

**PROGRESS AGAINST COMMISSIONER NIELSON'S
COMMITMENTS TO THE
EUROPEAN PARLIAMENT IN 1999**

A report prepared under the guidance of Commissioner Poul Nielson's Cabinet

July 2004

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GLOSSARY

ACP	African, Caribbean and Pacific
AU	African Union
CRIS	Common Relex Information System
CSP	Country Strategy Paper
DAC	Development Assistance Committee of the OECD
DFID	Department for International Development UK
DG DEV	Directorate General for Development of the European Commission
DG RELEX	Directorate General for External Relations of the European Commission
EC	European Community
ECHO	Humanitarian Aid Office of the European Commission
EDF	European Development Fund
EPA	Economic Partnership Agreement
EU	European Union
FAO	Food and Agriculture Organisation of the United Nations
FfD	International Financing for Development Conference in Monterrey
GFATM	Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria
GNI	Gross National Income
HIPC	Highly Indebted Poor Countries
IDP	Internally Displaced Person
ILO	International Labour Organisation
IMF	International Monetary Fund
IPPF	International Planned Parenthood Federation
LDC	Least Developed Country
OCHA	(UN) Office for the Coordination of Humanitarian Affairs
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PRSP	Poverty Reduction Strategy Paper
SIA	Sustainable Impact Assessment
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNFPA	United Nations Family Planning Agency
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organisation
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
USAID	United States Agency for International Development
WFP	World Food Programme
WHO	World Health Organisation

INTRODUCTION

This report sets out progress against commitments the Commissioner for Development and Humanitarian Aid, Poul Nielson, made to the European Parliament at his hearing as Commissioner-Designate in September 1999. The commitments are divided into four broad areas: development policy; coherence, coordination and complementarity; aid efficiency; and humanitarian aid. Each commitment appears in bold italics in quotation marks and is taken verbatim either from Commissioner Nielson's written answers to the questions put to him by the Parliament or from the transcript of the hearing. The report consists of a foreword and two Parts – Part One sets out progress against commitments made, and Part Two sets out the challenges that remain. Commissioner Nielson personally contributed to the foreword and Part Two.

The report has been drafted under the responsibility of the Cabinet of Commissioner Nielson. The report deals with the most significant of the commitments made.

The full text of both written and oral replies of 1999 is available at http://europa.eu.int/comm/commissioners/nielson/speeches/speeches_en.htm or on the European Parliament website.

A summary of this report is also available.

FOREWORD

When I became European Commissioner for Development Cooperation and Humanitarian Aid, I assumed responsibility for these policy areas in an organisation with global reach, managing considerable funds, but facing significant administrative and public relations challenges. I made the commitment to reorient European development policy towards the fight against poverty; to improve coherence, coordination and complementarity; to reform the internal management of European external assistance; and to improve the delivery of humanitarian aid. Now I look back on an intensive, rewarding and challenging five years. This report recalls commitments I gave to the European Parliament in 1999 and sets out progress against them. I believe the Commission and the services can be proud that:

- We now focus our efforts on helping the poorest
- Our partner countries now have much more ownership of aid delivery
- We have responded to partner country policy priorities by promoting key initiatives – e.g. the Water Facility, the Peace Facility
- We are at the cutting edge of development practice with budget and sector support
- We are now an important player in the international aid community
- We have a stronger relationship with civil society
- We have put trade at the service of poverty reduction, and introduced Economic Partnership Agreements
- We are now a more efficient and more transparent aid machine
- Our delivery of humanitarian aid is now more focused and effective

I would like to state that all this would not have been possible without the dedication of the Commission services, the support of my fellow Commissioners, the European Parliament, NGOs and the development community at large.

But, of course, a great deal still remains to be done. We have laid the ground for further important work. The challenges for the next Commission include the need to find a suitable resource allocation mechanism for countries not in the Africa-Caribbean-Pacific (ACP) regions; to resolve the issue of the budgetisation of the European Development Fund (EDF); to coordinate more effectively with EU Member States; to work with others to develop a coherent strategy for global development and link better our policies on trade, fisheries, migration, and peace and security; to complete the internal reorganisation of the External Relations Directorate Generals to unify the full cooperation cycle; and to continue to improve the ability of our system to deliver quality.

Poul Nielson
European Commissioner for
Development and Humanitarian Aid
July 2004

PART ONE – WHAT HAS BEEN ACHIEVED

1. DEVELOPMENT POLICY

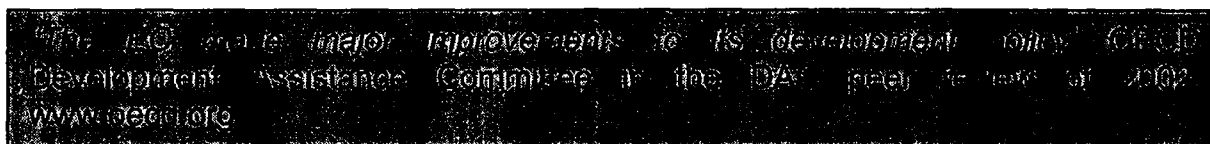
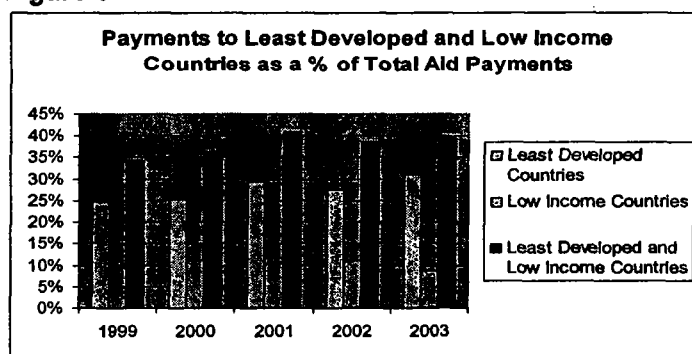
DEVELOPMENT POLICY IS NOW FOCUSED ON POVERTY

1. *“The overriding moral objective of our endeavour is to fight poverty...poverty should be at the centre of our efforts...aid must be reoriented towards internationally agreed objectives”*

During Mr Nielson’s tenure as Commissioner, European Community (EC) policy priorities were refocused towards the fight against poverty. A key milestone early on was the decision in 2000 to have one overall framework for the EU’s partnership with developing countries. This framework makes it clear that the main objective of EC aid is to reduce and eventually eradicate poverty.¹ Like other donors, the EC is now working to achieve the internationally agreed Millennium Development Goals, which centre on poverty reduction.

Implementation has followed this policy shift. In 1999, payments on low income and least developed countries worldwide represented 34.1% of European Commission Official Development Aid (ODA). This increased to 41.3% in 2003 (see figure 1).²

Figure 1



¹ Communication from the Commission to the European Parliament and the Council, 26 April 2000 COM(2000) 212 final

² Brochure on External Assistance Reform, April 2004

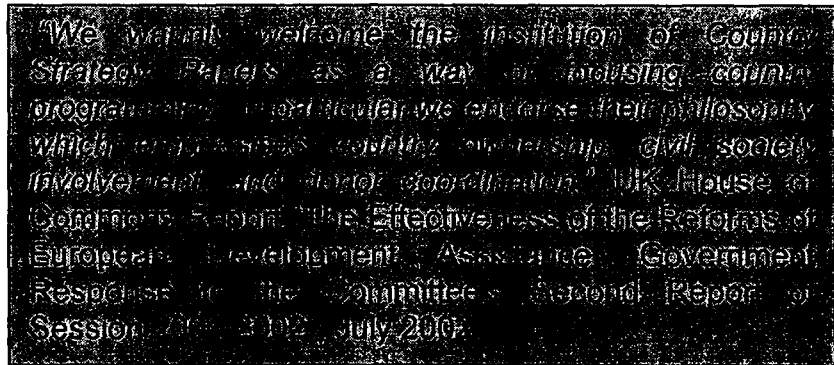
COUNTRY OWNERSHIP IS KEY

2. ***"I think it would be good if...we were to share our own discussions with our partner countries more systematically and willingly...It is important that the recipient countries are in control of the process"***

The ultimate objective of EU policy is to give disadvantaged people in developing countries control over their own development. The principle of country ownership is laid down in the Cotonou Agreement with the African, Caribbean and Pacific (ACP) countries, which was adopted during Commissioner Nielson's mandate.

