



Overseas Development Institute

# The European Community's Approach towards Poverty Reduction in Developing Countries

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**Working Paper 111**

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**THE EUROPEAN COMMUNITY'S APPROACH  
TOWARDS POVERTY REDUCTION IN  
DEVELOPING COUNTRIES**

**Christiane Loquai  
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## Foreword

This paper is one of a series on the experience of European development cooperation agencies in the use of their aid programmes for poverty reduction. It is the product of a major collaborative research programme involving ten European development research institutes. The programme breaks new ground in its intention to compare and to draw from the collective experience of donors of the European Union. Each Institute funded its own participation, with the Overseas Development Institute playing a coordinating role. The institutes involved are:

Asociación de Investigación y Especialización sobre Temás Ibero Americanos (AIETI), (Madrid);

Centre for Development Research (CDR), Copenhagen;

Centro Studi di Politica Internazionale (CeSPI), Rome;

Deutsches Institut für Entwicklungspolitik/German Development Institute, Berlin;

Développement des Investigations sur l'Adjustment à Long terme (DIAL), Paris;

Centre for Development Policy Management (ECDPM), Maastricht;

Institute of Development Studies (IDS), Helsinki;

Nordic Africa Institute (NAI), Uppsala;

Overseas Development Institute (ODI), London;

Third World Centre, Catholic University of Nijmegen, Nijmegen.

The objective of the first stage of this research programme was to describe and assess each donor's goals as they relate to bringing the benefits of aid to poor people, and to review each donor's organisation and management to implement this objective. The ten donor agencies are those of Denmark, the European Commission, Finland, France, Germany, Italy, the Netherlands, Spain, Sweden and the UK.

The other papers in this series published to date are:

*Danish Aid Policies for Poverty Reduction* by Lars Udsholt (WP 100, May 1997);  
*German Aid Policies for Poverty Reduction* by Eva Weidnitzer (WP 101, June 1997);  
*Italian Aid Policies for Poverty Reduction* by José Luis Rhi-Sausi and Marco Zupi (WP 102, September 1997);  
*French Aid Policies for Poverty Reduction* by Lionel de Boisdeffre (WP 103, September 1997);  
*Spanish Aid Policies for Poverty Reduction* by Christian Freres and Jesús Corral (WP 104, September 1997);  
*Swedish Aid for Poverty Reduction: A History of Policy and Practice* by Jerker Carlsson (WP 107, April 1998);  
*Finnish Aid Policies for Poverty Reduction* by Timo Vopio (WP 108, July 1998); and  
*European Aid and the Reduction of Poverty in Zimbabwe* by Tony Killick, Jerker Carlsson and Ana Kierkegaard (WP 109, August 1998); and  
*Poverty Reduction and Aid: changing perceptions and their influence on aid allocation* by Paul Hoebink and Lau Schulpen (WP 110).

This case study on the European Community's approach was jointly prepared by three researchers at the European Centre for Development Policy Management (ECDPM), Jean Bossuyt, Christiane Loquai, Kathleen Van Hove, between September 1997 and May 1998. Preparatory work for the study was carried out by Antonique Koning in autumn 1996. Responsibility for the preparation of the study was shared along the following lines: Jean Bossuyt prepared the section on decentralisation and micro-projects. Kathleen Van Hove analysed the policy and management of Community assistance to Asian and Latin American countries and is also the author of the sections on sectoral and regional distribution of aid, support for structural adjustment and NGO co-financing. Christiane Loquai was responsible for the remaining of the analysis and the overall coordination of this study. Peter Ballantyne, ECDPM's editor has been responsible for most of the editorial work.

This study would not have been possible without the assistance of many people, who freely exchanged views on the topic and gave comments. The authors would like to thank the representatives of the ACP countries, the European Commission, the Permanent Representations and aid administrations of the Member States of the European Union, the European Parliament, the Court of Auditors and NGOs who freely gave us their time and insights. Special thanks go to those who enriched the initiative with their comments on the draft version of this study, namely Sean Doyle, Head of Unit A/6-Evaluation, DGVIII, European Commission, Jean Pierre Dubois, Head of Unit A/2-Human and Social Development/Women in Development, DGVIII, European Commission, Sean Conlin, Social Policy Advisor Unit A/2-Human and Social Development/Women in Development, DGVIII, European Commission, Jean-Louis Lacube, Principal Administrator for support to structural adjustment policies, Unit 1-Programmation, European Commission, José Luis Trimiño, Head of Unit I-

B/B-4, European Commission and Jo Brew, Programme Officer for EU Policy, Network Women in Development Europe (WIDE) and Ad Oomen, Expert 'Food Security' .

The second stage of this collaborative research programme consists of a series of seven in-country studies to examine the operations of the European donors in pursuit of poverty reduction in Bolivia, Burkina Faso, India, Nepal, Tanzania, Zambia and Zimbabwe. An important part of this work is to evaluate the effectiveness of different types of poverty-related donor interventions. Special attention has been paid to the nature of the processes involved. Collective and comparative experiences of poverty reduction effectiveness will be explored, including any 'best practices', and the main determinants of effectiveness will be examined. These studies will be completed during 1998 and will also be published as ODI *Working Papers*. A synthesis report on the findings of the whole programme of research is in preparation.

I am most grateful for the cooperation of each Institute in this endeavour and for the help of all those donor officials and advisers who have responded to enquiries and interviews by the collaborating researchers. I would like to acknowledge the financial support provided by the former UK Overseas Development Administration, now the Department for International Development, which made possible ODI's contribution to the programme. However, neither they nor any others who have assisted in this programme necessarily agree with the facts presented and the inferences drawn.

**John Healey**  
**Overseas Development Institute**

## Summary

Legal texts and policy documents suggest that poverty was already a concern for the European Community's development assistance before the Treaty on European Union (TEU). However until then, this concern had neither been made explicit as a central objective nor been translated in a common approach.

With the TEU, poverty reduction has become an explicit objective of Europe's common policy in the field of development cooperation. A political consensus on the strategic orientations and principles has gradually been reached by the Member States in the Council of Ministers. The Council resolutions on the campaign against poverty (1993) and on Human and Social Development (1996) define a common approach that strikes a balance between broadly based economic growth and investment in basic social services. This approach gives high priority to the reduction of income disparities and poor people's empowerment, while taking account of the gender dimension of poverty.

Priority is given to addressing structural causes of poverty in the partner countries rather than to external conditions such as constraints inherent to the Community's trade and agricultural policy. The resolutions advocate a long-term, multi-level and country-specific approach based on a policy dialogue that allows for beneficiaries' participation in planning, implementation and evaluation of projects and programmes. Poverty reduction is seen as a general principle that should be at the centre of all operations.

The European Commission has introduced a number of promising innovations to 'institutionalise' this new focus in its day-to-day aid management and to improve the effectiveness of its aid with regard to poverty reduction. Nevertheless, our findings suggest that much remains to be done before 'poverty reduction' will be systematically mainstreamed in aid management. The awareness of aid managers in the Commission, the administrations of the Member States and government authorities of developing countries on the 'state of art' is still rather low. This is a direct consequence of insufficient political priority being given to the operationalisation of poverty reduction in aid management and the meagre provision of human and other resources for accelerating necessary changes in the Commission's aid management systems. Furthermore, the fragmentation of competencies and relatively weak coordination between the respective Commission directorates seems to reduce the possibilities for synergies and institutional learning. While regionally differentiated strategies seem justified, consultations on instruments and consistency of different types of aid could promote a truly integrated approach.

For the focus on poverty to become effective, it is essential that the European Community concentrate on the following issues: First, the participatory elements of the Community's efforts for poverty reduction should be strengthened through the promotion of a broad based social dialogue on poverty and the concretisation and wider use of participatory approaches and tools for aid management. This would enlarge the circle of those who can partake and contribute to poverty reduction and enhance ownership of activities assisted by the Community. Second, aid management systems need to be adapted in line with the new focus, including personnel policy. The poverty-orientation of the Community's development cooperation will not only be measured by intentions, but mainly by its results. Several ways to enhance the impact are worth considering: clear incentives for poverty-oriented aid management, review of back-stopping and feedback systems, systematic monitoring and evaluation of aid impacts, decentralisation of sector expertise and investment in dialogue and monitoring capacities of partner organisations at the national and local level. Third, the effectiveness of poverty reduction efforts at the Community level depends on consistency with bilateral efforts. Thus, it is important that coordination and a greater complementarity between the Commission's and the Member State's assistance on a country-by-country basis be pursued in a demand-oriented way that takes due account of recipients' needs and their willingness to promote a coordinated approach towards poverty reduction.

Naturally, any reorientation of policy has its price. Thus, it cannot be expected that an increased poverty focus will be realised without a mutually agreed shift in the allocation of resources towards measures and institutional frameworks that promote the implementation of this objective, in both the Community and partner countries. The upcoming negotiations of the future of ACP-EU cooperation provide a test of the feasibility of such a shift.

## Acronyms

ACP	Africa, Caribbean and Pacific
ALA	Asia and Latin America
ALA-PVD	Committee for the Asia and Latin American developing countries
ASEAN	Association of South East Asian Economies
CEEC	Central and Eastern European Countries (or states)
DAC	Development Assistance Committee
DGVIII	Directorate General for Development
EC	European Commission
ECHO	European Community Humanitarian Office
EDF	European Development Fund
EDF	European Development Fund
EU	European Union
GATT	General Agreement on Tariffs and Trade
HIPC	Heavily indebted Poor Countries
HSD	Human and Social Development
IMF	International Monetary Fund
MERCOSUR	Common market of the Southern Cone ( <i>Mercado Común Sur</i> )
NAO	National Authorising Officer
NGDO	Non-Governmental Development Organisation
NIP	National Indicative Programme
NIS	Newly Independent States
ODA	Overseas Development Assistance
OECD	Organisation for Economic Cooperation and Development
PCM	Project Cycle Management
PHARE	Pologne Hongrie - Aide à la Reconstruction Economique CEES
PRA	Participatory Rural Appraisal
RIP	Regional Indicative Programme
SAGA	Structural Adjustment and Gender in Africa
SAP	Structural Adjustment Programme
SPA	Special Programme of Assistance for Africa
STABEX	System for the stabilisation of export earnings from agricultural commodities
SYSMIN	Special financing facility for the mining sector
TACIS	Technical Assistance for the CIS programme
TEU	Treaty on European Union
WID	Women In Development

**WIDE  
WTO**

**Women In Development Europe  
World Trade Organisation**

## Introduction

It has often been argued that the European Community has a special responsibility for poverty reduction, because of the size of its aid programme and its influence on world trade.<sup>1</sup> The Community's own aid programme is presently the fifth largest in the World and together with its Member States it provides almost half of the official development assistance disbursed by DAC countries. The European Community is one of the biggest economic powers and has built up its political weight with the foundation of the European Union (EU). Furthermore, the Community and its Member States have committed themselves in a number of international declarations to poverty reduction.<sup>2</sup>

With the Treaty on the European Union,<sup>3</sup> poverty has become a priority objective for the European Community and its Member States. This study explores what this new focus on poverty means for the policy and practice of the Community's aid. It does not attempt to give a complete overview of how the objective of poverty reduction features in all parts of the Community's development policy. The analysis concentrates on one component of the development policy of the European Community, i.e. Official Development Assistance.<sup>4</sup> Furthermore, for reasons of time and availability of data, we concentrate on specific areas and instruments of assistance that seem especially relevant or instructive for this kind of analysis.

Chapter 1 gives an overview of the main features of the Community's new strategic focus on poverty in development cooperation. It includes a description of the

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<sup>1</sup> For more detail see Liaison Committee 1996a: 2, Commission 1997a: 13.

<sup>2</sup> See chapter 2.

<sup>3</sup> The Treaty on European Union, which entered into force in November 1993, established a European Union based on the existing European Communities (the European Community, the European Community for Steel and Coal, Euratom) and on two fields of cooperation: Common Foreign and Security Policy, and Justice and Home Affairs. The European Union is secured by a single institutional framework. Both trade and development cooperation provisions fall under the European Community.

<sup>4</sup> Another component of the Community's development policy is trade preferences. It basically consists in a differentiated system of preferential access to European markets for different groups of developing countries. These preferences are presently heavily debated with regard to their poverty-orientation and the aid and trade component have not been incorporated in one integrated approach towards poverty reduction in developing countries.

Community's new mandate and the main actors at the level of the Community, an analysis of the features of the Community's present approach towards poverty reduction and relevant commitments of the Community in international fora and their significance for the Community's approach. Chapter 2 explores how these general objectives and principles have been incorporated in sector, cross-sector and regional policies. This chapter also looks at the geographical and sectoral distribution of aid in order to assess to what extent the objective of poverty reduction is reflected in aid allocation. Chapter 3 looks at selected aid instruments. Chapter 4 deals with the practice of aid management i.e. with the operationalisation of the poverty reduction objective in planning, implementation, monitoring and evaluation of aid. The analysis focuses on two aid programmes: development cooperation with the countries of Africa, the Caribbean and the Pacific (ACP) and the Community's aid to countries in Latin America and Asia, the so-called ALA countries.

Chapter 5 comments on the experiences and results of a pilot exercise in operational coordination for poverty reduction between the Commission and the Member States. Chapter 6 draws conclusions and gives an outlook.

This study is based on an analysis of key documents and interviews and discussions with representatives of the Commission, the European Parliament, Member States, the European Court of Auditors, the ACP Group, NGO networks, independent researchers and consultants. Most information on the views of ACP actors and European NGOs is based on an analysis of reaction papers to the Commission's Green Paper on the relations between the European Union and the ACP on the eve of the 21st century.

## 1. The new strategic focus on poverty

Poverty reduction has only recently become a strategic focus of the Community's aid policy. The Treaty of the European Union (TEU), has made 'the fight against poverty' for the first time a global objective of the development cooperation policy of the Community and its Member States.

This does not mean that poverty is a new objective of European aid. Commission officials emphasise that the fight against poverty has been an objective for the Community's development cooperation since 1957. However, there was no explicit reference to the concept, as it was considered part of the more general objective of the promotion of social and economic progress and development.<sup>5</sup> As a consequence, most of the legal and policy documents that formed the basis for the Community's development cooperation before the Treaty on European Union did not explicitly refer to poverty reduction and there was no global strategy with regard to this objective.

The explicit incorporation of the fight against poverty in the Community's legal mandate for development cooperation reflects rising concerns for poverty as a global problem. The 1990 World Bank report on poverty triggered an international discussion on this issue. A number of Member States of the Community reviewed their bilateral aid policies in order to strengthen their poverty-orientation and thus also advocated a more explicit incorporation of this objective in the Community's aid policy.<sup>6</sup> There was also a feeling that the results that European aid had achieved with regard to poverty reduction were unsatisfactory and could be improved by making poverty a priority for coordination between the Community and its Member States. This becomes evident in the Commission's 1993 Communication 'The Policy of the Community and its Member States on the campaign against poverty in developing countries', which states:

*'... persistent or worsening poverty shows that policies to combat poverty, especially those of the eighties, have been inadequate, and this applies to both the developing countries themselves and their foreign partners. ... For want of systematic coordination, the various donors including the Community and its Member States, have often failed to pull together ... Policy failure and worsening poverty and*

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<sup>5</sup> See chapter 3. For detail on the Community's development cooperation and its origins and motivations see Grilli, 1993; Faber 1982; Schmuck 1992.

<sup>6</sup> These include Germany, the United Kingdom, Italy and Denmark.

*inequality ... are reasons enough for the war against poverty to figure among the top priorities of international relations.* (European Commission 1993a: pp. 170-71).

## 1.1 The Community's mandate

The TEU, which came into force on 1 November 1993 gave the Community for the first time a comprehensive legal mandate for development cooperation. The new articles 130u-y define objectives and principles for the Community's policy in the sphere of development cooperation, which shall be '*complementary*' to the respective policies of the Member States. Article 130u sets out the following three common objectives:

- i) sustainable economic and social development of developing countries, especially the most disadvantaged ones,
- ii) the smooth and gradual integration of the developing countries into the world economy,
- iii) the campaign against poverty in developing countries.

In addition, there is a general aim to develop and consolidate democracy and the observance of human rights and fundamental freedoms.

Four major observations can be made in this context:

*Legal obligation.* The 'fight against poverty' has become a global and legally binding objective for the Community's and the Member States' development cooperation, that could become subject to judicial action (Osner, K. 1994: p.1).

*Complementarity.* According to the TEU, efforts of the Community shall be complementary to those of the Member States. However, the TEU leaves open how this common objective is to affect the Member States' policies in the field of development cooperation.

*Coordination.* Article 130w refers to coordination with the Member States. This article gives the Commission the mandate to take the initiative to promote coordination on the policy and operational level.

*Coherence.* Article 130v on policy coherence states that the common goals – including poverty reduction – have to be taken account in other Community policies. Although this article is somewhat vague and its exact implications have not yet been specified, it aims to ensure that other Community policies do not contradict the objective of poverty reduction.

The fight against poverty is a global objective and applies to all development assistance by the European Community. However, regional differentiation has always

been a key feature of the Community's aid policy. Thus, the Community's different regional aid programmes are governed by different legal and institutional procedures, which has consequences for the operationalisation and mainstreaming of poverty concerns in development cooperation. Presently, the Community distinguishes between four regional programmes: 1) Cooperation with the developing countries of Africa, the Caribbean and the Pacific (ACP countries); 2) Cooperation the Middle Eastern and Southern European countries; 3) Cooperation with countries in Asia and Latin America (ALA countries) and 4) Cooperation with Central and Eastern European States (CEES) and with the Newly Independent States (NIS) of the Former Soviet Union. In this paper we concentrate on the first two programmes.

## 1.2 Key actors in the process of policy formulation and implementation

The definition of the Community's strategy for poverty reduction is seen as a process rather than a one-time event (Council 1992a: 111). The direction and outcome of this process is influenced by a number of actors at the European and bilateral level. While there is no room in this paper to deal with the general competencies of the different Community institutions and the complex decision-making procedures, a short description of the main actors involved may give a better understanding of the process of formulation and implementation of poverty-oriented aid.<sup>7</sup>

### *Decision-making*

The final decision on the content of the Community's strategy and the financing of large development projects lies with the Council of Ministers.<sup>8</sup> For decisions on issues of development cooperation the Council consists of the development ministers or other high-level national officials from the bilateral development administrations.<sup>9</sup> The Development Council meets at least twice a year, and takes resolutions which

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<sup>7</sup> For more detail see Koning 1997; Macdonald 1995.

