

## ***Which architecture for a more effective EU official development assistance system?***

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The European Union aid policy has been often criticized for its dispersion and lack of effectiveness. Yet, it has recently undergone major clarifications and reforms. It has been defined by the Treaty of the European Union (TEU), in its articles 178 to 181, as a shared competency between Member States and the Commission. It is accordingly understandable that, while “Europe is the biggest provider of development aid in the world »<sup>2</sup>, there is in fact no such thing as a “European aid policy”, except as a still politically and institutionally artificial aggregate resulting from the addition of the actions undertaken by the 27 Member States plus a 28<sup>th</sup> actor, namely the EU Commission.

This short discussion paper first highlights some of the problems identified by various economic studies that focus on EU aid effectiveness and surveys some of the recommendations that have been made and reforms that were undertaken. It then turns to discussing some further options.

### **1. Complexity, dispersion and lack of focus**

In a recent study undertaken for the Agence française de développement (AFD), Huillery (2008) documents the major characteristics of EU Development assistance. As reported by the EuropeAid 2008 report (European Union, 2008), the EU accounted in 2007 for 60% of total Official Development Assistance (ODA) (54% in 2006). About one fifth is accounted for by the Commission (17% in 2006), the rest being conducted under the Member States bilateral ODA policies. On average, EU member countries send ODA to about half the total number of developing countries receiving ODA. A typical EU country allocates 15% of its ODA to its first partner country, and 2% to its tenth (table 1). Again on average, there are 10 EU-15 countries simultaneously active in partner countries in 2006. Huillery (2008) finds that, in 2006, one fourth of bilateral European ODA contributions are very small and represent less than 1% of the total European ODA received by the corresponding country and that there are on average 7 EU Members (within the EU-15) simultaneously intervening in crucial sectors such as education or governance.

These findings seem to be quite robust to the data used. Indeed, instead of using raw DAC ODA data, it is preferable to use the new statistics that were developed by DAC about “Country programmable aid” (or CPA), namely the share of bilateral ODA that is *programmable* at partner country level<sup>3</sup>. These data confirm the geographical dispersion. For a given number of partner countries, the larger the “concentration” index (i.e. the share of the number of partners in which the donor country exceeds its global CPA share to its total number of partners), the greater the number of partners in which the donor country disburses more than its average global CPA share, which points to higher concentration since it

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<sup>2</sup> As heralded on the EU development site, [http://ec.europa.eu/development/index\\_en.cfm](http://ec.europa.eu/development/index_en.cfm)

<sup>3</sup> CPA is defined by exclusion, by subtracting from total gross ODA humanitarian aid and debt relief (which are unpredictable by nature), administrative costs, imputed student costs, promotion of development awareness, research in donor countries, refugees in donor countries, food aid and aid from local governments and core funding of NGOs.

indicates that the donor does relatively more (as compared to the global picture) than other donors in these countries.

Such dispersion is generally considered as a pathology that runs against the objective of aid effectiveness. Thus, OECD (2008) writes that « fragmentation is significant when partner countries have to deal with a large number of donors that provide a small share of CPA. This may weaken ownership and burden already limited institutional capacity » (p. 11, paragraph 12). While this seems to be conventional wisdom in development circles, this view is actually disputable. In fact, the argument could also run the other way around from a political economy standpoint: the smaller the donor, the less negotiating leeway, the more it will have to align with partner country policies and objectives.

The current prescriptions to help achieve a better division of labor typically include recommendations to focus on a smaller number of partners and play a correspondingly bigger role in them ; to address fewer sectors in each partner country, and to delegate operations to another donor to ease coordination and cut transaction costs from the partner country perspective.

Table 1 : Geographical dispersion of EU-15 ODA

Pays donneur	Nombre de pays partenaires	Part d'APD ajustée* du 1er partenaire	Part d'APD ajustée* du 2ième partenaire	Part d'APD ajustée* du 10ième partenaire
Allemagne	136	0.11	0.07	0.02
Autriche	108	0.11	0.11	0.02
Belgique	109	0.12	0.05	0.03
Danemark	53	0.14	0.13	0.02
Espagne	116	0.13	0.08	0.02
Finlande	100	0.11	0.10	0.02
France	136	0.10	0.09	0.03
Grèce	120	0.26	0.15	0.01
Irlande	98	0.12	0.10	0.02
Italie <sup>***</sup>	21	0.61	nc	0.06
Luxembourg	80	0.10	0.08	0.05
Pays-Bas	80	0.03	0.03	0.02
Portugal	62	0.22	0.19	0.01
Suède	101	0.06	0.06	0.01
Royaume-Uni	84	0.16	0.10	0.02
Moyenne UE-15	93.6	0.16	0.10	0.02
Commission	133	0.06	0.04	0.02

*Sources : Calculs de l'auteur à partir de CRS online Database on aid activities, OCDE, 2006*

*\* APD ajustée pour la question de la division du travail : engagements bilatéraux en 2006 hors allègement de dette, aide humanitaire, frais d'écolage et soutien aux réfugiés.*

*\*\* Les données pour l'Italie sont celles de 2005 car les données 2006 ne sont pas disponibles*

Source: Huillery (2008), table 2

## 2. It's politics, stupid

There is little specifically “European” in the characteristics exhibited above for the European System of Development Assistance. In fact, one could even question the relevance of acting at the EU level: why not rather act at the global level, in line with the Paris declaration? Why

should it make more sense to organize the division of labor between donors at the EU level rather than globally? If ODA was mainly exclusively concerned with development effectiveness, the debate would be on bilateral vs. multilateral assistance (as in Cohen and Katseli, 2006), but not really on bilateral vs. European.

