

The Coordination of European Development Cooperation in the Field: Myth or Reality?

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Acronyms

ACP	African, Caribbean and Pacific countries
AFD	Agence Française de Développement
CAS	Country Assistance Strategy (World Bank)
CCA	Common Country Assessment (UNDP)
CDF	Comprehensive Development Framework (World Bank)
CG	Consultative Group
CSP	Country Strategy Paper (EU)
DAC	Development Assistance Committee (OECD)
DFID	Department for International Development (UK)
EC	European Community
EDF	European Development Fund
GBF	Groupe des bailleurs de fond (Madagascar)
GTDR	Groupe de travail pour le développement Rural (Madagascar)
HIPC	Highly Indebted Poor Countries initiative
HRDP	Human Rights and Democracy Programme (Uganda)
LGRP	Local Government Reform Programme (Tanzania)
MDF	Multilateral Debt Relief Fund (Tanzania)
NPES	National Poverty Eradication Strategy (Tanzania)
PABS	Poverty Alleviation Budget Support (Uganda)
PAF	Poverty Action Fund (Uganda)
PADR	Plan d'Action pour le Développement Rural (Madagascar)
PEAP	Poverty Eradication Action Plan (Uganda)
PEFA	Public Expenditure and Financial Accountability Programme
PRBS	Poverty Reduction Budget Support Facility (Tanzania)
PRSC	Poverty Reduction Support Credit (World Bank)
PRSP	Poverty Reduction Strategy Paper
SMB	Secretariat Multi-bailleur (Madagascar)
SPA	Special Programme for Africa
TAS	Tanzania Assistance Strategy
UPPAP	Uganda Participatory Poverty Assessment Project
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme

Summary

In political debates, the EC and Member States deplore the lack of coordination, coherence and complementarity of EC development cooperation since its foundation by the Treaty of Maastricht in 1992. At the same time, efforts have been made to agree on a common interpretation of 'complementarity' and on ways to put this principle into practice. This has proven to be a difficult process: conceptual confusion, competing political interests, bureaucratic resistance and conflicting views on implementation strategies seem to have blurred the political debate. In recent years complementarity has appeared to be more of a political slogan than a practical reality.

But what is the situation in the field? Is European aid coordinated? Does European coordination make sense in developing countries? There are several trends and emerging approaches that challenge the myth of non-coordination in the field. Often such coordination comes in the form of pragmatic, bottom-up approaches that make daily cooperation easier, rather than as a result of Council resolutions or political declarations.

Despite promising reform measures aimed at improving coordination, European coordination is still limited. Some of the reasons include:

- *The existence of other donor coordination fora.* In some partner countries the existence of many overlapping donor coordination structures makes specific European coordination a questionable goal. In these countries, the EC and Member States may decide to avoid establishing another overlapping coordination structure in order to 'comply' with European resolutions.
- *The EC as the '16th European donor'.* Despite its formal coordination mandate, EC Delegations do not always play a coordinating role, except in the case of programming of the 9th EDF. In fact, the rotating EU presidency plays a major coordinating role at the political level, and the EC often participates in donor coordination groups as one donor among others.
- *Divergent views on appropriate aid modalities.* The bilateral donors and the EC have divergent views on what are appropriate aid modalities in partner countries. Some Member States, such as the Netherlands and the UK, as well as the EC, have moved towards general budget support and sectoral approaches, whereas other donors, such as USAID, Japan and Germany continue to provide project support. This divergence among donors on aid modalities often reflects fundamentally different 'philosophies' that are difficult to reconcile within a single coordination framework. As a consequence, coordination works best within groups of donors that use similar cooperation modalities.
- *Coordination among the group of 'like-minded donors'.* European Member States are often divided into two camps: the group of Northern 'like-minded donors' (including Ireland, the Netherlands, the UK, and the Nordic countries), and Southern European countries (France, Italy, Portugal and Spain). The divergence between these two camps is based on their different historical experiences with colonisation and foreign policy interests in the partner countries, and on the importance they attach to poverty reduction. In this context, the flexibility of aid modalities is important.
- *Sectoral cooperation among selected donors.* European donors, including the EC, have specialised in certain sectors. Therefore, sectoral coordination among (European and non-European) donors is often the most appropriate and pragmatic level of coordination. Even multi-donor performance reviews are increasingly being conducted at the sectoral level.
- *Divergent degrees of decentralisation of aid management.* Some European donors have decentralised their aid management to their embassies, whereas others have highly centralised systems. This divergence of aid management systems also has an impact on coordination mechanisms in the field, since some donors may have a stronger mandate than others to negotiate at the country level.
- *Coordinating bilateral interventions or controlling EC development cooperation.* Many Member States focus on monitoring the priorities of EC development cooperation, especially through the

programming of the 9th EDF, rather than on coordinating effectively their own bilateral development cooperation with the EC. This is partly due to the linkages between bilateral development cooperation and foreign policy interests. Consequently, the EC sometimes finds it difficult to obtain information on bilateral development interventions. However, the ‘donor matrix’, summarising the Member States’ interventions in each sector in a given country, and designed in the context of the 9th EDF, has improved information sharing.

- *Partner government’s interest.* In some countries, the partner governments are reluctant to play a role in coordinating donors because of overlapping interventions. The present system exists because it provides greater financial benefits to some government officials than would well coordinated donor efforts.

Despite the limitations mentioned above, there are several opportunities for improving European coordination in the field.