<sup>8</sup> The highest decision-making body of the EU, the European Council, has not play an important role for the formulation of the Community's approach towards poverty reduction after Maastricht, because development cooperation is not really a priority issue. Its role for the Community's approach to poverty reduction, has been limited to the adoption and presentation of common positions of the heads of States in a number of international fora.

<sup>9</sup> Agreements on economic cooperation and matters of the Common Foreign and Security policy fall within the responsibility of the Foreign Ministers.

express a consensus and are thus politically binding for the Member States. Since the TEU, the Council also has the right to draw up legal acts in cooperation with the Commission and the European Parliament. However, cooperation with the ACP countries, which is regulated by an international agreement between the Member States and these countries, is explicitly excluded from this. Discussions in the Council are prepared by a number of working groups (e.g. for general issues, the different regional programmes, food aid). These working groups consist of one representative from each Member State and a representative of the Commission.

Since the Treaty on European Union, the influence of the European Commission on the Community's development cooperation has increased. Since the Community has been granted a global mandate for development cooperation, the Commission has the right to draft proposals for the Community's campaign against poverty. These initiatives can cover all components of development cooperation, including coordination between the Community and the Member States on this issue. Furthermore, the Commission is largely responsible for implementing the Community's aid programmes. In the Commission, four directorates and ECHO, the Community's Office for Humanitarian Aid, are responsible for development cooperation (see table 1).<sup>10</sup> So far, the Directorate General for Development (DGVIII) has taken a lead role in elaborating initiatives regarding the Community's approach towards poverty.

Directorate	Responsibilities
Directorate-General for Development – DGVIII	- Cooperation with the ACP countries - Aid from Community budget lines benefiting all developing countries (e.g. co-financing for NGOs, non-emergency food aid)
Directorate-General for external Relations - DGIA	- Cooperation with the CEES and NIS Mongolia Turkey, Cyprus and a number of Southern European Countries - Management of the EC initiative of the CEECs (PHARE) and the EC initiative for the TACIS (Technical Assistance for the CIS) programmes
Directorate-General for External Relations - DGI-B	Cooperation with developing countries in the Southern Mediterranean, Middle East, Latin America and most Asian countries
Directorate General for External Relations DGI	- External relations developing countries of the Far East - International negotiations e.g. the GATT
European Community Humanitarian Office	Management of the Community's humanitarian aid and coordination with the Member States efforts

<sup>10</sup> ECHO is basically and implementation agency, which has the status of a separate directorate.

An important aspect for the following analysis of aid management is that the financial and contractual basis of aid to the ACP and the ALA countries is different. The Lomé Convention, which governs most aid to ACP countries<sup>11</sup> is negotiated between the Member States and the ACP countries and financed from the European Development Fund (EDF). This fund is fed by direct contributions of the Member States and does not form part of the Community's budget. Consequently, the Member States and representatives of the ACP countries have retained an important say in the management of the EDF-financed interventions (see chapter 5). Cooperation with the Asian and Latin American countries is governed by cooperation agreements between the EU and each country or group of countries (ASEAN, Andean Pact, MERCOSUR) and funded from the Community's budget. These framework agreements do not predetermine the content of the cooperation, nor do they bind the EC to provide financial assistance. The Commission therefore has a greater autonomy and flexibility in the case of the ALA countries in terms of which countries it cooperates with as well as the size of the annual budget it allocates to the countries. The agreements basically list principles, objectives, and areas of potential cooperation.<sup>12</sup>

### *Other actors with limited powers*

The European Parliament has always been a strong advocate for a more stringent incorporation of poverty concerns in the policy and practice of European development cooperation. However, in the process of strategy formulation its powers are largely limited to consultation and applying political pressure. The new provisions of the Treaty of Maastricht have given the European Parliament greater power to delay and block Council decisions, which can be of relevance in the reorientation of certain areas of development cooperation with regard to the objective of poverty reduction. The Parliament's greatest influence on development cooperation lies in its budgetary powers. It shares budget authority with the Council and has the last word on budget expenditures for aid.<sup>13</sup>

Thus, it can influence the volume and allocation of all aid coming from the Community's annual budget, such as assistance to ALA and other non-ACP countries. It has the power to create new budget lines and has incorporated a number of poverty-relevant areas in the Community's aid portfolio, such as co-financing of

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<sup>11</sup> All aid except that from general and special lines from the Community budget, such as food aid.

<sup>12</sup> See on this point Koulaïmah-Gabriel 1997.

<sup>13</sup> Development cooperation and external relations fall under the so-called non-obligatory expenditures, for which the European Parliament can introduce changes.

NGOs, food aid or activities for orphans and street children. On assistance under the Lomé Convention, the Parliament has a very limited influence through its right of assent to the Lomé Conventions and the Joint Assembly (see below). Some argue that it is not as an initiator of a multitude of potentially pro-poor budget lines, but rather in its role as a monitor of expenditures and policy implementation that the European Parliament can contribute to strengthening the global poverty-orientation of the Community's development assistance.<sup>14</sup>

Another institutional guarantee of the Community's accountability with regard to the objective of poverty reduction is the Court of Auditors. As an independent institution, the Court of Auditor has the financial control over all aid disbursed, including assistance under the Lomé Convention. However, the Court of Auditor has often taken a wider developmental view and commented on the allocation and effectiveness of aid with regard to broad policy objectives.

It is on the basis of the annual and special reports of the Court of Auditors that the European Parliament controls budget expenditures for development cooperation and points to gaps in policy implementation.

In the framework of cooperation under the Lomé Convention, there are furthermore the joint ACP-EU institutions, which have control and decision-making functions and could thus potentially influence the Community's approach towards poverty reduction. The ACP-EU Joint Council of Ministers, a decision-making body, is made up of the members of the Council, their homologues from the ACP countries. It meets once a year to review the results of cooperation and '*shall take such measures as may be necessary for the attainment of the objectives of the Convention*', i.e. including the fight against poverty. The Committee of Ambassadors, consisting of a representative of each EU state, each ACP state and the Commission, basically deals with all matters delegated by the ACP-EU Council. However, so far, the Commission's approach towards poverty and its practical implications of aid have not been subject to a more in-depth discussion in these two bodies. Apparently, the only joint institution that has given the Community's approach towards poverty more than a passing mention in its meetings is the ACP-EU Joint Assembly.<sup>15</sup> This body is made up of equal numbers of European and ACP Parliamentarians. It meets twice a year, and is mainly a consultative forum.

Finally, there are many NGOs and North-South networks which exert influence on the Community's policy for development cooperation. The ongoing debate on the

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<sup>14</sup> See on this point the analysis of Macdonald, M. 1995: pp. 23-24.

<sup>15</sup> See for example Châtel, B. 1997: p. 2406.

future of EU-ACP relations shows that these networks have been increasingly joining their forces at the European level and thus have become an influential lobby for a more systematic incorporation of poverty concerns in the policy and practice of European aid.<sup>16</sup>

### **1.3 Main elements of the Community's approach**

The Community has not yet formulated a full-fledged strategy for poverty reduction. This means there is not yet a set of output-oriented objectives that have been systematically translated into policy guidelines, instruments, administrative directives and institutional arrangements for a poverty-oriented aid management of all aid programmes. Nevertheless, since the TEU, key elements and principles of the Community's approach have been put forward in a number of Council documents in the follow-up to the 1992 Council declaration on the 'Aspects of Development Policy in the Run-up to 2000' (Horizon 2000). This declaration reconfirmed the priority of the campaign against poverty as a common policy objective. While it clearly stated that it is the Member States' own responsibility to achieve this objective in their bilateral aid programmes, it also emphasised the need for coordination (Council 1992a: p. 110). A year later the Commission presented a communication with detailed proposals for a common policy of the Community and the Member States on the campaign against poverty (Commission 1993a). Based on these proposals, the Council adopted a resolution on the 'Fight against poverty' in December 1993 (Council 1993c).

#### *Concepts and objectives*

While all of the above mentioned documents leave no doubt about the poverty-orientation of the Community's development cooperation, they are rather vague with regard to conceptual issues and concrete objectives for poverty reduction.

#### **Concept of poverty**

The TEU and the subsequent Council resolutions do not define a concept of poverty. The only document that refers to the difficulties of conceptualisation is the Commission's 1993 communication on the fight against poverty. In this document, the Commission emphasises that poverty is a complex and multi-dimensional phenomenon, which is therefore hard to operationalise. In this context the

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<sup>16</sup> This perception was expressed in many interviews.

Commission mentions two concepts of poverty: absolute and relative poverty.<sup>17</sup> While the Commission acknowledges the simplicity of the concept of absolute poverty, it points to the dangers of reducing a highly complex phenomenon to the income dimension and argues:

*'Complexity and diversity (of poverty) are probably better accommodated by the term 'relative poverty', which takes more explicit account of inequalities and marginalisation and so allows a more qualitative and versatile definition. This approach is best for devising, implementing and evaluating national policies..'* (Commission 1993a: 169).

From this, one might conclude that the Commission has a preference for the concept of relative poverty, which takes more account of social disparities within a country. The 1993 Council resolution avoids the definition of global poverty indicators, but argues for country-based assessments that take account of different quantitative and qualitative indicators most relevant in the specific country context (Commission 1993a: 169).<sup>18</sup>

## Objectives

The TEU names as its objective the 'campaign against poverty'. It does not specify what exactly is meant by this; i.e., whether the Community's policy aims at poverty *eradication, reduction or alleviation* and what are the expected results of poverty-oriented development cooperation. Furthermore, the fight against poverty is but one of three (or four) policy objectives. The relation between these objectives has not been defined. Consequently it is not clear if poverty concerns would be given precedence over other priority objectives.

In Council resolutions and the Commission's Communications the objective 'poverty eradication', 'poverty reduction' and 'poverty alleviation' have been used rather indiscriminately. From the available information it is not possible to tell whether this openness at the conceptual level is a strategic choice or due to differing perceptions of the Member States on this issue. However, the Council's plea for a differentiated approach suggests that a clear concept has not been defined, in order to leave room for a dialogue on locally adapted concepts and objectives with the recipient countries (Council 1993c: 2).

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<sup>17</sup> See European Commission 1993a: 169.

<sup>18</sup> The Commission recommends that for each country a number of different quantitative and qualitative indicators should be consulted in order to get a more complete idea on the poverty situation (Commission 1993a: 169).

From interviews it seems that there are different interpretations of the objective in article 130u. Some Commission officials made a distinction between poverty reduction and poverty alleviation. They emphasised that the Community's approach aims at poverty reduction rather than poverty alleviation, because it aims to address the structural causes of poverty. Others consider the terms as identical. The lack of conceptual clarity and the fact that the subsequent Council resolutions do not contain a clear commitment to poverty *eradication* has been criticised by NGOs.

### **Practical implications**

What are the practical implications of the lack of a clear definition of these underlying concepts and expected results of the Community's approach towards poverty concept of poverty? Interviews with DGVIII and DGI-B staff show, that the conceptual openness is seen as an advantage. Poverty is conceived differently, depending on the department. For instance, while the food security unit sees poverty mainly in terms of target group vulnerability to food shortages, DGVIII's health unit defines poverty largely in terms of access to basic health services. Desk officers and delegation staff have usually little time for conceptual issues. They expect guidance from the technical units and consultants.

### *Strategic principles and areas of intervention*

So far, two Council resolutions set out key strategic principles for the Community's present approach towards poverty in developing countries:

*The 1993 Council resolution on the fight against poverty.* This document spells out a number of broad policy objectives and principles for incorporating the objective of poverty reduction in development cooperation. The resolution also emphasises the need for strengthening operational coordination with the Member States and makes some initial proposals on how to proceed.

*The 1996 Resolution on Human and Social Development (HSD).* This document defines priority areas for poverty-oriented intervention and puts the fight against poverty in the wider perspective of *people-oriented development*. It highlights and complements relevant sector policy guidelines that had been formulated in the Horizon 2000 process, and integrates them in a four pronged approach to HSD (Council 1996a).

The follow-up of both resolutions has been planned and time-tabled within the Horizon 2000 process and the process of operationalisation of these principles into sector policies, instruments and administrative directives documents is still ongoing.

According to these two resolutions, the Community's present approach towards poverty is guided by the following strategic principles:

- *Poverty central to all programmes and interventions.* The 1993 resolution underlines the importance of the fight against poverty in the Community's policy for development cooperation. The document states that the *fight against poverty should not be regarded as an intervention sector amongst, or complementary to, others, but rather as a basic component of development*. Consequently, the fight against poverty should occupy a *central position* in the framing of development cooperation policies and be an integral part of all interventions.
- *Long-term, differentiated approach geared to specific poverty situations.* In its 1993 communication on the fight against poverty, the Commission assessed the poverty situations in different regions of the developing world and emphasised that poverty could not be tackled by ad-hoc interventions. The communication argued for a mix of policies and interventions in line with the varying nature and extent of poverty in recipient countries. The 1993 Council resolution follows these recommendations, calling for a long-term approach, geared to the specific poverty situation of each recipient country.
- *Concentration on the domestic causes of poverty.* In the 1993 resolution, the Council acknowledges that external factors such as changes in world market conditions and external debt can hinder poverty reduction. However, no particular actions to reduce these external constraints are proposed (Council 1993c: p. 222). Both Council resolutions emphasise the political nature of poverty and the importance of local framework conditions. Thus, the Community's approach concentrates on causes of poverty rooted in the internal policies and structures of the recipient country.
- *Multi-dimensional approach with emphasis on human-oriented development.* The 1993 resolution on poverty emphasises the multi-dimensional nature of poverty and calls for a diversified approach that consistently incorporates all instruments of development cooperation along the following strategic lines (Council 1993c: 222):
  - economic and social integration of the poor;
  - sustainable growth geared to the reduction of inequalities;
  - promotion of a political environment that allows for an efficient fight against poverty and a greater participation of the poor in political, social and economic processes;
  - access for the poor to basic social services;
  - development of human resources and improvement of living conditions; and

- redistribution of resources and the protection of the most vulnerable groups.

The 1996 resolution on Human and Social Development makes HSD a guiding principal of poverty-reduction efforts and relevant sector policies. HSD is defined as '*people-oriented development*' that requires concerted action under the following four policy headings: 1) human empowerment and participation, 2) economic framework conducive to growth, employment generation and productivity of work, 3) health 4) education and training (Council 1996a: 10). For each of these, the Council defines lines of action including concrete measures for the support of local policies. Table 2 gives a synthesis of the HSD approach.

- *Priority of support to structural reforms in the developing countries.* Both resolutions emphasise that the political will and commitment of the partner country's government is a prerequisite for the effectiveness of poverty reduction efforts. High priority is given to policy dialogue on poverty reduction. According to the 1993 resolution, the fight against poverty should be a central theme of policy dialogue and all cooperation agreements between the Community and developing countries. This should ensure that poverty is taken into account in the formulation and implementation of all their programmes (Council 1993c: 223). In order to prevent lop-sided policies, poverty and HSD concerns should be drawn in the core of macro-economic policy design. Preference is given to budget support for reforms of macro-economic and social sector policies rather than project aid.
- *Beneficiaries participation and ownership.* The Council resolutions do not put forward an explicit concept of ownership, but underline the need to empower local actors. According to the Council, empowerment means that the poor and beneficiaries in general should be the subjects of development processes, rather than objects of development. This means that it is not sufficient to promote participation at the project level, but that there is also a need to promote participatory societies and social dialogue (Commission 1996b: 8-9). The 1993 Council resolution considers therefore as essential both that the 'participation of beneficiary populations in the political process and the formulation, implementation and evaluation of development programmes and projects are taken into consideration by the Commission's approach to poverty (Council 1993c: 223). This emphasis is a logical consequence of the Commission's diagnosis that insufficient beneficiary participation and the lack of a broadly based social dialogue at the local and national level have been a major reasons for insufficient sustainability of donor supported poverty reduction efforts (Commission 1993a: 176). Thus, the present approach searches for ownership at the level of poverty groups, at the level of local authorities and organisations involved in the implementation of poverty-oriented aid, and at the national level (see also table 2).

