

Trends in Development Co-operation between the European Community and the South

This chapter analyses the overall structure, organisation and main characteristics of the EC aid programme implemented by the European Commission (CEC). The CEC Community aid programme is complex and its organisation has become increasingly fragmented. Political and administrative responsibilities are shared between a number of Commissioners. Furthermore the member states play a significant role in the decision-making process at all levels. The capacity of the Commission is limited both in staffing levels and in the quality of staff in comparison to other donors. The complexity of the programme and the very limited staff capacity has consequences for the quality and effectiveness of the EC programme.

The EC external relations programme can be divided in two main categories:

- Development co-operation programmes implemented directly by the member states – including bilateral and multilateral contributions;²³ and
- The programme implemented for the European Community by the European Commission, referred to here in short as the CEC programme.

This chapter focuses on the CEC programme, and particularly the way in which it is organised.

3.1 Overall structure of the CEC aid programme

As part of the CEC programme implemented by the European Commission, the European Community Humanitarian Office (ECHO) was established in 1992, making a distinction between development aid and humanitarian assistance. Many would argue that this is something of a false dichotomy and would maintain that, for emergency aid/humanitarian assistance to be effective beyond the immediate term, it needs to incorporate a long-term development perspective. However, given that this distinction is made in the CEC, we shall, in the interests of clarity, also adopt this distinction throughout this chapter.

In the next section CEC development co-operation will be discussed, followed by a presentation of Community humanitarian aid in section 3.3. In section 3.4 the overall organisation of the aid programmes is discussed.

3.2 The expansion and broadening of the geographic scope of European Community development activity

Originally the external relations programme for developing countries of the EC was arranged in subsequent Conventions between the EU and the African, Caribbean and Pacific (ACP). Additionally, food aid is one of the oldest programmes of EC aid. It originates from food exports of surpluses produced under the CAP. The food aid programme is part of the EC budget, unlike the funding of the EU's co-operation with the ACP, which is through a separate inter-governmental agreement of member states. In the last two decades an increasing number of programmes have been established within the Community budget, all of which are managed according to specific principles and guidelines.

Box I – Distinctions in aid implemented by the CEC

1 Co-operation outside the budget:

Co-operation between the EC and the ACP through Conventions that cover a broad range of activities, including trade agreements and special protocols. Funding is arranged outside the EC budget and on a purely voluntary basis. Therefore the European Council of Ministers has the sole decision-making power without the *de jure* involvement of the European Parliament and the European Commission.

2 Co-operation inside the budget:

Decisions are made with the involvement of the European Council, European Parliament and Commission (co-decision procedure). It is important to note that the European Parliament has the ultimate budgetary power. However, since there is an inter-institutional agreement, their power only extends to the limits/ceilings agreed in the financial perspective. Two types of budget lines can be distinguished:

2.1 Co-operation programmes with specific regions, such as ALA (programme with Asia and Latin America), South Africa, MED (Mediterranean), PHARE (Central and Eastern Europe) and TACIS (former USSR).

2.2 Sectoral or thematic co-operation programmes, focusing on specific areas such as food aid; democracy and human rights; gender; children; the environment and sustainable development; tropical forests; and co-operation programmes for specific channels, for instance, the budget line for Non-governmental Organisations; humanitarian assistance; and others, such as the budget line for evaluation.

Co-operation between the EC and third countries is arranged in bilateral or regional co-operation agreements. These agreements can contain special measures agreed with a specific country or group of countries. Additionally, special policy arrangements exist for particular groups of countries. This includes, for instance, the General System of Preferences for trade arrangements with non-ACP countries (see chapter 8).

3.2.1 Co-operation between the EC and the ACP

Originally the European Community aid to developing countries was arranged through separate Conventions with associated countries – the Yaoundé and Lomé Conventions. In the European Economic Community Treaty of 1957 provisions had been made for the association of non-European countries and territories with which EEC member states had special relations – colonies, former colonies and overseas territories. This provision originated from a French insistence on access for its colonies and overseas territories to the European market. In 1963 the Yaoundé I Convention was signed between six EEC member states and 18 associated countries. In 1975, when the UK became a member of the EEC, the number of associated countries increased to 46, and the first Lomé Convention was signed. The co-operation with these countries was a comprehensive package that encompassed both aid and trade (as well as political dialogue), and obliged the European partners to open up their markets to African, Caribbean and Pacific country (ACP) products.