- *Focus on political coordination.* The EU Member States and the EC coordinate their political analyses and actions in the framework of the regular meetings of heads of mission. The heads of mission have regularly reported to Brussels on the situation in Zanzibar (Tanzania), Ugandan involvement in the Democratic Republic of the Congo and the political crisis in Madagascar. Political coordination in the field may involve political dialogue or coordination in broader political fora. In many countries, European political coordination seems to provide greater added value than the coordination of development interventions at a European level.
- *The European Union as ‘initiator’ of overall donor coordination.* In some countries, the Commission has initiated broader donor coordination processes, especially in the areas of democracy, governance and post-conflict reconstruction (i.e. areas of political cooperation). In Uganda, for example, the EU played a key role in supporting reconstruction in the north, and in setting up an election monitoring group that became the core for overall donor coordination for electoral support.
- *Joint EU statements in the Consultative Group meetings.* The EU has attempted to enhance its political profile as a ‘global player’ among the donor agencies by issuing joint EU statements in the Consultative Group meetings such as the one in Uganda. Beyond development-related issues, these statements normally include a strong political dimension, as they express the EU’s views on human rights and democratisation, elections or peace processes, as well as on regional dynamics.
- *Operational complementarity.* In various countries, the EC and Member States have launched initiatives to improve operational coordination and complementarity.
- *Recognising the specific added value of EC development cooperation.* The EC is a special multilateral donor, whose strengths include the volume of aid it provides, and possibly its role as an ‘honest broker’ without specific foreign policy interests, in contrast with Member States that have historical interests in various developing countries. Some Member States would also like to see the EC Delegations play a role in promoting good governance, for example, by raising the issue of corruption with partner governments, in order to uphold common European values.
- *Programming of EC funds.* Most Member States participate in the programming of the EDF funds. The programming process provides an opportunity for an exchange of views on joint European priorities in each partner country, and the design of a ‘donor matrix’ forces Member States to share information on their bilateral activities.
- *Recognising the importance of informal contacts.* In many partner countries, European aid managers meet in the context of social gatherings and informal contacts. These informal contacts facilitate pragmatic coordination among colleagues from the EC and Member States.
- *Multiplying EC/Member States joint ventures.* Several experiences of co-financing between the EC and Member States exist in the field. Furthermore, some Member States’ implementing agencies are willing to improve mechanisms for the joint implementation of EC programmes.

There is a gap between the European political debates focusing on the ‘myth’ of non-coordination, and the ‘reality’ of coordination in the field. This perception of non-coordination reflects the fact that

coordination happens outside EU fora, and is often led by other major donors such as the World Bank. Coordination in the field takes place increasingly in the context of PRSPs, which provides opportunities for more effective coordination of donors by the partner government. This is a highly desirable development goal that helps to enhance ownership and commitment, both of which are usually tied to improved aid effectiveness. In this context, the role of EU should be seen positively. In contrast, the EU's special role as a 'global player' gives it added value in the areas of political coordination, political dialogue on good governance and democracy in the partner countries. The perceived lack of European coordination of development interventions appears to be a 'false problem' in the field: there are various formal and informal fora for the exchange of information and pragmatic cooperation. In addition, the Commission is supporting initiatives to improve the quality of Community development assistance and works closely with other agencies in the context of PRSPs, budget support, sectoral approaches and programmes.

1 Introduction

1.1 European Coordination in the New Context

The European Union (EU), including the Member States and the European Commission, is the biggest provider of development aid worldwide. Despite its economic weight, the EU has so far failed to have an impact commensurate with its financial contributions. This can be attributed, at least in part, to a substantial lack of coordination and complementarity between aid provided by the Member States and the Commission.¹ The Commission's communication on complementarity² in 1999 states that coordination includes three levels: policy coordination (general development policy and sectoral policies), operational coordination (implementation on the ground) and coordination among international organisations.

Recent efforts aiming to improve the coordination between the Commission and Member States in partner countries are closely linked to the broader debate on donor coordination, as well as to the internal reform process of the EU's external assistance.

1.1.1 General debate on donor coordination

In recent years, all donors have recognised the need to improve strategic planning and the operational coordination of development activities. This has led to a proliferation of country strategies and competing coordination initiatives, as each donor aims to improve its visibility and impact on the ground. However, these overlapping frameworks and mechanisms are extremely burdensome to the partner countries, which face numerous demands and conditionalities whose non-fulfilment can lead to sanctions.³ In particular, in countries with a 'favourable policy environment', the donors have increased their aid portfolios, resulting in apparent competition as most donors want to be present in the main sectors, such as health and education. Such donor competition often undermines government ownership in the strategic planning and coordination of operational activities. The principal planning mechanisms and development initiatives include:

- the UN's Development Assistance Framework (UNDAF) related to the Common Country Assessment (CCA);
- the World Bank's Comprehensive Development Framework (CDF) related to the Country Assistance Strategies (CAS); and
- the International Monetary Fund (IMF) and World Bank-initiated Poverty Reduction Strategy Papers (PRSPs) for the poorest countries, which are linked to the Highly Indebted Poor Countries (HIPC) initiative.

There is an emerging consensus among donors that they need to be open to new ways to address the development agenda. Most donors agree that the PRSPs should be a 'focal point' for assistance programmes, and call for improved coordination in implementing them. The main purpose of such a framework is to support the partner government in its own planning exercise and to integrate donor programmes into government-led country strategy processes. To this end, some countries have presented their full PRSP to donors. Countries such as Uganda have proposed that donors redesign their assistance programmes to better reflect the medium- and long-term timeframes of these poverty

¹ The Treaty of Maastricht on European Union (1992), for the first time, formally recognised the existence of a Community development policy and gave it legal foundation. Article 130 U lays down the objectives of the Community development policy, and states that it shall be 'complementary' to the policies pursued by Member States.