- Changing conditionalities towards emphasis on poverty reduction efforts and results.* Both Council resolutions mention the possibility of a 'poverty conditionality'. This which is in line with the general trend in the Community's aid philosophy to see conditionalities as a legitimate means to commit the governments of developing countries to certain values and standards for development. According to the 1993 resolution, support will primarily be granted to countries '*in which the principles and objectives of the national strategy correspond to the general guidelines defined by the Council*'. At the same time the Council admits that this objective will have to be reconciled with the importance of helping development partners to define and introduce policies to combat poverty (Council 1993c: p. 224). In the 1996 resolution the Council proposes to consider giving increased support to those countries showing a commitment to HSD and registering improvements to jointly agreed HSD indicators. Altogether, these references are still quite vague (Council 1996a: p. 14). The Commission is still searching for appropriate standards and mechanisms to monitor the recipient governments' poverty-orientation. It is not clear how conditionalities are to be reconciled with the search for ownership. Although there is a consensus that political commitment to poverty reduction is crucial for the effectiveness of aid, the idea of a poverty conditionality is not favoured by all Member States, because it may punish the poor for the lack of poverty-orientation of their country's government.
- Targeting.* Both resolutions stress the need to target interventions to the poorest, most marginalised and vulnerable people. In the overall aid allocation, the '*necessary priority*' should be given to the least advanced countries and the most deprived sections of society (Council 1993c: 223). According to the Commission, the latter are likely to be found amongst the old, ill and disabled people, the uneducated, unemployed and land-less, ethnic groups suffering from discrimination, war victims, refugees and inhabitants of ecologically impoverished environments (Commission 1996b: 2)

**Table 2 Elements of the Community's four-pronged HSD strategy**

<b>Human empowerment</b>	<p><i>Strategic Objectives</i> Participation of men, women and children as subjects of development, gender sensitive approach to empowerment</p> <p><i>Lines of intervention</i> Support for democratisation, human rights, rule of law, good governance, decentralisation and the fight of corruption through; institutional capacity building, i.e. training, organisational support Development of local expertise and responsibility of local people in planning and implementation of development activity; Promotion of participation by civil society in policy making.</p>
<b>Economy</b>	<p><i>Strategic Objectives</i> Employment generation, increase in (the poor's) the productivity of work, broadly based economic growth with benefits for the poor.</p> <p><i>Lines of intervention</i> Moving up HSD in the core of macro-economic policy design; Support for macro-economic policies conducive to growth and widespread distribution of benefits;</p> <ul style="list-style-type: none"> <li>- Promotion of equitable access to assets in particular for women;</li> <li>- Support for consistant employment strategies;</li> <li>- Support and creation of framework conditions conducive to small and micro enterprises, including those in the informal sector through improvement of access to micro-credits;</li> <li>- Support for qualitative improvements and expansion of relevant education and training systems;</li> </ul> <p>Promotion of labour-intensive investment in economic and social infrastructure using local resources where appropriate.</p>
<b>Health</b>	<p><i>Strategic objectives</i> Health a priority of development aid, coordination between the Community and its Member States.</p> <p><i>Lines of intervention</i> Support for formulation and implementation of more equitable health policies with regard to gender and disadvantaged groups, including reproductive health; Support for reforms of health care systems (expansion of primary health care and access to medicine especially for the very poor and marginalised); Increase of effectiveness of investment in water, sanitation and housing; Integration of health concerns into other development policies with special emphasis on socio-economic impacts of AIDS.</p>
<b>Education and training</b>	<p><i>Sub-objectives</i> Education and training a priority of development aid and for EU-Member States coordination.</p> <p><i>Lines of interventions</i> Enabling partners to define and implement own policies; Improved effectiveness of education and training systems (minimum quality, gender sensitivity, costs affordable to parents); Balanced expansion of education and training capacities, priority to basic education and access for girls and disadvantaged groups.</p>

- *Gender-sensitivity.* The gender focus of the Community's approach towards poverty has been deepened in the last years. The Commission's 1993 communication on poverty does not define and analyse the gender dimension of poverty and is still marked by the old concept of 'Women in Development' (WID). Women are considered as the vulnerable and disadvantaged per se and to deserve special attention in the fight against poverty, because of their important (traditional) role in certain areas, such as health, education, nutrition and family planning (Commission 1993a: 185, Macdonald, M. 1995: 28). The 1993 Council resolution on poverty refers to the '*decisive role*' of women in ensuring the effectiveness of poverty reduction efforts and urges for a special focus on women in all policies to combat poverty and development measures (Council 1993a: 224). The fact that women are just 'added on' to the analysis and that gender is '*in no way central*' to this resolution has been criticised by NGOs (Macdonald, M. 1995: 34). The 1996 resolution on HSD reflects the shift from a WID to a gender approach. It pleads for gender-differentiated HSD and poverty reduction efforts. The different roles and needs of women and men are considered in all four prongs of the proposed HSD-strategy.
- *Impact assessments for improving knowledge on poverty and the effectiveness of aid.* In the 1993 communication, the Commission urges that more priority be given to systematic evaluation of the impacts of the Community's and the Member states bilateral programmes in order to get a better knowledge about the effectiveness of interventions (Commission 1993a: 172, 187). The 1996 resolution on HSD emphasises that efforts to increase empowerment and participation should go hand in hand with a '*systematic assessment of the social and societal impact of policies, programmes and projects*' (Commission 1996b: 8).
- *Coordination of efforts for poverty reduction.* The 1993 and 1996 Council resolutions both stress the need for coordination between the poverty-reduction efforts of Commission and the Member States. In the 1993 resolution the Council asks a group of experts from the Member States to develop proposals for strengthening coordination and to consider how coordination could be tested in on a trial basis in selected countries. The idea was that a pilot exercise should provide the necessary insight and experience, so that in a later stage, the Community and the Member States would formulate common policy guidelines for their efforts in the field of poverty reduction (see chapter 6).

### **Practical implications of these strategic principles**

Clearly, some of the strategic principles set out in the Council resolutions on poverty and HSD are not directly operational and need to be further specified. This is

particularly the case for the institutional implications of these strategic orientations. For instance, while the above mentioned documents give high priority to the empowerment of poor and disadvantaged people in developing countries, little is said about appropriate actors, institutions or concrete frameworks for ensuring this participation. The same applies for the promotion of the participation of 'civil society' in social dialogue at the central and decentralised level. The 1993 and 1996 resolutions leave open, whether this means that the Commission wants to directly involve non-state actors in policy dialogue and programming or just aims to support initiatives of government authorities and NGOs to engage in a social dialogue.

#### **1.4 Commitments in international fora**

In addition to formulating internal policy guidelines, the Community and its Member States have subscribed to a number of international declarations and multilateral initiatives that aim to establish strategic frameworks for tackling specific dimensions of poverty. These include among others the United Nation conferences on environment (Rio de Janeiro, 1992), human rights (Vienna, 1993), social development (Copenhagen, 1995) and women (Beijing, 1995) and the new strategic orientations of the Development Assistance Committee of the OECD. It is interesting to see how these international commitments have influenced the Community's own approach to poverty reduction. Here, we concentrate on the commitments at the World Social Summit and the DAC, which have been frequently debated in relation to the Community's approach to poverty.

Poverty reduction was one of the three themes of the Social Summit together with employment and social integration. One of the most debated proposals of the Summit was the so-called 20:20 initiative. Roughly speaking, this initiative called for a contractual agreement between donor and recipient country governments to allocate at least 20% of ODA and 20% of national budget resources respectively to the achievement of universal access to basic social services.<sup>19</sup> There was however insufficient support for this proposal. The political consensus reached in the 'Programme of Action' agreed was basically that those countries who wished should go ahead with the implementation of the 20:20 compact.

The Commission also participates in the strategic discussions of the DAC and supports the new strategic orientations on poverty of the policy document 'Shaping the 21st century'. These build to a large extent on the objectives of the Social Summit and include, among others, the reduction of extreme poverty by half by 2015,

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<sup>19</sup> Ministerie van Buitenlandse Zaken 1996: p. 1,2.

universal primary education in all countries by 2015 and the reduction of under five infant mortality by two-thirds the level of 1990 by 2015.

In the present discussion on the poverty focus of European aid, NGOs have lobbied strongly to make these objectives binding benchmarks of the Community's policy (EUROSTEP 1997a: 2; Liaison Committee 1997: 5). While these objectives tend to be increasingly referred to in new policy documents, the Commission is rather sceptical of their operationality.<sup>20</sup> Furthermore, political commitment to the 20:20 compact seems rather low. Already the preparations for the Summit showed that few 'Member States' were enthusiastic about this initiative and a communication by the Commission on the *European Union's follow-up to the World Summit for Social Development* has never been discussed in the Development Council. Some even see the four pronged approach to HSD as an indication that the Community follows a wider concept of human-oriented development that closely links HSD to growth strategies and structural adjustment.<sup>21</sup>

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<sup>20</sup> In interviews Commission officials pointed to the lack of comparable statistics and difficulties to agree on an unambiguous definition of basic social services. In the Commission's view, viable and relevant targets should be defined country-by-country. However, the DAC targets are seen as a means to sensitise donors and recipient countries for the urgent needs of social sector development.

<sup>21</sup> The Commission's 1996 communication on HSD warns of an approach that '*reduces the issue of HSD only to the amount of expenditure allocated to social sectors in a narrow sense*' (Commission 1996b: p. 14).

## **2. Translation of the poverty-focus in sector, cross-sector and regional policies**

The Community's present strategy towards poverty reduction stresses the importance of appropriate sector policies and the need for a differentiated approach. It is therefore interesting to see to what extent poverty concerns are being incorporated or translated into new regional frameworks for cooperation and guidelines for sector or cross-sector policies.

### **2.1 Incorporation of poverty concerns in sector and cross-sector policies**

In the follow-up of Horizon 2000, the Council reviewed a series of policy areas with regard to the new common policy objectives of the TEU and coordination of assistance granted by the Community and its Member States. The objective of this process is to arrive at common sector and cross-sector policy guidelines for aid. Such guidelines have been formulated for the social sectors 'education and training' and 'health'. Important cross-sector policy guidelines are the resolutions on food security and gender.

#### *Social sectors*

The sectors 'education and training' and 'health' had been identified as priority areas for coordination between the EU and its Member States, because of their relevance for human development and the fight against poverty (Commission 1993b). The Council resolutions clearly put cooperation in these sectors in the long-term perspective of the fight against poverty and take account of the principles set out in the 1993 Council resolution on poverty.

In the Resolution on health, priority is given to targeting aid to the '*poorest countries*' and the '*least-favoured population groups*'. In terms of strategy the resolution shows a clear shift away from the earlier concentration on curative services. The Council advocates a multi-sectoral approach that gives priority to investment in living conditions, hygiene and basic and first referral systems, areas that are considered most relevant for the poorer sections of the population (Council 1994a: 246). However, the resolution does not go as far as the Commission's communication that called for a severe cut in assistance for new hospital infrastructure and a moratorium on tertiary-sector hospitals in order to be able to redirect funds to primary health care and sanitation.

According to a recent evaluation, education policy has been very weak up to the early 90s, because it was mainly driven by ACP governments' preference for higher level education and marked by a concentration on the provision of physical infrastructure (construction of school buildings).<sup>22</sup> The 1994 Council resolution on education and training gives more priority to forms of education considered to have a greater relevance for improving educational opportunities for the poor and disadvantaged groups, especially women. Thus, the resolution advocates a balanced approach that '*accords pride and place*' to quality primary education, non-formal education and training for the informal sector (Council 1994c: 299).

Both resolutions have been updated by the 1996 Council resolution on HSD, which specifies and highlights agreed lines of interventions relevant for poverty reduction. This document makes it clear that the Community's emphasis is on pro-poor sector reforms and budget support rather than on interventions at the grass-roots level. This requires, among others, management and monitoring systems that allow the Commission to target the poor and assess if budget support really reaches the poor. On this aspect the Council documents and resolutions are not very vocal.<sup>23</sup>

### *Food security*

The Community has often been criticised for the lack of a coherent policy in the field of food security and the contradictory effects of some of its food aid on agricultural development in recipient countries. There have been many efforts to define a more coordinated and consistent approach towards food security since the beginning of the eighties. Especially the European Parliament and the European NGO movement have been strong advocates of a harmonised approach by the Community and the Member States, within the wider perspective of poverty reduction.<sup>24</sup>

In 1994, the Commission initiated a reform process that resulted in a complete overhaul of policy in 1996. The basic objective of these reforms was to define an approach that would better integrate food aid policy within development policy and to move thus from a short-term focus on poverty alleviation to long term approach addressing structural causes of consumption-poverty. Steps on the way to this reform

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<sup>22</sup> This information was provided in an interview.

<sup>23</sup> The two 1994 resolutions only refer to monitoring and evaluation in the context of country pilot exercises on operational coordination between the Community and the Member States.

<sup>24</sup> There is a wide range of literature available. See for example: Jadot and Rolland 1996; Robinson 1994.

were a change in management, an external evaluation of the Community's food aid policy and the 1994 Council resolution concerning food aid policies and practices. This resolution had been passed after a long and controversial discussion in the Council and contained a number of policy guidelines that put cooperation in the field of food security in the overall context of the fight against poverty. In the 1994 resolution the Council acknowledged that food aid can only be a '*short-term and partial solution*'. The resolution defined a long-term approach towards food security, that would concentrate on assisting countries to define their national and regional food security policies, including triangular and local purchasing operations. This fragile consensus was soon eroded when some Member States gave way to domestic agricultural pressures announcing their preference for food aid from national stocks (Council 1994b).

Nevertheless, the Commission pursued the process of reform, which was finally codified in the Regulation on food security policies and management in 1996. Important provisions of this regulation are that food security actions are considered an element of the fight against poverty, should aim to raise nutritional levels of recipient populations at the household, national and regional level and be targeted to needy and reform-oriented countries. Support should follow an integrated approach and include different measures (policy support, programme aid and aid to food security projects) some of them aimed at more short term poverty alleviation (food aid, provision of tools and seeds), others geared to longer term objectives (support of producer organisations, investment in crisis prevention and early warning systems). An important strategic implication of the new regulation is a more targeted approach. According to article 9 of the regulation, priority shall be given to the poorest sections of the population and to low income countries with severe food shortages. A list of priority countries has been defined on the basis of the following indicators: least developed countries and strong dependence on food aid, high food insecurity index, and willingness of the government to develop a long term and coherent food security policy. This list can be amended by the Council.

The fact that poverty concerns have been systematically incorporated in this new regulation is very much due to the European Parliament's pressure and its increased influence under the new decision making procedures of the TEU.<sup>25</sup> The regulation has been welcomed by former critics of European food aid because it provides the legal framework for a flexible and targeted approach (Liaison Committee 1996: 20). The

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<sup>25</sup> In 1995, the Council unanimously adopted a common position that lacked clear references to poverty concerns and was therefore not supported by the Commission and the European Parliament in its first reading. In its second reading the European Parliament considerably amended the Council's common position to ensure that food aid is geared towards poverty alleviation, the needs of poverty groups and does not contradict long term food security and poverty reduction objectives.

debate on the Community's food security policy shows that there has always been a consensus that food security operations should contribute to the fight against poverty, but that this objective tends to be subordinated to vital European interests. The reform of the Common Agricultural Policy has improved the chances for a poverty-oriented food security policy. Nevertheless crucial factors for the effectiveness of the new regulation will be the willingness and ability of the Member States and the DGs for trade and agricultural policy to coordinate their actions with DGVIII's food security unit.<sup>26</sup>

### *Gender*

In recent years, the Commission has increased its efforts to define and implement a cross-cutting strategy for gender in development. In December 1995, the Council came up with a resolution on gender, which gave for the first time an operational definition of gender. Gender is thus defined as *'the different and interrelated roles, responsibilities and opportunities of women and men, which are culturally specific and socially constructed'* (Council 1995a: 10). This resolution also announced that the Council would examine how to integrate gender in the fight against poverty.

So far this particular point has not been taken up by the Council. However, since the 1995 Council resolutions, the Community's approach towards gender has considerably evolved and a number of measures have been taken to reinforce the gender perspective of its aid programmes at the policy and operational level. As it is generally acknowledged that there is a strong gender dimension to poverty, it can be expected that these measures render the Community's efforts to tackle this dimension more effective.

In 1997 the Commission published a progress report on the integration of the gender question in development cooperation (Commission 1997c). The report shows that efforts have concentrated on raising awareness and strengthening the Commission's and its partners' capacities to systematically take account of gender aspects in development projects, programmes and on integrating gender aspects in the different regional and sector policies. Most of the activities in the field of awareness building have been financed from a special budget line B7-611.<sup>27</sup> This budget line provides

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<sup>26</sup> For more details on this issue see APRODEV 1997: p. 7.

<sup>27</sup> This budget line for 'Women and Development' was already in place before the 1995 Council resolution. It was created in 1990 by the European Parliament. In 1997 the Commission proposed a *'Council regulation on integrating gender issues in development cooperation'* which contains clear political orientation with regard to this question and the use of the funds.

resources for technical advice, training, working materials and research promoting the integration of gender questions, but not for small projects. These can be financed from a number of other budget lines such as the one for NGO co-financing and the new budget line for micro-finance for women (Commission 1997c: 18). Regarding the integration of gender questions in regional policies, DG VIII has conducted extensive consultations with the Member States, ACP authorities and NGOs in the framework of the preparation of the negotiations of future ACP-EU relations. These have resulted in a more systematic integration of the gender question in the Commission's draft negotiating mandate. The document defines gender as a cross-cutting priority principle, highlights linkages between gender and the overall objective of poverty reduction and contains concrete proposals for operational modalities (Commission 1998b). Furthermore, a number of sector policy documents have been reviewed to incorporate the gender question more systematically, including a series of Council regulations for special budget lines e.g. on AIDS, environment, family planning and humanitarian aid (European Commission 1997c: 9). Moreover, first efforts have been made to identify options for a greater gender-sensitivity of macro-economic and structural adjustment support.

Gender is like poverty a cross-cutting issue. From the Commission's 1997 report, it seems that the Commission has made considerable progress in translating a gender focus into the practice of aid management, e.g. by building-up decentralised advisory and back-stopping capacities. At the same time the report shows a number of constraints faced in implementing horizontal objectives. The experiences and difficulties encountered in operationalising the gender focus are interesting for the assessment of similar efforts in the field of poverty reduction.

## **2.2 Incorporation of poverty concerns in regional policies**

The Treaty of Maastricht has made the campaign against poverty a global objective for the Community's aid. Consequently, this objective should be reflected in the frameworks for the Community's regional programmes. At the same time the 1993 Council resolution pleads for a differentiated approach that takes due account of the specific poverty situation in different countries and regions. It is therefore interesting to see to what extent the Community's frameworks for cooperation with the ACP and ALA countries accommodate these objectives.

### *Cooperation with African, Caribbean and Pacific (ACP) countries*

Cooperation with the ACP countries, which accounted for more than 46% of total EU aid in 1995, has always been at the heart of European development policy. According

to the Commission, cooperation with the ACP has always had a strong implicit poverty focus, which can be traced in its legal foundations.

### **Poverty focus of the subsequent Lomé Conventions**

An analysis of the relevant legal documents supports this view, but also shows that the concern with poverty was not systematic and rather implicit. Article 131 of the Treaty of the European Community, which has formed the legal basis for the Community's cooperation with the ACP group since 1957, does not mention the objective of poverty reduction, but commits the Community and its Member States to *economic, social and cultural development*. It was only in the Lomé II Convention that references to poverty and the satisfaction of basic needs were introduced in some chapters. In the subsequent Conventions, the concern for '*improving the living conditions of the poorest sections of the population*' moved up on the agenda and was stated at more central places (Art. 5 and 6 in the Lomé III, and Art. 8 in the Lomé IV Convention). The Lomé IVbis Convention, that came to force after the Treaty of Maastricht, affirms that '*development strategies towards the ACP states shall take account of the objectives and priorities of the Community's cooperation policy....*' in article 4 and contains more explicit references to the objective of poverty reduction.<sup>28</sup> However, already then some Member States felt that the priority of poverty reduction could have been made much more visible.

### **The debate on the poverty-orientation of future ACP-EU cooperation**

The Lomé IVbis Convention will expire in the year 2000. Negotiations on the future ACP-EU relations are scheduled for the fall of 1998. In preparation, the Commission launched an extensive consultation process involving government institutions, NGOs and other parts of the interested public in EU and ACP countries. This process proved very dynamic and finally resulted in proposals for a negotiating mandate that put poverty reduction at the heart of future ACP-EU relations. An analysis of this consultation process is interesting, because it illustrates the different positions in the debate and shows in an exemplary way the problems faced in translating and operationalising the poverty reduction objective in the Community's regional programmes.