At present there are 71 ACP countries although one country's participation, South Africa, is largely limited to political dialogue. The Republic of South Africa (RSA) acceded to the Lomé Convention during the meeting of ACP-EC Council of Ministers on 24 April 1997. However, South Africa, apart from some trade provisions relating to cumulation and rules of origin, plays little part in trade co-operation agreed under Lomé IV, since this is covered by a bilateral agreement.²⁴ It is not party to co-operation on commodities (STABEX, SYSMIN) and the trade protocols (e.g. sugar). A bilateral framework of aid was provided for the period 1996-1999.²⁵ The membership of South Africa in the Lomé Convention is therefore primarily of political significance.

Funding for the implementation of the Yaoundé and subsequent Lomé agreements was established outside the regular EC budget, in a separate inter-governmental arrangement called the European Development Fund (EDF). The fund was, and still is, managed by the European Commission. A committee of member states representatives, the EDF Committee, approves projects over € 2 million. In the ACP countries National and Regional Authorising Officers (NAOs/RAOs), in most instances the Ministers of Finance, are in charge of the approval of programmes for the country or region respectively.

The EDFs consist of several envelopes. 'Programmed Aid' is a package of projects negotiated between the European delegation, the NAO/RAO, with policy support from DG 8. The plans, and projects encompassed within are ultimately approved by the EDF committee. Non-programmed aid and structural adjustment are financial allocations to the budget for specific purposes, and includes financial co-operation on commodities (SYSMIN and STABEX). The envelopes of the subsequent EDFs are split out in the following table.

TABLE I *European Development Fund 6, 7, and 8 (in million ECU)*²⁶

	EDF 6	EDF 7	EDF 8
Programmed aid	5 053	6 251	7 562
Non-programmed aid	2 600	3 770	4 005
Structural adjustment	-	1 153	1 400
Total	7 653	11 138	12 967

NEGOTIATIONS ON A NEW EU-ACP AGREEMENT

The Fourth Lomé Convention, expiring in February 2000, required for official negotiations to start in 1998. Prior to these, the European Commission had presented a discussion document, a Green Paper on the future relations between the EU and the ACP.²⁷ The objective of the Green Paper was to identify areas in the Treaty that might need to be changed and to offer proposals for consideration.

An important question raised in the Green Paper was the composition of the ACP group, and particularly whether the ACP should include other LDC's and exclude those countries which have or are moving up the development ladder. Some argued that this would help to ensure a poverty focus in the Convention. However there are also problems associated with this position. First, all EU development programmes should have a poverty focus. Secondly, the Lomé Convention is unique in its integration of policy areas like aid and trade. This feature should be included in other co-operation agreements rather than limited to the poorest countries. For trade to be an effective aid instrument, regional linkages are important and it would be counter-productive if some countries in certain regions were excluded from trade preferences. Also, non-ACP LDCs, or the Latin American countries, did not express the wish to become part of the ACP group and it is properly a matter for the ACP itself to decide on the composition of its grouping.

The ACP Group took a position that it did not want a fundamental change in the composition of the ACP.²⁸ Finally, transforming the ACP into an LDC grouping

carries the risk of further marginalising and ghettoising the LDCs. This runs counter to the EU's stated aim in the Maastricht Treaty of integrating developing countries into the world economy. The ACP Group has an established political identity and is a long-standing political dialogue partner of the European Union. The political identity of such a diverse group of countries is, of course, both a strength and a weakness. However, to ignore the importance of the political dialogue component of the Lomé Convention would limit it to a purely economic arrangement devoid of political content. If this were to happen the concept of partnership would have a distinctly hollow ring.

The EU eventually dropped the idea of pushing for a change in the composition of the ACP group. The other main areas identified for negotiation were trade co-operation; aid to social sectors; and co-operation in financial assistance. These areas will be addressed in more detail in subsequent chapters.