Country and Regional Strategy Papers

This Commission has completed the first generation of regional and country strategy papers (CSPs) covering the period 2002-2007, developed in close cooperation with partner governments. They have been distributed in the

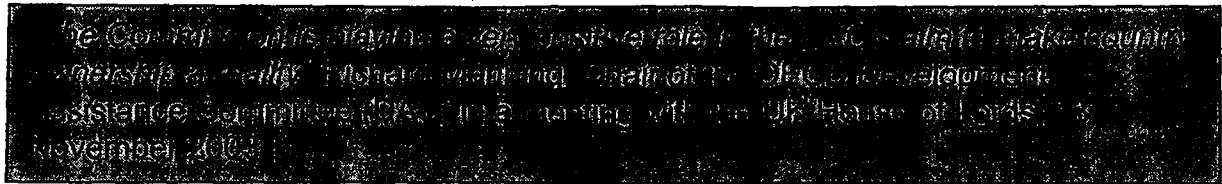


11 official languages of the EU before May 2004, cover 140 countries and sub-regions and are available on the internet. This represents a qualitative leap in the Commission's programming of external assistance. It has helped improve complementarity with other donors and harmonised programming methodology across regions. It is being used to increase focus on impact and results, through the integration of benchmarks and performance indicators. However, there is still some way to go before this integration reaches a satisfactory level. The Inter service Quality Support Group, established in 2000, has screened all draft CSPs and continuously works on further developing the methodology for multiannual programming and review.

Developing Countries in the lead

High-profile initiatives such as the Water Facility and the Peace Facility are strong EU responses to partner country requests set out bilaterally, regionally or at major UN conferences. The Water Facility for example, is a fund of up to €500m to improve access to safe drinking water and basic sanitation for people in ACP countries. The objective of the fund is to develop innovative and flexible approaches to leveraging aid resources with private investment, thereby helping recipient countries to identify sustainable sources of finance for the future. The Water Facility is a response not only to individual countries' requests, but also to a continent-wide policy priority in Africa.

As a member of the Board of the Global Fund for Aids, Malaria and Tuberculosis, Commissioner Nielson has strongly supported a decision-making and allocation process which ensures that developing countries retain control of priority-setting in their countries.

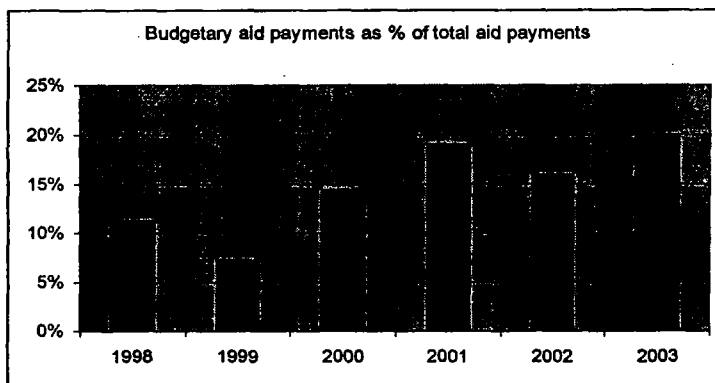


MOVING TOWARDS BUDGET AND SECTOR SUPPORT

3. *"The change towards placing more emphasis on sector programmes...should be welcomed"*

It is important to put partners in the driving seat. Budget support is an opportunity to do just that. European Community assistance to developing countries increasingly takes the form of budget and sector support for macroeconomic policies. Working within national structures, rather than bypassing them, enhances the impact of Community aid and promotes local ownership and capacity. It also improves donor coordination and complementarity. The Commission's approach is to leave the ownership of budget and sector support to partner governments and follow it up with capacity-building, impact assessment and rigorous auditing. In 1999, budget support commitments represented 7.3% of European Commission Official Development Aid. This increased to 20% in 2003 (see figure 2).³

Figure 2



This achievement owes a lot to close dialogue with the European Parliament and the Court of Auditors on this issue. Indeed, budget support implies a shift from ex-ante to ex-post control, involving credible and complete reporting to the budgetary authority on risks involved and results achieved. The Parliament and the Court of Auditors have supported this efficiency-increasing development.

³ Brochure on External Assistance Reform, April 2004

SPENDING MONEY WHERE IT IS MOST NEEDED

4. *"The real test lies in more clearly focusing on poverty both in connection with differentiating between countries and in individual countries"*

On 27 January 2004 the Council published a decision inviting the Commission to present proposals on this.⁴ Commissioner Nielson has proposed that resource allocation criteria for the distribution of all EC aid should be modelled on the needs-based system of the European Development Fund (EDF). Under this system, Low Income and Least Developed Countries receive 90% of resources allocated. The Commission is taking this work forward.

⁴ Council decision at GAERC of 27 January 2004 Doc 5680/04

2. COHERENCE, COORDINATION AND COMPLEMENTARITY

REVERSING THE TREND OF FALLING AID VOLUMES

5. *"International development cooperation...never reached the levels that were promised...Reversing the trend [of falling ODA %] is...a shared goal for...the Commission...We should stimulate discussion in Member States [to] reverse the trend"*

This key commitment has been met and exceeded. Based on a report and proposal from the Commission, the EU defined its contribution to the Financing for Development (FfD) process at the European Council in Barcelona on 14 March 2002 and pledged to increase its ODA to reach the UN target of 0.7% ODA of gross national income (GNI). Based on the current forecasts and road maps, a total of over €19 bn of additional EU ODA will be made available over the period 2003-2006. The annual ODA effort will progressively increase to €38.5 bn or 0.42% of the total EU GNI in 2006 (see figures 3-5). This is €10 bn more per year in comparison with 2002, and equivalent to a 35% increase. The trend of falling aid volumes in the EU has effectively been reversed.

The Monterrey Consensus, adopted by the International Conference on Financing for Development in Monterrey, Mexico on 18-22 March 2002, reflected a number of critical commitments to address the challenges of financing for development around the world, particularly in developing countries. Presenting the EU line effectively in Monterrey, the Commission ensured maximum political impact of the EU decision. For example, the US Monterrey pledge was increased on three separate occasions during the conference in order to keep in line with the EU pledge.

Figure 3

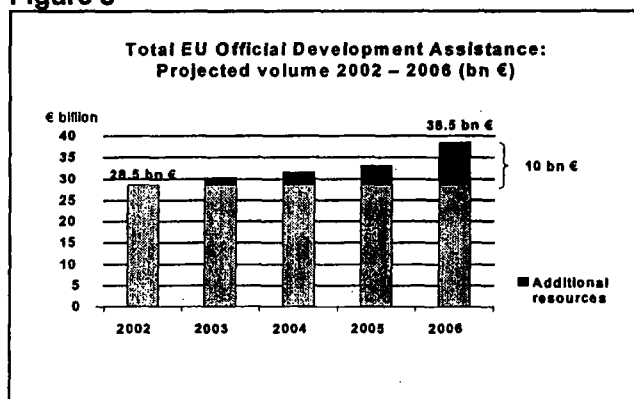


Figure 4

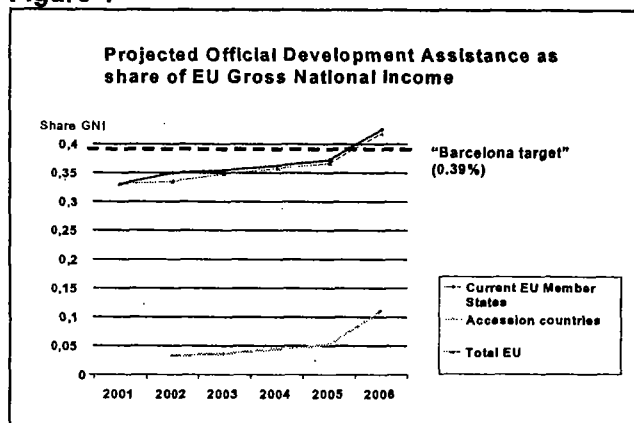
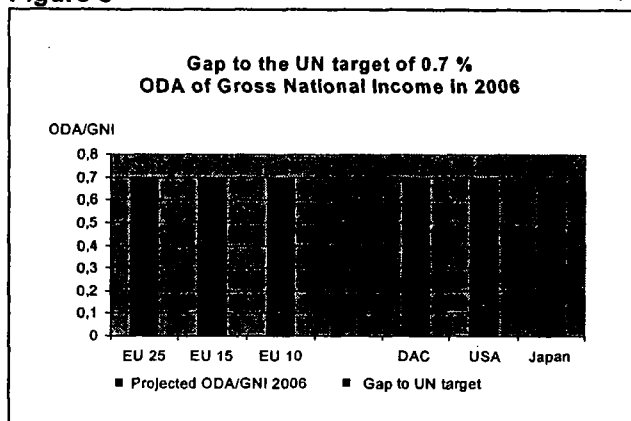


