



Delivering better aid: An opportunity for European Union leadership in the fight against global poverty

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CONCORD is the European Confederation of 22 national associations and 20 international networks from the EU member states representing more than 1600 NGOs in Europe. The CONCORD "Aid Watch" Initiative monitors and advocates on the quantity and quality of the Official Development Assistance (ODA) provided by EU member states and the European Commission.

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"We have an ambitious agenda ahead of us. The European Consensus and the Africa Strategy set out a challenging vision for the future. Member States have made a strong financial commitment to meet that challenge. And there is agreement that we need to deliver more and better aid," Commissioner Louis Michel, 28th November 2005.

1. Summary and key recommendations

2008 is a crucial year in the fight against global poverty. Governments from across the world will meet at a 'High Level Forum' in Accra, Ghana in September to assess whether international aid is playing an effective role in delivering human rights for all. Soon afterwards they will assemble again at a UN summit in Doha, to examine the broader 'Financing for Development' agenda, of which aid is a part, but which also includes other critical issues for international development, such as international finance, trade and debt.

The European Union provides the majority of the world's aid, giving it a crucial leadership role in the fight against global poverty. It also has a solemn responsibility to do all it can to make sure the aid it provides is as effective as possible at reducing poverty and ensuring rights for all.

European civil society organisations are therefore calling on the EU to grasp the opportunity for leadership that 2008 provides, and agree to a set of concrete EU targets to improve aid from member states and European institutions. If necessary, these should go beyond the commitments made at international fora such as Accra. This would follow existing precedents, and allow EU aid to become a global benchmark for quality.

We make the **following specific recommendations**, for EU governments and institutions, which are set out in detail later in this paper:

1. The EU should respect real **democratic ownership** of the development process, and allow partner countries to be in the driving seat by:
 - **Untying** all EU aid to all countries;
 - Phasing out **economic policy conditionality**.
2. The EU should radically improve its **accountability**, particularly to developing countries and their citizens by:
 - making monitoring and evaluation of aid truly independent;
 - establishing a complaints mechanism open to aid recipients;
 - supporting in-country mechanisms for holding donors to account.
3. The EU should commit to good practice standards of **openness and transparency** of their aid budgets and activities.
4. The EU should agree new, more ambitious targets to make multi-year, **predictable and guaranteed aid commitments** based on clear and transparent criteria.

5. The EU should reform its **technical assistance** – money spent on consultants, research and training - to respond to national priorities and build genuine capacity in partner countries.

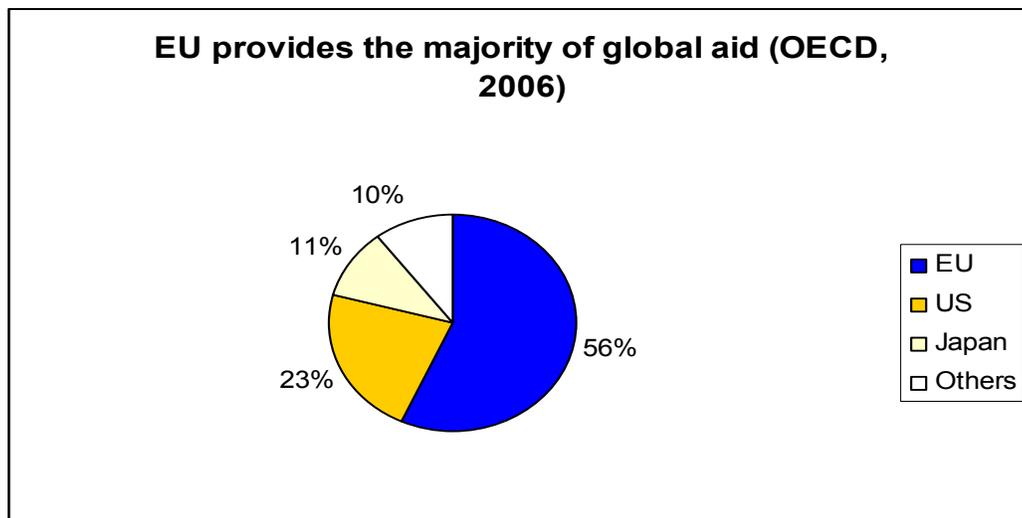
Aid reform is, of course, only one of the steps that the European Union must take. Making its trade, security, migration, agriculture and other policies coherently work to benefit developing countries and promoting a fair international financial and trade system in favour of development remain huge challenges, which CONCORD members continue to focus on, but which are not the subject of this paper.

