

# Making European Community development aid work for the poor

## 1. INTRODUCTION

In 2005, following the worldwide call to “Make Poverty History”, European and other Northern governments promised to increase the aid and debt relief that they give to poor countries. Now, two years later, governments must be held to account for the promises they made, and called upon to ensure that aid works for poverty reduction. With the G-8 summit in June set to focus on Africa under the German presidency of both the G-8 and the European Union, 2007 represents another crucial year for decisions and reforms to advance the fight against poverty and injustice.

The European Community (EC)<sup>1</sup> provides about 10% of global development assistance and, like all donors, has committed to improving the effectiveness of its aid. Ireland, acting together with other like-minded countries, can play a leadership role in the EU in bringing this about. At European level, 2007 marks the beginning of a new seven-year cooperation period with Asia and Latin America, and the finalisation of programming for African, Caribbean and Pacific countries under the six-year 10th European Development Fund. If there were ever a time to take a closer look at EC aid and its effectiveness in bringing about a better world, that time is now.

Through its partners in the CIDSE/Caritas networks of Catholic organisations,<sup>2</sup> Trócaire has contributed to producing a report entitled “The EU's Footprint in the South: Does European Community development cooperation make a difference for the poor?”.<sup>3</sup> Drawing upon research in Bangladesh, Cameroon, Ethiopia, Guatemala, Nicaragua, and Zambia,<sup>4</sup> this report asks: Does EC aid support developing countries' own priorities for poverty reduction, or do European interests still play a role? How do new EC aid mechanisms, such as direct budget support, affect the accountability of developing country governments to their citizens? To what extent is local civil society involved in EC aid? And what do we know about the actual impact of EC aid?

The report demonstrates that progress has been made towards more effective EC aid, but that much more could be done so that these vital resources make a visible difference in the lives of people living in poverty. It sets out concrete ways in which the EC can improve the impact of its aid for the poor, supported by good examples from current EC practice demonstrating that change is possible.

### KEY POINTS

- Progress has been made on making EC aid work for the poor however more needs to be done to ensure that the EU's policy level commitments to poverty reduction as the overarching goal of its development aid are translated into reality
- EC aid should be based on the needs and priorities of the partner countries as reflected, for example, in Poverty Reduction Strategy Papers (PRSPs), not on its own interests
- Greater participation of governments, parliaments and civil society in the partner countries in the planning and monitoring of EC aid is needed to ensure that it works for the poor
- More comprehensive tools need to be developed to measure the real impact of EC aid rather than its operational outputs

<sup>1</sup> “European Community (EC)” aid refers to the aid which is managed by the European Commission through the European Community budget and through a separate fund called the “European Development Fund”. “European Union (EU)” aid, on the other hand, incorporates both EC aid and the aid which is given bilaterally by EU Member States. This amounts to about half of global aid. This report examines only EC aid.

<sup>2</sup> CIDSE is an alliance of 15 Catholic development organisations from Europe and North America. Caritas is a confederation of 162 Catholic relief, development and social service organisations. The report was produced by CIDSE and Caritas Europa with part-funding from Trócaire.

<sup>3</sup> The full report can be downloaded from <http://trocaire.org/pdfs/policy/aid/EUfootprintinthesouth.pdf>

<sup>4</sup> Ethiopia and Zambia are priority countries for Ireland's development cooperation programme.

## 2. MAIN FINDINGS OF THE REPORT

### Poverty reduction: rhetoric or reality?

Poverty reduction has become the overall goal of EC aid, formulated in fundamental policy documents<sup>5</sup> as well as expressed in strategy papers of individual countries. However, questionable alignment with country-owned strategies and priorities, a lack of clarity on EC aid's contribution to the Millennium Development Goals, and the presence of influential non-development interests are serious obstacles to putting this theory into practice. For example, economic and foreign policy interests are influential factors for EC aid operations. The Economic Partnership Agreements (EPAs) currently being negotiated with the ACP countries reflect the EU's global economic interest to further integrate the economies of the poorest countries into the world market. Not only will the EPAs require partner countries to open up their markets to EU goods but part of the aid they receive will be specifically earmarked to support economic integration as per the EU's own agenda.

### Results-based perspective: Impact of EC aid on poverty reduction

Important changes in EC aid programmes are underway (eg replacing the input/output mode of evaluating aid with a broader approach focusing on real outcomes; using direct budget support as a means of providing aid). Some of them offer prospects to improve the impact on poverty reduction, others risk limiting it.

