (€m) <sup>4</sup>	2846	3237	3693	3664	3759
EDF					
Commitments (€m) <sup>4</sup>	3769	2648	3511	3408	3636
Payments (€m) <sup>4</sup>	2345	2464	2544	2826	2920

What is the average gross disbursement per staff member?

✓ In 2007 the average staff member disbursed €1.9 million.<sup>4</sup>

What is the average cost per € disbursed (gross)?

✓ Administrative expenses are moderate at 7.7% of total disbursed.<sup>16</sup>

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### How well is the EC's resource allocation criteria aligned with its corporate strategy and comparative advantage?

✓ The European Development Fund (which is extra-budgetary) is managed in line with main development objectives,<sup>1</sup> based on the Cotonou Agreement. The latter regulates aid and trade issues between the EU and ACP countries in a 'compact' which emphasises equality, ownership, mutual obligations and dialogue.<sup>12</sup>

✓ Comparative advantage is taken into account in that no country strategy paper should have more than two focal areas, each of which must be from the list of nine sectors listed in the European Consensus on Development as being areas of comparative advantage.<sup>7</sup>

⇔ Funds under the EC budget aid and the EDF are in theory allocated "using standard, objective and transparent resource allocation criteria, based on the needs and performance of the partner country or region concerned." Budget allocations are made within previously agreed regional envelopes.<sup>8</sup>

✓ The Commission is leading discussions with Member States to avoid creating aid orphans and darlings.<sup>21</sup>

× The UK would like to see a greater focus on low income countries for spending from the EC Budget (i.e. non-ACP development spending). 55% of all EC development assistance is spent in LICs. 90% of EDF funds are spent in LICs based on 2007 data. This compares to a DAC average of 56%.<sup>11</sup>

### Staff Management

#### To what extent is staff recruitment, postings and promotions meritocratic and transparent?

✓ All posts (except the most senior) are advertised and highly competitive. However, high-level appointments are often politically motivated and national quotas play a role.<sup>1</sup>

### Operational Management

#### Is the EC sufficiently decentralised<sup>29</sup> to enable it to respond flexibly to country demand?

⇔ Partially. Reforms have decentralised implementation responsibility to the field. It has led to larger field autonomy in terms of project appraisal, tendering, contracting, payments, and evaluations. However, there is still a lack of flexibility due to a heavily regulated oversight role of Member States, European Parliament and the Commission's internal collegiate structure itself. Further delegation of responsibility needs to be undertaken in the areas of project approval and results reporting.<sup>3 28</sup>

✓ As part of the reform, EC has decentralised<sup>29</sup> aid management to 77 delegations and 30 "regionalised" delegations (which lack a formal Head of delegation) at end-2005.<sup>14</sup> New delegations are opened up regularly: over the last few years in Moldova, Armenia and Iraq.

✓ All project implementation units were closed in 2001.<sup>3</sup>

✓ Programmes are managed by country offices (82% of country programmes and 87% of EDF is managed in country).<sup>4</sup>

⇔ The EC must obtain the opinion of Member States on many projects and programmes,<sup>6</sup> but under the new spending instruments Member States focus their decision making on approving country and regional strategy papers and annual action programmes, and not individual projects.<sup>8</sup>

#### What is the speed of project approvals and disbursements?

⇔ Project approval processes are highly formalised and can take time.<sup>28</sup> Disbursement ratios are improving dramatically as a result of decentralisation and the reform process. In 2000 it would have taken nearly 5 years to fully disburse outstanding commitments. This fell to 3.6 years in 2004, and 3.2 years in 2007.<sup>14 15</sup>

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# How well is the EC managing its *PARTNERSHIPS*?

**Summary** By its nature, the Commission seeks to build partnerships with Member States and other development partners. The Cotonou Agreement, which governs relations with 78 ACP countries, is a model of mutual accountability. The Commission is increasingly assertive in fostering best practice by Member States, and has supported the UK's push for scaling up. Recent examples of the EC pushing successfully for partnerships include the EU Agenda for Action and its input to Accra. Budget support is the preferred mode of assistance and the Commission is aiming to increase its use. It has fully endorsed the Paris Declaration, pressing Member States to take this forward. Decentralisation has helped stronger partnerships with developing country governments.

## Voice

### What mechanisms exist for developing countries to influence the strategy of the EC?

✓ The EU-ACP Cotonou Partnership Agreement covers aid, trade and political relations with common institutions. The ACP has a key role in all aspects of the programming of the EC's development assistance.<sup>26</sup>

⇔ Relations between the Union and other LDCs are governed by a range of agreements, covering trade, traditional financial and technical assistance, and also economic and other reforms as well as support for infrastructure and health and education programmes. They provide a framework for political dialogue and contain a clause which enables the Union to suspend or cancel trade or aid if the partner country violates human rights.