² European Commission, COM (1999) 218.

³ For example, partner countries have to design their own Poverty Reduction Strategy Paper (PRSP) in order to qualify for debt relief under the Highly Indebted Poor Countries (HIPC) initiative.

reduction strategies, and that they move towards providing broad-based sectoral and budget support and technical assistance for the design of PRSPs.

1.1.2 Reforms of European development cooperation

The EU reform process aims to restore the political legitimacy and credibility of the EU as both a donor and a 'global player'. The reform is ambitious, in that it seeks to improve the relevance and efficiency of cooperation relations between the EU and partner countries. The reform process includes various initiatives, which focus on improving coordination at three levels: strategic, programming and implementation.

At a strategic level, the EU aims to improve both its political and development policy coordination through:

- *Improved coordination of EU external relations within the European Council.* Since 2000 European foreign ministers⁴ have recognised the importance of improving overall coordination, coherence and complementarity of the EU's external activities. The ministers decided to hold annual policy debates to identify priorities for European external assistance. The first orientation debate on foreign policy priorities took place in January 2001. Similarly, at a meeting in Seville in June 2002 the European Council introduced the idea of a single External Relations Council, which would cover both foreign policy and development policy⁵ issues in a more coordinated manner. Also, the EU aims to improve cooperation between the Africa working group (in charge of coordinating EU foreign policy in Africa) and the ACP working group (in charge of development cooperation in ACP countries).
- *Improved strategic focus of European development policy.* The European Community (EC) development policy, adopted in November 2000, sets the framework for orienting EC development cooperation towards the goal of poverty reduction. The policy also calls for a sectoral concentration⁶ of EC development cooperation, which should lead to enhanced coordination with Member States. The Commission aims to use complementarity as a strategic management tool in order to set its own priorities (including 'negative priorities') according to its resources, available expertise and perceived comparative advantage. It also wishes to avoid the danger of having to respond to a broad range of demands from partner countries, to stop the tendency of being used as 'the donor of last resort', and to clarify the specific added value of European aid.
- *Strategic cooperation with the Bretton Woods institutions.* The EU has decided to align its own development strategies at the field level with the country's Poverty Reduction Strategy (PRS) and to coordinate closely with the Bretton Woods institutions⁷ in the implementation of development activities. The Commission is willing to apply joint conditionalities, to conduct joint missions and to contribute to the policy design of PRSPs in the partner countries.

⁴ The current political debate on EC development policy among foreign ministers links development more closely with foreign (and trade) policies.

⁵ Traditionally, the Council of EU development ministers (the 'Development Council'), which meets every six months, has provided high-level guidelines and overall coordination to the European development policy.

⁶ This policy specifies that EC development cooperation should focus on six key sectors (trade, regional cooperation, transport, food security and rural development, macroeconomic support, including social sectors, and institutional strengthening, including good governance). These sectors were selected on the basis of their contribution to poverty reduction and the added value of EC development cooperation.

⁷ The World Bank and the International Monetary Fund (IMF).

At the level of programming, the EU aims to improve the coordination of development assistance through:

- *Multi-annual programming*. The EC has adopted a multi-annual programming system, with the aim of focusing EC aid allocations on selected sectors. The system of ‘rolling programming’ includes regular performance reviews to assess progress towards reaching key objectives, including EC aid management performance. The new system aims to orient aid towards areas where the EC has a comparative advantage *vis-à-vis* other donors, defined on the basis of a donor matrix in each partner country.
- *Coordinated design of Country Strategy Papers (CSPs)*. The Commission, in collaboration with Member States and the partner countries, has designed Country Strategy Papers (CSPs) for each developing country.⁸ The programming process of the 9th European Development Fund (EDF)⁹ has, for the first time, involved consultations with Member States’ embassies in the field, as well as the partner country governments and even civil society actors.
- *The move towards budget support and sectoral approaches*. The programming of the 9th EDF has focused the EC aid system on budget support and sectoral approaches instead of the previous project-based approach. Some 30% of the 9th EDF financial envelope is reserved for macroeconomic support, allocated on the basis of the countries’ own poverty reduction strategies.
- *Improving the coherence and quality of aid instruments*. The EC has set up a Quality Support Group, whose task is to ensure the quality of development strategies and the coherent use of EC aid instruments in partner countries.
- *Strategic ‘comitology’*.¹⁰ The Member States have set up specific management committees to control and coordinate EC development cooperation activities. The reform process aims to orient the work of the EDF committee, with a focus on improving the coherence of cooperation strategies rather than merely scrutinising individual projects.

At the level of implementation, the EC aims to improve coordination through:

- *Harmonisation of EC aid instruments by EuropeAid*. A single implementing agency, EuropeAid, was created in January 2001 with the aim of harmonising EC external cooperation in different geographical regions and improving the coherence of various EC aid instruments.
- *Decentralising EC aid management*. The Commission has started to deconcentrate responsibility for aid management to the EC Delegations in partner countries. More decentralised aid management will require greater emphasis on EU coordination in the field.
- *Review of financial regulations and harmonisation of procedures*. The review of EC financial regulations is designed to facilitate co-financing with other donors, such as UN institutions.
- *Implementation of EC aid by Member States*. Direct EC aid allocations are concentrated in certain sectors. In other sectors, the Commission may contribute financially to the programmes of Member States and other donors through co-financing. Some Member States have specific implementing agencies, such as the GTZ (Germany) and the BTC (Belgium), which would be interested in implementing EC aid in the field.

