



The EUROPEAN COMMISSION

EuropeAid cooperation office

Non géographisées operations and Innovation
Innovation

Summary note

On the rationalisation of certain financial instruments of development policy

This note analyses the adequacy of current instruments supporting initiatives and programmes of a thematic or horizontal nature, and puts forward certain proposals for their rationalisation. The justification for the revision is based on a number of factors: the financial importance of the lines concerned (€1,055,700,000 in commitment appropriations for the financial year 2001), the inefficiency due to work overload by the Commission Services and external partners, the problems of consistency and complementarity with other geographical financial instruments of Community Aid, and the requirement to improve the impact and the efficiency of our horizontal and thematic support.

1. ANALYSIS OF THE SITUATION: THE MULTIPLICITY OF INSTRUMENTS

One of the main criticisms formulated against Community aid concerns the **multiplicity of instruments**, which have gradually been set up. In spite of the Commission's efforts towards administrative rationalisation, information and transparency, as well as adaptation efforts made by our partners, the complexity of the system constitutes today an obstacle to access financing, in particular for civil society stakeholders. Difficulty in access to basic information creates the risk of arbitrary access to finance. Moreover the lack of a clear definition of priorities generates a plethora of requests of which only a small amount can ultimately benefit from Community support.

The great majority of these thematic lines reflect a true heritage of the bygone history of European co-operation, which was characterised by an insufficient geographical coverage and/or the non-integration into the geographical instruments of fundamental thematic issues (environment, gender, AIDS, etc). **The majority of these lines have not been adapted to recent evolutions of Community aid.** The European Parliament, dissatisfied by the sectoral targeting mechanisms within the geographical instruments or wishing to attach a greater importance to certain horizontal aspects (environment, gender, AIDS, etc) has introduced a specific instrumental logic. The motivation for this action was also given by the lack of both; reiterative consultation mechanisms at the programming level and periodic follow up.

Today, the broad range of the budget lines and their thematic cleavage tend to create **important rigidities in terms of implementation**. Thus, a certain drift has occurred insofar as the instruments of co-operation have tended to dominate the policies rather than serving them. The cleavage generated by these budget lines reduces our capacity of instrumental adaptation in a changing context. The budget lines have not been adjusted to the fundamental orientations of Community development policy and the RELEX services reform; **consequently policy orientations sometimes appear incoherent and implementation becomes inefficient.**

The progressive and logical expansion of the geographical instruments and their adequacy have allowed the integration of a major part of the horizontal thematic issues within geographical programming areas. Despite this, and in absence of a revision of the role and modalities of

implementation of the thematic lines, there is today a phenomena of double usage, or even of redundancy or contradiction between actions supported by the geographical instruments and certain thematic lines (rehabilitation, refugees, environment, etc), as well as even between thematic lines themselves.

2. IMPLEMENTATION MODALITIES:

The total financial envelope concerned (1.055.700.00 Euro) accounts for 18,25% of the commitment appropriations programmed for the financial year 2001 for the total of Community aid to developing countries (5.779.000.000 Euro) managed by AIDCO. For its implementation, the workload generated within the Commission services can be analysed as follows:

- 126 traditional projects: 98 of low financial dimension for the lines concerning Human Rights, Democracy and the Rule of Law; 20 Food Security projects with an important financial dimension and 8 in other fields (Drugs, Rehabilitation: 3, Forests:2, and Co-financing NGOs:1).
- 12 "Calls for Proposal": despite the reduction effort of the number of Calls for Proposal, the split of lines (and consequent different legal bases, separate methods, etc.) require the launching of a too large number of Calls for Proposal. This involves extra work for the Commission services and confusion of our external partners. As an indication, the Call for Proposal for the Human Rights line 2001 generated administrative costs of approximately 1,000,000 of Euro and the assignment of the equivalent of 11 posts of agents/year to cope with the tasks of preparation, information, reception, analysis and selection. Of the 1400 requests, only 100 were financed: 1300 external partners had to endeavour to the preparation of the financing requests without result, and the Commission services had to carry out the analysis and examination of an equivalent number of requests without final result.

In total 4640 requests will have to be analysed for the whole of these lines.

1206 of these requests will result in contracts being awarded.

- These contracts will require approximately 760 amendments (estimated average), 1300 midterm reports, 860 final reports and 1174 evaluations, audits or reviews, on the whole more than 3300 reports which will be prepared by our partners and treated by the Commission services.