✓ The Cotonou Partnership Agreement stresses mutual accountability at the macro level, through a Joint Parliamentary Assembly and Joint Ministerial Council, and at country level in giving partners joint responsibility for national aid management (National Authorising Officers).<sup>26</sup>

✓ All country strategy papers supposed to be aligned to a partner's development plans and systems.<sup>7</sup>

✓ Good support offered for non state actors from dedicated budget lines.

### How actively is the EC promoting the participation of civil society?

✓ Design of Country Strategy Papers and joint annual reviews include assessments by all stakeholders, including civil society organisations and the private sector.<sup>22</sup>

✓ The Democracy and Human Rights Instrument is specifically designed to promote the strength of civil society organisations, as is the thematic programme on non-state actors and local authorities (part of the Development Cooperation Instrument).<sup>23</sup>

⇔.The EC could consult civil society more on its own policies, strategies and analytical thinking. Even though the EC has recently introduced a new online registration system for civil society<sup>27</sup>, it still needs to better match its contracting procedures to the often limited capacities of civil society partners.<sup>3</sup>

## Partnership Behaviour

### What mechanisms are in place to seek feedback on partnership behaviour and what do the results show?

✓ Partnership behaviour is discussed at several levels and the Commission is constantly held to account by Council and the European Parliament. The Council hosts discussions which provide the political support for partnership – at a very high level in the case of Ministerial Councils, or at an operational level (in setting down the principles of partnership and common policies) in Council Working Groups. Individual Country Strategy Papers are considered at the Management Committees. Delegations are encouraged to develop strategies jointly with other donors.

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## Alignment

To what extent does the EC foster government ownership through the project/programme cycle?

✓ The Development Consensus reaffirms the instruction for the Commission to align with recipient country systems. This is increasingly the case in practice.<sup>7</sup>

✓ For EDF, the system of National Authorising Officers gives partners a central role in national aid management.

What % aid flows to government sector is reported on national partner budgets?

✓ 57% (weighted)<sup>20</sup>

What % of Technical Cooperation flows are provided through coordinated programmes consistent with partners' national strategies?

× 43% (weighted)<sup>20</sup>

Does the EC use countries' own public financial management and procurement systems strategies?

× 34% (weighted)<sup>20</sup>

Is the number of Project Implementation Units decreasing or non-existent?

⇔ All project implementation units were closed in 2001. The OECD recommends the EC to review the 'EDF Cells' which support National Authorising Officers to ensure 'their use is consistent with aid effectiveness principles'.<sup>3</sup>

In what ways has the EC been aligning its strategy/programme/projects with national strategies?

✓ The EC provides strong support to National Development Strategies and aligns its programmes with national systems and priorities. This is in line with the common framework for programming, which requires an alignment with PRSs where relevant.<sup>22</sup>

⇔ Regional and thematic programmes are not always well-aligned with national PRSs. Both involve countries, but selection of regional programmes is done primarily with regional organisations and thematic projects are often selected in Brussels to reflect their cross-cutting nature.

## Harmonisation

To what extent does the EC participate in local donor coordination activities such as sector working groups/thematic groups?

✓ A common framework for country strategies has been agreed by the Commission and Member states. It includes a common analysis of needs. It can include common programming, where there is the willingness.<sup>20</sup>

✓ Most Member States are committed to implement the Paris Declaration, including the undertaking to work closely with all other donors.<sup>24</sup> The Common Format for Country Strategy Papers offers a way to do this. The Format is built on the best principles of aid effectiveness and specifically around the need for donors to work better together to meet the development needs of partner governments, improving the impact of aid, reducing transaction costs, using joint analysis and coordinating support programmes especially technical assistance.<sup>20</sup>

✓ The EC is part of numerous local donor groups around GBS operational and sector SWAPs. They are looking to align their country strategies around existing Joint Assistance Strategies where possible.

⇔ EC financial regulations have been adapted in 2007 to allow for co-financing. Programming guidelines are in place to allow for joint financing. However, initiatives have so far remained limited.<sup>6</sup>

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To what extent does the EC share information with other donors?

✓ There is a comprehensive annual report for all EC operations, local annual reports at country level, substantive reporting on policy and budgetary matters to the Council, European Parliament and Court of Auditors, and much information made available on local websites and through articles, brochures, etc.

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# What do we know about the EC's COUNTRY/GLOBAL RESULTS?

**Summary** Results are more evident since the reforms with more rapid and responsive delivery. The Commission's country strategies and programmes have become more coherent and focused on best practice with the quality of aid (as assessed independently) high. Aid management is increasingly results oriented although more efforts are needed to adopt a real results framework. Decentralisation<sup>29</sup> has led to more active delegations, pursuing stronger local coordination and local policy dialogue.

## Country/Global Results

What information is available on the EC's performance at country level?

✓ Results-Oriented Monitoring is an independent review of inputs to and outcome and impact of on-going projects. It draws on best practice and is applied systematically and consistently. Ratings are given on five attributes: relevance, efficiency, effectiveness, impact and sustainability. It is not yet extended to all projects but 71% of those projects monitored are rated as good/very good.<sup>4</sup> The Commission also evaluates completed projects on a regular basis.