Figure 5



The Commission is mandated to report annually on the extent to which the EU Member States implement the Barcelona Commitments and contribute to the FfD process⁵ and to propose corrective measures wherever sufficient progress is not demonstrated. The monitoring exercise is a good opportunity for collective benchmarking and ensures transparency on actions taken by the EU. The first report of this kind was approved by the General Affairs and External Relations Council (GAERC) in 2003. It showed that the EU and its Member States have made a good start in their efforts to meet the Barcelona commitments, in particular on the pledges concerning increase in EU ODA⁶. In April 2004, the Council noted with satisfaction that the EU is on track to meeting these commitments.⁷ The process of meeting the Barcelona commitments is a dynamic one - for example, at the Council meeting in April 2004, Spain announced it aimed to provide 0.5% of GNI for ODA during the term of the current government, and 0.7% by 2012.

⁵ Conclusions of the General Affairs and External Relations Council of November 2002 and 20 May 2003

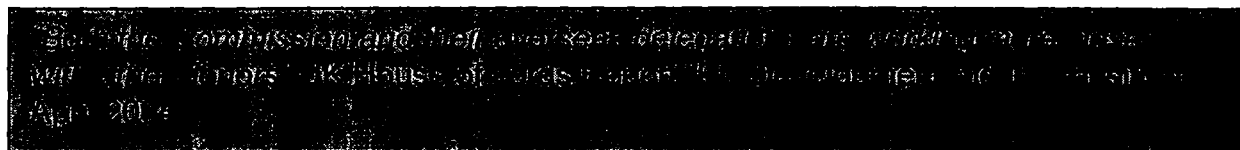
⁶ SEC(2003)569 of 15.05.2003; Council Conclusions no. 9379/03 of the General Affairs and External Relations Council of 20 May 2003

⁷ Council Conclusions of GAERC 26 and 27 April 2004

COORDINATION WITH MEMBER STATES HAS IMPROVED

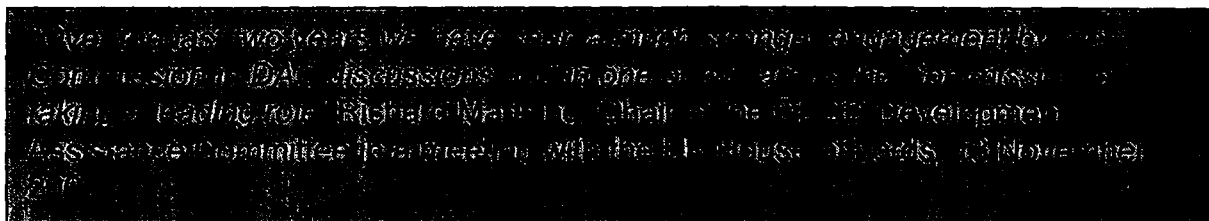
6. ***"We must ensure that a vigorous, efficient effort to coordinate EU donor activity is carried out"***
7. ***"Coordination of our policies to achieve complementarity is the key tool in future European Development policy"***

At the policy level, the EU's preparations for the Conference on Financing for Development in Monterrey (FfD), Mexico in 2002, and the World Summit on Sustainable Development in Johannesburg in 2002, proved to be clear examples of improved coordination between Member States. In 2003, coordination of policy and assistance between the Commission and Member States improved considerably, particularly through regular informal meetings, ongoing discussion of Country Strategy Papers and the implementation of the first wave of deconcentration. However, Commissioner Nielson continues to believe that the EU Member States can make greater efforts to coordinate as members of the donor community.



MAKING OUR VOICE HEARD IN INTERNATIONAL ORGANISATIONS

8. ***"It is important for the EU to be open to and to effectively contribute to drawing all the donors into a broad cooperative endeavour"***
9. ***"Our combined influence in international organisations is so great that we have an obligation to make them work better"***
10. ***"I intend to be at least as active in the OECD Development Committee as my predecessor has been"***



In 1999, the Commission was an inward-looking donor and an object of suspicion for Member States and UN agencies. Cooperation with the World Bank was good. But overall, the Commission was not seen as a constructive partner in the donor community. Now, the Commission is seriously pursuing coordination and complementarity. Programming builds explicitly on the Poverty Reduction Strategy Papers (PRSPs) of partner countries. Framework agreements have been signed with both the UN and the World Bank on EC contributions to trust funds and cofinancing.

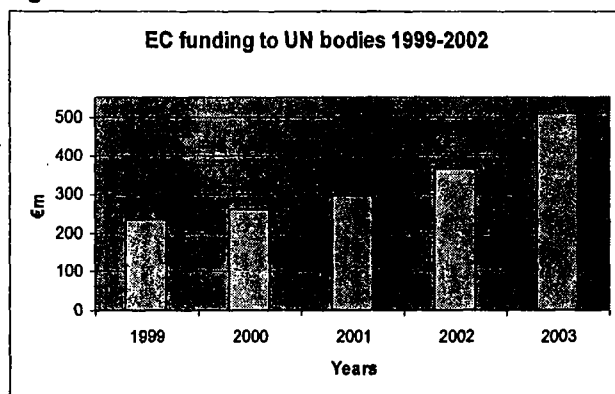
In April 2000, the first EU-Africa summit was held in Cairo. However, Commissioner Nielson believes that Member States have some progress to make in coordination with regards to the work of the Development Assistance Committee of the OECD, although some progress was made during 2003.

11. "The challenge lies in strengthening the implementation of these principles [UN] in practical cooperation"

Much progress has been made in recent years towards establishing a cohesive EU presence in policy debates at the UN. The EU has now emerged as one of its key players. Thanks to the efforts of successive Council Presidencies and the Commission, the EU now coordinates its position effectively in most important UN policy fora, such as the General Assembly (there is an EU common position on almost 95% of resolutions).

Dialogue and contacts with the UN have consistently improved. In May 2001, the first UN conference ever hosted by the EU was the third UN conference on the Least Developed Countries, held in Brussels. The Commission has received numerous high-level visitors from the UN organisations, most notably UN Secretary-General Kofi Annan in January 2004. EC funding to UN bodies has increased by over 100% since 1999 (see figure 6).

Figure 6



2003 provisional figure

In 2003, the Commission carried out an extensive internal fact-finding exercise followed by political analysis in order to identify the most appropriate UN partners for a closer, strategic partnership in development and humanitarian affairs. Altogether ten potential UN partners were identified. These are: UNDP, WHO, ILO, UNRWA, UNHCR, UNCTAD, UNICEF, WFP, FAO and UNIDO.

- 12. "We can be a catalyst for coordination by being there [in international fora]...and we should link into the initiative of Mr Wolfensohn of the World Bank in the Comprehensive Development Framework...and be a critical, constructive partner in the effort to enhance coordination in this business"**

During Commissioner Nielson's mandate, the Commission's cooperation in the field with the World Bank improved, based on the Poverty Reduction Strategy Papers (PRSPs).

Collaboration between the Commission and the World Bank Group and the International Monetary Fund (IMF) continued to gain importance in 2003. This was reflected among other things by an increasing number of missions on both sides involving all regions of the world and a joint communication to the staff of the two organisations by the Bank's Vice President for Africa and DG Development's Director General on how to work together to align respective budget support to national PRSP processes.

