

Indicators and Targets in EU Development Aid

How to assess the Poverty Focus?

I. Introduction

A debate started two years ago between the European Parliament and the Commission regarding Development budget implementation and control. This debate coincides with the adoption by the EU institutions of a new framework for development policy (adopted in November 2000) with the overarching goal of poverty alleviation. The Commission, as the executive body of the EU, is responsible on the implementation of this new policy and on the implementation of the annual Development budget. The European Parliament in agreement with the Council adopts each year the development aid budget and is also responsible of the budgetary control. Since two or three years the Development Committee of the EP, that has the responsibility on the development budget, complains on the fact that it cannot efficiently fulfil its duty in the present circumstances. Two problems are put forwards:

- the fact that, in the annual budget, development aid is mixed up with external relations and that the political priorities attached to geographic budget lines are not well defined
- the fact that the Commission is unable to report on the way the financial allocations are distributed into sectors of action and on the way the poverty focus is implemented.

After two years of 'conflict' and exchanges of arguments between the EC and the EP, a solution seems to emerge with the adoption of a benchmark of 35% expenditures to health and education in 2002 budget and with the development inside the EC of the instruments that will allow proper reporting and more transparency regarding country strategies.

A seminar was organised by the Development Committee of the EP on 26 February to discuss the issue of targets and indicators in the EU development budget. The seminar was attended by representatives from Member States administrations, the World Bank and a great number of EC civil servants. Simon Stocker from *Eurostep* made a contribution at the end of the day. Several NGO networks including *Aprodev* prepared a briefing paper that was circulated to MEPs in view of the seminar. In this paper the NGOs list and comment the arguments presented by the EC in the last two years debate and present their views on the intention of the Commission to drastically reduce the number of thematic lines in the budget.

II. Geographic Budget Lines and EDF

Regarding indicators, monitoring and control of the implementation of the EU development aid budget, a distinction should be made between two categories of budget lines, the geographic lines (including EDF however it is not part of the annual budget) and the thematic lines.

The first category amounts around €2 billion and is composed of the budget lines for cooperation with Asia (B7-300 and 301), Latin America (B7-310 and 311), South Africa (B7-320), the Mediterranean partners (B7-410) the New independent States

(B7-520) and finally with the Western Balkans (B7-541 and B7-548). For the purpose of this paper we also include EDF in this category (the €2 billion figure doesn't include EDF). These budget lines are characterised by the fact that the financial envelopes are distributed among several countries and are used to finance all aspects of cooperation from development to economic and trade relations and also includes political dialogue.

These financial envelopes are multipurpose and the control of their implementation would require a sophisticated reporting system that, unfortunately, has not been designed until now. It is the reason why the budgetary authority feels that it is not in the position of taking adequate decisions regarding the use of these financial envelopes and future commitments.

This feeling is reinforced by the lack of development and sectoral priorities in the budget commentaries and thus the lack of reference on which to base their judgement.

The main objective of the Development Policy adopted by the Council and the Commission in November 2000 is the fight against poverty and the Council reiterates this strong commitment in May 2001:

"The EU has a major role to play in reaching the international development targets ... we need to focus on results, where we must demonstrate impact on poverty reduction. Improved focus on result-orientation, always bearing in mind the international development targets, is an absolute necessity. The gap between commitments and disbursements has to decrease."

The problem is precisely that it is almost impossible to demonstrate the impact of EU development aid on poverty reduction in the present situation where development aid is mixed with external relations actions and economic cooperation in a multipurpose financial package, with inadequate reporting system and in the absence of impact assessment mechanisms.

An attempt to improve the sectoral approach and poverty focus was made by the Parliament in 2001 budget by introducing sectoral output targets¹ in the commentaries of the geographic lines. But, due to its lack of adequate classification instrument and the fact that it was engaged into other sectoral priorities through the NIPs (national indicative programmes), the EC was not in the position to implement such constraining framework and refused to do so. In the course of the 2002 budgetary procedure, the EC and the EP agreed on a clear commitment to allocate 35% of the financial envelopes in countries of the DAC's list 1 to the social sectors (mainly health and education).

This benchmark was accompanied by a commitment to make the CRIS² information system effective at the time the PDB 2003 would be published and to provide figures on the sectoral distribution of financial commitments at that time.

The effective implementation of this joint commitment will be crucial to achieve the more general goal of improving EU development aid both in quality and quantity.

¹ The idea was to distribute the budget into different sectors of intervention in line with the DAC classification (Education:10%; Health: 10%; Water and sanitation: 2%; etc...)

² the new CRIS system, namely, Common Relex Information System, is a database that will register all projects and programmes in a standardised way on the basis of classification criteria such as the sector of intervention. It will allow to report properly as from the end of 2002 on the way the budget was used.

The 35% benchmark is only a first step in that direction and it is essential to assess the use of the 65% left and to make sure that the other actions of the EU relating to trade and economic relations are not undermining the poverty reduction objective.

The process of defining terms of reference for impact assessments and result-oriented indicators must take into account all aspects of EU cooperation and should certainly not be limited to quantitative indicators in the social sectors such as the number of people having access to health or education services.