However, by taking the above steps, the EU would demonstrate that it is truly committed to making its aid an effective tool in the fight against global poverty and inequality.

2. Background

The European Union: the world's biggest donor

The EU provides over half of global aid. As the chart below shows, EU Official Development Assistance (ODA) amounted to €46.9 billion in 2006, covering over 160 countries.¹ This includes bilateral aid given directly by the 27 member states and aid which is managed by the European Commission (European Community (EC) aid). Throughout this paper, when we refer to 'the EU' we mean both the 27 member states and the European institutions such as the European Commission.



Source: OECD²

Following the UN Financing for Development conference in Monterrey in 2002, the EU, like other donors, re-committed itself to reaching the UN target of giving 0.7% of Gross National Income (GNI) in ODA by 2015. Interim aid targets were also agreed for the EU and individual member states (see box 1 below for details). If these commitments are honoured, the amount of money the EU gives in aid is due to rise dramatically over the coming years, both in absolute terms and as a percentage of the global total. The CONCORD 'Aidwatch' initiative³ of non-governmental organisations in all 27 EU states will continue to monitor progress towards these targets.

As the world's leading aid donor, the EU has a key role to play as the central pillar of the international aid architecture. It must ensure that its own aid is spent effectively, and show leadership in the international arena by promoting much-needed reforms to aid practices, so that aid can play an effective role in the fight against global poverty

Box 1: EU commitments to give more and better aid

In addition to global commitments, such as the Paris Declaration (see box 2), the EU has made further commitments to:

Increase its aid:

- Collective EU targets of 0.39% ODA/GNI by 2006 and 0.56% by 2010.
- Minimum targets for EU 15 of 0.33% by 2006 and 0.51% by 2010.
- EU 12 targets of 0.17% by 2010 and 0.33% by 2015⁴

Make EU aid more predictable:

"... the EU will develop new, more predictable and less volatile aid mechanisms. Such mechanisms could consist in the provision of a minimum level of budgetary aid secured in a medium term perspective..."⁵

Make EU aid better coordinated:

- "The EU is committed to promote better donor coordination and complementarity by working towards joint multi-annual programming, based on partner countries' poverty reduction or equivalent strategies and countries' own budget processes, common implementation mechanisms including shared analysis, joint donor wide missions, and the use of co-financing arrangements."⁶
- [The EU commits] "to reduce the number of un-coordinated missions by 50%."⁷

Align EU aid with partner countries' plans and systems:

- [The EU commits] "to channel 50% of government-to-government assistance through country systems, including by increasing the percentage of our assistance provided through budget support or sectorwide approaches"⁸
- [The EU commits] "to avoid the establishment of any new project implementation units."⁹

Untie EU aid:

- "The EU will promote further untying of aid going beyond existing OECD recommendations, especially for food aid."¹⁰
- "[The Council will address] the challenge of untying of aid by adopting as soon as possible a regulation on the access to EC external assistance; the EU will support ongoing debates at the international level on further untying of aid beyond existing OECD/DAC recommendations."¹¹

Reform EU Technical Assistance:

- "to provide all capacity building assistance through coordinated programmes with an increasing use of multi-donors arrangements."¹²

3. The purpose of aid: eliminating poverty and ensuring rights for all

Aid can only be deemed 'effective' if it contributes to reductions in poverty and inequality and helps developing countries meet internationally agreed human rights standards. Given that 70% of those living in poverty are women and girls, effective aid must always actively tackle gender equality and women's rights issues. As poverty is unevenly distributed and inequality is widespread both within and between countries, effective aid must also pay special attention to the poorest and most marginalised groups.

Therefore, basic requirements for effective aid are that it must be directed on the basis of need, to address the requirements of the poorest and most excluded, it must actively promote gender equality and women's rights, be used for poverty reduction through supporting self-determined, democratically owned development efforts. It must *not* be used to promote the geopolitical or commercial interests of donor countries.

Unfortunately, the current system of allocating aid too often falls short, with many poor countries and critical issues receiving paltry aid allocations. This is a situation which all agree must change, but the Paris Declaration is largely silent on this critical issue. The EU has recently committed to tackling the question of 'orphaned' or neglected countries in the context of its Code of Conduct on Division of Labour¹³ and has begun to look at allocations to 'fragile states'.¹⁴ European governments should take the lead internationally in pushing for the agreement of effective and transparent international mechanisms to improve allocation so aid goes to those most in need.