3.2.2 Development co-operation within the EC budget

The aid programme under the EC budget developed without a legal basis for the development co-operation of the European Community. This was only agreed in the Maastricht Treaty adopted in 1992. Prior to this, aid disbursed through the budget was based on the regulation on financial and technical aid to non-associated countries adopted by the Council in 1981.

PROGRAMMES TO SPECIFIC REGIONS

The enlargement of the European Community to include Spain and Portugal in 1987 increased the profile of Latin America in the Community. While a few countries were admitted as members of the ACP, most countries of Latin America (and Asia) were given more aid through budget lines specifically established for Asia and Latin America (ALA). As a consequence the ALA budget increased from 582 million ECU in 1992 to 808 million ECU 1998 in commitment appropriations.²⁹ This also includes 137 million ECU aid to South Africa. The ALA programme (title B7-3 in the budget) is governed by Council Regulation No. 443 of February 1992, in which it is agreed that "the Community shall continue and broaden Community co-operation with the Asian and Latin American developing countries."³⁰ Aid to South Africa is arranged in a Regulation of November 1996 on development co-operation with South Africa.³¹

The political upheavals in Eastern Europe of 1989 had a considerable impact on the Community budget for external relations because, by and large, member states decided to channel their aid efforts to this region through the Community programme, rather than opting for a bilateral approach.³² The effect was that, in proportional terms, an ever-increasing amount of external aid from the EC went to

Eastern Europe: from 1 billion ECU of commitment appropriations in 1992 to 2 billion in 1997 and almost 1.8 billion ECU in 1998.³³ Aid to Eastern Europe is managed through two programmes. The PHARE programme for aid to Central and Eastern Europe (CEEC) and the TACIS programme for aid to the Newly Independent States (NIS) of the Former Soviet Union.

As part of the agreement on aid to Eastern Europe, the southern member states of the European Community demanded that attention also be given to their neighbouring countries. Negotiations between EU Heads of States in Edinburgh (1992) and Cannes (1995) agreed how the necessary additional resources should be allocated to the CEC programme, as well as the division of these new resources. As a consequence of the subsequent agreement reached on this issue, the aid programme to Mediterranean countries outside the EU (MED) increased dramatically from 337 million ECU commitment appropriations in 1992 to 1 billion ECU in 1997 and 1998.³⁴

A very substantial sectoral budget line is one on food-aid policy and food-aid management. Even though this is one of the oldest and largest programmes of EC aid from the regular budget, the first regulation for this budget line was only adopted in 1988. It was renewed in 1996, with a stipulation that more emphasis be placed on food security.³⁵ Food aid strategies should aim at alleviating poverty and food aid should not have adverse effects on the normal production and commercial import structure of the recipient country.³⁶ In the 1998 budget 0.5 billion ECU of commitment appropriations were allocated to the food aid programme.

Apart from the large food aid programme and the regional specific programmes a myriad of other, mostly smaller, budget lines exist. Some of these are of critical importance to advancing participatory, social and sustainable approaches to development. This includes the budget line on gender policies that, with few resources, has advanced gender specific methodologies in EC aid. It also includes the budget line for NGO co-financing, which has enabled financing of programmes by European Non-governmental Organisations.

The primary reason for the proliferation of budget lines is that, whilst the European Parliament has relatively few powers, it does exercise budgetary control. Therefore one of the ways in which the European Parliament has influenced development programmes and policy is through creating specific budget lines for policy areas/issues that it considers important. The weight of budget lines is, therefore, a clear indication of the political importance that has attached to certain policies.

The ever-increasing number of budget lines has, of course, added to the complexity of the EC programme and they are time-consuming to manage properly. Moreover, the budget lines have been a poor instrument for integrating policies into the main programmes.

In 1992 the European Community Humanitarian Office (ECHO) was established. ECHO is an office that organises humanitarian operations in third countries in response to emergency situations – natural or man-made. It also carries out rehabilitation and reconstruction. Moreover, it has the task of coping with the consequences of population movements (refugees, displaced people and returnees). ECHO has, in addition, a small programme on risk preparedness.