The instrument of macroeconomic support or budgetary support that is often part of the NIP (on 17 NIPs of ACP countries analysed, 10 contain a budgetary support dimension)³ would need a particular attention. Transparency and accountability of national budget and finances and the participation of civil society and beneficiaries in the definition and the monitoring of the national poverty reduction strategies should be essential parts of the impact assessments in the case of budgetary support. A result-oriented approach should be followed in that type of support as well keeping in mind the Millennium Development Goals as the overarching objective. At the level of macro-economic support the coordination and coherence of approaches and requirements towards the government between international donors should also be a general objective and should be part of the assessment studies.

Transport is identified as a priority sector in most of the NIPs of the ACP countries published until now (12 out of 17). How is the EC intending to measure the impact of its support in this sector on poverty reduction (and on cross-cutting issues such as environment and gender), how is this support participating in the overall poverty reduction strategy identified by the beneficiary country? These are the questions that should be addressed in a process of developing poverty impact assessment mechanisms.

It is also essential that the crosscutting issues identified in the European Community Development Policy Statement – environment, gender, human and child rights - be incorporated into Community aid and macroeconomic support in a meaningful way. In that view, disaggregated data are a prerequisite and specific indicators should be developed in consultation with beneficiaries.

III. Thematic or Horizontal Budget Lines

The second category of budget lines in the EU development budget are the so-called horizontal or thematic lines. There also, a comprehensive reporting system is lacking and the achievements of these budget lines in terms of poverty reduction are not easy to measure. Some of these budget lines have however been subject to recent evaluations (co-financing budget line, decentralised cooperation,..) and the implementation of the EIDHR⁴ is very well documented on the website of EuropeAid.

Two characteristics of these budget lines favour a poverty focus:

- the fact that they are open to civil society actors
- the existence of policy papers and action plans that clearly state the context and the objectives of the budget lines and/or the existence of regulations defining precisely the scope of the actions they should support. In the case of pilot actions however these policy papers and regulations doesn't exist at the start and one of the objective of the Budget line is to develop them.

³ A table summarising the 17 Country Strategy papers is available from Aprovev secretariat

⁴ EIDHR: European Initiative for Democracy and Human Rights

The interest of these budget lines also lies in the fact that they are often the only instruments that the EC is able to use in countries where official co-operation has been suspended and in the case of corrupt governments or flagrant human rights violations, the thematic budget lines offer instruments to develop programmes with civil society and to boost democratisation.

The mixture of development aid and external actions that is a characteristic of the geographic lines is also reflected in the chapter B7-6 and it is the reason why this chapter should certainly not be assessed as a whole.

In this chapter, we identify three types of budget lines:

- Budget lines with a clear development objective and poverty focus that are supporting innovative and/or civil society projects directly linked to beneficiary's actions and needs. These budget lines also support research and studies in specific sectors.

B7-6000: Co-financing with EU Development NGOs

B7-6200: Environment and Tropical Forests (including indigenous people)

B7-6210: Fight against Poverty Diseases

B7-6312: Population and Reproductive Health

B7-641: Rehabilitation in developing countries (ACP) (important to note here that such rehabilitation budget line also exists for Asia, Latin America and Mediterranean countries, a merging of all these lines would certainly simplify the budget structure and would increase the coherence of the EC action in that area)

- Budget lines with a development focus and a specific role of catalyst aiming at the mainstreaming of specific issues into EU development policy and geographic lines

B7-6002: decentralised cooperation (pilot actions and promotion of the approach)

B7-6100: training and awareness raising on development issue

B7-622: integration of gender equality in development policy

B7-623: building capacities in the sector of ICT and sustainable energy

B7-624: integration of children rights into development policy

B7-625: disabled people in poverty reduction programmes

B7-6313: support to basic education in developing countries

B7-661: Community participation into actions relating to antipersonnel mines

B7-667: Cooperation with third countries in the sector of migration

(Budget lines in bold have a poverty focus)

- Budget lines with no development objective and no poverty focus

B7-651: Coordination and evaluation of development policy

B7-6600: External cooperation measures

B7-665: Cooperation with industrialised third countries

Three atypical budget lines:

B7-664: European training Foundation: this budget line should be included in the budgetary chapters relating to the geographic area it covers (Phare, Tacis, Meda). B7-664 covers mainly the expenses of a foundation in Europe and is composed of salaries and functioning costs.

B7-671: Rapid reaction mechanisms in relation with CFSP

B7-6310: North-South cooperation in the fight against drugs: the budget has been reduced to €1.6 million. Difficult to see any interest in maintaining such a budget line with a limited allocation. This type of activities is covered through NIPs and RIPs.

Two other essential thematic budgetary chapters are B7-2 including Food aid and Food Security and Humanitarian Aid and B7-7 covering European Initiative for Democracy and Human Rights. They should receive high priority.

Food Security and rural development in particular is one of the priority objectives of the EU Development Policy. Specific indicators should be developed to measure the impact of EU development aid and external actions (trade) on food security at different levels (national, regional, household). Such indicators should also be based on disaggregated data showing the specific situation of women, men and children.

The Chapter on democracy and human rights should obviously be maintained and even reinforced as a separate independent chapter of the EU external relations budget.

In conclusion, thematic budget lines represents a set of complementary poverty focused development instruments that support well-defined policy objectives and provide sufficient flexibility to support innovative and civil society actions even when official aid is suspended or in the case the NIP doesn't include interventions in a certain sector (e.g. environment sector is mentioned as a priority in 2 out of 17 NIPs for ACP countries).

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