The EC-World Bank Framework Agreement for the use of trust funds signed in November 2001 led to a steep rise in EC contributions to World Bank-managed trust funds, i.e. from €11m in 2000 to €240m in 2003, excluding the contribution pledged to the Highly Indebted Poor Countries (HIPC) Trust Fund, which increased by €200m to a total of €934m.⁸

GETTING CIVIL SOCIETY MORE INVOLVED

- 13. "I intend to maintain a relationship with NGOs which is based on trust and confidence...My aim will be to build a relationship with the NGOs based upon an open and frank dialogue"**

- 14. "Civil society's capacities must be used more intensively in sustainable development...We have to ensure that non-governmental actors are more involved – not only in implementing development programmes, but also in the policy dialogue and in identifying cooperation priorities..."**

- 15. "The need to thoroughly overhaul the Commission's administration of NGO programmes must be given priority and attention"**

In the development policy defined in November 2000 by the Council and the Commission, the participation of all segments of society is recognised as essential for the success of development policies. Non-state actors are gradually becoming one of the key partners in EC development policy. Every year some €1.4 bn out of a total of €7 bn of EC annual official development assistance (20%) is being managed by or with non-state actors. Under Commissioner Nielson, a system of open and fair competition for NGO funding has been established. NGOs now compete for funds

⁸ Annual report 2003

available by responding to a call for tender. This system aims to ensure that funds are allocated according to merit rather than according to a first-come, first-served principle.

The Cotonou Agreement, signed in 2000, is the best example of the participatory approach the Commission is trying to develop in its regional partnerships. It makes the participatory approach in all levels of cooperation a legally binding obligation for both the EU and the ACP states.

Since Cotonou, relations with NGOs have improved considerably. Regular six-monthly meetings have been set up in which the development and humanitarian NGOs meet directly with Commissioner Nielson. The services of DG Development and the EuropeAid Cooperation Office have established regular contact to discuss all matters related to the work of NGOs.

PUTTING TRADE AT THE SERVICE OF POVERTY REDUCTION

16. "The correct approach should be trade and aid"

17. "We must have some kind of coherence between our commitment to poverty reduction strategies and our policies on trade"

The EU has long recognised that trade can boost the economic growth and productive capacities of poor nations. The EU committed to remove tariffs on all exports from least developed countries - with the sole exception of arms - under a programme launched in 2001, known as "Everything But Arms".

But market opening alone will not do the trick. This is why the EU's development strategy also focuses on financial and technical assistance to improve the basic physical and social infrastructures and productive potential of poor nations and to strengthen their administrative and institutional capacities.

The EU is combining its trade and aid mix in a new way in the next generation of Economic Partnership Agreements (EPAs) it is negotiating with the ACP countries. The idea is to help them integrate with their regional neighbours as a step towards global integration, and to help them build institutional capacities and apply principles of good governance. At the same time, the EU will continue to work to open its markets and remove barriers to exports from the ACP group. Commissioner Nielson has strongly supported the EPAs and is attending the launches of these to add political weight to their importance.

18. "It is important that the EU becomes an ally of poor countries in...global trade negotiations...We must ensure that the particular constraints of developing countries are adequately taken into account within the WTO system"

The key objective of the Commission in this area is to help developing countries to take advantage of trade opportunities to achieve growth with poverty eradication in line with the Millennium Development Goals. The Commission has worked to ensure coherence between new trade rules and the concerns of development policy in all its submissions in the WTO context.

In 1999 the Commission launched a Sustainability Impact Assessment (SIA) Programme to identify the sustainability impacts of its current and future trade negotiations. The goals of the SIA for EU-ACP relations is to enhance the analytical awareness and understanding of those involved in the EPA negotiations to ensure that they take sustainable development fully into account.

In November 2001, the WTO Ministerial Meeting in Doha recognised that further progress of the multilateral trading system required the effective involvement of developing countries. Because the EU is the largest trading block in the world, it is one of the main stakeholders in the Doha Development Agenda. Following the unsuccessful Cancun Ministerial Meeting of September 2003, the Commission underscored the EU's commitment to the development dimension, and recommended focusing support on the most vulnerable WTO members. More robust developing countries should at the same time make commitments in favour of the weaker developing countries.

Commissioner Nielson has consistently argued that liberalisation of world trade does not carry an implicit obligation for developing countries to privatise state-owned enterprises. This approach was spelt out in a Communication of July 2003 and has been endorsed by the Council, the European Parliament and the World Bank.⁹

Commodities

The EU is acutely aware of the importance of agricultural commodities in the fight against poverty and of the need for urgent measures to address the situation of commodity producers and commodity dependent developing countries (CDDCs). In response to this need, the EU has for the first time adopted a coherent and joint policy to address this important development issue. In April 2004 the Council approved the Commission's Action Plan on Agricultural Commodities, Dependence and Poverty. The Action Plan outlines actions to support commodity dependent developing countries. On the development side, it proposes actions all along the commodity chain – relating to production, collection, processing, trading and exporting.

On cotton, the EU has agreed to move ahead quickly with a special partnership with Africa on cotton. This has sent a strong signal to other major developed and developing countries to reform their distorting subsidy schemes and allow for greater market access. African cotton already has free market access to the EU, the EU does not pay any export subsidies and is with 2% of the world's production, a price taker, not a price maker. It is hoped that other rich countries will follow the EU's lead.

⁹ P5_TA-PROV(2004)0081, A5-0015/2004

MAKING HEALTH AND HIV/AIDS A PRIORITY

19. "I will consider how [the EU's efforts in support for health, AIDS and population in developing countries] might be further consolidated and even reinforced taking account of the EC's specific comparative advantage"

Over the period 2003–2006, the EC will spend a total of €1.15 bn on HIV/AIDS, malaria and TB, an average of roughly €300m per year. Of this, three-fifths will address HIV/AIDS, one-fifth malaria and the remaining one-fifth TB.

The Commission is a key player in the Global Fund to fight HIV/AIDS, Tuberculosis and Malaria (GFATM). In 2003 the EC tripled its total pledge to the Global Fund from €120m to €460m. Commissioner Nielson is a member of the Board of the Fund and has worked proactively to set in place policies, rules and procedures for procurement, portfolio management, governance and partnership. He has defended the balance between the three diseases covered by the fund.

The European Commission's "Programme for Action on HIV/AIDS, malaria and TB in the context of poverty reduction" (2001), entails a series of actions to increase the impact of existing interventions, increase the affordability of key pharmaceuticals, and encourage research in and development of specific global public goods to tackle the three diseases. Within the framework of the Programme for Action, the Commission substantially supports initiatives that demonstrate innovative ways of increasing the effectiveness of existing interventions, as well as initiatives to further research into vaccines and microbicides.

Commissioner Nielson has been a strong supporter of the 1994 Cairo Consensus, offering – and delivering – support to fill the "decency gap" created by the decision of US President Bush in 2002 to withdraw about €32m funding from the UN Population Fund, which he accused of indirectly helping China to force women to have abortions under China's one-child policy. Commissioner Nielson led the Commission's efforts to fill the gap and donated €32m to the UN Population Fund. In 2002 the International Planned Parenthood Federation (IPPF) congratulated the Commission, EU Member States and ACP countries for their strong commitment to international sexual and reproductive health through their generous support of the IPPF and of the UN Population Fund.¹⁰

MAKING PROGRESS ON AFRICA, CONFLICT AND ARMS

20. "It is my intention to ensure the Commission's continuing commitment to and active participation in the Common Foreign and Security Policy for dealing with Africa and ACP countries in general"

EU policy in the area of conflict prevention and resolution in Africa is framed in the Common Position on Conflict Prevention in Africa of 14 May 2001. The Common

¹⁰ IPPF press release, 24 July 2002

position is based on an integrated and comprehensive approach to conflict prevention, tying together all main instruments at the EU's disposal in Africa: development, economic cooperation, trade, diplomatic cooperation and politico-military cooperation.¹¹

21. "I will ensure that measures are taken to ensure that the instruments available to the Commission are adapted to enable rapid responses in support of measures to advance peace"

22. "I intend to give the issue of conflict prevention weight in the Commission's development cooperation"

Fostering peace and security is essential if Africa is to break the vicious circle of poverty and war and failing socio-economic structures.