To set off the debate, the Commission presented a 'Green Paper on relations between the European Union and the ACP countries on the eve of the 21st century' in

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<sup>28</sup> Art. 8 reaffirms the fact that special attention shall be paid to improving the living conditions of the poorest sections of the population. Chapter 5 states that national indicative programmes should be drawn up with an emphasis on poverty alleviation.

November 1996. This paper emphasised that poverty was a major development constraint of 'alarming proportions' and mentioned poverty reduction as one priority objective for future EU-ACP cooperation (Commission 1997f: 34). The Green Paper presented two strategic options for addressing poverty, the promotion of economic growth through world market integration and widening access to social services. The paper concentrated on broad strategies. While the need for a participatory and decentralised approach was emphasised, concrete references to concrete institutional frameworks were not made.

### Reactions the Member States

Reactions from the Member States showed broad agreement about the need to put poverty reduction at the centre of ACP-EU relations. Furthermore, all Member States emphasised the political dimension of poverty. Despite the strong consensus on the broad objectives, ideas on appropriate strategic options, instruments and strategic options remained quite diverse. While the German and French reactions focused on private sector development as a means to generate income and employment, the Swedish wanted more attention to fundamental rights of the poor and the gender dimension of poverty.<sup>29</sup> The Austrian paper was the only one to stress potential frictions between the objective of world market integration and poverty reduction (Austrian Experts 1997). On the whole, comments on the objective of poverty reduction tended to be quite general and to show a relative low internalisation of the consensus reached in the 1993 and 1996 Council resolutions on poverty and HSD.<sup>30</sup>

### Reactions from ACP countries

The consultation process also showed that while the ACP group agreed that poverty reduction should be a guiding principle, there were marked differences in the conceptualisation of poverty within this group and between the ACP and the Commission. The Green Paper concentrated on causes of poverty rooted in the internal policies, while the ACP countries tend to stress external causes of poverty, such as developments on the international commodity and financial markets. The Libreville Declaration of November 1997, which set out ACP proposals for the future of ACP-EU relations made this very clear, stating in one of the first chapters that

*...[the Head of States] are deeply disturbed by the prospect of disruption in (their) fragile and vulnerable economies and disintegration of the social fabric of...(their)*

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<sup>29</sup> For more detail see Council Secretariat 1997a; Council Secretariat 1997b: p. 14; Swedish Ministry of Foreign Affairs 1997: p. 3; CeSPI 1997; Posthumus 1997: p. 3.

<sup>30</sup> The Swedish reaction, which clearly refers to poverty assessments and impact monitoring is an exception.

*countries which would arise from the intensive application of WTO rules and the obligations ...and... draw attention to the inequities of the international economic order...*(ACP Group 1997: 4)

Ideas within the ACP group on the most urgent social issues and appropriate ways to fight poverty were far from homogenous and varied according to regional circumstances. While position papers from the Caribbean contained concrete proposals for targeted aid to specific poverty groups, reactions from Africa tended to be of a more general nature and see poverty reduction an integral part of development cooperation. Reactions from the Pacific warned against narrow approaches to poverty i.e. aid allocations on the basis of needs measured by traditional poverty indicators. They argued for an approach centred on the concept of vulnerability that would better take account of their specific situation.<sup>31</sup> On the whole, it seems that different needs and the relatively low awareness of the 'state of the art' of the debate in the European Community limited to some extent the chances of ACP countries to put forward proposals for concrete instruments and modalities.

### Reactions from NGOs

European and ACP NGOs followed the debate closely and played a very active part in the consultation process. They lobbied strongly and united for making *poverty eradication* the central and priority objective of a new cooperation framework with ACP countries and presented many concrete and well researched proposals to operationalise the poverty focus in future ACP-EU cooperation. The poverty-orientation of the Green Paper was criticised for a number of reasons: The centrality of this objective was not systematically referred to or highlighted. Potential conflicts between growth and social objectives were not sufficiently analysed and the paper could leave the impression that growth and access to social services would be pursued as competing or parallel options (Dervaeren, van J.C. 1997: 4- 8; EECCS 1997: 17). Like in previous consultations NGOs vigorously demanded that more attention be paid to coherence of these policy objectives and other Community policies e.g. in the field of trade and agriculture (APRODEV: 1997, NGO Liaison Committee 1997: 20). Other points of criticism were the ambiguity of objectives, the lack of clear commitment to *poverty eradication* as the priority objective, insufficient analysis of the gender dimension of poverty and the lack of guidance on strategic instruments (NGO Liaison Committee 1997: 2).<sup>32</sup>

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<sup>31</sup> This analysis is based on consultations with the ACP representatives and a number of reaction papers from the ACP (see the references).

<sup>32</sup> In fact, the Green Paper referred to a number of different objectives, such as poverty reduction, poverty alleviation, fight against poverty, without specifying their meaning.

## The draft negotiating mandate

New orientations for the negotiations, which took account of the reactions and criticism, were presented in October 1997. They referred more clearly and systematically to *poverty reduction* as a priority objective of future EU-ACP cooperation. World market integration, sustainable development and poverty reduction were seen as complementary strategic goals in the fight against poverty. The debate on potential conflicts between these objectives was rebuked as '*a red herring in that it draws attention away from the ... most important questions, namely how to speed up growth and to create a growth model geared to alleviating poverty*' (Commission 1997g: 16). The new orientations proposed an integrated approach that would strike a balance between tackling the economic and social dimension of poverty. This approach would be centred around three priority areas for cooperation: 1) Support for growth factors, competitiveness and employment; 2) Support for social policies and cultural cooperation, 3) Support for regional integration. In the first area more emphasis was put on pro-poor economic growth through development of local markets, private sector promotion, economic reforms and support for pro-poor labour policies. The October guidelines better reflected the Community's general approach towards poverty, but also gave relatively little thought to concrete institutional frameworks.

The Commission's latest proposals of January 1998 do not contain any new strategic objectives, but a clear commitment to the objective of *poverty eradication* (Commission 1998a: 12). They specify some of the concepts and modalities of the earlier proposals. More systematic emphasis is put on the objective to strengthen the productive potential of the most vulnerable and socially excluded. Efforts to promote and guarantee political participation, social rights and access to justice are more clearly defined as elements or preconditions for poverty eradication. However, for some components such as support to regional integration and cultural cooperation the link to poverty reduction has not been clearly analysed. The real novum of the draft negotiating mandate is the clear commitment to extend the partnership beyond governmental authorities to allow a wide variety of non-state actors to participate in policy dialogue, the assessment of needs and indicative programming. The proposals leave no doubt that the Commission wants to increase direct cooperation with non-state actors and decentralised authorities with a view to orient cooperation towards grassroots needs. The list of potential non-state partners shows the Commission's intention to directly involve representatives of poverty groups in a social dialogue with the government and other actors of the 'civil society'.

### *Cooperation with Asian and Latin American (ALA) countries*

European development cooperation with Asian and Latin American countries (ALA) is more recent than with the ACP countries. Bilateral trade agreements were established in the early 1970s with several countries, but it was only in 1976 that the EC started to grant financial and technical assistance to the ALA countries.<sup>33</sup> It was however not until 1981 that the Council defined overall priorities for financial and technical cooperation with the ALA countries in a regulation (Council 1981). According to this regulation assistance to ALA countries was to be granted for three purposes, the fight against poverty, rural development and humanitarian aid. Thus, assistance to ALA countries has had an explicit focus on poverty reduction since the eighties. In 1992, a regulation that created the legal framework for cooperation between the EC and countries in Asia and Latin America clearly stated that assistance is to concentrate on the poorest countries, and the poorest regions thereof (Council 1992b). It set out five main objectives for financial and technical cooperation to ALA countries:

- to assist the poorest countries;
- to improve living standards of the most marginalised strata of the population;
- to promote rural development and agricultural production;
- to promote a regional approach to development;
- to meet humanitarian needs in cases of natural disaster.

In its 1993 communication on the fight against poverty, the Commission highlighted differences in the poverty situation of different regions of Asia and Latin America and recommended a regionally differentiated approach towards poverty. In line with these recommendations, the Commission has recently presented two communications that contain guidance for regional strategies including elements of regional approaches towards poverty.

The Commission communication titled '*EU-Latin America: The present situation and prospects for a closer partnership 1996-2000*', suggests that European cooperation with Latin American countries should focus on three priorities (Commission: 1995e):

institutional support and consolidation of the democratisation process;  
 combating poverty and social exclusion;  
 supporting economic reforms and improving international competitiveness.

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<sup>33</sup> For more detail see Koulaïmah-Gabriel 1997.

According to these guidelines, combating marginality, social exclusion and extreme poverty should be the main spending priorities for aid to Latin America. The Commission suggests to concentrate assistance on integrated development programmes covering the field of health, education and housing and involving civil society actors from Latin America and the EU. With these programmes it aims to contribute to the implementation of the action programme of the Social Summit in Copenhagen.

Three 'generations' of cooperation agreements can be distinguished in the cooperation between the EC and Latin America. The first-generation agreements of the 1970s had the primary aim of organising economic and commercial relations. The second-generation agreements of the 1980s put more importance on development aid alongside non-preferential commercial relations. The third-generation agreements were concluded in the 1990s and reinforced and deepened the relations between the EC and Latin America. In particular, the agreement concluded with the Central American countries gives priority to satisfying the basic needs of the most disadvantaged people in the region, by focusing on women in the development process. This includes special projects targeted at extreme poverty, in favour of job creation and an increase in aid to refugees and displaced and repatriated persons (NGO Liaison Committee 1998, p. 6).

New orientations for the EU's relation with Asian countries were presented in 1994 in a communication by the Commission entitled "*Towards a New Asian Strategy*" (Commission 1994e) This document identifies a number of priority areas for future relations such as economic cooperation and cooperation in the field of environment, human resources, science and technology, industrial cooperation, cultural exchange, development cooperation and fight against drugs. In line with the 1992 regulation, the Commission advocates different approaches for East- and South Asian countries. Relations with South-east Asia are to focus on economic and industrial cooperation and regional dialogue with the ASEAN, while for South Asia, development cooperation is much more central to the relation and should mainly focus on the fight against poverty. At the same time, the Commission maintains that poverty alleviation remains a central theme to the overall Asia policy, because rapid economic growth alone will not narrow the wealth gap in Asia.

In a press release on the proposed orientations, the Commission pleads for a better coordination between the Community's and Member States, so as to pool the best experience in poverty reduction from among them.<sup>34</sup> The press release further

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<sup>34</sup> It should be noted that aid administered by the Commission only accounts for about 10% of the total aid granted to Asia by the Community and its Member States ('Commission Calls for a New Asia Strategy', IP/94/641).

specifies the sectoral priorities for poverty reduction efforts that reflect the new emphasis on HSD: primary education, health care, drinking water and promotion of basic social services and infrastructure in urban slums. The Commission acknowledges that a balance needs to be struck between poverty reduction and economic cooperation in order to fit the changing conditions in Asia. The cooperation agreements with Nepal and Vietnam reflect the spirit of these orientations and the two-tracked approach. In these agreements the Community commits itself to enhancing the level of economic *and* development cooperation, the latter is to be targeted to the poorer groups of the population.<sup>35</sup> Both agreements give high priority to employment generation, primary health care, the role of women in development.

### *A trend towards a greater homogeneity of regional aid policies?*

A common view in the Commission and the Council is that the incorporation of poverty concerns in the above-mentioned regional programmes reflects differences in aid philosophies between the Member States. The argument is that Lomé cooperation has always been strongly influenced by the French aid philosophy, which considered poverty reduction to be an integral part of all efforts to promote development and did not necessarily perceive the explicitness of the poverty focus and monitoring of aid impacts as a primary concern. The Community's programme with the ALA countries was mainly shaped by the European Parliament and the aid philosophies of the advocates of a globalisation of the Community's aid. These include the Netherlands, Denmark, the UK and Germany, countries that have played an active part in the international debate on poverty-targeted aid, self-help promotion and participatory project design. Following this line of argument, one might conclude that the discussion on the Green Paper marks a trend towards a more homogeneous aid philosophy with regard to the objective of poverty reduction. The reactions of the Member States showed that there is now a general consensus on the need for a more explicit poverty-orientation in ACP-EU relations. However, the crucial question that remains is what will be the implications at the operational level and here the ideas still differ quite substantially.

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<sup>35</sup> For more detail see Council Decision of 14 May 1996, Cooperation Agreement between the European Community and the Socialist Republic of Vietnam (96/351/EC), and the Council Decision of 20 May 1996 regarding Nepal (96/354/EC).

### 2.3 Geographical and sector allocation of aid

#### *Is the Community's aid focused on the poorest countries?*

Is the EC targeting its aid to the poorest countries? Table 3 indicates the level of EC aid disbursed according to the income level of recipient countries and compares these to the DAC average. This table shows that in the 1980s 80% of the EC's assistance was concentrated on least-developed countries and low-income countries compared to an average of 60% for other OECD bilateral donors. This situation however reverses in the 1990s. By 1993/94, the least-developed countries were receiving only 38% of total EC aid, and the low-income countries a mere 15% compared to 53% and 26% respectively in the 1980s. This reversal is mainly due to the increase of aid to Mediterranean and Latin American countries.

**Table 3 EC and DAC aid by recipient-country income category<sup>36</sup>**

	Bilateral OECD aid (%)			EC (%)			
	1970-71	1980-81	1993-94	1970-71	1980-81	1993-94	
LLDCs	12.7	30.0	24.2	LLDCs	46.6	53.0	38.2
Other LICs	46.2	30.2	33.3	Other LICs	10.0	26.2	14.9
LMICs	26.2	24.5	31.0	LMICs	34.3	17.6	42.6
UMICs	12.0	8.6	6.9	UMICs	9.1	3.2	3.6
HICs	3.0	6.6	4.7	HICs	0.1	0.0	0.6
<b>Total (%)</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>Total (%)</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Total</b>	<b>7602</b>	<b>27617</b>	<b>65909</b>	<b>Total</b>	<b>203</b>	<b>1244</b>	<b>4550</b>
(US\$m, current prices)				(US\$m)			

Note1: CEECs/NICs are not included as these countries are not classified by level of income in the DAC Report  
 Note2: LLDCs = least developed countries, LICs = low-income countries, LMICs = lower middle-income countries, UMICs = upper middle-income countries, HICs = high-income countries.  
 Source: Development Cooperation, OECD, DAC, 1984-1997.

The UK Department for International Development is presently studying the EU aid distribution and preliminary conclusions seem to point to the fact that the EC is allocating twice as much aid to middle income countries than to the least developed

<sup>36</sup> Cox and Koning 1997, p 110.

and low income countries, implying its budget allocation is not actually reflecting the development priority of poverty reduction.<sup>37</sup>

A recent study on EU support to Asia indicates that *'the majority of the funds has been used in the countries where rural poverty is more extreme and widespread, reflecting an on-going commitment of the Commission to poverty-alleviation in the region'* (Commission 1997n: 15). *About 70% of the total aid to the region went to India, Bangladesh, Pakistan and China'*. Due to the high population of India and Bangladesh however, the amount of aid per capita is rather low, in contrast with countries with small populations.

An ongoing evaluation of EC aid to ACP countries examines to what extent European aid to Africa has been focused on the poorest. Consolidated statistical data on aid allocation to African countries are not yet officially available. However preliminary findings<sup>38</sup> seem to suggest that national income levels are not necessarily a determining criterion for the de-facto allocation of aid. However, when using the Human Poverty Index, it appears that a significant correlation between the level of EC aid and poverty in a country exists.

In view of the upcoming negotiations between the EU and ACP countries, the Commission is reconsidering its aid allocation. The draft negotiating mandate of the Commission advocates a new principle of 'merits'. Traditional 'needs' criteria have always played a role in allocating aid to ACP countries (i.e. GNP per capita, economic situation, debt etc).

But in the future these 'needs' criteria would be complemented by 'merit or performance' criteria linked to good governance, human rights, democracy and rule of law. This may have major implications for the EC's approach towards poverty. If the Commission is sincere about its priority to poverty alleviation, it could indicate to the ACP countries that a clear commitment to the fight against poverty 'merits' more support. However another side to the story implies that a rigid application of merits criteria may lead the EC to reduce aid allocation to poor countries suffering from bad governance conditions, thereby 'punishing' the poor population.

It is important to mention that aid distribution to the poorest countries is not the same as to the poorest people in the region. However as data on the distribution of income

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<sup>37</sup> At the Liaison Committee Meeting of 23/24 April 1998 in Brussels an DFID official made this information available, although qualifying it as preliminary research.

<sup>38</sup> The Council of Ministers in charge of development aid of the EU Member States decided to undertake an overall evaluation of EU aid in order to draw some lessons and improve effectiveness.

in the ACP countries is rarely available, and aid impact per population strata never exists, it is very difficult to answer this question with quantitative proof.

### *Sector distribution of aid*

How is the EC aid budget distributed across the different instruments and sectors? Does this reflect a poverty focus? How much do aggregate statistics tell us about the poverty-orientation of the Community's aid programmes?

Table 4 indicates the sectoral allocation of EC aid to all developing countries. The Community's present approach puts high emphasis on social sector reforms. As mentioned above, the sectors of health and education were identified as priority areas for coordination and HSD. It is therefore interesting to look at the evolution of commitments for these sectors. Table 2 clearly shows that aid to social infrastructure and services has increased considerably from 1 billion ECU in the period 1986-1990 to nearly 4bn ECU for 1991-1995. Within this, sector support to education tripled and health gained importance as well. Within the total aid budget an average of 10% was spent on the social sector during the 1986-1995 period. However, whether this reflects a stronger focus on poverty reduction, depends on the nature of operations supported.