Confusion has arisen on the demarcation lines between development aid and humanitarian assistance. In 1996 the Commission addressed a Communication to the Council and the European Parliament on linking relief, rehabilitation and development (LRRD).³⁷ It stated that humanitarian assistance had a more short-term perspective, while development aimed at long-term objectives.

The document also set out ways in which development actions at the macroeconomic level should take account of the risk of emergencies:

- Economic reform programmes to take account of countries' susceptibility to natural or man-made disaster;
- Systematic provision of resources and capacities to improve disaster preparedness, which should be reflected in the government budget and taken into account in economic reform programmes;
- Ensure that basic social services (health, education, water supply and sanitation) continue to receive adequate funding.³⁸

As a result of the LRRD process, task forces are now established consisting of representatives of relevant Directorates General and ECHO to co-ordinate work in countries with emergencies, and to ensure that a smooth integration of humanitarian assistance, rehabilitation and development programmes can take place.

In 1996 the Council of Development Ministers adopted a Regulation for humanitarian aid³⁹ in which the objectives, conditions and methodologies for assistance are stated. It was, *inter alia*, agreed that:

- All decisions under 10 million ECU shall be taken by the Commission (ECHO), in so far as they concern “emergency” situations (defined as “unforeseeable”) and operations limited to the duration of the emergency for a period of no longer than six months. A Committee of Member States Representatives will take decisions valued at over 10 million ECU.⁴⁰
- Issues concerning the management of instruments shall be subject to consultation with the member states. The Committee of Member State Representatives shall give its opinion before a Commission decision.
- The choice of priorities in global plans, which enable the continuation of humanitarian actions in complex circumstances that seem likely to continue, have to be approved by the member states.

- ECHO's direct actions (like the European Community Task Force operating in former Yugoslavia) and the use of military force shall be approved by the member states.
- Once a year the member states' Committee discusses the guidelines for humanitarian aid and examines the co-ordination of Community and national humanitarian aid.
- In 1999 the Commission will submit an overall assessment of the humanitarian operations to the European Parliament and to the Council with suggestions for the future of the Regulations and any proposals to amend them.

ECHO draws its resources from the budget line for humanitarian assistance, as well from budget lines within others programmes, such as the Lomé Convention and the PHARE and TACIS programmes. Its budget has grown rapidly, and commitments have grown even more, so that the reserve established for emergencies has been utilised as part of the budget since it was established. The amount of aid disbursed at present makes ECHO a donor of a similar size to the programmes of all member states combined. Financial decisions for EC humanitarian aid reached their highest level in 1994 with 764 million ECU. In 1996 the financial decisions amounted to 441 million ECU. The EU, including the member states, is the largest single donor of humanitarian assistance.⁴¹

ECHO's objective is to ensure that humanitarian assistance is delivered by operational organisations. These include Non-governmental Organisations, intergovernmental organisations such as the International Red Cross Movement, and UN specialised agencies, such as the World Food Programme (WFP) or UNHCR. These 'partners' sign a Framework Partnership Agreement (FPA); so far more than 170 have been signed. The FPA was revised in 1998 with a view to creating a greater degree of flexibility in the length of operations. It also provided clearer specification of conditions defining rules for financing humanitarian operations (examination procedures, reporting, purchasing, follow-up, payment and liquidation) and definition of the list of eligible expenditure. It also contains clear rules for co-ordination.⁴²

3.3 Organisation of the CEC external relations programme

In 1995 a new Commission – the College of Commissioners – was established with the approval of the European Parliament as the Maastricht Treaty stipulated. Previously the development programme was under one commissioner with responsibilities in DG VIII and DGI, as well as the newly created European Community

Humanitarian Office (ECHO). DGI also dealt with trade and relations with non-developing countries overseen by two other Commissioners. In the new Commission this was now divided between four Directorates General (DGs) and ECHO, each with a separate Commissioner.