Commissioner Nielson first introduced his vision of a Peace Facility for Africa at the EU-ACP Ministerial meeting in June 2003. At the Maputo Summit of the African Union (AU) in 2003, AU Heads of State proposed that a Facility be set up from funds allocated to their countries through the EU development cooperation agreements with Africa. The funds so collected would be pooled together in a fund to be called the African Peace Facility. At the summit, the AU Heads of State urged the EU to work out a proposal. On 23 July 2003 the General Affairs and External Relations Council (GAERC) in principle endorsed the concept of a Peace Facility and since then this has been worked out between the Commission and Member States on the EU side in close dialogue with the AU Commission, culminating in the final endorsement by the EDF Committee of the Peace Facility of €250m on 30 March 2004.

The main objectives of the Peace Facility will be to: (i) promote African solutions to African crises by providing the AU with the "financial muscle" to back up its political resolve with concrete acts; (ii) increase African solidarity by encouraging all African states to contribute to the Peace Facility including those not involved in conflict resolution. This expression of solidarity marks a recognition that peace and stability will be to the benefit of the continent as a whole; and (iii) create the necessary conditions for development. Schools or roads cannot be built while countries are ravaged by conflict. Support to peace-keeping must be seen as an integral part of fostering development.

¹¹ The Council Common Position of 14 May 2001 concerning conflict prevention, management and resolution in Africa

3. AID EFFICIENCY

AN ABILITY TO DELIVER HIGH QUALITY AID, FAST

23. *"We need to continue the process of simplifying, rationalising and harmonising our aid management procedures"*

24. *"I see an enormous need for organising the presentation of our activities in a way that is more compatible with the methods used by other DAC members...We should reach out and be ready to be compared directly with what everybody else is doing and also that should make it easier for our partner countries to find out what we are doing"*

The Council acknowledges the significant progress achieved in the reform process and supports the Commission's efforts to continue to make further improvements to the aid management system. It also notes the progress made following the launch of the Commission's External Financial Council (EFC) initiative in 2002 to address the delivery of EU external assistance.

The EU has made considerable progress since January 2000 with organisational and management reforms. Of particular note are improvements in accountability at all levels. The main aim of the 2000 Strategy Plan was to speed up the aid management process and to improve the relationship between the aid management system and the donor. The Commission is continuing to work on these issues and will continue to work on them in the future. (Press release, June 2002)

The significant growth of the external assistance budget between 1989 and 1999 (+131% for the EuropeAid Cooperation Office's portfolio) had not been matched by appropriate changes in human resources, structures and management tools. Compared to the scale of new assistance programmes being pledged, actual annual payments were low. The result was a backlog of projects dating from the early 1990s (+149% between 1989 and 1999). The effect of this was not merely financial. It also meant that the time needed to complete a project increased dramatically.

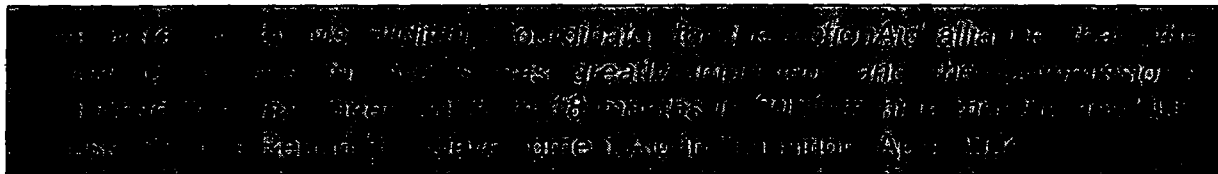
In May 2000 the Commission launched a programme of aid management reform. Internal procedures have been improved in an effort to make them more effective and efficient. These reforms are beginning to bear fruit. Following the April 2004 meeting of the European Council, the Irish Presidency produced a paper noting the progress made on increasing the focus on strategy and programming, improving working

methods and financial management, and devolving project management to delegations.¹²

The EuropeAid Cooperation Office was set up on 1 January 2001. Operating under the control of a Board composed of the External Relations Commissioners, the EuropeAid Cooperation Office has the responsibility to implement all external assistance instruments in third countries with the exception of pre-accession instruments, humanitarian activities, macro-financial assistance, the Common Foreign and Security Policy and the Rapid Reaction Facility. Since 1 January 2001, the geographical Directorates-General (DG External Relations and DG Development) have been responsible for multiannual programming and the EuropeAid Cooperation Office for the rest of the cycle.

Payments have increased by 47% over the period 1999-2003 (see Figures 7 and 8)¹³. Faster implementation is a key objective of external assistance reform. Contracting procedures have been simplified and the tendering process shortened. This means that projects can start more quickly and contractors can get paid on time (see Figures 9 and 10)¹⁴.

In 1999, the average number of years needed to design, implement and complete a project funded from the budget was almost 4.5. Since 2000 this trend has been reversed and budget-funded projects are now completed in an average of 3.5 years. Projects funded from the EDF took on average 5 years to complete in 1999, but 3.8 years now (see Figure 10).



The quality of the management of Commission programmes has improved through a number of horizontal initiatives since 1999:¹⁵

i. Harmonisation of operational methods

The EuropeAid Cooperation Office has developed a single, coherent framework of aid delivery methods ranging from project support, to sector-wide policies and budgetary support. Corresponding guidelines have been published in order to ensure consistency all over the world. Training has been given to more than 1,700 officials.

¹² Presidency Follow-up Paper to SecGen and Council of 15 April 2004, Doc 5680/04

¹³ Figure taken from Brochure on External Assistance Reform, April 2004

¹⁴ Figure taken from Brochure on External Assistance Reform, April 2004

¹⁵ Based on Brochure on External Assistance Reform, April 2004

ii. Establishment of a harmonised monitoring system

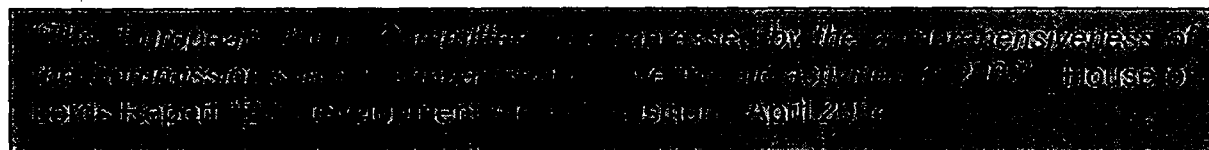
The results-oriented monitoring system, fully operational in all regions since 2002, enables a rapid review of a project or programme's performance, measuring relevance, efficiency, effectiveness, impact and sustainability. Better quality data should contribute to improving results and quality in the delivery of external assistance.

iii. Introduction of a common information system

The introduction of the Common Relex Information System (CRIS) in 2003 represents a major investment in the Commission's project management and information systems. As data is entered into the system, the Commission is gradually becoming able to provide information on the technical, financial and accounting status of projects and programmes and to provide a real-time picture of the financial situation in countries and sectors in accordance with international standards. While it allows an OECD Development Assistance Committee- (DAC) compatible overview of all financial assistance under the EU budget, work on the inclusion of EDF data is still ongoing. Once this is complete, it will be possible for all EC development assistance activities to be compared directly with that of other DAC donors.

iv. Annual Report

The Commission produced its first Annual Report on External Assistance in 2001, covering activities in 2000. It was distributed in the 11 official languages. For the first time, the 2004 Annual Report will contain full payment and commitment figures by region and sector based on DAC codes.



v. Simplification and harmonisation of financial and procurement procedures

The number of different tender procedures has been cut from 46 to eight. Transparency has also improved as all tenders and calls for proposals are now published on a website, in addition to in the European Communities Official Journal.

vi. Quality support in the EuropeAid Cooperation Office

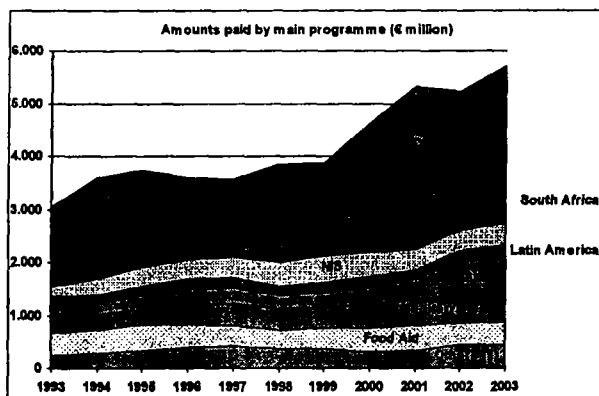
Geographic Quality Support Groups have been established to check the relevance, sustainability and feasibility of proposed activities. They provide quality support at an early stage of design and assess quality before a commitment is made.