4. From Paris to Accra: a major opportunity for EU leadership

The Paris Declaration, signed in 2005 by over one hundred governments and multilateral agencies, commits the European Union to making improvements to the quality of their aid in a number of important areas. Box 2, below gives further details. Unfortunately, it is limited in its scope, avoiding critical issues like aid allocation and transparency, and setting unambitious targets in others such as ownership, mutual accountability and aid untying. Although gender equality is recognised as a cross-cutting issue, the Paris Declaration pays it scant attention and has no indicator on this crucial issue.

In 2008, a major 'High Level Forum' will be held in Accra, Ghana to review progress against the Paris Declaration and agree further actions to be taken by donors and partner countries to improve their aid. The Accra High Level Forum must ensure that the aid effectiveness agenda is focussed on the objectives of reducing poverty, promoting equality and guaranteeing human rights.

Box 2: The Paris Declaration on Aid Effectiveness, 2005¹⁵

The Paris Declaration on Aid Effectiveness was agreed in March 2005, through the OECD. It establishes global commitments for donor and recipient governments which are supposed to make aid more effective, in a context of a significant scaling up of aid. The intention is to reform some aspects of the delivery and management of aid in order to improve its effectiveness. The reforms are intended to "increase the

impact of aid [...] in reducing poverty and inequality, increasing growth, building capacity and accelerating the achievement of the MDGs”.

The Declaration outlines five principles which should shape aid delivery:
OWNERSHIP: Developing countries will exercise effective leadership over their development policies and strategies, and will coordinate development actions;
ALIGNMENT: Donor countries will base their overall support on recipient countries' national development strategies, institutions, and procedures;
HARMONISATION: Donor countries will work so that their actions are more harmonised, transparent, and collectively effective;
MANAGING FOR RESULTS: All countries will manage resources and improve decision-making for results; and,
MUTUAL ACCOUNTABILITY: Donor and developing countries pledge that they will be mutually accountable for development results.

Civil society organisations have been critical of both the process of preparing the Paris Declaration which was heavily donor-dominated, and the content of the Declaration, which is limited in scope and omits many crucial issues, as highlighted in this paper. Signatories include 35 donor countries and agencies, 26 multilateral agencies and 56 countries that receive aid. The Declaration specifies indicators, timetables and targets for actions by donor and partner governments and has an evolving agenda for implementation and monitoring of progress, up to 2010. This includes a Third High Level Forum to take place in Ghana in September 2008.

The EU has committed to taking a leading role in implementing the Paris Declaration, in addition to the EU-specific commitments it has made to improve its aid (see Box 1.) This precedent of setting higher targets for European donors is crucially important. If the EU is to play a leadership role in helping to make aid more effective at delivering poverty reduction, it must continue to reform and set itself additional targets that go beyond the minimum international standards that will be agreed or reaffirmed at Accra.

Efforts made so far to harmonise and better coordinate aid programming through the adoption of an EU code of conduct on division of labour are essential, but won't dramatically influence aid effectiveness if they aren't followed by concrete actions at field level and accompanied by the decisive steps in favour of democratic ownership, accountability and better aid quality outlined in this paper. On the contrary they can be counter-productive if they result in donors aligning behind the economic policy conditionalities of the World Bank and International Monetary Fund (discussed further in section 5.)

The EU has also made a number of important commitments on gender equality which must be followed through. The 2005 EU Consensus on Development recognises gender equality as a goal in its own right and commits the EU to strengthening its approach to gender equality in all EU development cooperation policies. In addition, the EC Communication on Gender Equality and Women's Empowerment in Development Cooperation commits EU donors to ensure the effective implementation of strategies and practices that genuinely deliver for women.