The relevance of the European “level” is a political issue. Yet, discussions about Europe’s aid architecture have largely focused on technical effectiveness arguments. Beyond the effectiveness agenda, which applies to all donors, European and non European, one of the problems for the EU is that it wields much less influence than its actual contribution to global ODA would warrant, and this points to its inability to act as a single actor. A similar diagnosis applies to the EU foreign policy, or to the EU economic policy (in its fiscal dimensions, since monetary policy was unified within the European Monetary Union). In all areas where shared competences have been recognized between the EU level and Member States (as opposed to the full integrated EU competence in Trade policy, Agricultural policy, Justice and Monetary policy), there is problem with defining and implementing a European collective action.

Over the longer term, some will argue that the EU should get ever closer to a full fledged political union, whatever that implies in terms of institutional buildup. Others will dissent. We believe that recommendations to improve the current situation should not take sides on the path that longer term European integration should or should not take. They should rather be based on a pragmatic assessment of the current situation of independent Member States genuinely interested in improving the overall efficiency and effectiveness of their actions and in increasing the visibility of the EU.

There are a few simple steps that could be taken and that do not require any institutional reform, at least in a first stage. Nor do they infringe dramatically on Member States’ development policy sovereignty. The main thrust is to structure a well functioning European network of development assistance. We suggest improvements in three dimensions: (1) Brussels; (2) Member States; (3) Action in the field.

### ***(1) Brussels***

The main thrust, at the EU level, is to make sure that the European dimension of development assistance does exist and is recognized as such. We make three recommendations to that end:

#### ***a) Prepare a systematic annual report on the European System of Development Assistance***

This would build on the existing report prepared by EuropeAid, which already goes some way in addressing the whole ESDA rather than only the development assistance delivered by the Commission. This focus, however, should be made more systematic and integrated, and include:

- a focus on the aggregate picture (volumes, geographic allocation, sectors, results)
- a discussion of potential shortcomings that the aggregate pictures may highlight
- a discussion of the compatibility of the aggregate picture with the strategic vision embedded in the European Consensus on Development and in the General orientations on Development Assistance (GODAs, see below)
- a discussion of policy coherence, in relation with the report on policy coherence...

#### ***b) Involve the Parliament: the afore-mentioned report should be presented to the Parliament during a special annual hearing on the ESDA***

The monitoring of the aggregate ESDA picture should be given political clout by an endorsement by the European Parliament. The Parliament would also validate the GODAs (see below).

*c) Reinstall the Council of development cooperation ministers as a systematic executive body dealing with collective ESDA issues*

The Council of development cooperation ministers has stopped meeting formally after the 2002 (CHECK) reform installing the General Affairs Council. Development issues are now discussed within the Foreign Affairs section of the General Affairs Council. While this is supposed to increase the political coherence of development assistance with the EU overall international and diplomatic objectives, there are two major drawbacks: (1) the EU foreign policy suffers similar shortcomings as its development assistance policy, and the former can hardly be expected to provide a coherent framework for the latter at this stage; (2) development concerns take a backseat at best in foreign policy discussions that are tilted toward short term issues.

Hence, we suggest that the practice of informal meetings of development ministers (about twice a year, but recently irregularly (CHECK)) be somehow “formalized”. These meetings, in which the EU Commission (development commissioner) should take part, should aim at

- Sharing individual Member States ODA policies and strategies
- On that basis, Defining Global Orientations on Development Assistance (GODA) for the EU
- Specifying the contributions of Member States and of the Commission to implementing GODAs

*(2) Member States*

Member States should be willing to prepare and share on a yearly basis their ODA policies and strategies, with a view of reaching a global integrated strategic view through the Development Ministers Council (see above). After the definition and validation of GODAs, they would commit to play their role as agreed in the Council meetings.

*(3) Developing countries*

In developing countries, we suggest that the EU development presence be better coordinated between the Commission local representatives and Member States. More specifically, we suggest that in each country, one of the Member States Ambassador be recognized as the “lead European Ambassador” and in charge of coordinating EU actors. The lead Ambassador could be the Ambassador of the Member State exercising the current EU presidency. Or it could be the Ambassador of the EU country that disburses the largest ODA volumes in the country. Or he could be nominated by consensus as lead EU Ambassador by the local group of Ambassadors. His task would be to act as a coordinator of the EU presence in order:

- a) to complement GODAs by EU country strategies
- b) to monitor ESDA actions in the country and contribute to the yearly report on ESDA (see above)
- c) to propose country-based contributions to the Council discussion on GODAs.

- d) To coordinate EU assistance among its various local actors and impulse, coordinate and monitor a local division of labor between these actors.

### **3. Concluding remarks**

We believe that any reflection on the EU aid architecture should recognize that, in the area of development assistance like in other important policy areas, one of the main obstacles to EU consistency and visibility stems from the current political reality of the EU as an incompletely integrated collection of independent Member States. Useful proposals on division of labor and coordination should not be ignored. But they will become more feasible and practical if and when all the EU development assistance actors are able to structure a well functioning network, that we have called here the European System of Development Assistance (ESDA). We have made in this short paper a few proposals to that end. In a first stage at least, our recommendations can be implemented informally and thus “tested” concretely, and not be subject to a necessarily complex process of institutional reforms

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