Quality has also been enhanced by the creation of 11 horizontal thematic networks to exchange ideas and practical experience. These networks complement the geographical structure of the EuropeAid Cooperation Office.

vii. Untying of aid

Community aid has been untied to a significant degree for more than 25 years. Allowing non-EU companies to win contracts for European Commission development projects is an important factor in a pro-poor development policy. It enhances the transparency and accountability of aid delivery and significantly reduces costs. In 2003 Commissioner Nielson took the initiative to propose an enhancement of Community aid effectiveness through further untying. The Commission's proposal goes beyond the OECD Development Aid Committee recommendations and unties aid for nearly all countries of the world. For seven non-EU donor countries in the OECD, aid will be untied on condition of reciprocity.

Figure 7



(1) including NGO cofinancing, Democracy and Human Rights and other thematic programmes

Figure 8

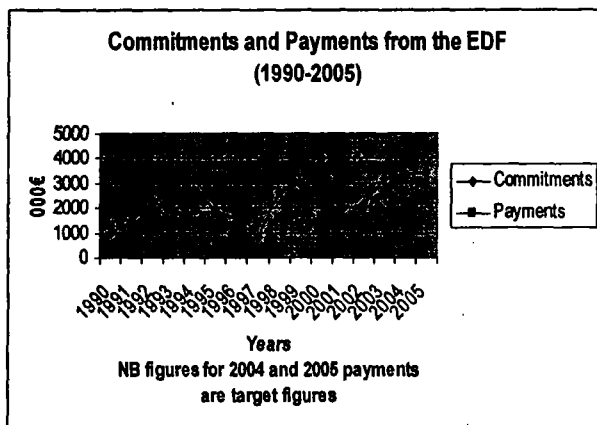


Figure 9

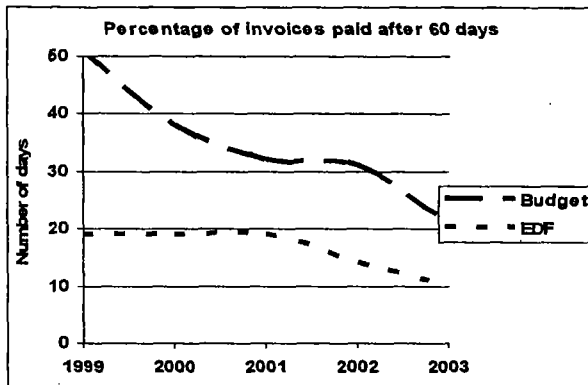
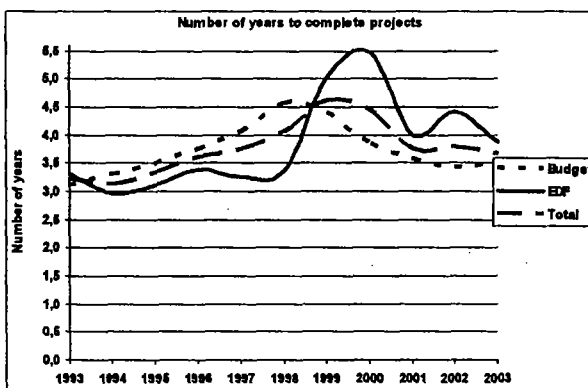


Figure 10



25. "This process [of reform] also needs to be accompanied by a deconcentration of decision-making both within the Commission headquarters and to the overseas delegations together with a decentralisation of authority from the Commission to the beneficiary country"

One of the most important elements of the management reform has been the deconcentration process. By summer 2004, the management of aid will have been deconcentrated to 77 overseas delegations. From the outset, Commissioner Nielson established the principle that what can be better managed and decided on the spot, in the country concerned, should be done there, and not in Brussels.¹⁶

¹⁶ Figures taken from the Brochure on External Assistance Reform, April 2004

Figure 11

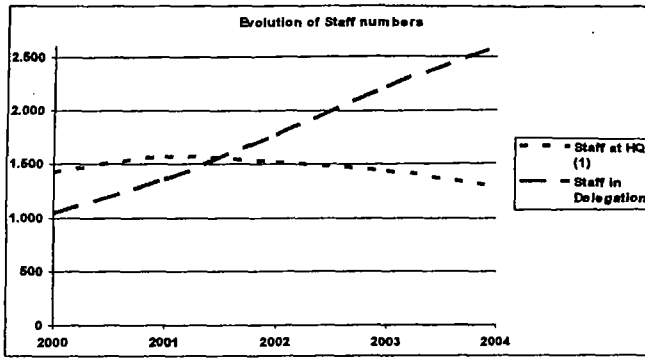


Figure 12

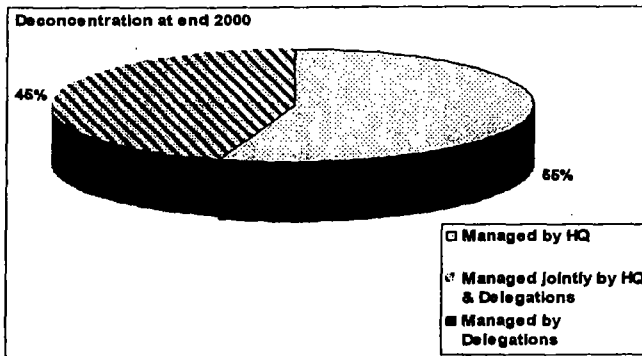
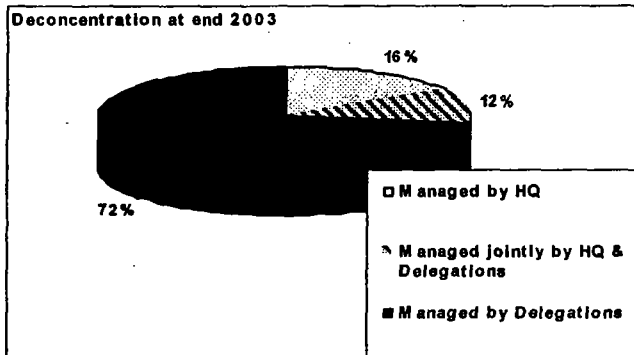


Figure 13



The Commission will also strengthen the portfolio of its delegations in the field and make the Commission a more effective player in the area of external financial management. Chair of the OECD DAC on the 4th Round of High Level Report on Development Aid in Transition, April 2004.

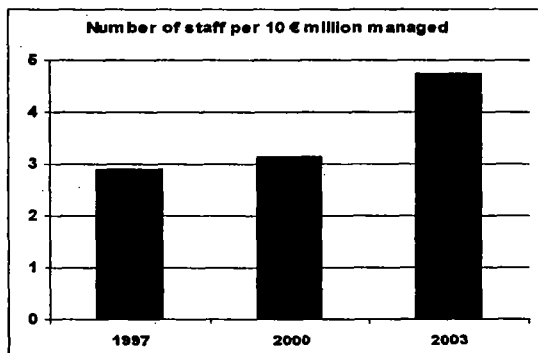
"Evolution of responsibilities (...) is starting to strengthen both centrally and in the field. The impact on speed of delivery is already apparent. In the future we will also see enhanced capacity for local dialogue and coordination with the field." DFD Multilateral External Relations Framework, 2004. Committee Report for the European Union, June 2004.