✓ There is overall strong country focus with regular reports on country performance. Emphasis is on country performance rather than corporate achievements.<sup>1</sup>

⇔ The EDF has a clear poverty eradication and LDC focus and benefits from innovative approaches like the water and peace facilities and the MDG contract. EDF impact monitoring ratings are improving, though their averages are still lower than those of other regions<sup>15</sup>. The disbursement ratio of the EDF is also still lower. Better scores for non-EDF programmes could be due to their focus on MICs countries.

⇔ Like many other donors, the EC needs to establish better mechanisms to report on results and impact. The EC is piloting ex-post monitoring of impact and results and is experimenting with standard results indicators. The EC could also play a useful role in harmonising the overall European approach to performance and knowledge management.<sup>3</sup>

⇔ DFID's own country-based perception studies and country pilots demonstrate increasing performance at country level, but still with many outstanding issues to address.

What impact is the EC having at the country/global level?

× Like many other donors, the impact of EC development aid is difficult to assess, with limited focus on MDGs in EC reporting on aid implementation. Also, not all EC policies are coherent with a poverty reduction agenda, most notable the CAP. However, trade policy is increasingly sensitive to developmental impact.<sup>3</sup>

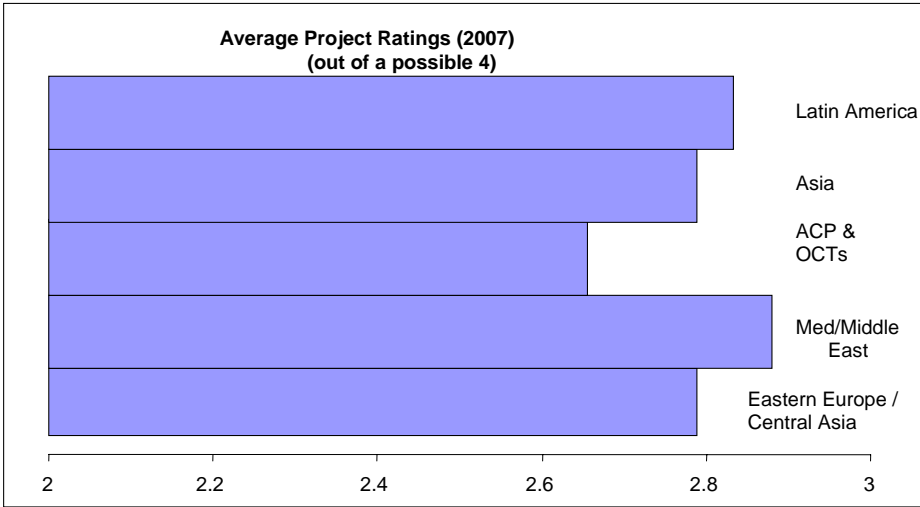
## Portfolio Quality

What is the % of projects/programmes which met their targets?<sup>4</sup>

Performance (% of monitored projects)	2003	2004	2005	2006	2007
very good, good performance, or performing with problems	88%	89%	72%	70%	71%
not performing, major problems	12%	11%	10%	9%	8%

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How does this vary across sectors, regions and countries?



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26. Cotonou Agreement
27. [http://ec.europa.eu/europeaid/work/onlineservices/pador/index\\_en.htm](http://ec.europa.eu/europeaid/work/onlineservices/pador/index_en.htm) (accessed Sept. 2008)
28. Website with study report: [http://ec.europa.eu/europeaid/what/delivering-aid/documents/final\\_comparative\\_study\\_en.pdf](http://ec.europa.eu/europeaid/what/delivering-aid/documents/final_comparative_study_en.pdf) (accessed Sept. 2008)
29. The Commission uses *devolution* or *deconcentration* to cover decentralisation of management responsibilities to its offices in the field

**Background** This fact sheet is designed to summarise information available on the effectiveness of the EC. It collates the latest published information in four key areas from a variety of sources including the Multilateral Effectiveness Framework (MEFF) as well as a range of the EC's own Annual Reporting <sup>2-28</sup> assesses areas of strength (✓) and weakness (✗) and where progress is mixed (↔).

**\*Disclaimer:** This Effectiveness Summary is a tool designed to simply present the latest available information on the EC's effectiveness. It is one of many prepared by DFID covering a range of multilaterals. The summaries will inform policy but are only one of a range of criteria and sources of evidence considered in recommending future DFID funding allocations. The balanced scorecard format organises what we believe to be the objective sources of information available on four aspects of each organisation's internal effectiveness. It does not measure actual development results on the ground or the merits of the organisation's development objectives. The text within each summary box provides a short analysis of what we believe this information tells us. Any unreferenced text is DFID analysis not in the public domain. It should be noted that the amount of information available and the quality and reliability of information varies considerably across organisations, so there is a limit to which the summaries will be used for comparative purposes.