Programme aid (structural adjustment, SYSMIN and STABEX) has fluctuated over the last 10 years, mainly due to STABEX. For the ACP countries, programme aid accounted for 25% of total aid over the same period, with structural adjustment taking up 10%. The most impressive increase is in humanitarian aid, which reflects its increased importance since the establishment of ECHO in 1992 and the EU response to the crisis in former Yugoslavia and Rwanda/Burundi. However, humanitarian aid which aims to alleviate poverty in the short term, has not been integrated in the Community's approach towards poverty set out in the two Council resolutions on poverty and HSD. Food aid increased only slightly in absolute terms and declined as a proportion of total aid. This corresponds with the objective to take a more long-term and structural perspective to food security. Co-financing of NGOs has always been considered an instrument for poverty reduction by the Commission (see point 4.2). Commitments under this heading doubled in absolute terms, but retained a constant share of 2.5% of total commitments. There are considerable differences with regard to the importance of this instrument across regions. While NGO co-financing only makes up a 1.2% of total aid to the ACP countries, the percentage is 3.5% for Asia and 10.9% for Latin America.



It should be noted that it is difficult to deduce much about the poverty-orientation of the Community's aid from existing statistics. It was not possible to find statistics with the necessary level of disaggregation. This indicates the need for the Commission to improve its database. Differences in the data compilation systems of and within the different DGs and the fragmentation and dispersion of statistics over the respective DGs, make thorough analysis complicated. Even the 1996 Annual Report of DGVIII, entitled 'The fight against poverty', only contains a description of some instruments and sectors that are considered crucial in the fight against poverty (Commission 1997a). No detailed statistics can be found on specific instruments targeting the poor, or on poverty groups targeted and reached. The collection and standardisation of this type of data would greatly increase external accountability, coordination between the directorates and the capacity to implement a 'performance' based approach.

NGOs have also criticised the scarcity of meaningful statistics with regard to the poverty focus of the Community's aid and of comparable data for the different aid programmes (EUROSTEP 1997a: 10). However, most DAC donors also lack statistics that give evidence of the poverty-orientation of their portfolio of interventions. Common criteria for categorising assistance with regard to poverty reduction are still under discussion in the DAC.

### **3. Integration of poverty concerns in the design of selected instruments and approaches**

Apart from the emphasis on support for macroeconomic and social sector reforms, both the 1993 and 1996 policy guidelines on poverty and HSD say little on specific aid instruments for poverty reduction. According to the 1993 Council resolution, all instruments of development cooperation are relevant for poverty reduction and should thus take account of the objective (Council 1993a: 223). In this chapter, we look at a number of instruments which seem especially relevant with regard to the follow-up of the above-mentioned resolutions. The choice of instruments does not reflect a value judgement on their actual relevance for poverty reduction.

#### **3.1 Support for structural adjustment**

Structural Adjustment Programmes (SAPs) call for macroeconomic stabilisation and the liberalisation of markets in order to support sustainable economic growth and poverty reduction. The World Bank and International Monetary Fund draw up these programmes, in conjunction with the recipient country and a group of other donors, amongst whom the EC is an important player. The Commission does not see SAP as directly targeted to the poor, but rather as a means to adjust the economic imbalances in order to stimulate growth, which is considered a necessary condition to reduce poverty. However, the Council Resolution on Structural Adjustment of June 1995 clearly states the Commission's priority on the social aspects of the reform programmes, including necessary measures to alleviate the negative effects for the poor. The Council also reminds the Commission of the lasting impact of heavy debt burdens on poverty and the importance of assessing the impact of the programmes on all men and women. In line with the World Bank's evaluation (World Bank 1994) of the impact on poverty of adjustment efforts in Africa, the commission infers that countries, that have adopted adjustment policies have, on average, achieved greater efficiency in allocation of resources and growth in their income and exports (Commission 1994f). Because of these SAPs, the impact of serious macro-economic imbalances on essential public services has been limited and inflation has been kept under control. However structural rigidities have often led to inappropriate allocation of resources and penalised basic services, in particular in the social sector.

The Commission has prepared an interesting new operational framework titled 'Reformulating donor conditionality in low-income countries of Sub-Sahara Africa'. (Commission 1996d). This proposal was made in the Poverty and Social Policy Working Group of the Special Programme of Assistance for Africa (SPA). The

proposal, however, only refers to poverty reduction indirectly and indicates again that the Commission does not view the SAPs as instruments of poverty reduction *per se*.

In the proposal, adjustment operation will be 'differentiated' into three reform areas: macroeconomic fundamentals, budget management and equitable growth. Donors would be invited to link their support only to the macroeconomic performance. This would secure a minimum level of funding to sustain the stabilisation process where macroeconomic performance was good. *In addition, if donors wish, they can link the balance of their support to either or both of the other reform areas.* This will allow for additional budgetary expenditure in priority sectors, (e.g. education or health). Two other important aspects of the Commission's proposal are the strengthening of ownership by the recipient countries and serious donor coordination. Both basic elements to ensure efficiency of aid and strategic principles of the EU approach to poverty reduction (see chapter 2.3)

Burkina Faso, the 4<sup>th</sup> poorest country according to UNDP's Human Development ranking, agreed to be a test country, and since mid-1997 the Burkinabé government is in the process of identifying relevant performance indicators which it wants to be evaluated against and to measure its own progress. The identification of indicators is a difficult task and demands serious coordination on the donors' side. These performance criteria will encourage *transparency*; both for donors and recipient, and all interested parties, civil society, parliament, voters, private sector who will have access to the information it will provide *accountability*; *honesty*; avoids empty political discourse both on recipient and donor side (if there is no capacity to produce reliable and accurate data then how can anyone pretend that they are alleviating poverty) and *ownership*; the indicators are suggested by the recipient country and will be used to evaluate its own performance. *'When African governments become convinced of the need for reform, it happens'* (Islam S., 1996).

There has been considerable criticism of the Commission's support for structural adjustment. Especially NGOs criticised that little account was taken of different impacts of structural adjustment on women and men and that structural adjustment often had an impoverishing effect on women (Macdonald, M. 1995:32, WIDE 1998: 1-2). Since the 1995 Council resolution on gender, the Commission has made efforts to explore potentials for making support for structural adjustment and economic reform more gender-sensitive. A number of studies were undertaken to assess the impacts of structural adjustment with regard to gender and to identify options for more gender-sensitive policy support. The Commission takes an active role in the so-called SAGA-initiative (Structural Adjustment and Gender in Africa) within the Special Programme of Assistance for Africa (Commission 1997f: 9). This initiative searches among others to incorporate gender issues in the macro-policy dialogue, to protect 'core' public expenditure and to address structural adjustment constraints to women's empowerment (EURODAD 1996: 10-11).

### *Debt and structural adjustment*

When discussing structural adjustment and poverty, heavy debt burdens cannot be ignored, since they cripple the economies of many developing countries. In spite of the lack of reliable data and appropriate mechanisms to measure the effects of SAP, there is a large consensus that because of a high debt and adjustment in many countries, social expenditures have plummeted, with negative implications for health and education for the poor. In a recent communication, the Commission proposes to participate in the Heavily Indebted Poor Countries (HIPC) Debt Initiative of the IMF/World Bank (Commission 1997j). Many countries, most in Sub-Saharan Africa, have unsustainable levels of external debt, which impede economic growth and the necessary expenditure in the priority sectors. The HIPC initiative provides a concerted, comprehensive strategy towards debt sustainability. The proposal of the Commission aims to strengthen the adjustment process in these countries and so facilitate sustainable growth and poverty reduction. As a donor, the Community proposes to grant additional structural adjustment support on a case-by-case basis, support the reduction of commercial debt and strengthen support for debt management. As a creditor, the Community would take action to reduce the net present value of the eligible countries' debt. However it is important to mention that the EC is a relatively small creditor in this context. Total exposure to the 11 HIPC countries, which were initially estimated to need relief, is 600 million ECU in nominal terms (net present value estimated at 300 million ECU). For the future, NGO voices encourage the EC and the SPA group to use grants rather than loans to prevent aggravating the problem (EURODAD 1996)

### **3.2 NGO co-financing**

Over the last twenty-five years, a wide variety of relations have been built between the European Community and NGOs. Resources available and opportunities for NGOs to influence the Community's development policies and practice have experienced a spectacular growth.

The following reasons can be quoted to explain the rapid growth of this partnership: First, the Commission perceives NGOs as vehicles for targeting the poorest and most marginalised sections of the population, which tend to be neglected by official policies or have difficulties to access bilateral aid. Second, NGOs play a vital role in encouraging participatory development and the creation of a democratic base at grass-roots levels (Commission 1995d). Third, the support to NGOs also reflects DGVIII's conviction that development is best served by a diversity of approaches, innovation and experimentation. It is seen to be important that NGOs can work out their own

vision, programmes and projects which they regard most appropriate for addressing poverty. Furthermore, by providing support to public awareness campaigns or funding to the NGDO Liaison Committee (the representative body of NGOs at European level) the Community makes it possible for NGOs to control, monitor and influence Community policies. It should be noted in this context that NGOs do not necessarily perceive poverty in the same way as the Commission. For instance, they tend to put more emphasis on the need to address external causes of poverty. NGOs have also been able to keep poverty high on the Community agenda, both at policy and programme level; the role of NGOs in the ongoing process of the discussion on the future of ACP-EU relations may be cited in this context.

The central pillar of the Community's support to NGOs is the NGO co-financing programme. This programme was launched in 1976, and provides funding for NGOs own activities. These can be related to development projects or activities geared to mobilising public opinion for aid, fair international relations and EU policies on global issues, such as sustainable development, debt and social development. Disbursements channelled through NGOs have grown substantially, from 2.5 million ECU in 1976 to 196 million ECU in 1997, which is amongst others due to pressure from the European Parliament. The vast majority of aid to NGOs was funded through the co-financing budget line. Funds went mainly to the ACP and Latin American regions, each receiving 37% of allocable funds for 1986-95. In 1996, 154 million ECU was used to co-finance 644 development projects in 104 countries in Africa, Asia and Latin America, mainly in the areas of rural development, education and health.

In addition to this, there is a wide variety of budget lines which can be accessed by NGOs. Furthermore, also at the Community level (and particularly in DGI-B) there is a growing trend to 'contract' NGOs to provide particular services for the execution of Commission-designed projects and programmes. Many NGOs consider this evolution to be threatening. They fear that this trend could lead to a situation where NGOs become mere 'subcontracting agencies' for the delivery of mainstream development aid. They would no longer be in a position to obtain funding for their own programmes, projects or campaigns, including for innovative and alternative approaches in the field of poverty reduction.

Given that the Commission regards NGO co-financing as a particularly well-adapted vehicle for combating poverty, official selection criteria for NGO co-financing has been formulated with an view to ensure a poverty-focus and participation from the grassroots level. Eligibility criteria for funding include:

- directly targeted at the basic needs of the poorest of the population;
- aimed at improving the development potential of the beneficiaries;
- sustainable;

- in accordance with the development objectives of the country and the EC;
- and the beneficiaries should participate in the design, implementation, management and follow-up of the action.

In a similar vein in 1997, the Council of Ministers approved a common position on the regulation on co-financing of NGOs. This document states explicitly that NGO co-financing should aim at poverty reduction as well as on enhancing the target group's quality of life and development capacities. These guidelines can provide some guarantees for a priority focus on poverty reduction in EC support to NGOs.

In recent years, the EC seems keen to explore ways to better define and monitor the linkage between agreed policy objectives and the allocation of funds to NGO projects. NGOs have been increasingly involved in the implementation of sector support financed from counterpart funds generated from the Community's structural adjustment facility. In line with the new emphasis on a broad based social dialogue, the Commission has recently invited NGOs to so-called 'meso-level' policy dialogue processes. These aim to promote the exchange of experiences and best practices, develop joint guidelines and search for greater complementarity and coherence between EC programmes and NGO activities. These 'meso-level' policy dialogues can be organised on different sectors (e.g. health and education), themes (e.g. gender, micro-credit), approaches (e.g. decentralised cooperation) or geographical areas (e.g. regions or countries). This innovation, aimed at deepening the partnership between the Community and NGOs, is still in a start-up phase.<sup>39</sup> However, if properly implemented, it could provide new opportunities for NGOs to bring their practical knowledge on poverty reduction to bear on mainstream Community policies and programmes.

### 3.3 Micro-projects

European NGOs are not the sole category of actors with whom the EC has sought to work on poverty reduction programmes. Support for micro-projects of local communities or grassroots groups is seen by the Commission as an instrument par excellence for directly targeting aid to the poor (Commission 1997a: 21).

Already under Lomé I (1975-80), community organisations in ACP countries have been able to benefit from so-called 'micro-projects'. The aim of this support is to encourage better mobilisation of grassroots communities through small-scale operations that build and make use of the communities' own resources and satisfy essential needs. Presently, support for micro-projects is conditional upon criteria that

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<sup>39</sup> For further information see Bossuyt and Wilkinson, 1997.

clearly reflect the poverty and self-help orientation of this instrument: Micro-projects should have an economic or social impact on the life of populations, meet a demonstrated and observed priority need and are undertaken at the initiative and with the active participation of the local beneficiary community (article 252, Lomé IVbis).

Micro-projects represent only a minor share of resources provided (1.9% of the aid budget under Lomé IV). However, in absolute terms assistance for micro-projects has increased by more than 36% since the mid-eighties. More than half of the National Indicative Programmes under Lomé IV provide for financing micro-projects, in particular in the areas of rural development, health, social development and assistance to activities of women. Most support for micro-projects was directed to social infrastructure in rural areas. In recent years, urban poverty and socio-economic issues are getting increasing importance.

While in many ACP countries this scheme is perceived to have been successful, implementation has not been without problems. On the whole, sustainability appears to be an achilles-heel of the Community's support for micro-projects. Especially in the early phases, resources have been spent on a multitude of stand-alone activities, disconnected from local institutional settings. Support is by definition of a short-term nature and based on the availability of organisational capacities with the target group. This can be a constraint to reaching the poorest of the poor, who do not have the capacities to articulate their needs and organise. According to the Commission the approach is evolving and there is now a shift to a programme rationale (Commission 1997a: 23; Commission 1997h).

### **3.4 Decentralised cooperation – a new approach to cooperation?**

One of the main innovations of Lomé IV Convention was the introduction of 'Decentralised Cooperation'.<sup>40</sup> It makes a wide variety of development actors (rural and village groupings, cooperatives, trade unions, NGOs, decentralised public authorities) eligible to use Lomé resources, which so far have been the monopoly of central government agencies. In 1992, a budget heading was created within the EC's general budget allocating around ECU 5 million annually for Community support for pilot operations and initiatives on sustainable development undertaken by decentralised agents of the EU and the developing countries (not solely ACP countries).

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<sup>40</sup> Provisions for different forms of decentralised cooperation also exist in the cooperation agreements with Asian, Latin American and Mediterranean countries.

From the perspective of DG VIII officials, especially those in charge of promoting the concept,<sup>41</sup> decentralised cooperation is more than simply another budget line for civil society actors, a new label for micro-projects or forms of twinning between municipalities in North and South.

The aim is rather to promote a new approach to development cooperation in which 'actors' (rather than projects or money) are put at the centre of development cooperation. This concept calls for a major overhaul of the ways in which development cooperation programmes are conceived and implemented. It stresses the need to bring different actors together in dialogue and consultation processes, aimed at arriving at a task division (based on the subsidiarity principle) and a pooling of resources and capacities. The bottom-line is to support initiatives that come directly from a wide variety of development actors. Thus real decentralisation is seen as an alternative approach to the more classical top-down forms of participation, where 'beneficiaries' or 'target groups' are invited to implement programmes designed elsewhere. Responsibility for programme identification and implementation is to be delegated to the lowest possible level. The role of central government agencies shifts from a 'controlling' to an 'enabling' role (Commission 1997a: 23).

For instance, rather than circumventing governments and funding a myriad of stand-alone NGO-coordinated water and sanitation projects in a given area, the Commission would try to promote joint action between different actors at the local level, such as consumers, local governments, community-based organisations, deconcentrated services of the central government, local actors of the private sector, NGOs, etc. The aim is to ensure improved and more sustainable delivery of this type of social services.

Commission officials argue that more 'actor-oriented' and decentralised forms of cooperation are a pre-requisite to achieving progress in the field of poverty reduction. This was recognised in a Council resolution (Council 1996c) which defines the main objectives of decentralised cooperation as: poverty alleviation, sustainable economic and social development and strengthening democracy and promoting human rights. According to this document, decentralised cooperation will contribute to the campaign against poverty through more efficient mobilisation of the energies and resources of economic and social protagonists on the basis of their own needs. The delegation of responsibility to the economic, social and local authority agents will require an open dialogue. The Council also insists that the existing aid procedures and instruments are made sufficiently flexible to ensure real participation of all actors.

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<sup>41</sup> i.e. the NGO Co-financing and Decentralised Cooperation Unit, DG VIII/B/2.

In practice, however, things are not that clear. Conceptual confusion remains the order of the day. Many actors, including civil society organisations, still see decentralised cooperation as a means to 'getting a share in the Lomé cake' and not as a new approach to development cooperation. At field level, most decentralised cooperation programmes continue to focus mainly on 'projects' rather than empowering 'actors' to take the lead in programme design and implementation.

Decentralised cooperation is likely to be high on the agenda of the Post-Lomé IV agenda. The EC is keen to promote a pluralist partnership, allowing different actors to play their legitimate role in development alongside governments. However, it remains to be seen how the Commission will integrate these different actors in all aspects of future ACP-EU cooperation. As in the case of micro-projects a crucial question is how to ensure the active participation and representation of those who do not have the capacities and skills to articulate their needs and to participate in decentralised cooperation.

### 3.5 Micro-Finance

Micro-finance has played an increasing role in both the Community's and its Member States' development assistance. The 1996 Council resolution on HSD mentions micro-credits as an instrument for improving the productive potential of the poor and more equal access to economic resources. An internal evaluation of the Commission's support had shown that micro-finance is facing a number of operational dilemmas, such as inconsistency of donor conditionalities and a lack of coordination in co-funding of intermediary institutions, which justify efforts to define a common policy on this issue.

On the Commission's initiative, a group of Member State experts took a closer look at this instrument in summer 1997. Discussion was based on a non-paper, which contained a detailed and critical analysis of support to micro-finance and identified potentials and constraints of micro-finance as an instrument for poverty reduction (Commission 1997i). The non-paper stressed the need for a multi-level approach that gave high priority to coordination of donor assistance and centred around the following elements:<sup>42</sup>

*Multi-level approach.* The Commission emphasised that credit at the grassroots level alone was not sufficient. It advocated a balance between the provision of capital,

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<sup>42</sup> The non-paper had been prepared by the social policy adviser by DGVIII after discussion with DGI-B.

institutional and technical support and stressed the particular need to address framework conditions for micro-finance in the policy dialogue.