We call on the EU, in the run up to the third High Level Forum on Aid Effectiveness in Accra, scheduled for September 2008, to agree a comprehensive set of additional targets for improving its aid. The next section of this paper set out European civil society organisations' key recommendations for these. They are designed to be a minimum set of practical reforms which should be rapidly implemented and independently monitored. They are drawn from a set of

demands on improving aid quality made by global civil society, which can be found at www.betteraid.org

Aid reform is, of course, only one of the steps that the European Union must take before it can legitimately claim to be a leading player in the fight against global poverty. Making its trade, security, migration, agriculture and other policies coherently work to benefit developing countries and promoting a fair international financial and trade system in favour of development remain huge challenges. CONCORD positions on these issues can be found at www.concordeurope.org

5: Concrete actions the EU should take to improve its aid

Putting democratic ownership at the centre of aid relationships

Recommendation 1 for EU Donors: The EU should respect real democratic ownership of the development process, and allow partner countries to be in the driving seat by:

- Untying all EU aid to all countries, including food aid and technical assistance, and setting up time bound, independently monitored targets for translating this commitment into practice. This should not alter recipients' right to maintain preferences for locally procured goods and services.***
- Phasing out economic policy conditionality. Recognise that economic policy conditionalities undermine democratic ownership and commit to ending all economic policy conditions attached to EU aid. Agree ambitious, timebound targets to simplify, reduce, and eliminate policy conditionalities attached to EU aid, and push others to do the same.***

The ownership principle is supposed to be a foundation of the Paris aid effectiveness agenda as well as other ongoing reform processes.¹⁶ However, the Paris Declaration has only one indicator ownership, which focuses on whether partner countries have 'operational development strategies.' There is no assessment of the degree to which these strategies (often known as Poverty Reduction Strategies or PRSPs) were developed by the countries themselves rather than being donor driven, nor are there any indicators that measure donor performance in supporting ownership. Setting national and local development priorities in a country is a complex political process, involving many stakeholders, which must respond to national and local contexts and needs. 'Ownership' of development programmes should therefore be understood not simply as government ownership, but as *democratic ownership*. Democratic ownership means involving parliaments, citizens and civil society organisations including women's organisations, and those representing the most disadvantaged or marginalised sections of society, in the formulation, delivery, evaluation and monitoring of policy and programmes.

The role of civil society in promoting democratic ownership and enhancing accountability is critically important. Amongst other things, civil society organisations act as 'watchdogs' of governments and donors, help ensure the voices of the poor and marginalised are heard, and deliver practical, on the ground solutions to poverty and inequality. These roles should be recognised and supported by the EU.

Untying EU aid

'Tying' aid to the procurement of donor goods and services inflates costs by up to 30%,¹⁷ slows down delivery and undermines ownership by preventing southern countries from directing aid where it is most needed, or supporting the development

of local expertise and services. The primary beneficiaries of this practice are firms and consultants in donor countries. Whilst donors have made some efforts to reform, they have excluded key areas such as food aid and technical assistance from their agreements, and in practice continue to heavily direct their aid budgets to their own firms. However, the European Council recognised in 2005 that this issue needs to be addressed. Since then, however, little has been done. The recent OECD-DAC Peer Review of European Community aid recommends that the EU go further towards untying all aid.¹⁸ Now is the time for the EU to lead the way by living up to its commitment to take action, and untie all its aid to all countries, and all aid modalities, including food aid and technical assistance.

Phasing out economic policy conditionality

The use of aid as a tool to influence government policies, particularly in sensitive areas like economic policy, has no place in an aid paradigm committed to ownership. However, donor policy conditions¹⁹ continue to be attached to both debt cancellation and aid, and the Paris Declaration contains no targets or indicators to reduce conditionality. This policy conditionality undermines ownership and has often led to increased rather than reduced poverty.²⁰

It is important to emphasise that conditionality – using aid money to influence partner government policy choices - is a different issue from the proper use of responsible financing standards that aim to ensure that aid is spent for the purposes intended. It is also different from ensuring that international agreements on, for example, human rights, environmental sustainability, women's rights and indigenous rights are respected in aid programming.

EU donors must recognise that their activities can undermine democratic ownership, particularly through policy conditionality, which limit the scope for partner countries to choose their own policies and encourage policy negotiations between donors and governments rather than between governments and their citizens. Donor harmonisation can reduce rather than increase policy space for recipients if it leads to donors aligning their aid to policy reforms demanded by the World Bank and IMF rather than national plans. Developing countries have already expressed their concerns about this risk.²¹

Making EU Aid transparent and accountable

Recommendation 2 for EU Donors: Radically improve accountability, particularly to developing countries and their citizens. EU donors should make this a priority and take concrete steps including:

- Making monitoring and evaluation of EU aid truly independent, including supporting country-led independent bodies in partner countries, and developing EU-level independent evaluation systems.*
- Developing a complaints mechanism open to those affected by EU aid, as the first step towards creating robust international complaints mechanisms;*
- Supporting in-country accountability mechanisms which include civil society Organisations and citizens, particularly in countries where aid forms a major part of development resources.*

Recommendation 3 for EU donors: Commit to good practice standards of openness and transparency of their aid budgets and activities. This should include: timely dissemination of information, particularly during aid negotiations and about

disbursements, and the adoption of a policy of automatic disclosure of all documents, with a strictly limited regime of exceptions.