3.3.1 Fragmentation of development co-operation policy

DGI was given responsibility for the relations of the Community with, *inter alia*, the USA, Japan, South Korea, Taiwan and China. Trade and commercial policies were also placed within this directorate. DGIA was put in charge of Central and Eastern European Countries and those of the former Soviet Union, Mongolia, Turkey, Cyprus, Malta and other European countries outside the European Union. It was also responsible for the Common Foreign and Security Policy. DGIB was given the countries in the Mediterranean region, the Middle East and the Far East, Latin America and Asia. DG8 was left to manage relations with ACP countries and the implementation of the Lomé Convention and relations with South Africa. ECHO remained responsible for the humanitarian assistance of the EC. Co-ordination of external relations was established with the President of the Commission in the chair.

3.3.2 Linking policies to regions

Formally, the DGs' tasks were to implement all policies towards specific regions; it was now no longer their responsibility to implement specific policies for all regions. Under this new arrangement the responsibility of DGs for specific regions was seemingly coupled with responsibility for specific areas of policy. Thus, DG8 was in charge of ACP countries and development; DGI dealt with, *inter alia*, Japan and China, and commercial policies; and DGIA was in charge of Central and Eastern European countries and Common Foreign and Security Policy and enlargement. In other words, this arrangement linked particular areas of policy more closely to specific regions. This does not necessarily encourage more balanced approaches of various policies towards respective regions. Therefore regions could be stigmatised as relevant only for particular areas of policy.

Reorganisations have also taken place inside the DGs. This was partly to incorporate civil servants from new member states: Finland, Sweden and Austria. But the reorganisations inside the DGs also seemed to underline the new arrangement for the external policies in the Commission. The Directorates General were set up in such a way that they would independently be able to fulfil all relevant tasks within the DGs for external relations. In DG8, for instance, a Foreign Policy Unit was established. Project evaluation, policy and support units, previously confined to DG8, were also established in all other DGs.

3.3.3 Staffing

It is complex to compare different aid administrations in proportion to others, given the differences in set up and scope of aid agencies. Measuring the amount of financial resources handled coupled with the scope of the programme of the European Community, the administration has a very low ratio between number of staff and amount of resources handled. Adding this to the other problems in the organisation of aid identified above, one can conclude that the administration of the Commission on development aid is badly organised as well as understaffed.

Figures of staff capacity of the Commission in comparison to other donors show astounding differences. While USAID had a total staff of 7 488 in headquarters and overseas for a budget of \$6.9 billion, the Commission had only 1 947 people for a budget of a similar size.⁴³ A survey by the Overseas Development Institute over a three-year period demonstrated a similar trend, in which the EC staff capacity in development co-operation appeared to be very limited compared to that of member states.

The European Community Delegations, which represent the Community in other countries, are equally constrained by limited staffing. Delegation staff are often expected to control programmes with twice or even ten times the size of those of other donors, who are working with the same number of people or more. Undoubtedly this affects the quality of the programmes.

CORE TASKS CONTRACTED OUT

In general the limited number of staff has resulted in a large proportion of core tasks being carried out by consultants outside the Commission. Temporary, external, contractual staff occupies many positions within DGs for external relations in the Commission. In 1996 it was estimated that 40% of the total staff of line functions in headquarters of DGI, IA and IB and ECHO were externally contracted personnel. In 1996 examples included sub-contracting the advising and training of delegation staff in ACP countries on gender policies; the approval or rejection of projects; handling of humanitarian projects, and co-ordination of relief programmes on the ground, as well as approving or rejecting projects for disaster preparedness; creating profiles for gender policies in Asian and Latin American countries, etc. In recent years consultants have been involved in the design and implementation of projects and programmes as well as for country programming. Also key support areas in information and communications have been contracted out. Under PHARE and TACIS – the programmes for Eastern Europe and the Commonwealth of Independent States – the whole cycle of monitoring, assessment and evaluation of programmes depended on the use of sub-contractors.⁴⁴ The DGs I, IA and IB are allowed to spend 2.5-3% of their budget lines on administrative

costs related to contracting out some of their functions. For DG 8 it is more difficult to contract out part of its work because the EDF places restrictions on the use of consultants by the Commission.⁴⁵

Contracting out essential elements of the preparatory, implementation and evaluation processes has caused incoherence in the work, and has severely restricted skill acquisition in the Commission. It is clearly not a sound policy for ensuring a competent development administration.