*Careful targeting.* In the view of the Commission there were '*already too many funds chasing too few viable institutions*'. It pleaded therefore for a careful approach that would take due account of the limited absorption capacities of existing organisations and gradually strengthen their institutional and financial viability. The non-paper also stressed that there are limits to the effectiveness of micro-finance as an instrument of poverty reduction and trade-offs between cost-effectiveness and outreach to the poorest on the other hand. To ensure pro-poor targeting, high attention should be given to thorough assessments of the situation beneficiaries and capacities of intermediary institutions to reach the poor.

*Facilitation of coordination and complementarity of approaches.* Coordination between donors was seen as a prerequisite for financial sustainability and replicability of micro-finance. As there are already a number of frameworks for donor coordination, the role of policy and operational coordination within the Community should be to ensure a greater consistency of support with existing efforts of coordination rather than innovative European approaches. Scope for concerted efforts by EU donors was mainly seen in joint activities in the field of staff training, appraisal, monitoring, evaluation and performance standards. In view of the high degree of donor competition and limited absorption capacities of micro-finance institutions, the paper encouraged the Member States' agencies and the Commission directorates to carefully consider their comparative advantages and build mechanisms for joint learning.

In December 1997, the Council adopted a resolution on micro-finance. This document stressed the role micro-finance can play as an instrument for tackling income poverty and generating growth complementary to social sector and macro-economic support. The resolution underlined that support for micro-financing institutions, should be geared to those '*sections of the population which do not have access to the services of the formal financial sector, particularly the poor and women*' (Council 1997c: 6). Compared to other policy documents, this first resolution gives already high attention to operational aspects. In the resolution the Council asked the Commission to prepare a communication for examination at Council meeting in May 1998.

### **3.6 Food aid**

Food aid accounted for 14-26% of total EU aid between 1986-1995 and has been a prominent instrument of EC aid (Cox, A. and Koning, A. 1997: 30). Introduced in 1967, food aid has been presented by the Community as an instrument for fighting

hunger and satisfying of basic food needs. Critics have pointed to the fact that food aid has served as a means to dispose of EC food surpluses with doubtful effects on local consumption and production capacities in the partner countries. The 1996 'Regulation on food aid policy and food aid management' tries to ensure that the objectives and effects of food aid would be in line with the objective to fight poverty. For instance, this regulation defines food aid as an instrument for poverty *alleviation*, that should be used for bridging temporary food deficits, but also be embedded in more long term strategies that will make food aid 'superfluous' in the long run (Council 1996b: 1). In order to reduce the risk of dependencies, disruption of local consumption and production patterns and negative effects on long term food security, the instruments of food aid have been widened, allowing for triangular actions and measures to stimulate local production and trade. The regulation also foresees for a better targeting of food aid to the poor. According to article 2, food aid shall primarily be allocated on the basis of evaluation of real needs, i.e. HSD and nutritional indicators, per capita income and '*the existence of particularly poor population groups*'. Furthermore, the regulation provides for a regular monitoring of the impacts on the poor. One criterion for evaluation is that food aid *operations must help to improve the living standards for the poorest people in the countries concerned* (article 30). The new regulation constitutes a legal framework for multi-level approach that includes measures to improve poor people's capacities to access basic nutrition (see article 5 and 9). Its effectiveness will crucially depend on the Community's and the recipient countries' capacities to implement and monitor a targeted approach.

## 4. Poverty reduction in aid management

The 1993 Council resolution on poverty gives only broad guidelines for implementing the fight against poverty. This chapter looks into the efforts of DGVIII and DGI-B to operationalise poverty reduction in aid management. It also looks at their capacities to implement this objective and the coordination between directorates for a consistent overall approach, as stipulated by the Council.

### 4.1 Organisational structure and personnel

A factor that is often neglected in assessments of donor approaches towards poverty is their capacity to deal with the issue. In the process of implementation of the Horizon 2000 Declaration, the Community's capacities to effectively deal with HSD and poverty concerns have come into the limelight of discussion and a number of measures have been taken to improve organisational structures and expertise in the headquarters and the field.

#### *DGVIII*

DGVIII employs almost 800 people in its headquarters in Brussels. There are roughly two types of staff: civil servants who work under a permanent contract and are recruited through the general concours of the European Commission and external expert staff who work for a maximum of 3 to 5 years, including national experts dispatched from the Member State administrations. The latter are recruited through an open competition specific to a particular post. In May 1996, 60 of the 71 ACP countries had a delegation with an average of 4.2 staff.

In DGVIII a range of specialisations is available, but in line with traditional fields of intervention, there has been a high concentration on economics, civil engineering and agriculture. So far, general recruitment procedures have only allowed to a limited extent to select permanent staff with a background in development or even specific areas of cooperation such as poverty reduction programmes or support of social sector reforms (Koning 1997: 134). However, the new recruitment procedures for Commission staff issued in 1998 take for the first time account of the specific needs of experienced and qualified recruits for the directorates dealing with development cooperation and offer the possibility to deliberately recruit personnel with relevant expertise for poverty reduction.<sup>43</sup>

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<sup>43</sup> See Official Journal C 97 A: p. 24.

Regarding capacities in the field, general complaints are that delegations are too much burdened with administrative and financial tasks and thus analytical capacities to pay more attention to strategic and content issues are limited (DANIDA 1991: 36 and 53, Liaison Committee 1996, Executive Summary: 2). As the role of the delegations often lies more in the general supervision than in the execution of activities, staff tends to have relatively little direct experience and insights in the concrete problems of poverty reduction at the project and programme level. Besides, awareness and knowledge on the exact content of the new guidelines on poverty and HSD still tends to be rather low.

The Commission has made increased efforts to build up in-house expertise on poverty and HSD-related issues since the beginning of the 1990s. In 1993 a unit for human and social development including gender in development was established in the policy division of DGVIII (Directorate VIII/A). This unit is responsible for the formulation, coordination and general follow-up of the Community's approach towards poverty in general. This policy unit has no direct role in the implementation of aid, but advises and discusses poverty and HSD aspects with the desk officers and the technical units. It can take initiatives and submit general policy proposals, as in the case of the Communication on HSD.<sup>44</sup> There is one expert for each of the following themes: 'human empowerment' (i.e. good governance and promotion of the civil society), health, education and training, gender, 'vulnerability, social integration and the fight against drugs' and for HSD and the campaign against poverty.

The first social development and poverty advisor was appointed in 1993, but already before that there were a number of people working on the issue to prepare the Commission's 1993 communication on the campaign against poverty. The present social policy adviser sees his responsibilities mainly as: policy formulation on poverty reduction, contribution to the integration of the policy on poverty reduction into macroeconomic and sectoral policies and the provision of policy support to specific operations. Recent activities of the policy adviser include, the formulation of policy papers, administrative guidelines, a series of briefing papers, training courses on poverty, selective advice to country desks and the coordination of the pilot initiatives on coordination (see chapter 6).<sup>45</sup> Technical expertise on HSD is provided by the

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<sup>44</sup> The old policy unit was split into two, the unit for Human and Social Development and a unit for Sustainable Development.

<sup>45</sup> Relevant research and reports are dispersed over geographically scattered Commission buildings and often too detailed to be consulted and digested by administrative staff. Since September 1997, staff is therefore briefed on key issues of HSD in a concise newsletter. Furthermore, DGVIII's information unit is preparing a new "Manual of

technical units. The directorate on health is well established since public health became a key sector under the Lomé III Convention. It has 3 doctors and 2 economists and works closely with the special task force on HIV/AIDS. A special support group for activities in the field of education has been set up within the directorate for training and cultural cooperation. It is staffed with 8 experts. With the reform of the Community's food aid policy, the scope of the former food aid unit has been widened and staff has significantly increased since 1995. Food aid is now programmed by 9 people with a further there are 8 experts to coordinate and monitor the implementation of aid.<sup>46</sup> Experience has shown that one of the most crucial but time consuming prerequisites for pro-poor targeting, the collection of adequate data on the food situation and poverty situation, cannot be fulfilled by the limited in-house staff. Therefore, the food security unit is presently building-up a network of research institutions for providing up-dated information on the situation of countries covered by the Community's food security operations.<sup>47</sup>

The idea of the assignment of a poverty adviser was to have an expert who helps to systematise the concern with poverty in DGVIII's work. Naturally the potential impact one single person can have in a large administration is limited. Besides unlike in the case of food aid or gender there are no special budget lines for poverty, which provide the Commission with additional funds that can be used for contracting external expertise. Thus, efforts to promote poverty concerns in aid management have to be quite selective.<sup>48</sup> Awareness-building and training are therefore seen as the key to ensuring a better internalisation of the Community's present approach and for enhancing headquarters' and field staff's capacities for poverty reduction. To this end, a number of internal briefing papers on poverty issues and a specific note on integrating poverty concerns in programming have been circulated in DGVIII. Poverty reduction and HSD will also feature prominently in the Commission's new manual of instruction. An instrument that is often used for awareness-building is the professional guideline. However, DGVIII's poverty adviser feels that it is difficult to address poverty reduction for all sectors in one general guideline. Furthermore, guidelines on cross-cutting issues might not necessarily be the most efficient way to

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Instructions" that will take due account of the new focus on poverty and HSD and give detailed advice for aid management.

<sup>46</sup> These figures were provided by a member of the unit.

<sup>47</sup> The information on staffing stems from interviews conducted in 1997 and an organigramme of 1<sup>st</sup> March 1997. As a number of posts in the above mentioned units were not yet staffed at that time, actual staffing might differ.

<sup>48</sup> Interviews in DGVIII staff showed that especially in technical units, staff is not necessarily aware of this new advisory function.

raise awareness, for experience has shown that few officials take the time to read them.<sup>49</sup> Training is therefore seen as a necessary complement. A first series of training courses for both groups was launched in 1997 on an experimental basis. The main training objectives are to raise the participants' knowledge on the basic elements of the Community's new approach and to provide guidance for the application of new operational directives. The first two three-days training sessions were jointly organised with the gender desk and have received positive feedback so that training will be stepped up in 1998.<sup>50</sup>

While training and management briefs are to promote the internalisation of the Community's approach in the medium term, the newly established Quality Support Group already plays an important role in checking attention to poverty concerns in the shorter term. This group has been meeting regularly since February 1997 and screens financing proposals for their compliance with basic objectives of the Community's development policy, such as poverty-reduction (Commission 1997k).

### *DGI-B*

DGI-B is the result of splitting up DG I in a directorate for the external relations with the CEEC and NIS (DGI-A) and one for the relations with ALA and the Mediterranean and the Middle Eastern countries in 1996. In 1997 DGI-B employed 452 people, which is an increase of 75% over the period 1992-1997,<sup>51</sup> in the context of an increase in funds of 23%. It should be noted that in comparison with DG VIII, DGI-B draws heavily on external resources (about 25-35% of the staff). Still, recurrent complaints were heard at DGI-B about serious understaffing; in the words of an interviewee '*DG VIII has one desk officer for Guinea Bissau, while in DGI-B we have one person responsible for entire Brazil*'.

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<sup>49</sup> On this point see also BMB 1996: p. 91.

<sup>50</sup> The three-day training session on poverty reduction and HSD consisted of three models: the first dealt with the EU's policy in the field of poverty reduction and general implications for development cooperation. The second module introduced different instruments for assessing poverty on the country and project level, while the third module was devoted the poverty-orientation in macro-economic policies and structural adjustment. The last gave advice on the incorporation of poverty reduction objectives in sector policies and concentrated on the field of rural development and micro-projects.

<sup>51</sup> Cox and Koning p 20. As mentioned these numbers need to be treated with some caution, as headquarter staff includes permanent and temporary staff, as well as 'external resource staff' such as seconded national experts and other external personnel.

For about 39 ALA countries receiving more than 1m ECU of EC aid, about 15 have an EC delegation. These delegations have more restricted responsibilities than the delegations in the ACP countries and no financial responsibility at all. In 1996, the Latin American Directorate started a process to decentralise some responsibilities for following-up development projects to the delegations, but in a rather piece-meal and uncoordinated way, which has created confusion and room for personal interpretation. The delegations play much more of a political coordination role than a development one (Macdonald 1995: 16). The pressures from trade related issues and relations with other DGs and the countries concerned impinge significantly on the time of personnel who are responsible for aid administration (BMB 1996: 17).

The rather complex management structure of DGI-B makes it difficult to trace where the responsibilities lie in terms of integrating the poverty reduction concerns in aid management. Unlike in DGVIII, there is no health or education unit, a very small evaluation unit, and the role of the technical units is different for the Asia and the Latin American directorate. For Latin America, the technical unit is responsible for project implementation, while for Asia they also share the responsibility for project identification and appraisal with the desk officer. The North-South unit deals with overall coordination and horizontal issues of gender, environment and population, but according to DGI-B staff its role for ensuring a poverty-focus of assistance are rather limited. The responsibility mainly lies with the desk officers, who due to staffing constraints rely heavily on consultants. As staff is weighed down by the management of large budgets, there is little time for training or coordination on poverty within the directorate or with DGVIII (Commission 1997h: 15).

For the ALA countries the actual distribution of the total aid budget<sup>52</sup> among the countries and programmes is judged on the basis of needs (of the poorest areas and the poorest groups within these countries) and absorption capacity.<sup>53</sup> Therefore one could argue that poverty reduction is a criterion in so far as it is a guiding principle of the entire aid package to the ALA countries. There are however no general guidelines or criteria on how to determine which the poorest areas and groups are, nor is there a requirement to use poverty assessments, as is the case for DGVIII. Desk officers have to use their own judgement and methods to select and justify the projects, which then have to be approved by the ALA-PVD committee. This body however has never blocked a project for lack of poverty focus.

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<sup>52</sup> Technical and financial cooperation budget-line (B7-310) and the economic cooperation (B7-311).

<sup>53</sup> For example, Pakistan and Nepal did not receive any support in 1997, because they were estimated to lack the basic absorption capacity.

Countries like Argentina and Chile 'graduated' and do not receive a development aid package, except for projects on democratisation and human rights. These countries with high economic growth and GDP per capita are considered rich enough to use their own resources to fight poverty within their country.

### *Coordination between the directorates in operationalising poverty reduction*

It is difficult to assess coordination between DGVIII and DGI-B on poverty reduction on the basis of available information. While there are formal mechanisms to ensure coordination at the policy level, such as the regular discussions between the management of the two DGs and the discussions of high-ranking officials with experts from Member States, coordination at the operational level seems to be rather weak. So far, operational coordination has mainly been limited to meetings and exchange of information in the framework of the pilot exercise described in chapter 5 and the preparation of projects under the NGO budget-line B7-6000, for which competencies of DGVIII and DGI-B overlap to some extent. Apart from this there is little formalised exchange of information between DGVIII and DGI-B on their respective approaches towards operationalising policy guidelines on poverty. It has often been pointed out that the geographical fragmentation of the Commission and the lack of communication and coordination between the different management structures, are '*major obstacles to poverty focused development cooperation*' and reduce the overall effectiveness of aid (Liaison Committee 1996, Executive Summary: 3).

In interviews, staff of the two DGs expressed the view that different approaches in implementing the Council resolutions are to some extent justified, because the poverty situation in Africa, Asia and Latin America differ substantially, while there are common patterns within the regions. At the same time, a more coordinated approach was regarded as desirable for accountability and institutional learning. Coordination between the gender desks of the two DGs could serve as a model. In this area the two DGs meet regularly to discuss their experiences; they have jointly prepared a regulation on mainstreaming gender in European development cooperation. Of course, a prerequisite for a more harmonised approach to mainstreaming poverty concerns would be the availability of a social policy advisor and an increase of staff dealing with HSD in DGI-B. Coordination with DGVIII in the field of training on poverty issues was not deemed to be feasible by the DGI-B officials interviewed, given their time constraints and the different poverty situation in Asia, Latin America and the ACP region.

While weak coordination between the regional aid programmes is mainly due to institutional constraints and bottlenecks in staffing, differences in aid philosophy and perspectives seem to be the reason for low levels of interaction between ECHO and the regional directorates. In interviews, staff of ECHO emphasised that by definition humanitarian aid had to concentrate on the relief or mitigation of poverty in the short term rather than addressing long-term causes of poverty reduction. In some cases there might even be conflicts between these two objectives, but in order to work effectively, ECHO would have to keep its independence and flexibility. Resolutions aimed at anchoring aid in an integrated approach towards poverty reduction (e.g. through linking relief, assistance for rehabilitation and for long-term development) appear to arouse little enthusiasm with ECHO officials.<sup>54</sup> While this objective may be laudable, they fear that such an integration will be a difficult thing to realise, both institutionally and at the field level.

Despite recent efforts of DGI-B and DGVIII to build capacities, it is evident that skills and expertise for poverty reduction and social development are still rather scarce and appear inappropriate for an aid administration that has a focus on these issues. Thus, Commission officials and representatives of the European Parliament argue that reducing this imbalance should be high on the agenda of both directorates, which is a difficult task to achieve in the current political and budgetary context.<sup>55</sup> Without coordinated efforts to address this bottle-neck, personnel for the administration of development cooperation may be stagnating, as Member States seem reluctant to provide more resources for staffing. Linking up efforts for awareness-building and training staff on poverty and HSD might be a first short-term option. There are however limitations to this kind of capacity-building. A second option mentioned in interviews was the instrument of a special budget line for poverty reduction that would allow the Commission to cater for external expertise and contract out certain operational tasks like in the case of gender questions or food aid. There is however already a proliferation of special budget lines and there were strong reservations that a priority objective such as poverty reduction should not depend on funding that has to be renewed on an annual basis. Hence, a third and more long term option favoured by the majority of Commission officials consulted is to give priority in new recruitment to staff with specialisations and expertise in 'soft areas' (social development, self-help promotion, decentralised cooperation and participatory

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<sup>54</sup> The Court of Auditor's special report on EU humanitarian aid had criticised the lack of coordination between activities in the field of humanitarian aid and development cooperation. In reaction to this report the Council announced the development of detailed guidelines on strengthening the linkages between relief, rehabilitation and long-term development and the coordination between the different actors involved (European Court of Auditors 1997).

<sup>55</sup> See on this point also: European Parliament 1998.

approaches). This will however require a clear signal from the Member States and the top management of DGI-B and DGVIII.