These reform measures, including the decentralisation of aid management, will have an impact on the implementation of EC aid in partner countries. Bringing decisions ‘closer to the field’ should allow EC development cooperation to be adjusted to take into account local realities. At the same time, operational coordination between the EC and Member States in the field will become more important.

⁸ The CSPs aim to establish aid strategies and budget allocations, to ensure the right policy mix for each beneficiary country covering political goals, financial assistance, sectoral priorities and other Community instruments, and to define criteria for the choice of projects, and to agree on financial targets and results to be achieved on the basis of regular feedback from the field.

⁹ The EDF is the financing instrument for EU cooperation with African, Caribbean and Pacific (ACP) countries. The Cotonou Agreement, signed in June 2000, regulates ACP–EU cooperation in trade, political and development cooperation fields.

¹⁰ ‘Comitology’ refers to specific management committees, such as the EDF committee, which decide on strategic priorities and approve projects.

1.2 ECDPM Study

Against this background, the European Centre for Development Policy Management (ECDPM) has conducted a study of European coordination in partner countries. This study explores the experiences of coordination at partner country level, taking into account the new initiatives, including PRSPs, introduced by the international donor community. The study also recognises the limits of donor coordination and identifies potential areas of added value for European coordination.

The study is based on consultations in Brussels and Washington, as well as field consultations with various development agencies and national authorities in Madagascar, Tanzania and Uganda, using field examples to illustrate current trends in donor coordination.

2 From the ‘Myth’ of Non-coordination to the ‘Reality’ of European Coordination in the Field

In political debates, the EC and Member States deplore the lack of coordination, coherence and complementarity of EC development cooperation since its foundation by the Treaty of Maastricht in 1992. At the same time, efforts have been made to agree on a common interpretation of ‘complementarity’ and on ways to put this principle into practice. This has proven to be a difficult process: conceptual confusion, competing political interests, bureaucratic resistance and conflicting views on implementation strategies seem to have blurred the political debate. In recent years complementarity has appeared to be more of a political slogan than a practical reality.

But what is the situation in the field? Is European aid coordinated?¹¹ Does European coordination make sense in developing countries? There are several trends and emerging approaches that challenge the myth of non-coordination in the field. Often such coordination comes in the form of pragmatic, bottom-up approaches that make daily cooperation easier, rather than as a result of Council resolutions or political declarations.

- *Internal coordination required to support the EU as a donor and a ‘global player’.* Unlike other multilateral development agencies, the EU faces the challenge of coordinating its foreign and trade policies, development cooperation and humanitarian aid in each partner country. In recent years, the EU has had to pay more attention to this *internal* coordination than to ensuring coherence with other donors. At the same time, EC development cooperation involves various European institutions, including the Commission, the Council (i.e. Member States) and the European Parliament,¹² all of which participate in aid implementation.
- *Long-term cooperation in structural adjustment and macroeconomic support.* Despite the perceived lack of coordination, during the 1990s, the EC gained considerable experience in coordinating its macroeconomic support with the Bretton Woods institutions. The Special Programme for Africa (SPA) has provided an important forum for macroeconomic coordination, and for experimentation in joint conditionalities in pilot countries such as Burkina Faso.
- *Limits to European coordination.* Coordination in the field involves several areas, such as overall donor coordination by the UNDP or the World Bank, sectoral coordination by all the donors present in a given sector, or coordination among ‘like-minded’ donor countries. In many

¹¹ Coordination is used here in a broad sense, ranging from the exchange of information about development programmes to designing joint policy approaches and even joint funding mechanisms in partner countries.

¹² For example, the European Parliament controls the use of the Community budget in developing countries and is eager to set the priorities for EC development cooperation in different regions. This ‘top-down’ prioritisation of aid allocations by the budget authority *a priori* is sometimes in contradiction with the partner country-led PRSP processes, where the donors are supposed to contribute to the partner country’s own development strategy rather than defining separate funding strategies.

countries, the EU is *not* always the most appropriate forum for operational coordination. Consequently, the Commission and Member States have sometimes ‘voluntarily’ decided to forgo European coordination in order to avoid overlapping structures.

- *The added value of EU political coordination.* Given the specific nature of the European Union’s external relations, coordination is more advanced in the political field, where other efforts of coordination are far more limited. In practice, European ambassadors in partner countries meet regularly and provide inputs to the political decision-making process in Brussels. On the other hand, there seems to be little political impetus for the coordination of development cooperation in the field.
- *Coordination through co-financing and pooling of funds.* Operational coordination among donors has improved with the introduction of new funding mechanisms such as co-financing and pooling of funds, which go beyond mere coordination of parallel cooperation programmes. The EC is increasingly participating in these new funding arrangements within the limits of its financing procedures.
- *Participation in sectoral programmes.* The EC also cooperates with other donors in providing financing for certain key sectors, such as strengthening financial management in partner countries through the Public Expenditure and Financial Accountability (PEFA) programme, which is financed by the EC, the UK Department for International Development (DFID) and the World Bank.
- *From donor coordination to coordination by the partner country.* New aid modalities, such as budget support and sectoral approaches, put coordination into a new context, in which the partner country plays a greater role in coordinating donor approaches. The design of PRSPs has provided a common framework for country-level coordination.

The following sections assess in detail examples of European coordination – with the World Bank in the context of PRSPs, and in assessing the limits of and opportunities for European coordination in the field.