These statistics cover two different realities; within the framework of these instruments, two different methods of implementation:

- Projects/traditional programmes implemented by the beneficiary countries, and/or intermediate organisations (UN, International Organisations and others): Refugees, Rehabilitation, Security and food Aid;
- Small dimension actions implemented within the specific framework of partnership with Civil Society (NGOs, Universities, Local Authorities, etc.)

It is within this category that the main problems arise:

	Requests	Actions
NGOs co-financing	1540	330
Human rights/Democracy	1435	148
Forests-Environment	685	90
AIDS - Demography	130	18
Total	3790	586

These data concern only the workload for the implementation of actions for the 2001 financial year. The average duration of the actions is of 3 years. The Commission services and partners ensure a global management of three budgetary exercises: the current year, the two previous ones, and the RAL (Reste A Liquider) from previous exercises. The overall and real workload triples therefore that of a reference financial year such as the above mentioned. As an example, Human rights in 2001 will manage 148 new projects in addition to the 840 in the process of implementation from previous years. In global terms, the budgetary lines covered by this exercise represent half of the RAL in number of operations.

These figures do not take account the requests and financing granted to the civil society partners by means of the geographical instruments. If the nature of these actions explains partly this situation (autonomy at the level of programming, in particular for co-financing with the NGOs; small operation size, multiplicity of partners, etc), other reasons also are at the source of this problem:

- Multiplicity/overlapping of budget lines;
- Too vague objectives and weak definition of thematic and geographical priorities.

The direct consequences of this scenario are:

- Extra work for the external partners and the Commission services;
- Lack of motivation of our partners due to the significant number of rejected requests (in certain calls for proposal 1 positive answer for 15 requests);
- Large delays in selection and commitments
- Risks of failure at the level of transparency and of consistency;
- Excessive financial and human resource allocation
- Concentration of efforts at the selection level to the detriment of work at the follow-up, monitoring and control levels
- Lack of ability of the Commission services to integrate best practice from implemented actions into new actions

Corollary and the paradox of this acknowledgment: today the main beneficiaries of these instruments, in particular civil society organisations, become its victims. The analysis according to which these instruments are victims of their own success proves incorrect: they are victims of their instrumental inconsistency as well as of their incapacity for political and technical adequacy.

Generally, the situation is characterised by contradiction between the costs of implementation (internal and external) and the impact of the financed actions. If effectiveness, in terms of impact of the action, is very low (micro-management approach, powdering, contradiction with the sectoral approaches, etc), the efficiency of these lines is catastrophic with respect to efforts in terms of allocation of financial and human resources.

Regarding follow-up, monitoring and control, the current overload of the Commission services hardly allows a pro-active approach, which would be consistent with programming and with better targeting of actions. Such an approach would allow for better articulation and consistency between actions. A pro-active approach would allow for the anticipation and solving of difficulties which

may arise in the implementation process (including the mid-term reviews of actions). Finally, such an approach could be beneficial in terms of feedback for the identification/instruction, selection and follow up stages of actions. It also appears important in terms of professional motivation of officials and experts in the partner organisations and (partly related to that) to ensure the necessary expertise level.

Lastly, the consequences arising from the Relex reform regarding devolution in the various spheres of activity must be defined. This definition has to be done in consistency with the specific characteristics of the budget lines to be retained and with the principles on which the more general reform of the Commission services is based (decentralisation on the basis of the Line management).

Whereas the possibilities of devolution appear at first sight obvious for a part of the NGO Co-financing line (excluding sensibilisation actions), the six rehabilitation budget lines as well as a part of the food Security lines (direct aid country programmes), the Refugee/displaced persons lines, require a more thorough analysis while the other lines do not seem devolvable, in a context of redefinition of their specific characters. Nevertheless, for these fields too, a more important implication of the Delegations in the identification/instruction, selection and implementation monitoring, is possible, there are numerous cases already at present. A more systematic and coherent approach must be achieved.

3. PROPOSALS FOR THE ADJUSTMENT OF THESE INSTRUMENTS TO THE POLICIES

It therefore proves necessary to adapt these instruments, in order to maximising their contribution to the objectives defined in terms of development policy, by better insertion in the programming process (consistency and co-ordination with the geographical financial instruments) and with the aim of simplification in implementation. Such a step must ensure consistency with other instruments servicing the same objectives within the overall framework of the Community policy, according to the reform principles of the Commission and of the services in charge of management of aid.