An aspect which apparently has not been considered at this stage is the need to introduce a clear system of incentives and checks on staff to ensure that all policies and guidelines on poverty reduction are translated into the practice of day-to-day work. As the following sections will show, the danger is real that progress in implementation will largely depend on individual staff initiative. In the absence of a strong push by the higher management levels of the DGs through institutionalised incentives and performance criteria a major gap between policy ambitions and effective implementation is to be feared.

In October 1997 the Commission decided upon a new common service for managing the Community's assistance to third countries. The new service, which will be formally in place since April 1998 and will become fully operational in summer 1998 has been created with a view to simplify and standardise implementation of community aid programmes. It is hoped that this measure will lead to a more homogeneous aid management approach, also in the field of poverty reduction, and free capacities for conceptual issues.

## **4.2 Programming at the country level**

As mentioned before, assistance for ACP countries mainly comes from the European Development Fund (EDF), which is fed by direct contributions of the Member States. Since the mid-eighties, a substantial share of resources from the EDF has been inscribed in indicative programmes at the country level or regional level (Koning A. 1997: p. 130). The programming exercise for EDF 8, the first after the introduction of the new policy objectives of the TEU, provides an interesting source of information for testing the translation of the poverty reduction objective into country programmes.

The key instrument for programming at the country-level is the National Indicative Programme (NIP), which is produced in a dialogue between the ACP country and the EU. The NIP states the priority development objectives at the national level, identifies concentration sectors in which support would be most appropriate and concrete interventions that could support the adopted policies in those sectors. The Commission's services provide a strategy paper, which describes the specific constraints and potentials of the ACP country and makes recommendations on sectors and areas for action. They also play a vital role in the negotiation of the NIP with the recipient country.

For the programming of the 8th EDF, a manual of advisory notes was prepared by DG VIII's policy directorate. The manual contains a note that gives practical advice on how to incorporate the objective of poverty reduction into country programmes. The document has been circulated to desk officers and the delegations and sets out four essential components of a poverty-oriented approach that should appear in all NIPs: 1) a poverty assessment with details about the nature, distribution and dynamics of poverty in a particular country;<sup>56</sup> 2) an identification of target groups, based on socio-economic background, geographical origin, occupation, sex, ethnic composition etc. 3) a framework of commitments and necessary conditions to ensure implementation of the policy on poverty reduction, 4) poverty-oriented interventions (Commission 1995c: 19-24).<sup>57</sup> The programming manual, which also contains detailed notes on sector policies, was discussed in April 1996 in the EDF committee<sup>58</sup> and received positive feedback from the Member States. A revised version of the programming note on poverty will feature in the new 'Manual of instructions'. The whole programming exercise was followed by a 'Comité de suivi', that screened the draft NIP's for consistency with general objectives, including poverty reduction, before passing them on to the EDF committee for final approval. In case of inconsistency with the programming guidelines, the country desk was asked to make necessary amendments. On demand, the poverty adviser provided methodological support. According to Commission officials, the role of the EDF committee for mainstreaming poverty concerns in this programming exercise has been rather marginal, because the internalisation of the relevant Council resolutions by Member States representatives is still rather low.

An investigation of a sample of NIPs that were approved by the EDF committee shows that the objective of poverty reduction is referred to in all NIPs. Furthermore, all NIPs that have been approved after April 1996 have an annex with HSD indicators. However, few country programmes contain a systematic assessment of the poverty situation or specify poverty groups as indicated in the advisory notes. Moreover, it is often not clear how interventions and the choice of concentration sectors are linked to the objective of poverty reduction. One reason for this is that the NIPs are influenced by past commitments. There are often important relics from former EDFs that have not been programmed with a specific focus on poverty and

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<sup>56</sup> The note suggested that studies and evaluations undertaken by other institutions, in particular the World Bank be used.

<sup>57</sup> Poverty oriented interventions are defined as any type of development project or programme that clearly aim to tackle poverty and is embedded within the country's own strategy for poverty reduction (Commission 1995c: p. 23).

<sup>58</sup> The EDF committee consists of representatives of each Member State and plays a final role in scrutinising pre-programming documents.

cannot simply be reoriented. Besides, at the time the draft documents were drawn up, delegates had not yet received training on poverty. Furthermore, the ACP countries are partners in country programming and play a major role in determining the sector priorities and objectives. Thus, the content of the NIPs not only reflects the objectives of the EU, but also the poverty-mindedness, strategies and dialogue capacities of the partner government. As the consultation process on the Green Paper has shown, the knowledge of and attention given to the Community's policy and concrete efforts for poverty reduction by ACP governments tends to be rather low. Furthermore, the training of delegation staff only started after the programming exercise and all of the draft NIPs had to be screened by one person, the poverty advisor of DGVIII. The guideline that policy dialogue *'should lead to a reciprocal commitments on the objectives, priorities and instruments of the fight against poverty'* can therefore only be a medium term objective and not an immediate reality (Commission 1995c: 20).

The Commission's proposals for the future of EU-ACP cooperation and reflections in the field of micro-finance and decentralised cooperation point to the fact that the Community will insist on a much more participatory process to formulating national indicative programmes in any future cooperation agreement. The participation of a variety of civil society actors from the early stages of identifying priorities for cooperation may further sharpen the poverty-focus of programming.

The ALA Regulation 443/92 of 1992 established the legal framework for the 'third generation' cooperation strategies between the EC and Asia and Latin America, allowing for the first time a multi-annual programming on the basis of an indicative five-year commitment for financial and technical cooperation.<sup>59</sup> Although this indicative level is no guarantee (or entitlement as in the case of the NIP of the ACP) nor country specific, it has stimulated the programming process.

Programmes for Asia and Latin America are established in a less consistent and structured manner than is the case for the ACP countries. Unlike DGVIII, whose financing is organised in multi-annual allocations via the NIPs, DGI-B operates on a yearly budget which is part of the Community budget and therefore has to be approved each year by the European Parliament. Unspent funds go back to the general budget and are therefore 'lost' for the beneficiary countries, which is why desks are generally under high pressures to prepare and get their projects approved before the end of the year. The country strategy document, which is drafted by the desk officer,

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<sup>59</sup> The Regulation states that an amount of ECU 2750 million is deemed necessary for the implementation of aid covered by the Regulation and of other aid to Asian and Latin American developing countries for an initial five year period (1991-95). The money was disbursed through the annual system of appropriations approved by the Council and the Parliament.

in collaboration with the recipient government and delegation, establishes the strategic objectives for the cooperation over a 3-5 year period and thereby forms the legal framework for the projects. These country strategies provide the context in which a project should take place, forming the guidelines for the funding committees. On a yearly basis the desk officers, together with the beneficiary countries, draw up an indicative budget proposing projects which fall within the objectives of the country strategy.

The general country programming procedure is as follows: A formal request is issued by the recipient government; an expert mission is then sent to identify the projects; these are also discussed with the embassies of the Member State (ensuring coordination and coherence); on this basis a condensed project document (financing proposal) is elaborated by the desk; if larger than 1 million ECU or for multi-annual programmes approval is needed from the PVD-ALA Committee, which is composed of representatives of all EU Member States and chaired by the Commission (Council 1992b: 6). Given that DGI-B is mandated to focus its financial and technical support on the poorest countries and for the poorest layers of the population (Council 1992b), desk officers usually justify their poverty alleviation programmes and choice of projects with statistics on the poverty situation before the PVD-ALA Committee.

As mentioned earlier, this depends totally on the desk officers initiative given that there are no official guidelines or manuals for the staff to follow and ensuring consistency in the poverty focus of the interventions.

### **4.3 Management of projects and programmes**

Since 1992, the Commission has been following a new integrated approach towards Project Cycle Management (PCM). This approach is based on the logical framework methodology and covers the whole project cycle from identification to evaluation. It has been introduced to ensure a more coherent definition of objectives, inputs and outputs and systematic consideration of socio-cultural and other factors for sustainability. According to recent studies, PCM and the logical framework methodology have improved the preparation of projects and programmes. For DGVIII's evaluation unit, which has been largely responsible for the introduction of PCM, one of the present challenges is to develop improved management tools for the later stages of the project cycle, e.g. monitoring and evaluation. In their view, operationalising the focus on poverty reduction means developing tools that allow a systematic integration of this objective at all stages of the project cycle from identification to evaluation. The evaluation unit of DGVIII is presently reviewing project cycle management with regard to this issue.

### *Identification, Appraisal and Screening of Projects*

In the framework of Lomé Cooperation under NIPs, aid management is formally a joint responsibility of the ACP country and the EU. In principle, the National Authorising Officer (NAO) is mainly responsible for the identification and preparation of projects and programmes, appraisal is a joint responsibility. In practice the delegations often take an important role in the identification and preparation process. The financing decision lies with the EDF committee.

In the last years, DGVIII took a number of measures to make the purpose and specific orientations of projects and programmes more transparent and to ensure their compliance with the priority objectives stated in the NIPs from the start. In 1994, a new project identification sheet was introduced that aims to establish a link between the conception of new projects and sectoral policies and the system of project management. The identification sheet is prepared by the desk officer on the basis of the NAO's project proposal and makes it possible to check the intended poverty orientation of a project at three levels: the level of objectives, the level of target groups and at the level of sectoral and thematic priorities.<sup>60</sup> Furthermore, training sessions on poverty introduce desk officers and delegates to techniques such as baseline studies and Participatory Rural Appraisal (PRA), in order to make them more aware of instruments for gearing projects and programmes to the needs of the poor in the identification and orientation phase.

Since the constitution of the Quality Support Group, new project proposals are in principle screened on the basis of an end of appraisal report for their compliance with priority objectives, including poverty reduction. Screening applies to most activities financed from the EDF and budget lines, but only proposals above a certain threshold are screened.<sup>61</sup> The proposals are checked for their consistency with priorities stated in country and regional programmes, coherence with sectoral policies and consistency with former experiences (evaluation results), relevance and sustainability.

The screening procedures are not yet very refined and views on their added value in DGVIII differ. Some officials argue that there is a certain danger that old project proposals are just reformulated to comply with screening criteria, while the project

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<sup>60</sup> For detail see Commission 1994g

<sup>61</sup> Screening covers food aid, the South Africa budget-line (operations of over 2 m ECU), EDF-operations above 2m ECU and excluding PACs, Stabex transfers and emergency assistance) as well as operations from other budget lines of more than 1 Mio ECU.

design remains unchanged.<sup>62</sup> The evaluation unit and the social development advisor feel that screening can contribute to a more systematic incorporation of the objective of poverty reduction in new interventions of DGVIII. Phased programming under EDF 8 may work in favour of a more poverty-oriented project identification, while high disbursement pressure has to some extent hampered a thorough screening of proposals under EDF 7. The longer planning horizon and performance-orientation of EDF 8, make reworking of proposals in consultation with the delegations and local partner institutions more feasible. This also means that there are potentially more chances to provide advice for poverty-oriented project design.

A crucial question for the effectiveness and need-orientation of interventions is the extent that the present procedures allow for a participation of poor people in the identification and design of projects. This seems to be one of the weak spots of the present practice of identification, which allows at best for beneficiaries to take an active part in project design, but not in project identification. According to a recent evaluation of aid to ACP countries, participatory appraisal techniques and base-line studies are not yet common practice in project identification (BMB 1996: 37-38). Here the training courses on poverty aim to promote awareness and give practical advice on cost-effective appraisal techniques.

Aid management for the ALA region is less formalised than for DGVIII. The identification, preparation and appraisal process of projects and programmes in DGI-B differs from unit to unit. In the Asia department the responsibility for project identification lies mainly with the technical unit, while the desk officers for Latin American countries are responsible for identification up to the writing of the financing proposal. The projects are initially suggested by the partner's government, and then identified by the desk officers, however there are no standard formats as in DGVIII. According to the country there is an enormous variation in the quality and the poverty focus of these proposals. There is no body for screening proposals for their poverty focus. All projects above 1 million ECU have to be approved by the PVD-ALA committee. This committee has never blocked a project for lack of poverty focus, but it examines the technical nature and the sustainability of the project. So far, no training has been organised for DGI-B desk officers on what instruments and techniques to use to ensure already in the identification phase that the needs of the poor are targeted.

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<sup>62</sup> In principle, all of the above mentioned project and programme proposals should be discussed with regard to priority objectives stated in the NIPs.

### *Execution of projects and programmes*

Except in the field of humanitarian aid, the Community does not have its own implementation agency, but relies on the partner country's institutions or local NGOs for executing projects and programmes. Therefore, the choice of appropriate partner organisations and consultants becomes a crucial factor for the poverty-orientation of interventions. The training sessions DGVIII organises on poverty aim to make staff more aware of the relevant qualifications to look for with consultants and the techniques to include in their terms of references. In DGI-B, the Latin American Directorate has published a 'field manual', including a code of conduct for external consultants, a standard format for service contracts, etc., which is currently being updated. To what extent this update will systematically point to poverty concerns is not clear. In the absence of general rules or guidelines from the directorate, it depends on the desk officers to what extent local organisations are an active participant in the execution of the programme.

### *Monitoring, evaluation and feedback of experiences*<sup>63</sup>

The 1993 Council resolution on poverty emphasised the importance of participatory assessments of assistance, but did not provide any guidance on instruments. Although there is a broad consensus that monitoring and evaluation are vital for ensuring a better effectiveness of Community aid and institutional learning, the development of standardised instruments is still in an initial stage.

Monitoring of Community aid has been described as rather weak in recent studies (Koning 1997: 141, 21; BMB 1996: 63). There are no standardised formats and procedures for monitoring, but rather a variety of systems within the directorates, which according to Commission officials, arise from the need to take account of the specific nature of work of the directorates. In interviews, officials of the Court of Auditors expressed the view that this lack of standardisation and rigour in the application of existing modalities and a pre-occupation with timeliness of execution, depletion rates and physical quantities (e.g. number of roads built, acres under cultivation etc.) make it difficult to trace project impacts on poverty.

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<sup>63</sup> In accordance with the terminology of the Commission, monitoring is a management tool, which relates progress of projects and programmes to planned results with a view to enable action in order to achieve objectives. Monitoring can take place at all levels of management. Evaluation refers to the assessment of the extent to which a project or programme achieves its purpose and contributes to its overall objective.

In ACP countries, monitoring is largely the responsibility of the recipient organisation and national authorising officer. The EU delegation and the technical units of DGVIII provide assistance and supervision. In practice, this appears to be an area where 'joint management' leads to an unclear division of responsibilities and a rather limited attention being given to a systematic monitoring and reporting in general and poverty-relevant aspects in particular. Staff in the delegations and headquarters is often preoccupied and overburdened with administrative aspects of aid management, while attention of local authorities often concentrates on financial and technical aspects of implementation. For Asia and Latin America, where delegations and headquarters have even less staff than desks and delegations for the ACP countries, project monitoring is the shared responsibility of the technical units in Brussels and the implementing consultants/organisations. The Latin American Directorate is actually preparing a manual on 'self-monitoring' for the projects. The objective is to introduce a proper methodology for monitoring and to convince the implementing organisations that monitoring is a useful management instrument.

Both, DGVIII and DGI-B have made efforts to develop a database that would amongst others allow to monitor the potential relevance of interventions for poverty reduction. A plan existed in the Asia directorate of DGI-B to develop a database recording system for poverty reduction activities of the Community in that region. This database would indicate by means of a 'Poverty Alleviation'-label whether the intention of the project was to reduce poverty and whether this was explicitly mentioned in the financing proposal, and whether the project/programme was directly or indirectly targeting assistance to the poor people. The objective of this exercise was to get an idea of the intended impact on poverty reduction of the projects agreed. Apparently, this plan has not materialised yet, and the interviewed desk officers were unaware of the existence of such a database, nor did they have any guidelines on how to code their projects or what criteria to use to determine the poverty focus. DGVIII initiated a Project Information Control System to keep record of all EDF-financed projects in 1994. This database is mainly used for financial monitoring of projects and it stores information provided in the project identification sheets and is less refined than that of the Asia directorate with regard to the poverty concerns. Nevertheless, when fully operational, this information system will allow a project's *intended* poverty orientation to be monitored at three levels: at the level of overall and specific objectives, the level of target groups and on the basis of the poverty marker, which has only been recently introduced. Due to a lack of human resources, only new activities under the 8th EDF have been systematically updated and labelled with regard to poverty, so that no meaningful monitoring results have yet been extracted. With the stronger focus on support for structural reforms and sector policies, there are plans to concentrate more technical assistance on strengthening the partner country's own capacities to monitor aid impacts on poor people and HSD in general.

Evaluation has been more systematic than monitoring. DGVIII's evaluation department has expanded substantially since 1992 and so has the number of mid-term and final evaluations for programmes and projects (more than 500 by 1996). Ex-post evaluations have been added to the toolkit, but have not yet been carried out on a systematic basis. There is evidence that since the introduction of PCM, variations in terms of references and report structure are less pronounced, but there is still no standard assessment of project performance from which comparative analysis could be carried out. In addition to evaluations for concrete interventions, cross-sector studies on specific themes have been carried out, for instance on agricultural cooperation, health and tropical forestry. These evaluations contain much information on the strengths and weaknesses of the Community's approach towards poverty in a concrete sector and make practical recommendations for improving the effectiveness of instruments and mix of interventions. Furthermore, a thematic analysis of evaluation reports since 1993 shows that the proportion of evaluations on aid to the social sectors and HSD relevant themes has gone up.<sup>64</sup>

The evaluation of the effects of structural adjustment programmes on poverty is still rare, often very vague and usually limited to counterfactual conclusions (the poor would have been worse off without the SAP) (White 1996). Evaluating the impact of SAP on the poor and on social indicators remains very controversial. In addition, it is practically impossible to measure and isolate the impact of the EU contribution to these programmes and 'priority sectors',<sup>65</sup> given the lack of reliable data on actual expenditures. The low quality of statistics and the poor quality of data collection in many LDCs make investment in local statistical services or alternative sources of information a prerequisite for impact assessments.<sup>66</sup>

Before September 1996, the evaluation services of DGVIII were also responsible for all evaluations concerning the ALA countries. Now DGI-B/E/3 is responsible for the mid-term, final, ex-post, sectorial, thematic, national and global evaluations. This unit

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<sup>64</sup> For detailed information see European Commission 1997. Evaluation Inventory, 5<sup>th</sup> edition, Brussels.