3 Coordination with the World Bank in the Context of PRSPs

The EU has expressed its interest in closely coordinating its development interventions with the Bretton Woods institutions, in particular the World Bank, and especially support to the PRSP process in partner countries. The coordination between the Commission and the World Bank takes place at the following levels:

- *High-level meetings and correspondence on PRSPs.* Since 1999, senior Commission officials, including Commissioner Poul Nielson, have worked in close contact with their counterparts at the World Bank in order to define common interests within the framework of PRSPs. Contacts have included visits between Washington and Brussels and an exchange of letters. The Community’s financial contribution to the Highly Indebted Poor Countries (HIPC) initiative in 2000 allowed Commission officials to participate in some World Bank Board meetings, where the HIPC initiative was discussed, in Washington.
- *The Commission’s ‘intellectual’ contribution to the policy design of PRSPs.* For some years the Commission has coordinated its macroeconomic support with the Bretton Woods institutions in the context of the Special Programme for Africa (SPA). This coordination has led to the definition of joint conditionalities for and approaches to macroeconomic support. The Commission has also provided analytical inputs to World Bank/IMF joint staff assessments on the ground. Furthermore, the Commission is conducting its own independent reviews of PRSP processes in partner countries in order to complement existing review processes.

Box 1: Joint World Bank–EC *Aides-mémoire* for the PRSP Process in Madagascar

In Madagascar, coordination is highly developed due to the limited number of donors present (France, Germany, the UK, as well as the EC, the World Bank and the UNDP), and to the strong personal links among officials on the ground.¹³ Madagascar initiated the design of its poverty strategies in 1997, when the first statistical data on poverty became available. Various donors have collaborated in the preparation of the full PRSP document. In the process, the EC and the World Bank have together drafted *aides-mémoire* on key areas of the PRSP, thus making a joint contribution to the local policy process. The EC has also actively participated in the IMF–World Bank joint staff assessments on the ground.

- *The EC financial contribution to the implementation of PRSPs.* The World Bank has set up a Poverty Reduction Support Credit (PRSC) to facilitate the implementation of PRSPs. Along similar lines, the EC has established a Poverty Reduction Support Grant (PRSG) to complement the Bretton Woods institutions' financial contributions. The 'tripartite' cooperation among the EC, the World Bank and the IMF aims at defining joint conditionalities and at conducting joint field missions in partner countries.
- *The PRSP as the basis for the programming of the 9th EDF.* The EC has decided to use country PRSPs as the basis for its Country Strategy Papers (CSPs). In some countries, the design of the CSP has involved consultations on the European Community's response strategy to the PRSP with local stakeholders, including the government and non-state actors, as well as other donors.

Box 2: The EC Contribution to the World Bank-led Cooperation in Supporting the PRSP in Uganda

Uganda¹⁴ was one of the first low-income countries to prepare a comprehensive and participatory national strategy for poverty reduction, the **Poverty Eradication Action Plan (PEAP)**, in 1996–97. This document has inspired the design of the PRSP approach for all developing countries. The PEAP was based on extensive household surveys and participatory consultations, with inputs from central and local governments, the donor community, NGOs and civil society, and academia. Also, the government translated the plan into its budget and medium-term expenditure framework, and reallocated substantial expenditures to social sectors.

Uganda has been one of the **Comprehensive Development Framework (CDF)** pilot countries since 1999, and also the first country to prepare a full PRSP, on the basis of PEAP, which was adopted in April 2000 and qualified for the HIPC initiative. The government also set up a **Poverty Action Fund (PAF)** to channel funds from debt relief to social sectors. In 2000, the government drafted a revised **PEAP volume 3**, which aimed to set guidelines for donor support. The revised PEAP is based on the findings of the **Uganda Participatory Poverty Assessment Project (UPPAP)**, the constraints identified by the 1999 poverty status report, and the development of indicators in key sectors.

In 2001, the World Bank approved a **Poverty Reduction Support Credit (PRSC)** to support the implementation of the PRSP in Uganda. The credit is in the form of budget support, and represents a shift in assistance from short-term structural adjustment programmes towards the strategic framework of the government, the budget institutions and medium-term public sector reform. The purpose of the credit is to increase the predictability of donor flows to Uganda and support government efforts to implement the PEAP within the context of the medium-term expenditure framework and the pilot CDF. The objective is to improve the connections between government decision-making and donor activities. While the PRSC goes into the broad government budget, reforms to improve service delivery will focus on selected sectors, such as health, education and water, as well as public sector reforms. The decisions on priority sectors as part of the PRSP process were based on extensive consultations 'with the poor'¹⁵ throughout the country.

In Uganda, donors, including the EC, are discussing a possible shift from earmarked budget support, targeted at

¹³ Box 1 describes the situation in Madagascar before the major political crisis in 2002.

¹⁴ MacKinnon, J. and Reinikka, R., 2000. *Lessons from Uganda on Strategies to Fight Poverty*, Policy Research Working Paper 2440. Washington: World Bank.

¹⁵ Uganda Ministry of Finance, 2000. *Uganda Participatory Poverty Assessment Report: Learning from the Poor*. Kampala: Ministry of Finance.

the health and education sectors, to general budget support, in the belief that this will strengthen the monitoring of sectoral **outputs** and **results**. Donors, the government and civil society have set up a joint PRSC steering committee, to which a PRSC task force provides quarterly reports. In particular, the process of preparing a budget framework paper is a valuable mechanism for coordinating and monitoring activities under the PRSC. At the same time, in close collaboration with the World Bank and the IMF, the EC is developing its **Poverty Alleviation Budget Support (PABS)** to Uganda.