SCARCITY OF STAFF

The competence of the Commission in development is limited to specific areas. The number of staff in the European Commission covering social development areas is especially limited. As the DAC Review (1996) concludes:

“[F]rom a qualitative point of view, for social aspects, Women in Development (WID), population, environment, and more generally sectoral or cross-cutting issues, there is a shortage of specialised staff.”⁴⁶

This has proved hard to change. The Commission has limited flexibility in recruitment policy: recruitment takes place for the Commission as a whole and individual DGs cannot independently recruit professional staff. For five years competitive recruitment has not taken place.⁴⁷

In 1998 DG8 established a Directorate for sustainable development strategies, with special responsibility for poverty eradication. This was a means of strengthening the Commission's policy capacity in social development areas. While the unit dealing with social, human and cultural development and gender has increased, this is the result of merging the social areas of health and education into the unit. Unfortunately, in DG8 only one person was, and still remains, dealing with poverty eradication strategies and one person with gender policy.⁴⁸ Both specialists are seconded by member states and, therefore, stay for periods of three years at most. Moreover, the continuation of these posts always remains uncertain.

Member states have maintained a rigid ceiling on staff levels, and the Commission has accepted to operate in an austerity programme with minimal staff increases that are not linked to increases of resources that it has accepted responsibility for. The member states, for their part, defend the view that the issue is rather the internal division of staff within the Commission and places emphasis on the question of efficiency. The Commission has undertaken a number of initiatives, to identify how staff management can be reformed and how the administration can be modernised. The European Parliament, for its part, has stressed that staff capacity must evolve in keeping with the responsibilities of the Commission. As the budget has more than doubled since 1989, and staff capacity has increased only

minimally, it has argued that the adequacy of the Commissions' operations is now in serious difficulty.⁴⁹

In 1997 the European Court of Auditors drew attention to the severe weaknesses in the management of the programmes to all regions and pointed out that 45% or more of commitments were made in December for most budget lines as a result of the working practices of the Commission.⁵⁰ It found that 73% of the budget for Asia and Latin America was committed in December, as was more than 45% of the Mediterranean budget. There were also high commitments for food aid and humanitarian aid in that month. The Court of Auditors concluded that part of the problem was that the growth in the scope and financial resources' allocations to programmes implemented by the Commission has not been matched by an adequate increase in human resources.

In order to resolve the current staff deficiency the problem of staff deficiency causing gaps in organigrammes has to be recognised by both the member states and the Commission. The trend to compensate for the shortfalls in the organigrammes by external collaborators is undesirable, for the activities of subcontractors are difficult to control and account for. The Commission should make detailed proposals on the organigrammes that would ensure adequate implementation of the programmes it has accepted responsibility for.

COMITOLOGY

The limitations on Commission staff are exacerbated by the committee structure and procedures utilised in implementing EU legislation. Whilst most Community legislation provides for the Commission, as an executive arm of the European Community, to implement, execute and adapt its provisions, over the years the Council has subordinated Commission powers to increased scrutiny by and approval of committees comprised of national civil servants of EU member states. As a result of Council discussions in 1995 on the legal bases of a number of budget lines (including humanitarian aid and many development assistance programmes), these committee structures have both been extended and their procedures made more bureaucratic:

"1918 pages (...) describe the activities of 424 committees that prepared 4 679 'acts' in total during 1994 – either in the form of decisions (199), opinions (4 193) or absence of opinions (287). The sectors on which these committees work covers almost all areas in the Community budget... The activities of these committees cost 17.98 million ECU, or an average of about 3 480 ECU per 'act', or about 42 400 ECU per Committee."⁵¹

As mentioned above, these procedures have been expanded and made more stringent. As a result, considerable time is spent by already short-staffed Directorates in servicing these costly, bureaucratic committees (see annex 1).⁵²

3.3.4 The 1998 reorganisation of Commission Services

In order to address some of the most glaring problems of aid management, a profound reorganisation was implemented in mid-1998. A Common Service, the Joint Service for External Relations (SCE) was set up. Its aims were to simplify aid management, create greater coherence and transparency in project execution, make Community aid more visible, have greater presence in the field, and generate more efficient management of human resources.