Crucial to democratic ownership is ensuring effective accountability for the use of aid, and taking citizen participation and engagement in developing national policies and plans seriously. At present, accountability in the aid relationship flows almost entirely in one direction: from recipient to donor. Donors are often unaccountable to the governments and citizens of the countries that their aid is supposed to be helping, despite the Paris Declaration stating that the most important factor is to “*enhance donors’ and partner countries’ respective accountability to their citizens and parliaments for their development policies, strategies and performance.*”

In practical terms, the EU should support the creation of an effective and relevant independent monitoring and evaluation system for the development impact of its aid, which involves partner governments and civil society, and push for the creation of such systems at the national and international level. The EU should not only support independent complaint and response mechanisms to allow recipients and affected citizens an opportunity to challenge donor bad practices, but also set up a EU-level mechanism as a positive step in this direction.

Donors can also play a role in supporting the necessary processes in partner countries. Broadening aid accountability mechanisms to include a wider range of stakeholders is an opportunity to engage poor and vulnerable people in the decisions which affect their lives. Multi-stakeholder mechanisms for holding governments and donors to account for the use of aid, and for honouring commitments, should be the real test of whether commitments to ‘mutual accountability’ (Paris indicator 12) are being met. They should be open, transparent and regular, with real room for citizens of southern countries to hold their governments and donors to account.

Aid suffers from a serious lack of transparency and openness. There are wide variations in donor reporting on intended and actual aid disbursements, and on the terms. Aid negotiations continue to take place behind closed doors, key documents are often inaccessible and intended beneficiaries are rarely actively informed of aid activities, let alone being involved in decision making processes. There is also a wide gulf between EU commitments and policy statements on the importance of tackling gender inequality and the implementation of these commitments. Increased transparency from EU donors would not only make them more accountable, it would also support the efforts of southern parliaments, watchdogs and civil society to scrutinise budgets – of which aid can form a significant part - and therefore hold their own governments to account.

Dealing with poor aid quality

Recommendation 4 for EU Donors: Agree new, more ambitious targets to make multi-year, predictable and guaranteed aid commitments based on clear and transparent criteria. EU donors should make multi-year (3 years or more) aid commitments based on clear and transparent criteria agreed with partner countries, and should deliver those commitments on schedule, in a transparent manner.

Recommendation 5 for EU Donors: Reform technical assistance to respond to national priorities and build capacity. EU donors should set their own targets including making sure that 100% of technical assistance is demand-driven and

aligned to national strategies. The right of recipient countries to contract according to their needs should be respected.

The Paris Declaration highlights some problems that lead to poor quality aid, but glosses over or ignores central issues like untying and conditionality, as highlighted above. However, on the key issues of predictability and technical assistance the targets it sets are weak. EU donors should take a lead by setting themselves more ambitious targets.

Making EU aid more predictable

Aid flows are often volatile – many donors make commitments for no more than one year and deliver aid late or not at all. Aid is often disbursed according to donors' own priorities and timetables, without making sufficient efforts to respect and conform to national planning and development priorities, or the national budgeting timeframe. This makes it very difficult for recipients to prepare effective budgets, or to plan ahead, and makes it hard for parliaments, civil society and others to monitor aid flows and effectiveness. By increasing the amount of bilateral and European Commission aid delivered through multi-year commitments, EU donors would improve development outcomes by helping partner countries plan and budget effectively, and greatly improve the transparency and accountability of aid relationships. The Commission's proposal for 'MDG contracts' that would provide more predictable budget support to the ACP countries are a welcome step in the right direction.

Making Technical Assistance demand-driven

The OECD has estimated that as much as half of all aid is in the form of technical assistance.²² Yet the effectiveness of Technical Assistance has long been questioned, and the recent Paris monitoring survey process revealed that the lack of demand-driven TA was a key issue for developing country governments, some of whom even believed that *none* of the technical assistance they received responded to their demands.