<sup>65</sup> The Court of Auditors 1995 evaluation of the Commission's support to SAP did criticise the Commission for not defining what a 'priority sector' (e.g. education and health) means in terms of percentage of total support. It observed that for some countries (Ethiopia, Tanzania and Zimbabwe) 100% of the SAP support went to the priority social sectors, while in some countries in the CFA zone, this 'priority' is badly reflected in percentage terms given that important sums were used to repay public and private debt (Benin, Burkina Faso and Cameroon).

<sup>66</sup> Cour des Comptes, Rapport Annuel relatif à l'exercice 1995, accompagné des réponses des institutions, OJ, C340 du 12 novembre 1996, Art 12.69

of four people works closely with the technical units and uses mainly outside consultants to execute the evaluations. Currently DG1-B/E/3 participates in the reflection that is taking place at the level of the OECD and DAC concerning standardisation and improvement of aid evaluation.

The Commission's heavy dependence on consultants and high rotation of staff between DGs poses constraints to institutional learning (Cox, A. et. al. 1997: 48). Information on feedback mechanisms is limited. Potential feedback mechanisms include the dissemination of summarised evaluation, seminars, steering group meetings and the Quality Support Unit of DGVIII (Koning, A. 1997: 140). Initiatives to collect and document experiences with poverty reduction have recently been taken in specific fields of cooperation, such as rural development, in the context of the reorientation of sector policies (Commission 1998b). However, it seems that the question of mechanisms for a systematic communication and feed-back of experiences in poverty reduction geared to the particular implementation structures of Community aid has not yet been addressed more systematically.

In 1995, the Council of Ministers decided upon a comprehensive evaluation of the Community's aid programmes. According to the terms of reference, poverty reduction would be an important topic for evaluation. The first phase of this evaluation has shown the limited amount of information available on the poverty-orientation of aid management and impacts at the Community's headquarters. According to evaluators, an important reason for this might to be a lack of demand for such information from stakeholders, including ACP policy makers and authorities. Consequently, there are no real incentives to monitor the poverty-orientation of operations.

DGVIII's evaluation unit is aware of the limits of the present system. However, it emphasises that the first step is to ensure a more systematic consideration of poverty issues in the earlier stages of the project cycle, e.g. through differentiated target groups analysis, incorporation of poverty concerns at the level of project objectives and their translation into indicators and results that can be monitored and assessed. Furthermore a more systematic incorporation of the objective of poverty reduction in NIPs and RIPs only started with the programming of the 8th EDF. The evaluation unit considers it therefore too early to conduct a cross-sector assessment of projects or programmes with regard to their impact on poverty.

However, the incorporation of poverty concerns into evaluations is not only a question of objectives but also of techniques. Proposals to reform present procedures are under discussion. However, so far no agreement has been reached on how project impacts on poverty should be measured, i.e. what indicators and techniques to apply (quantitative methods, rapid appraisals etc.) and at what level (national, sector or project level). Further work aimed at introducing integrated procedures and indicators for determining the global impact of EU aid in a given country is presently under

consideration and the DGVIII is actively pursuing an exchange with other donors of the DAC and a coordinated approach to this issue. As the European Parliament recently pointed out, a more harmonised approach to evaluation would be useful in order to have an indication of the overall impacts and comparative effectiveness the Member States' and the Commission's efforts for poverty reduction (European Parliament 1998).

#### 4.5 Transparency and accountability

Since poverty has become a new focus of the Community's development assistance, European NGO networks have regularly asked for a greater transparency on the Community's efforts for poverty reduction. In a number of publications they have criticised the lack of standardised and systematised information on relevant activities of the different directorates and their impact. They argue that this is among others a direct consequence of the fragmentation of competencies and lack of horizontal coordination between the Commission directorates. In their view, the lack of consolidated data and standardised reporting procedures make comparisons between programmes difficult, which in turn *'reduces scrutiny by and therefore accountability to Parliament and the public'* (Liaison Committee 1996: 25).

In principle, DGVIII is accountable to the Council of Ministers, the representatives of Member States, the national Parliaments, the Court of Auditors and for aid under EDF also to the joint EU-ACP institutions for the compliance of its activities with the objectives of art. 130u. DGI-B is accountable to the European Parliament, the Council of Ministers, the Court of Auditors and to joint committees made up of representatives of the Member States chaired by the Commission. So far, there are no specific provisions or standard procedures for reporting on poverty to these institutions. DGVIII's evaluation reports, some of which contain relevant information, are publicly available, but there is little aggregate data on the poverty-orientation and impact of the Community's aid programmes. This may be largely due to the lack active request of such information by these institutions and by other stakeholders.

DGVIII and DGI-B are aware of the need for more transparency of its efforts with regard to poverty reduction. A number of documents which aim to give a more comprehensive account of these efforts are presently under preparation. While these efforts may contribute to the Community's accountability vis-à-vis the above-mentioned institutions, relatively little has been done to increase wider public accountability. The Community's approach puts great emphasis on the principle of ownership and the participation of local actors of the civil society in formulating, implementing and assessment of pro-poor development strategies. A crucial question in this context is how to improve the Community's accountability vis-à-vis

beneficiaries and other stakeholders, who might not have little access to official information or live in countries where political accountability systems are weak.

## **5. Coordination between the Commission and the Member States**

The Commission's Communication on the fight against poverty presented policy and operational coordination of the Community and Member States' efforts for poverty reduction as a means to improve the overall effectiveness of aid. In its resolution on poverty of December 1993, the Council subscribed to this view. In a first step, the campaign against poverty was made a priority area for operational coordination between the Community and its Member States. A more substantial consensus on coordination of policies could then be reached in a second step. The Commission was asked to consult a group of experts from the Member States and develop more specific proposals for coordination that would allow it to quickly implement operational coordination on a trial basis in a small number of developing countries (Council 1993c: 225). At the same time the Council passed a resolution on procedures for coordination (Council 1993d).

At the end of 1994, the Council identified seven countries in Africa, Asia and Latin America for a pilot exercise in operational coordination with regard to poverty reduction, i.e. Ghana, Mozambique, Ethiopia, Mali, Bangladesh, Nicaragua and Peru.

The following areas of coordination were subsequently agreed on by the Council:

- Assessment of the impact on poverty of EU aid policies and programmes;
- Dialogue with the recipient authorities on development policy and concrete measures in specific areas of cooperation;
- Coordination in international fora.

In consultation with the expert group, the Commission prepared detailed guidelines for the implementation of operational coordination. According to these guidelines, efforts to strengthen operational coordination should follow the following methodology (Commission 1994 d):

- (i) Assessment of nature and distribution of poverty in each country;
- (ii) Review and sharing of experiences and knowledge acquired in the field;
- (iii) Strategic and operational planning on the basis of assessed needs and HSD priorities;
- (iv) Allocation of responsibilities between the EU Member States and the Community.

It was not anticipated that extensive original field studies would be undertaken, but the poverty assessments should build on existing information on the poverty situation

and national policies. For the review of experiences, the exchange of information among EU donors was put up front. At the same time, the methodology stressed that more concrete measures, such as the establishment of a database and exchange of lessons to form best practise for the particular pilot country should follow. Regarding the division of tasks and responsibilities, it was agreed that one lead donor would coordinate the exercise in a particular country and set aside the necessary resources.<sup>67</sup> Furthermore, coordination should follow a differentiated approach and take due account of existing efforts for poverty reduction and relevant donor interaction (Commission 1994d: 3).

According to the methodology, gender analysis would play a crucial role in the poverty assessments and the planning of initiatives (Commission 1994d: 6). The 1995 Council resolution on gender then explicitly asked the Commission and Member States to integrate the gender question in the pilot exercise on poverty reduction. In 1996 the expert group on gender decided to concentrate first on three of the above mentioned countries, i.e. Peru, Nicaragua and Mozambique (Commission 1997c: 20). The coordination exercise was originally scheduled for a total period of 1 year with the Commission preparing a mid term and final review. On the basis of these country experiences, the Commission and Member State experts would then propose guidelines for policy and operational coordination in the field of poverty reduction to the Council that would be binding for the Community's and the Member States bilateral programmes.

For a number of reasons the pilot exercise was rather slow to materialise. One reason was that the EU and the Member States wanted to make sure that the recipients would be in the driving seat in order to ensure ownership of poverty-reduction strategies. Thus preference was given to support government initiatives for donor coordination. However, in many cases these were hampered by a lack of capacities with partner authorities or competing competencies within the local administrations. Other causes for delays were limited human resources and differing administrative requirements of Member States plus their reluctance to coordinate outside established fora of donor coordination. As for the integration of gender questions, the Commission had asked the Member States to provide information about their respective activities in the pilot countries and disseminated reports of the regional consultants who had followed up the progress in the three above mentioned countries. However, there was little reaction from the Member States.

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<sup>67</sup> i.e. at least one person in its delegation with the responsibility to follow up the exercise. This could be the EC delegation or another donor who had been particularly active in the analysis of poverty or support to relevant programmes.

The 1996 interim report on the pilot exercise shows the relevance of the case by case approach recommended in the 1993 Council resolution and the limitations of a general methodology to operational coordination for all countries. The Bangladesh and Mozambique experiences can be cited as two extremes in this context. In Bangladesh, a country with a long tradition of national poverty reduction programmes, the EU's challenge has been to find its niche and be accepted as a partner in dialogue. In Mozambique it became clear that policy dialogue might only become feasible after coordinated long-term investments of EU donors in recipient capacities for poverty-oriented policy formulation and implementation.

Interviews showed that individual views on the results and usefulness of the exercise in operational cooperation by Commission staff varied. However, on the whole there seems to be a consensus that the present approach to coordination has to be reconsidered. While it was emphasised that the experiment has contributed to a wider exchange of information, mutual learning between European donors and a better knowledge on the feasibility of certain approaches, it has apparently shown a number of contradictions. There was a feeling that at a stage, where the Commission and some Member States were still in the initial stages of operationalising their approaches towards poverty, it was too premature to expect much progress. Thus, it might be more effective to concentrate on other measures, such as coordination in training and capacity-building in donor administrations. Representatives of ACP countries tended to emphasise that the pilot exercise had not been conceived in a demand-oriented way and did not necessarily respond to the national development priorities of the pilot countries. In fact, in ACP countries funds for this exercise are provided from the EDF and the selection of the pilot countries was not based on demands from the partner governments.

In June 1997 the Council drew conclusions on the pilot exercise on operational coordination. In the conclusions the Council drew attention to differences in progress made between countries, but recommended that *'operational coordination should be strengthened in all developing countries ... on the basis of new guidelines to be drawn up by the Council in collaboration with the Commission'* (Council 1997d: 10). It emphasised the need to take account of lessons learned, in particular the need to strengthen the partner's capacities to take a lead role in donor coordination, to link EU coordination to other existing coordination mechanisms and to strengthen coordination at the sector level.

The British government, which held the Council presidency in the first half of 1998 has put poverty reduction and coordination on this issue high on its agenda. In March 1998 it organised an informal seminar at ministerial level, where the experiences of the pilot exercise were discussed. A forward-looking paper which will build on the lessons of this exercise and identifies future scope for action was in preparation at the time of writing.

## 6. Conclusions and outlook

The Treaty of Maastricht has made the campaign against poverty a global and central objective for the Community's aid policy, the poverty focus of the Community's aid policy has been strengthened. In the follow-up of the Horizon 2000 declaration, strategic principles and lines of intervention have been agreed. More systematic efforts have been made to translate this consensus in sector and regional policy documents and to review aid instruments for consistency. Although the original timing has not been followed strictly, the definition of a time-frame in the follow-up of the Horizon 2000 Declaration has certainly put pressure on the Member States and the Commission to define and specify the Community's approach towards poverty.

Progress at the operational level is slower to materialise. Reasons for this include the lack of human resources for operationalising the new approach and the relatively low level of awareness and internalisation of jointly defined policy guidelines by the Member States and the partner countries. Moreover, the fragmentation of responsibilities and different approaches to aid management within the Commission limit opportunities for institutional learning and homogeneity of approach.

Nevertheless, there are good chances that poverty concerns will remain high on the Community's agenda. Most Member States have now an explicit and more transparent poverty focus in their bilateral aid policies; the British government has made coordination on poverty reduction and DAC targets a main theme of its presidency in the first half of 1998. Furthermore, the discussions on the Commission's Green Paper have clearly shown that Member States want to focus ACP-EU cooperation more strongly on poverty. They are willing to rethink cooperation and promote innovative approaches to render assistance more effective.

The Lomé Conventions have always been considered the centrepiece of European aid. How the objective of poverty reduction will be integrated and addressed in the future framework for EU-ACP relations might therefore be decisive for the poverty-orientation of the Community's whole aid programme. The Commission's draft mandate for the upcoming negotiations looks promising. It contains a clear commitment to poverty eradication as the priority objective and proposes to put this objective at the centre of future frameworks for development cooperation. It also recognises that a greater impact of aid requires wider popular participation in and ownership of poverty reduction efforts.

There are still conceptual differences with regard to the causes of poverty and strategies, which have always been a major issue of contention between the Community and the ACP. At the moment, it seems rather unlikely that the

Community and its Member States will openly discuss their policies in the field of trade, agricultural and international finance with regard to poverty in a political dialogue with the ACP group or at the country level. What might be important for the effectiveness of the Community's present poverty reduction efforts are procedures and a sufficient degree of flexibility within the Convention that allow for country specific approaches targeted to different poverty situations.

On the basis of the preceding analysis, the following options for strengthening the poverty orientation of the Community's aid programmes emerge:

### **6.1 Follow more participatory approaches to development cooperation**

It has often been argued that poverty is too important an issue to be addressed through forms of cooperation that limit the participation of important stake-holders, such as non-governmental actors and other representatives of the emerging but still fragile civil society. The Commission's proposals for the upcoming EU-ACP negotiations recognise the need to strengthen direct cooperation with non-state actors, while putting great emphasis on the promotion of a social dialogue between government authorities and civil society at the national and decentralised level. Although these proposals and the few modalities suggested are very much based on European models and experiences, they show the willingness to more consistently promote participatory development in the future. In this context, it might be important to assess to what extent civil society organisations that can effectively represent the interests of poverty groups in a policy dialogue at the national level exist in the poorest ACP countries. Since the poor often lack capacities to organise and articulate their interests and needs vis-à-vis national authorities and donors, a new framework for cooperation should pay particular attention to strengthening these capacities. Facilities for 'decentralised cooperation' provide opportunities for pro-poor capacity-building and the promotion of a social dialogue. The great challenge will be to operationalise decentralised cooperation as a new approach for a wider use by the Commission.

### **6.2 Adapt aid management systems**

To ensure an effective poverty focus in all aid programmes, it is crucial to pay more attention to operational issues from the beginning. The following options might be worthwhile considering:

### *Clear directives and incentives for poverty-oriented aid management*

The preceding analysis shows that there is still considerable uncertainty about the practical implications of the Community's poverty focus with Commission staff. Thorough analysis of target groups, beneficiary participation in project identification and evaluation, and a real policy dialogue on poverty with partner authorities and non-state actors might not be sufficiently rewarded under the present system of aid management. Clear directives and incentives from senior management might be an important precondition for ensuring a greater concentration of efforts on poverty reduction; this includes shifts in the allocation of resources to awareness building, training and development of appropriate tools and instruments for poverty-oriented aid management.

### *Investment in back-stopping and feed-back systems*

Administrative directives and one-off training sessions can certainly contribute to raise awareness about the Community's approach and innovative techniques for aid management. However, to ensure incorporation of poverty concerns in day-to-day management it might be necessary to invest in back-stopping mechanisms. Experiences with operationalising the Community's gender approach might be instructive in this context. Furthermore, it seems important to review the effectiveness of present reporting and feed-back systems with regard to a more systematic communication and integration of lessons learnt in forward planning. Given the Commission's strong reliance on consultants particular attention should be devoted to cost-effective instruments to capitalise and obtain feed-back from their experiences.

### *Monitoring and evaluation of poverty reduction efforts*

In principle there is a growing consensus that operations should be monitored and assessed in a participatory way with regard to their impact on poverty. In practice, monitoring of the Community's assistance still appears to be quite weak and the impact on poverty is rarely assessed. However, without a close follow-up of poverty reduction efforts, little can be said about the effectiveness of aid and the poverty orientation of cooperation. Besides, beneficiary participation in the assessment of aid is often not feasible without a prior investment in their monitoring capacities.

One might therefore argue that commitment to poverty as a priority objective should go hand in hand with clear provisions for building capacities for bottom-up monitoring and evaluation of impacts. This seems particularly relevant in view of present calls for performance-based aid allocation.

### *Improve statistical and information systems on assistance for poverty reduction*

Statistical data and other information that would provide an overview of the Community's efforts in the field of poverty reduction are still sparse. Although few aid administrations provide such data in a systematic way, investment in improved and more homogeneous statistical systems that give an indication of the different directorate's efforts towards poverty reduction, seem not only essential for external accountability, but also for a truly global approach towards poverty reduction. The documentation of the efforts of the Commission's different directorates to implement existing resolutions in the framework of the ongoing evaluations of the Community's aid programmes might be first step into this direction.

### *Decentralisation of aid management*

The draft mandate for the ACP-EU negotiations signals a certain willingness to devolve responsibilities from the Community's headquarters to the Delegations and their partner-organisations. One might indeed argue that a country-specific approach to poverty that gives high priority to pro-poor policy dialogue, interaction with grassroots organisations and beneficiaries participation requires sound first hand knowledge on the realities of the poor. Delegation of decision-making powers and sector expertise to the field and the strengthening of delegation's capacities for dialogue and joint monitoring with recipient authorities and non-state actors at different levels (beneficiary, programme and policy level) might be necessary in this context.

## **6.3 Pursue a greater consistency between the Community's and the Member States' efforts for poverty reduction**

Although the pilot exercise on operational coordination has been criticised for its lack of demand-orientation, it has promoted an exchange of experiences between the Member States and generated knowledge on the constraints to poverty-oriented aid implementation in specific country contexts. In principle, all parties involved recognise that an effective approach towards poverty reduction is a coordinated approach. Therefore, it is important that the Commission and the Member States continue to pursue a greater consistency in their efforts for poverty reduction. On the basis of the experiences of the pilot exercise, one might argue that efforts to strengthen coordination should concentrate on building capacities in countries where the government shows a clear political will and interest to coordinate and integrate

external assistance for poverty reduction in a national approach. Cooperation in the field of monitoring and evaluation techniques might be a first step to consider for strengthening the transparency and accountability of European aid for poverty reduction.

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