Despite all efforts, improvements and intentions, the measurable impact of EC aid on poverty reduction leaves a lot of room for improvement. This is illustrated by the EC's aid to the transport sector. The focus of EC cooperation in the sector tends to be on building large trunk roads rather than roads in rural areas. This means the rural poor continue to be sidelined in terms of the infrastructure needed to enable them to develop economically.

Thus, more work needs to be done to deal with structural weaknesses and programmatic shortcomings in the EC aid architecture in order to improve and optimise the impact of that aid.

### The influence of EC aid mechanisms on democratic governance

In recent years, the EC has developed a number of reforms of its aid delivery mechanisms. These are centred around three main axes: the introduction of new principles such as country ownership of strategies; increased donor coordination guided by the Paris Declaration on aid effectiveness (2005)<sup>6</sup> and new aid instruments such as direct budget support. These mechanisms have good potential in relation to improving aid delivery but they will also have an impact on democratic governance in Southern countries which needs to be carefully scrutinised.

Country ownership and the question of who sets the priorities of EC aid are key in relation to donor coordination. Although there is a strong commitment to the principle of country ownership as a basis for donor coordination in both the Paris Declaration and the EC's own policy documents (eg the European Consensus on Development, the Cotonou Agreement), this is not always borne out in practice. In some cases, joint donor strategies and country strategy papers contain approaches and priorities which are more reflective of donors' interests than partner country concerns.

There is also an increasing focus on governance in the EC's aid programmes. However, thus far, support for good governance tends to take a somewhat "technocratic" approach, focusing on limited issues such as "public finance management" rather than on support to parliaments, free media, trade unions and civil society to provide the democratic checks and balances that are necessary for real accountability.

Direct budget support has become one of the most important forms of aid delivery for the EC but there is a tendency to bypass parliaments and civil society in relation to crucial decisions on how the aid is managed. Donor/government meetings tend to take place behind closed doors and there is a danger that donors will displace parliaments in overseeing and controlling the performance of governments.

Overall, new aid mechanisms used by the EC and other donors are a step in the right direction for poverty-oriented aid. However, they are currently not sufficiently embedded in democratic processes.

<sup>5</sup> The overall objectives of EC development cooperation are outlined in Article 177 of the EU Treaty: sustainable economic and social development; gradual integration into the world economy and the campaign against poverty. The Cotonou Agreement (2000) which is a partnership framework for the EU's relations with the African, Caribbean and Pacific (ACP) countries, identifies poverty reduction as its central objective. Poverty eradication is also enshrined as the "primary and overarching objective" of EU development policy by the EU's development policy document, the European Consensus on Development (2005).

<sup>6</sup> And the new "Code of Conduct" on division of labour between the EC and the Member States in the context of aid.

## Accountability in EC aid and the role of civil society

Transparency and accountability are important programmatic elements in all good governance programmes of the EC as well as in the Cotonou partnership agreement. The reality of EC aid reveals a significant gap between these principles and its own practice. For example, it is sometimes difficult for civil society to access documents such as draft Country Strategy Papers or other information on the aid process. Although all EC delegations have their own websites, such information is not always posted there nor is it necessarily available in printed form. Furthermore, official consultations with civil society tend to be ad hoc, organised on short notice and little information is provided in advance. There are some exceptions to this (eg in Ethiopia where there have been efforts to engage in direct dialogue with civil society through the Cotonou Task Force, a grouping of 17 Civil Society Organisations) but in general the transparency of EC processes in recipient countries and the dialogue with civil society representatives is insufficient.

## 3. RECOMMENDATIONS

### Impact on poverty reduction

1. Impact on poverty reduction should systematically drive EC aid and its principal planning, monitoring and evaluation tools.

#### *Impact on poverty reduction - Examples of good practice:*

*The 2006 evaluation of the European Commission's support to **Tanzania** follows a methodology with a substantial focus on the impact on poverty reduction. The more limited 2002-06 evaluations of EC support to **Cameroon** and **Zambia** also have impact on poverty reduction as a central issue, though the Commission has expressed reservations on their conclusions.*

2. EC aid must be based upon broadly shared national priorities for poverty reduction, and the EC should vigilantly exclude European economic or foreign policy interests from influencing its aid.
3. EC support to the transport sector should have a clear and explicit link with poverty reduction.