Moreover the improvement of implementation modalities and management should allow us the following:

- To grant appropriate responses to our partner's expectations, by avoiding the plethora of Calls for Proposals and existing ambiguity between the objectives, selection criteria and implementation conditions. The current situation generates an enormous workload, inefficiencies at the level of the management of resources and of the internal and external capacities, and finally, a discouragement of our partners in particular of civil society.
- To adapt the workload to the capacities of the services in charge of management, which despite an important reinforcement, suffer from a structural overload, which will only find a sustainable and viable solution by means of a reform of the instruments and of the implementation modalities.

In relation to the problems mentioned and to the need for action for the improvement of the adequacy of instruments to policies, a rationalisation of the budget lines must be effected.

¹Noting the systematic consultation of the Delegations which takes place already in the selection in the context of the various calls for proposals.

The Commission considers that this rationalisation must respect two different but complementary logics, one of sectoral policies and another of support to the stakeholders involved.

3.1. Instruments for Priority Programmes

Political logic aims to strengthen our action in certain fields, priority or innovative, and in particular with a thematic or “non-geographic” nature

- Horizontal issues: actions of a thematic general nature, studies or programmes concerning “non-geographic” issues or actions geographically defined but with a global impact (e.g. conservation of the tropical forests in Brazil, protection of bio-diversity in central Africa, etc.)
- Fields in which specific autonomy of the Community action must be preserved with regards to the governments of the beneficiary countries (support for the democratisation processes, actions of civil society in the field of Human Rights, etc).
- Actions, which sometimes cannot receive support within the framework of national or regional programming due to their specific character (e.g. actions in the field of the drug abuse control and of international criminality...)

3.2 Improvement of implementation modalities and management

3.1.1. By the introduction of multi- annual and annual programming

In order to achieve better political and sectoral targeting, it is suggested for all programmes concerned to establish a system of multi-annual and annual programming, which should be followed by a programming of Calls for Proposals, accessible to the public. This new programming and information system should allow our partners (NGO’s and others) to better plan and target their own work. The system would should increase the quality of proposals, as well as decrease the number of proposals submitted to the Commission services. Last but not least, the targeted programming should improve the quality and coherence of actions financed through thematic budgetary lines with actions financed through national or regional programmes (or with actions financed through other TBL), as well as decrease the workload for the Commission services.

3.1.2. by the introduction of concerted programming

The restructuring of the instruments, its simplification and rationalisation should facilitate on the one hand their adequacy to political priorities defined by the budgetary authority and its adjustment to the major objectives of the Development Policy, and on the other hand, its implementation and its administrative and financial technical management.

Greater flexibility will improve the capacity of Community aid to react in a changing international context. For that purpose, it proves necessary to define iterative mechanisms making it possible to take into account in an more effective way the concerns and guidelines of the budgetary authority. The experiment developed under the European Initiative for Human Rights gives a choice reference in this field.

The concerted programming and follow-up will require an effort in terms of workload for the Commission services, which should be compensated by the economies of scale and the earnings in effectiveness and in efficiency generated by the suggested restructuring of the instruments.

3.1.3. By introducing a regular reporting system

The Commission will suggest a multi-annual programming framework for each one of these Programmes, which will, preliminary to the budgetary adoption process, be subject to annual co-operation with the European Parliament. This will be done in order to define the sectoral, thematic and/or geographic priorities. Representatives of the civil Society should be associated to this process. A more stringent follow-up should be guaranteed by means of an annual debate on the basis of a mid-term report submitted by the Commission to the EP and to the Council and taking stock of the implementation of the guidelines laid down within the framework of concerted programming (difficulties, amendments of the starting guidelines according to evolving context, new non envisaged actions, revision of the modalities of implementation, etc).

3.1.4. By a revision of the implementation modalities

The Commission services have carried out an analysis of the administrative and management measures necessary in order to improve modalities of implementation. The application of the provisions envisaged by the "Vade-mecum on the management of the subsidies" adopted by the Commission in July 1998, as well as of the "Practical Guide of the contractual procedures of external aid", are important steps in terms of transparency, of harmonisation of the modalities of implementation and of simplification of the procedures. Nevertheless, the experience of the last two years shows that an adjustment proves necessary to adapt certain administrative procedures and thus improve the overall management of these instruments.