Much technical assistance continues to be tied and overpriced, and is often ineffective at building local capacity. It is frequently characterised by the over-use of costly international consultants, the creation of parallel structures, lack of effective or sustainable transfer of knowledge and capacity, the promotion of practices inappropriate to the national or local context, and an emphasis on meeting donor requirements. In short, it is too donor-driven and not effective enough. EU donors must make sure that their Technical Assistance is demand driven and aligned with national strategies, with an emphasis on building local capacity so that countries are better equipped to fight poverty themselves.

6. Supporting an open and effective process in the run-up to Accra

EU governments should support an open, inclusive process in the run up to the Accra Forum. In particular this means promoting:

- Meaningful civil society participation throughout the process: including the Forum itself and the drafting of the Accra Agenda for Action that will be agreed at the Forum. In particular, meaningful participation of women's organisations is key to ensuring that the voices, concerns and proposals of women – who make up 70% of the poor - are taken into account. Involving representatives of the most disadvantaged and marginalised groups will also need special attention.

- A transparent, open and properly resourced consultation process in the run up to Accra, including the release of key papers early and in draft form; a civil society observer at all key meetings; and clear mechanisms for participation at all levels, with enough resources allocated to ensure broad representation of diverse civil society organisations, particularly from the South.

Conclusion

2008 is a crucial year in the fight against global poverty, and a critical opportunity for the European Union to lead the way on aid reform. The EU provides over half of global aid, and therefore has a responsibility to take a leadership role by radically improving the quality of its aid.

By putting democratic ownership at the centre of its aid efforts, ditching damaging and outdated policies like aid tying and economic policy conditionality, making its aid transparent and accountable, and dealing with persistent problems of unpredictable aid and poor quality technical assistance, the EU can truly take on the mantle of leadership. Leadership means taking the necessary action even when others do not want to or do not dare. If aid is to play its critical role in ending the scandal of global poverty, the EU must lead the way by setting and meeting the highest quality standards for its aid.

FOOTNOTES AND STATISTICS

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<http://register.consilium.europa.eu/pdf/en/07/st11/st11141.en07.pdf>

² <http://www.oecd.org/dataoecd/7/20/39768315.pdf>

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⁴ European Commission, 2007: Staff Working Document SEC (2007) 415, 4th April 2007

<http://ec.europa.eu/transparency/regdoc/rep/2/2007/EN/2-2007-415-EN-1-0.Pdf>

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http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/gena/84945.pdf

⁶ European Council, 2005: "European Consensus" on Development Brussels, 22 November 2005

<http://www2.dfid.gov.uk/eupresidency2005/eu-consensus-development.pdf>

⁷ *Ibid*, p12

⁸ *Ibid*, p12

⁹ *Ibid*, p12

¹⁰ GAERC 24 May 2005 Council Conclusions

¹¹ EU External Relations Council, Brussels 24 May 2005, *Council conclusions: Accelerating progress towards achieving the Millennium Development Goals*, p5

¹² European Consensus, 2005, p12

¹³ Council Conclusions of May 2007 on EU Code of Conduct on Complementarity and Division of Labour in Development Policy, DOC 9090/07, Guiding Principle 8.

¹⁴ See Commission Communication "Towards an EU response to situations of fragility - engaging in difficult environments for sustainable development, stability and peace", COM(2007) 643 final, 25.10.2007 and Council Conclusions on an EU response to situations of fragility of 19-20 November 2007.

¹⁵ See http://www.oecd.org/document/18/0,2340,en_2649_3236398_35401554_1_1_1_1,00.html

¹⁶ For example, the World Bank's 'Best Practice Principles on Conditionality' and the 'One UN' reforms.

¹⁷ OECD, World Bank et al, 2005: Harmonisation, Alignment, Results:

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<http://www1.worldbank.org/harmonization/Paris/ReviewofProgressChallengesOpportunities.pdf>

¹⁸ Review of the Development Co-operation Policies and Programmes of the European Community.

OECD Development Assistance Committee, 2007. www.oecd.org

¹⁹ Influencing policies through policy 'conditionality' is distinct from fiduciary responsibility and accountability for aid expenditures within a framework of internationally agreed human rights and other standards.

²⁰ See, for example: ActionAid International, 2005 *What Progress? A Shadow Review of World Bank Conditionality (ActionAid, Johannesburg)*

²¹ See, for example, Strategic Partnership for Africa. *Survey of Budget Support*, 2005 <http://www.spa-psa.org/resources/SPA7/2005%20BSWG%20Survey%20on%20Budget%20Support.pdf>

²² OECD, 2006, Development Cooperation Report 2005, p113, footnote 3