The service is structured according to geographic areas. Financial matters relating to the execution and monitoring of programme implementation, tendering and contractual arrangements, as well as evaluation and information are tasks of the new service. The external relations DGs retained responsibility for policy and planning. The new service has around 640 staff, all of whom were drawn from the external relations DGs: 2% of DGI; 30% of DGIA; 34% of DGIB; and 34% of DG8. This left DG8 with 408 staff, DGIA with 563, and DGIB with 286.⁵³

Following the establishment of the Common Service, DG8 was reorganised to fulfil two objectives: to manage the Commission's external relations with ACP countries, and to contribute to the definition and implementation of all EU development policies. A number of key issues emerged from this reorganisation of external Directorates General. The roles and responsibilities of DG8 in co-ordinating development policy with the other DGs and the Common Service remained unclear, still leading to further duplication. Capacity in policy areas in the external relations Directorates General did not increase.

3.3.5 The 1999 re-organisation

This 1995 Commission resigned in March 1999 after the release of a report by the "Group of the Wise", appointed by the European Parliament, to investigate a number of allegations of fraud within the Commission.⁵⁴ The new President of the Commission, Romano Prodi, reorganised the portfolios of external relations, breaking them down on the basis of policy themes, rather than regions (see annex 2). Mr. Chris Patten is overseeing the external relations, with Mr. Poul Nielson being in charge of development and ECHO, Mr. Günther Verheugen for enlargement and Mr. Pascal Lamy for trade. The main problem with the division of portfolios is that policy and implementation has been split. Patten has been put in charge of the Common Service for External Relations (SCE), the office set-up to streamline the implementation of the development programmes, with Nielson being in charge of

policy. The danger is that the policies prepared by the Directorate General for development do not match with the implementation procedures set out by the SCE in the DG for external relations.

3.4 Conclusions

The increases in the aid programmes have led to a fragmentation of the administration of external relations' policies. From two Directorates General in 1992, four Directorates General became involved in external relations policy. In addition, the European Community Humanitarian Office (ECHO) was established in 1992 in order to speed up actions in emergency situations. The Joint Service for External Relations (SCE) was established in 1998 in order to streamline procedures for implementing external actions. The political and administrative fragmentation of the management of external relations over various Directorates General, ECHO and the SCE has hampered the development of consistent and integrated aid approaches. The separation of aid policy from the implementation of aid programmes has further marginalised the role of policy in development aid.

While increasingly more tasks have been given to the Commission in development assistance and budgets have increased, the Commission's capacity to manage these programmes has not increased. The number of staff per unit expenditure of aid by the Commission is very low compared to other donors. The capacity to manage the EC's programme no longer matches the current size of its programmes. A large number of personnel have, in recent years, been moved from DG8 to new Directorates General established for the management of new aid programmes. The limitations on Commission staff are exacerbated by the 'comitology' of the EC, the committee structure and procedures utilised in implementing EU legislation. The implementation rate of the Lomé Convention has subsequently decreased dramatically.

While policy development and budget support are increasingly regarded as important, the Commission's capacity has remained extremely limited in this area. The reorganisation in 1998 and the establishment of the SCE do not help to clarify the role of policy formulation in the implementation process. On the contrary, the SCE has further compounded the problem of fragmentation of aid policies in the Commission. It has to be reunited with the DG for development, with the Commissioner also being in charge of the implementation of development cooperation.

The SCE has also taken capacity away from DG8 – responsible for dealing with the poorest countries – in order to improve the capacity of other external DGs with

similar capacity problems. To improve the quality of the programme, a significant increase of staff capacity is needed, with the promotion of expertise in social areas and an integration of Directorates General dealing with external relations being a *condition sine qua non*.