Further to these drawn lessons, the Commission services partially revised the modalities of implementation in 2001 and in particular the following aspects:

- Management of "Calls for proposal":
 - Ensure a better definition of priorities, objectives and themes likely to be financed under each "Call for proposal".
 - Ensure a better definition of the categories of eligible applicants.
 - Fixing a minimum amount of subsidy by project and/or, if necessary, fixing of a minimum amount of co-financing to be brought by the applicant.
 - Clarification of the eligibility criteria.
 - Organisational measures with a view to reducing the handling, instruction, decision, and contracting periods;
 - Making a priority of North-South partnership programmes (civil society) and of common programmes presented by European NGOs, aiming at common actions for on the same problems or a given situation.
 - Priority granted to programmes.
 - Analysis of the modalities of devolution of management.

If these measures can help us to improve financial management and implementation, while facilitating programming, instruction and execution by our external partners, they cannot solve the structural problem, which stems from rigidities of the current structure of the financial instruments.

4. CONCLUSION

The Commission proposal to the Council and the European Parliament aims therefore to adjust the financial instruments analysed in this Communication and to simplify the modalities of implementation. The suggested recommendations consist of:

- Reduction of the number of thematic budgetary lines to:
 - **Food Security:** Further to the recent evaluation of the programme, conclusions provide the basis for continuing the programme with the revisions adopted in 1996. Considering the unpredictability of crisis and the need for rapid response, the programme needs its own specificity. In the project of the 2002 Budget, a rationalisation of lines is already recommended going from 3 to 2 (1 compulsory and 1 non compulsory).
 - **Human Rights:** As a priority of Community development policy, the European Initiative for Human Rights and Democracy has developed its own specificity. Although geographic budgetary lines exist, the independence of EIHRD remains a crucial instrument for development policy. It is recommended that the current 5 budgetary lines be restructured to one single line.
 - **Thematic actions for Sustainable Development:** Numerous lines currently exist covering themes from health, tropical forests to mines. In order to achieve improved quality, management and visibility, it is recommended to regroup the 11 different lines (see annex of lines at the end of the document) concerned into a single one covering actions of interregional, global (non-geographic) character; priority actions in geographic regions with limited resources or without any co-operation agreements (Afghanistan, Iran); pilot actions or actions preliminary to a national priority programme in a specified field (anti personal mines).
 - **NGO Co-financing:** Through the NGO lines and an active partnership with civil society, the Commission has developed and reinforced the awareness and civil action in development policy. This specificity has to be extended in order to achieve the goal of poverty reduction in third countries. It is recommended that a consolidated budgetary line be focused on programmes open to Southern NGO's through Northern/Southern NGO partnerships, increased "Contract programmes", use of European network programmes and less small scale projects.
- Ensure a more efficient inter-institutional co-ordination through a concerted multi-annual and annual programming with the Council, the European Parliament and Civil Society
- Introduce a regular reporting system with the Council and the European Parliament in order monitor and if necessary adapt the implementation of the orientations laid down within the framework of concerted programming.
- Simplify the administrative procedures of implementation and of financial management.

Therefore, the recommendation of the Commission to the Council and to the European Parliament consists of a revision of the role and of the objectives of these instruments, in order to optimise its contribution to the implementation of the Community Development Aid Policy.

The 2002 budget includes the following 11 lines that should be subjected to rationalisation :

Name of line	Budget	2002 CA
Environment in the developing countries and tropical forests	B7-6200	40,917
Aid for poverty related diseases (HIV/AIDS, malaria and tuberculosis)	B7-6211	25,270
Contribution to GHF	B7-6212	p.m
Integrating gender issues into development co-operation	B7-622	2,038
Capacity building for information and communication technologies and sustainable energy	B7-623	5,0
Integration of children' rights into development co-operation	B7-624	0,4
Disabled people in education, health care.....	B7 – 625	p.m
North-South co-operation schemes in the campaign against drug abuse	B7-6310	1,601
Aid for population and reproductive health care	B7-6312	8,069
Aid for basic education in developing countries	B7-6313	3,5
Community participation in action concerning anti-personnel mines	B7-661	11,514