- *In-country cooperation on PRSPs in selected pilot countries.* The World Bank and the EC have agreed to enhance their operational coordination in selected pilot countries. The reality of coordination varies in different country contexts. Also, the extent of the World Bank's leadership varies. In some countries, like Tanzania, European donors have played a key role in financing debt relief. This Europe-led initiative has facilitated the access of the government of Tanzania to the Bretton Woods institutions' HIPC initiative (see Box 3).

Box 3: European Basket Funding Initiative for Debt Relief: The Poverty Reduction Budget Support (PRBS) Facility in Tanzania

Poverty strategies in Tanzania date back to 1997. Following the 1995 World Social Summit, the government of Tanzania formulated a **National Poverty Eradication Strategy (NPES)**, adopted in 1997, to provide guidance to stakeholders in identifying, formulating, implementing and evaluating their poverty reduction programmes and activities. The government also formulated the **Tanzania Development Vision 2025** to set long-term development goals. Several donors, especially the Nordic countries, supported the elaboration of the **Tanzania Assistance Strategy (TAS)**, which established poverty reduction as a core objective of international cooperation. The process of preparing the TAS was interrupted in 1999, when the Bretton Woods institutions began the preparation of the PRSP as a condition for debt relief under the HIPC initiative. Many European donors have been critical of this interruption of the national planning process, contending that it has left little room for country ownership. The PRSP sets out proposed activities in the field of poverty reduction in a medium-term three-year perspective. The interim PRSP was adopted in March 2000 and the full PRSP in October 2000.

In parallel to the planning process described above, in 1997 the government of Tanzania requested the donor community to provide assistance for the establishment of a **Multilateral Debt Relief Fund (MDF)** to service the debt to multilateral financial institutions. The budget savings arising from the arrangement were to be used in the social sectors. In 1998–99 Denmark, Finland, Ireland, the Netherlands, Norway, Sweden, Switzerland and the UK contributed more than USD 85 million to the MDF. Funds disbursed were deposited in a special MDF account and payments were made when debt obligations fell due. One of the main purposes of the MDF was to bring Tanzania closer to the HIPC decision point conditions, and to move towards the economic reforms requested by the Bretton Woods institutions. This initiative has improved relations between the government of Tanzania and the Bretton Woods institutions.

In the context of the PRSP and the HIPC initiative, the government of Tanzania and European donors, joined by the EC in 2001, decided to transform the MDF into a **Poverty Reduction Budget Support (PRBS) facility**, with the aim of supporting budgets in sectors with strong links to poverty reduction. It also aims to increase the predictability of donor flows into the budget instead of the current 'stop-and-go' approach. The PRBS provides general budget support to priority areas set out in the PRSP in line with the principles of the Tanzania Assistance Strategy (TAS), coordinated among the participating donors, and operationalised through the Medium-Term Expenditure Framework (MTF). There is also a stronger link between budget support to priority sectors and sector programmes. The government and donors maintain close dialogue regarding the implementation of the PRBS through quarterly meetings to review attainment of targets. The donors, in particular DFID and the World Bank, have also supported setting up a performance assessment framework to monitor the implementation of the PRBS. The Europeans have thus played an active role in re-targeting budget expenditures to social sectors through the PRBS facility. Although Tanzania is one of the countries where the World Bank and the EC are supposed to coordinate their support to the PRSP process, the operational contributions of the EC Delegation in the field remain limited, mainly because the tight schedules of IMF–WB joint staff assessments are not always compatible with the slower procedures of the EC.

- *Possibilities for co-financing with the World Bank.* The EC has reviewed its financial regulations in order to facilitate co-financing with other donors, including the World Bank and UN agencies.

The coordination between the EC and the World Bank described above reflects their different interests. The EC has considerable sums of funding available for poverty reduction, but its analytical capacity is limited due to staff shortages. On the other hand, the World Bank has strong analytical capacity at the country level and at headquarters, and is willing to cooperate with a donor that can contribute financially to the main development initiatives in partner countries.

4 The EU and Donor Coordination in the Field

The EC participates in overall donor coordination efforts in the partner countries at various levels. It also aims to coordinate the interventions and activities of the Community and Member States. At the same time, Member States coordinate their positions at the political level (through the heads of mission) and participate in the management of EC development cooperation at different levels.

4.1 Overall Donor Coordination and Sectoral Coordination

There are several mechanisms for overall donor coordination, such as:

- consultative groups (CGs) (usually organised by the World Bank);
- round tables (usually organised by the UNDP);
- the ‘DAC group’ as a forum for coordination in the field;
- donor coordination groups in country, often organised by individual donors; and
- finally, but by no means least important, the efforts of partner countries to coordinate their own aid.

There are also various sectoral coordination groups, which may include donors using parallel financing mechanisms or basket funding to support sectoral strategies. Some sectoral coordination efforts include common management structures, such as for managing a pool of funds (as in the case of World Bank trust funds), or simply providing a technical secretariat for joint programmes (see Box 4).

Box 4: Action Plan for Rural Development in Madagascar

The *Plan d’Action pour le Développement Rural (PADR)* was developed during a workshop in 1997, and institutionalised by government decree in 1999. It is based on a participatory and decentralised process to define the strategic framework for rural development in Madagascar. The PADR set up a permanent pilot team and 20 regional working groups (*Groupe de travail du développement rural*, GTDR) to develop regional programmes. To support the implementation of the PADR, donors have widened the areas of intervention of *Le Groupe des bailleurs de fonds* (GBF) to include rural development and food security, as well as the environment. Membership of GBF was initially limited to environmental donors (CI, FIDA, KfW, SCAC, SDC, UNDP, USAID, the World Bank and WWF), but has been widened to include all donors in the rural development sector (including the EC and the French AFD).