4. The EC must reduce bureaucratic impediments to the effectiveness of its aid, privileging instead quality analysis and integration of local actors.

### New aid mechanisms and democratic frameworks

5. The EC should use its leading role on the issue of governance to ensure that its approach supports broader efforts of national actors toward democratic accountability.

#### *New aid mechanisms and democratic frameworks - Examples of good practice:*

*In **Ethiopia**, the EC has visibly used its political dialogue to address repression of political opposition by the government, though with only mixed results. In **Zambia**, first steps have been taken to share the EC governance profile with civil society.*

6. The EC should use its leading role in budget support to ground this mechanism in national democratic frameworks and accountability, so that resources are used to the benefit of the poor.
7. The EC should systematically take a strong role in stimulating and monitoring EU donor coordination at country level, to reduce the burden on governments, parliaments and civil society and improve results for development.

### Accountability and involvement of local society

8. The EC should publish a "transparency charter" making a significant commitment to systematically make available information to local and European actors, in a timely and accessible way.

#### *Accountability and involvement of local society - examples of good practice:*

*In **Cameroon**, the EC Delegation has pledged to publish all documents on its website at the same time as they are transmitted to Brussels and it posted there the draft 2008-13 Country Strategy Paper. In **Guatemala**, each EC programme has its own specific website which includes information on tenders, regulations, and activities.*

## Further information

This briefing is based on the report "The EU's Footprint in the South: Does European Community development cooperation make a difference for the poor?" published by CIDSE/Caritas Europa, March 2007.

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9. The EC must considerably improve the participation of parliaments, civil society and local communities in EC development cooperation with the aim of real consultation, not simply information or validation.
  10. The EC must improve conditions for access to EC funding by civil society for example by simplifying the eligibility criteria and procedures for accessing funding especially for smaller local grassroots organisations.
- The EU code of conduct on Division of Labour: the code of conduct must benefit partner countries as well as donors by ensuring that the focus is on country ownership, consultation and transparency in its implementation as well as predictability of aid flows and continued support to basic social sectors.
  - The OECD/DAC peer review of EC aid: Ireland should give input to the peer review highlighting the need for a more explicit focus by the EC on the impact of its aid on poverty reduction and ensure that the recommendations ultimately contained in the review are put into practice at EU level with follow-up in the Council of Ministers.
  - 10<sup>th</sup> European Development Fund (EDF): Country Strategy Papers should show alignment with partner countries' Poverty Reduction Strategy Papers (PRSPs); the EC must ensure meaningful consultation of parliaments and civil society in the remainder of the process; participation of local stakeholders should also be ensured in key discussions on budget support and governance matters to reinforce democratic accountability.

## 4. IRELAND'S ROLE IN MAKING EC AID WORK FOR THE POOR

With its progressive development cooperation programmes and rising aid levels,<sup>7</sup> Ireland's role as an international donor is expanding. Irish development aid levels are due to increase to meet the UN target of 0.7% of GNI by 2012, three years in advance of the global deadline of 2015. The government has also committed itself to ensuring that aid works for the poor under the White Paper on Irish Aid (2006). It is vital that successive governments adhere to the commitments made on the quantity and quality of development aid and continue to drive forward development agendas which effectively address fundamental poverty reduction needs such as health and education.

**Trócaire** therefore calls on the Irish government to:

### **Harness international processes to increase EC aid effectiveness**

Use its influence at the EU, OECD and other international fora to ensure that EC aid is made to work for the poor in line with the above recommendations, in particular in relation to:

### **Build partner capacity to influence aid**

- Work with partner country governments, parliaments and civil society to build their capacity to engage in processes which determine how Irish and European aid is spent (eg PRSP processes; drafting, implementation and evaluation of EU Country Strategy Papers).

### **Safeguard commitments on Irish aid**

- Pass legislation to copperfasten Ireland's commitment to reaching the UN aid target of 0.7% of GNI by 2012.

<sup>7</sup> Ireland's aid levels rose by 33.7% in 2006 reflecting increasing bilateral aid as well as large multilateral contributions (OECD press release, 3<sup>rd</sup> April 2007: [www.oecd.org/dac](http://www.oecd.org/dac)). This represents about 0.53% of GNI and makes Ireland the sixth largest donor per capita amongst members of the OECD's Development Assistance Committee. The DAC includes the EU-15, Canada, Japan, Mexico, New Zealand, Norway, Switzerland and the US.