GETTING THE RIGHT NUMBERS OF PEOPLE WITH THE RIGHT SKILLS

26. "Commission staff resources must be concentrated on priority tasks with clear targets, and performance indicators"

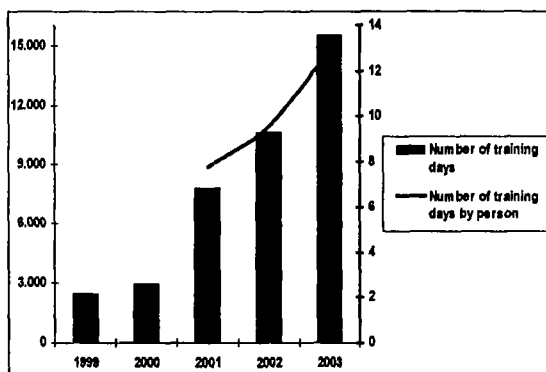
At the end of the 1990s, acute staff shortages had a direct and negative impact on the speed and quality of the European Commission's external assistance. Human resources had failed to keep pace with growth in the volume of funds to be managed. Comparisons with other international aid donors underlined the scale of the challenge: whereas Member States or the World Bank had between 4 and 9 officials to manage every €10m, the Commission had 2.9 officials. By putting in place a clear policy vision and launching a reform of implementation, this Commission has managed to obtain the necessary support from the European Parliament and the Council to improve the situation.¹⁷ By 2003, the Commission had increased the number of officials to manage every €10m to 4.8 (see figure 14), an appropriate level, but still well below the level of other donors.

Figure 14



Furthermore, the external assistance reform included an intensive training plan for staff in order to prepare for devolution, which required the recruitment or redeployment of a large number of personnel (see figure 15). Now no official is involved in aid development cooperation without prior training and/or retraining. However, it is still a challenge to recruit skilled staff to work in delegations.

Figure 15

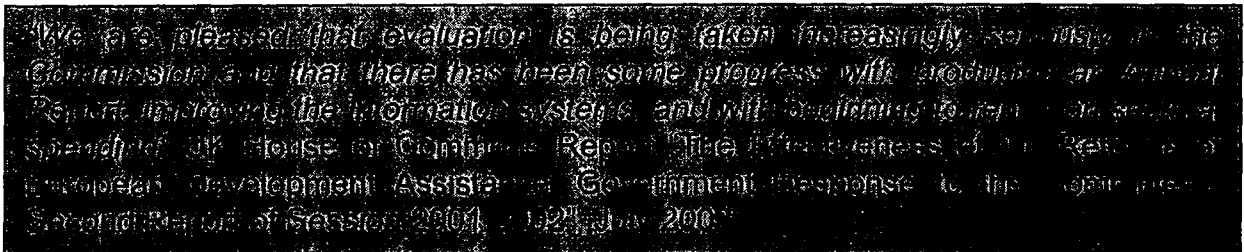


¹⁷ Based on Brochure on External Assistance Reform, April 2004

LEARNING FROM FEEDBACK

27. "Evaluation is the key to improving quality and a systematic organisation of feedback...this is a point to which I intend to devote more than just attention"

28. "I am particularly concerned to ensure feedback between the different stages of the project cycle. We must learn from any mistakes and ensure that best practices are introduced"



An Evaluation Unit has been set up in the EuropeAid Cooperation Office. The unit reports directly to the Board of the EuropeAid Cooperation Office. The unit's evaluation programme focuses on policy formation, programming, country and regional strategies, sectoral development, thematic issues, aid instruments, and budget lines.

Evaluation plays an important role in supporting the Commission as a learning organisation and assuring the continued improvements of the Commission's development cooperation. Guidelines have therefore been prepared for dissemination and feedback of the unit's evaluations and are accessible on the internet.

BETTER AT EXPLAINING TO TAXPAYERS HOW MONEY IS SPENT

29. "I am interested in providing easier access to information on projects through a number of concrete measures: better use of the internet and the Commission's own websites; a simplification of the rules, procedures and jargon related to project funding; and a greater transparency in decision-making"

In 1999 it was not possible to get an overview of EC development aid. Now, all 140 country and regional strategy papers are available on the internet through <http://europa.int.eu/development> or <http://europa.eu.int/external relations>. Country fact files have been prepared for most countries to help coordination with other donors on policy and programme design. All tenders and calls for proposals are now published on a website, in addition to in the European Communities Official Journal. In 1999 and 2000, the Commission established the first ever website and Helpdesk devoted to NGOs.

BECOMING AN ACCOUNTABLE ORGANISATION

30. "I shall impress on all my staff that procedures must be followed and that everyone has an obligation to combat irregularities"

An Internal Audit Unit was set up in August 2001 to serve both the EuropeAid Cooperation Office and the Humanitarian Aid Office of the European Commission (ECHO). Since 2002, the unit has carried out several audits of the EuropeAid Cooperation Office's operational directorates, looking at the way they have implemented 24 internal control standards.

The European Court of Auditors constantly examines the proper use of aid funds. Its audits carried out in the field have shown that the EU's aid systems are well-constructed.

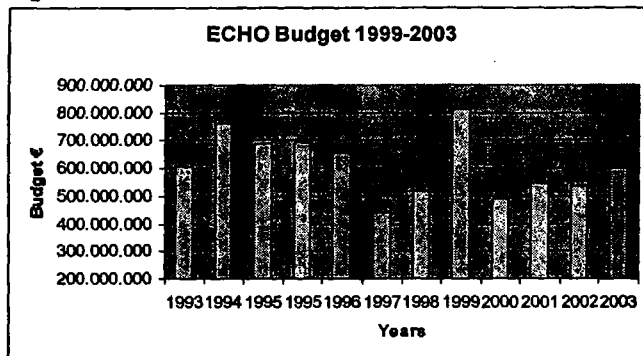
The EU development programme is now the largest in the world and no less accountable than the UK bilateral aid programme. Since 2002, the Director of the Overseas Development Institute is also the Director of the European Development Aid Mission, April 2002.

4. HUMANITARIAN AID

REFORMING HUMANITARIAN AID POLICY AND DELIVERY

31. *"To protect ECHO's budget, freedom of action and core activities, it is necessary to be more careful in drawing a line between what are and what are not core activities..."*

Figure 16



The 1999 budget of the Humanitarian Aid Office of the European Commission (ECHO) was exceptionally high due to the funds used for Kosovo. Since then, ECHO's budget has increased slowly but surely. Where necessary, a flexibility instrument is activated. This was used to enable the Commission to deliver assistance to Iraq in 2003.

Under Commissioner Nielson, ECHO has clarified its core mandate and policy by drawing up a mission statement, setting up annual aid strategy frameworks and developing policy guidelines on how to link relief, rehabilitation and development and on disaster preparedness.

Commissioner Nielson has been a strong defender of the needs-based, neutral and non-discriminatory status of humanitarian aid. ECHO continues to focus on forgotten crises where there is little or no interest from political or media viewpoints or where other donors are reluctant to intervene. ECHO's support to forgotten crises has been steadily growing, reaching 20% of its budget in 2003.

Other donors agree. Take the difference between the UK Government's assessment of ECHO in 2000 and 2002:

"It has become clear that ECHO suffers from poor administration" UK Government's response to the House of Commons International Development Committee report on "The Effectiveness of the European Commission's Humanitarian Assistance" (October 2001)

"The UK Government believes many positive steps have been taken but more needs to be done. The Effectiveness of the European Commission's Humanitarian Assistance: Government Response to the Committee's Report (March 2002) p. 12"

32. "The relationship between humanitarian assistance and development assistance needs a firm hand"

33. "I think Europe can propose the type of solution really needed [on transitional assistance]"

As clearly stated in the Communication from the Commission to the Council and the European Parliament on "Linking Relief, Rehabilitation and Development (LRRD) - an Assessment"¹⁸, LRRD should become a priority for external relations and development cooperation. LRRD is not easy to measure as it is influenced by the willingness of other donors to engage in the process and also by the specific situation in a given country. A new specific methodology was developed by ECHO to measure progress on LRRD.

34. "We have to talk hard about the exit strategies for ECHO"

Since 1999, ECHO has accomplished significant progress in phasing out from the Balkans, Kenya, Mexico, partially phasing out or handing over sectors in Afghanistan (health), Cambodia (de-mining), Colombia (internally displaced people), India (education), and Cuba (health). Phasing out has usually been done in a way that ensures that another aid instrument takes over once humanitarian aid is no longer appropriate.