The *Secrétariat Multi-bailleur* (SMB) aims to contribute to the coordination and coherence of donor activities. The SMB is a light structure without legal existence or statutes. It is based on an administrative agreement between the World Bank and other donor members of the GBF. The activities of the SMB are based on terms of reference and are financed through a trust fund. The SMB is located in the World Bank offices, and the EC Delegation assumed the presidency of the GBF in 2001. There have been discussions on the pooling of funds, but so far each donor has used its own funding mechanisms.

4.2 The Limits of European Coordination

Despite promising reform measures aimed at improving coordination, European coordination is still limited. Some of the reasons include:

- *The existence of other donor coordination fora.* In some partner countries the existence of many overlapping donor coordination structures makes specific European coordination a questionable goal. In these countries, the EC and Member States may decide to avoid establishing another overlapping coordination structure in order to ‘comply’ with European resolutions.
- *The EC as the ‘16th European donor’.* Despite its formal coordination mandate, the EC Delegation does not always play a coordinating role, except in the case of the programming of the 9th EDF. In fact, the rotating EU presidency plays a major coordinating role at the political level, and the EC often participates in donor coordination groups as one donor among others.
- *Divergent views on appropriate aid modalities.* The bilateral donors and the EC have divergent views on what are appropriate aid modalities in partner countries. Some Member States, such as the Netherlands and the UK, as well as the EC, have moved towards general budget support and sectoral approaches, whereas other donors, such as USAID, Japan and Germany continue to provide project support (see Table 1). This divergence among donors on aid modalities often reflects fundamentally different ‘philosophies’ that are difficult to reconcile within a single coordination framework. As a consequence, coordination works best within groups of donors that use similar cooperation modalities.
- *Coordination among the group of ‘like-minded donors’.* European Member States are often divided into two camps: the group of Northern ‘like-minded donors’ (including Ireland, the Netherlands, the UK, and the Nordic countries), and Southern European countries (France, Italy, Portugal and Spain). The divergence between these two camps is based on their different historical experiences with colonisation and foreign policy interests in the partner countries, and on the importance they attach to poverty reduction. In this context, the flexibility of aid modalities is important.
- *Sectoral cooperation among selected donors.* European donors, including the EC, have specialised in certain sectors. Therefore, sectoral coordination among (European and non-European) donors is often the most appropriate and pragmatic level of coordination. Even multi-donor performance reviews are increasingly being conducted at the sectoral level.
- *Divergent degrees of decentralisation of aid management.* Some European donors have decentralised their aid management to their embassies, whereas others have highly centralised systems. This divergence of aid management systems also has an impact on coordination mechanisms in the field, since some donors may have a stronger mandate than others to negotiate at the country level.
- *Coordinating bilateral interventions or controlling EC development cooperation.* Many Member States focus on monitoring the priorities of EC development cooperation, especially through the programming of the 9th EDF, rather than on coordinating effectively their own bilateral development cooperation with the EC. This is partly due to the linkages between bilateral development cooperation and foreign policy interests. Consequently, the EC sometimes finds it difficult to obtain information on bilateral development interventions. However, the ‘donor matrix’, summarising the Member States’ interventions in each sector in a given country, and designed in the context of the 9th EDF, has improved information sharing.

Table 1: Configuration of donor approaches in Uganda, Tanzania and Madagascar.

	Uganda	Tanzania	Madagascar
EU donors with representation in the country	Most EU donors, except Finland, Spain, Luxembourg	Most EU donors, plus Norway	EC Delegation France (embassy/AFD) Germany (embassy/GTZ) UK (NGO funding) Switzerland
Preferred aid modalities	<i>General budget support</i> (PAF): Sweden, Netherlands, EC <i>Earmarked budget support</i> : UK, Belgium, Ireland, Denmark, Austria <i>Project approach</i> : Germany, USAID, Japan	<i>General budget support</i> : EC <i>Earmarked budget support</i> : Ireland, Finland, Denmark, Sweden, UK <i>Project approach</i> : Germany, USAID, Japan	<i>General budget support</i> : EC <i>Rural poverty</i> : EC, Germany <i>Urban poverty</i> : UNDP, France <i>NGO approach/local development</i> : Switzerland, UK
PRSP and HIPC financing	PAF, PRSC	European initiative PRBF	Budget line in general budget
Sector-wide approaches	Basket funding for health, education, decentralisation	Local Government Reform Programme (LGRP) basket fund Health basket fund	<i>Secretariat Multi-bailleur</i> (SMB) in rural development
Donor coordination mechanisms	Consultative Group/sectoral groups	Consultative Group/DAC group/sectoral coordination	Donor coordination through the PRSP process: <i>aides-mémoire</i>
World Bank–EU cooperation	Programme in northern Uganda		EC contribution to WB–EU joint staff assessments
EU concentration sectors	<ul style="list-style-type: none"> • Macroeconomic support and economic reform • transport • rural development <i>Non-concentration sectors</i> : capacity building for governance and civil society	<ul style="list-style-type: none"> • Transport infrastructure • basic education <i>Non-concentration sectors</i> : governance and macroeconomic support	<i>Sectoral and geographical concentration</i> : transport, rural development and food security Concentration in the two poorest provinces <i>Non-concentration sector</i> : governance

- *Partner government's interest.* In some countries, the partner governments are reluctant to play a role in coordinating donors because of overlapping interventions. The present system exists because it provides greater financial benefits to some government officials than would well coordinated donor efforts.

4.3 Opportunities for European Coordination

Despite the limitations mentioned above, there are several opportunities for improving European coordination in the field.

- *Focus on political coordination.* The EU Member States and the EC coordinate their political analyses and actions in the framework of the regular meetings of heads of mission. The heads of mission have regularly reported to Brussels on the situation in Zanzibar (Tanzania), Ugandan involvement in the Democratic Republic of the Congo and the political crisis in Madagascar. Political coordination in the field may involve political dialogue or coordination in broader political fora. In many countries, European political coordination seems to provide greater added value than the coordination of development interventions at a European level.

- *The European Union as ‘initiator’ of overall donor coordination.* In some countries, the Commission has initiated broader donor coordination processes, especially in the areas of democracy, governance and post-conflict reconstruction (i.e. areas of political cooperation). In Uganda, for example, the EU played a key role in supporting reconstruction in the north, and in setting up an election monitoring group that became the core for overall donor coordination for electoral support.
- *Joint EU statements in the Consultative Group meetings.* The EU has attempted to enhance its political profile as a ‘global player’ among the donor agencies by issuing joint EU statements in the Consultative Group meetings such as the one in Uganda. Beyond development-related issues, these statements normally include a strong political dimension, as they express the EU’s views on human rights and democratisation, elections or peace processes, as well as on regional dynamics.
- *Operational complementarity.* In various countries, the EC and Member States have launched initiatives to improve operational coordination and complementarity.

Box 5: Areas of Operational Coordination among the EC and Member States

Common implementation. In Somalia, for example, Italy allocates funds through Commission programmes that are partially implemented by Italian NGOs.

Detachment of experts. Experts are detached by Member States to the Commission or to EC Delegations, establishing a pool of European expertise that could improve the efficiency of European cooperation.

Co-financing or parallel financing. The implementation of co-financing remains difficult because of the Commission’s tendering procedures and financial controls, but there are examples of European funds being made available to Member States’ programmes.

Basket funding. In the context of budget support and sectoral approaches, a group of donors may adopt common rules for monitoring and evaluating the use of funds. The partner country plays a crucial role in coordination.

Sectoral implementation. The idea that European donors could determine sectoral ‘lead agencies’ has been discussed in the context of operational coordination, which is defined in the donor matrix during the design of a country strategy.

- *Recognising the specific added value of EC development cooperation.* The EC is a special multilateral donor, whose strengths include the volume of aid it provides,¹⁶ and possibly its role as an ‘honest broker’ without specific foreign policy interests, in contrast with Member States that have historical interests in various developing countries. Some Member States would also like to see the EC Delegations play a role in promoting good governance, for example, by raising the issue of corruption with partner governments, in order to uphold common European values.
- *Programming of EC funds.* Most Member States participate in the programming of the EDF funds. The programming process provides an opportunity for an exchange of views on joint European priorities in each partner country, and the design of a ‘donor matrix’ forces Member States to share information on their bilateral activities.
- *Recognising the importance of informal contacts.* In many partner countries, European aid managers meet in the context of social gatherings and informal contacts. These informal contacts facilitate pragmatic coordination among colleagues from the EC and Member States.
- *Multiplying EC/Member States joint ventures.* Several experiences of co-financing between the EC and Member States exist in the field. Furthermore, some Member States’ implementing agencies are willing to improve mechanisms for the joint implementation of EC programmes.

¹⁶ The availability of funds partly explains why the EC has specialised in transport and infrastructure as well as macroeconomic support, both of which require large investments.

Box 6: An Example of Co-financing between the Commission and Member States: the HRDP in Uganda

The Human Rights and Democratisation Programme (HRDP) in Uganda is supported by the Danish Agency for International Development (DANIDA) and the EU. In this five-year programme Danish and EU assistance has moved from project support to programmatic sectoral support, emphasising the indivisibility of civil, political, economic, social and cultural rights. The programme balances support to government with support to civil society organisations. The focus is on improving the outreach of human rights activities to poor rural areas, and to increase their relevance to poverty eradication. There is also emphasis on strengthening the management and coordination structures.

The overall programme is managed through the HRDP Liaison Office, which operates in close contact with the Royal Danish Embassy and the EC Delegation and follows Danish administrative procedures and rules. The EU's financial contribution to the programme amounts to EUR 1.2 million over a three-year period (2001–2003).

5 Concluding Remarks

There is a gap between the European political debates focusing on the 'myth' of non-coordination, and the 'reality' of coordination in the field. This perception of non-coordination reflects the fact that coordination happens outside EU fora, and is often led by other major donors such as the World Bank. Coordination in the field takes place increasingly in the context of PRSPs, which provides opportunities for more effective coordination of donors by the partner government. This is a highly desirable development goal that helps to enhance ownership and commitment, both of which are usually tied to improved aid effectiveness. In this context, the role of the EU should be seen positively. In contrast, the EU's special role as a 'global player' gives it added value in the areas of political coordination, political dialogue on good governance and democracy in the partner countries. The perceived lack of European coordination of development interventions appears to be a 'false problem' in the field: there are various formal and informal fora for the exchange of information and pragmatic cooperation. In addition, the Commission is supporting initiatives to improve the quality of Community development assistance and works closely with other agencies in the context of PRSPs, budget support, sectoral approaches and programmes.