35. "We are trying to create an international society...the different partners involved should talk together so we can pre-plan for some contingencies...the UN systems should be given an important role in the efforts...if I become Commissioner, the EU should be more open and willing to cooperate [on humanitarian aid]"

36. "I will also encourage close cooperation with other major actors"

In line with the Communication prepared by the Commission on Building an Effective Partnership with the United Nations in the Fields of Development and Humanitarian Affairs¹⁹, ECHO has been playing an active role in promoting coordination and common support to the humanitarian principles of impartiality, neutrality and independence. ECHO's objective is to ensure effective coordination and an independent "humanitarian space" in crisis situations, preserving the dignity of populations in humanitarian disasters.

¹⁸ (COM(2001)153 final)

¹⁹ COM(2001)231 final

37. "I intend to scrutinise the effectiveness of [the control mechanisms aimed at ensuring humanitarian aid reaches those for whom it is intended] and where appropriate to continue the process of improving them..."

During Commissioner Nielson's tenure, ECHO has pursued a proactive strategy to defend the principles of international humanitarian law, supporting the adoption of the Principles and Good Practices of Humanitarian Donorship in Stockholm, confirming that humanitarian funding should be allocated on the basis of needs assessment. The Principles also call on donors to support the Guidelines on the use of Military and Civil Defence Assets to support United Nations Humanitarian Activities in Complex Emergencies.

38. "I will continue to encourage on the spot checks as well as evaluations conducted by independent experts"

During Commissioner Nielson's tenure, evaluation has become an integral part of ECHO's working practices. It corresponds with the Commission's constant efforts to improve the mechanisms for defining policy priorities and allocating resources. Evaluations cover not only reviews of ECHO-funded operations, but also thematic issues and major partners. It is intended to increase the level of coordination with other Commission services, EU Member States and other major donors.

PART TWO – COMMISSIONER NIELSON'S VIEW OF THE CHALLENGES THAT REMAIN

In the foreword, I highlighted some of the areas in which this Commission has prepared the ground for the next Commission, and where we have not achieved as much as we would have liked. I see the challenges that the next Commission will need to work towards as:

1. Finding a suitable resource allocation mechanism for countries not in the Africa-Caribbean-Pacific (ACP) regions;
2. Resolving the issue of the budgetisation of the European Development Fund (EDF);
3. Coordinating more effectively with EU Member States;
4. Working with others to develop a coherent strategy for global development and link better our policies on trade, fisheries, migration, and peace and security;
5. Completing the internal reorganisation of the External Relations Directorate Generals to unify the development cooperation cycle;
6. Continuing to improve the ability of our system to deliver quality.

1. RESOURCE ALLOCATION MECHANISM FOR NON-ACP COUNTRIES

The General Affairs and External Relations Council (GAERC) of April 2004 agreed to the Commission proposal to introduce more flexibility into the system of resource allocation to support good performance and respond to new needs. A bigger reserve will be created and it will be possible to adjust allocations to countries and regions outside the framework of mid-term and end-of-term reviews, provided that the usual criteria of needs and performance are applied. The next Commission will need to take forward work on this process.

2. BUDGETISING OF THE EDF

In my hearing with the European Parliament in 1999, I said, "It is better to have [the EDF] in the budget...for political transparency and the right balance in the decision-making process giving Parliament a more normal say in this field."

I have argued that maintaining a separate fund - the EDF - for cooperation with ACP countries outside the EU budget and without full control by the European Parliament is an anomaly. The integration of the EDF into the EU budget will lead to political and budgetary normalisation, without putting at risk the achievements of the 45-year long cooperation with ACP countries.

The EU's ACP partners would be confronted with one single financial framework in their relations with the Commission. The EU budget already finances activities in the ACP area for a total value of about €700m per year. Moreover, the effectiveness of cooperation activities is expected to improve through enhanced budgetary discipline and simpler ways to redistribute resources according to needs, priorities and performance. Putting together all development cooperation resources for ACP

countries in the General Budget of the EU will also bring these countries more to the forefront of European political debate. Annual discussions on the budget by the Council and Parliament have become important moments to debate on the substance of development policy. There is an opportunity to give a real role to the Joint Assembly of EU-ACP affairs by asking them for an input into the decision-making process. Ownership is the challenge.

I presented a detailed proposal and roadmap for the budgetisation of the EDF to Council and the European Parliament in 2003.²⁰ Consistent with this line, the Commission's proposal for financial perspectives (2007-2013) was based on the assumption of budgetisation. I am pleased that the European Parliament and several Member States have supported my position.²¹ The Council is still discussing this proposal.

3. MORE EFFECTIVE COOPERATION WITH MEMBER STATES

In March 2004, the Commission adopted its second annual report on Member States' efforts to deliver on their commitments taken in the context of the Financing for Development Conference in Monterrey in 2002. The report presented positive news on the increase in EU ODA, but concluded that the EU had still failed to significantly strengthen coordination of its development policies and to harmonise aid procedures. The report outlined a number of concrete recommendations on how to improve the current situation. This included a Commission proposal to establish a common framework for aid implementation procedures to be adopted by Member States. The April GAERC set up an ad hoc group tasked to look at this issue and to produce an Action Plan by November 2004.

The draft Constitutional Treaty has safeguarded the poverty focus of Community development assistance and underlined the imperative of coordination between Member States. It has also provided a legal basis for humanitarian aid and underlined the impartial and non-discriminatory nature of Community humanitarian assistance.

4. GLOBAL COOPERATION AND POLICY COHERENCE

A lack of coordination remains in important policy fora in the field of development, such as on the governing boards of UN Funds and Programmes, where Member States are still reluctant to engage in a more comprehensive coordination exercise, thereby seriously reducing the potential European impact on the policy debate.

Ministers at the GAERC of January 2004 underlined the importance for the enlarged EU of finding ways to use its increased size and influence at the UN to promote an effective multilateral response to major global challenges in the economic and social spheres, particularly in securing progress towards the Millennium Development Goals (MDGs). The GAERC of April 2004 gave the Commission the mandate to prepare a synthesis report for 2005 on the progress that Member States are making towards the achievement of the MDGs. This report will be presented as a coordinated EU

²⁰ COM(2003)608 14 Oct 2003

²¹ ACP-EU Joint Parliamentary Assembly Resolution, October 2003

contribution to the 2005 MDG stocktaking event which will be organised by the UN. There is a major challenge ahead for the next Commission to identify workable performance indicators to measure progress towards the MDGs in time for this event.

The April 2004 GAERC conclusions covered many policy areas on which both this Commission and the next will need to focus. These included the need to continue the fight against terrorism and weapons of mass destruction, facilitate regional cooperation between ACP and non-ACP developing countries, continue to work on the untying of Community aid, and improve financial management in conflict and post-conflict situations.

5. COMPLETION OF REFORM OF EXTERNAL RELATIONS DGs

I believe it is in the interests of the Commission and our partners to bring together the full development cooperation cycle under one roof. Unfortunately this has not yet come about. However, I am pleased that one of the main objectives of the draft Constitutional Treaty is to establish a structure in the External Relations family which ensures better consistency and coherence.

The deconcentration process has brought many benefits to both policy formulation and implementation in the External Relations family, but it is still a challenge to recruit skilled staff to work in delegations. The next Commission will need to ensure the right balance of decentralisation of resources to the field.

6. DELIVERING QUALITY

The harmonised monitoring system in place since 2002 has done much to improve design and implementation of programmes and projects. However, there is work ahead to improve the quality of the data the Commission produces in order to improve results. We have not made as much progress as we would have wished for in the reform of financial management in the EuropeAid Cooperation Office. There is still room for improvement, particularly in speeding up disbursement.

As concluded by the Irish Presidency following the January 2004 GAERC Orientation Debate on the Effectiveness of EU External Assistance, there is a need for benchmarks and indicators to measure the results of the reforms carried out so far. This will enable the next Commission to make accurate analyses of the impact, quality, and development effectiveness of EC assistance. Armed with this information, the next Commission will be better placed to communicate to the public and to partners about EU efforts in this field.

FINAL WORD

I believe that this Commission has laid strong foundations for the continued improvement of EC development assistance and the eradication of poverty. It is essential that work continues in this direction. The next Commission and the European Parliament Committee on Development and Cooperation have much important work ahead. I wish them both all the best in working towards these goals.

Poul Nielson
European Commissioner for
Development and Humanitarian Aid
July 2004