

# Striking the right balance: The future of NAOs in ACP-EU cooperation

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# Table of contents

1	Background	1
2	The importance of National Authorising Officers in ACP-EU cooperation	2
2.1	The NAO system	2
2.2	Changes in the roles played by NAOs	2
3	Implementing conditions in ACP countries	4
3.1	First challenge: focusing NAOs on the right tasks	5
3.2	Second challenge: joint management under attack	5
3.3	Third challenge: structural constraints imposed by the EU	6
4	Efforts made to improve the situation	8
4.1	NAO commitments to improving the management and implementation of EU external aid	8
4.2	The European Commission's response	9
5	Building blocks for effective cooperation between NAOs and EC Delegations	10
5.1	Positioning NAOs within ACP governments	10
5.2	The mandate of the support units	10
5.3	The role played by technical assistants	12
5.4	Improving the interface between NAOs and line ministries	12
5.5	Monitoring cooperation	15
6	Concluding thoughts: developing a medium-term to long-term NAO strategy to respond to the Paris Declaration	17
7	Bibliography	19



# 1 Background

The cooperation agreements between the 78 African, Caribbean and Pacific countries (ACP) and the European Union (EU), starting with Yaoundé and continuing through Lomé to Cotonou, frame the European Union's development assistance funded from the European Development Fund (EDF). Over the years, they have been praised for a number of progressive innovations and original features, including:

- **Partnership & ownership** – the ACP countries are responsible for their own development but Europe has a responsibility to assist them;
- **dialogue and mutual obligations** – in all phases from programming to implementation;
- **joint management** – ACP countries have a key role in areas such as programming, implementation and the management of financial resources.

Like its predecessors, the Cotonou Partnership Agreement (2000-2020) outlines the specific tasks and responsibilities of each partner in all stages of cooperation: in programming and strategy formulation, project identification, implementation, monitoring and evaluation. Its legal provisions stand out because they grant more authority to the recipient government than any other of the European Union's external assistance programmes, e.g. for Asia, Latin America (ALA) and the Mediterranean (MEDA). Whilst other EU development programmes allow for joint management, it is not as entrenched a principle. Rather, they approach joint management from a perspective of accountability and control mainly due to stringent EU budgetary procedures.

The Cotonou Partnership Agreement, on the other hand, seeks to strategically use joint management (also known as 'co-management') as a means of strengthening the capacities of recipient governments. In other words, the Cotonou Partnership Agreement is developmental in its logic and approaches joint management as a means of increasing effectiveness, sustainability and impact through enhanced institutional capacity. A National Authorizing Officer (NAO) in each ACP country plays a central role in joint management.

The policy objectives of the Cotonou Agreement are in keeping with international agreements aimed at increasing the effectiveness of development assistance, including Shaping the 21st Century and the related Millennium Development Goals (MDGs) for

poverty reduction and, most recently, the 2005 Paris Declaration. The key areas covered by the Declaration are:

- *Ownership* – reinforce country leadership over their development policies and strategies;
- *Alignment* – base donor support on partner countries' strategies; build and strengthen countries' capacities and systems to effectively manage development; continue progress on untying to get better value for money;
- *Harmonisation* – support donor coordination and reduce administrative burden by streamlining operational requirements and procedures, encouraging common arrangements and effectively sharing workload among donors (based on comparative advantages);
- *Managing for results* – manage resources and improving decision-making in support of development results
- *Mutual accountability* - shared accountability for development results.

The international community including the European Commission and all EU member states have committed themselves to this agenda with most action to date in the form of programme approaches such as general budget support, sector-wide programmes, and basket-funding.

Many ACP countries, on the other hand, are in the midst of defining and implementing the Technical Cooperation Frameworks under the 9th EDF, which includes ongoing capacity support to the NAOs and their support units. They are also engaging with EC delegations in negotiations and preparations for implementation of the 10th financial envelope under the EDF, making analysis and strategic vision for the future roles of NAOs a timely topic. Moreover, the revision of annex IV of the Cotonou Agreement provides an opportunity to look at the role of the NAO in the longer term.

## The purpose of this paper is threefold:

1. to raise awareness of the roles and continuing importance of National Authorising Officers (NAOs) in implementing the Cotonou Partnership Agreement;
2. to review existing recommendations and suggest some changes which might help make cooperation between NAOs and EC Delegations more effective, and
3. to suggest how in the longer term the NAO system would need to be transformed in order to meet the obligations of the Paris Declaration.

## 2 The importance of National Authorising Officers in ACP-EU cooperation

### 2.1 The NAO system<sup>1</sup>

A National Authorising Officer is a member of a national government of an ACP country – often supported by a special unit – who has been designated as being responsible for the management of EU aid. The NAO is thus the direct counterpart of the EC delegation and the main person responsible within ACP governments for the cooperation with the European Commission.

It is the right of the government of a partner country, as enshrined in the Cotonou Partnership Agreement (Annex IV, Article 35.1) and the preceding Lomé Conventions, to appoint a NAO to represent it in its dealings with the EU. Usually, the position is given to a senior member of the government, often of ministerial rank. In 2003, almost half of all NAOs were Ministers of Finance, 20% were Ministers of Planning, 8% were Foreign Ministers and 23% were other government officials. In some ACP countries, NAOs oversee two ministries. For example, in Zambia, the NAO is both the Minister of Finance and of Economic Development. In Mauritius, he is the Minister of Economic Affairs and of Development, and, in the Solomon Islands, the NAO is the Minister of Planning and the Minister of Human Development. In some countries, the NAO has appointed a deputy NAO to assist in carrying out the extensive responsibilities of the position.

The NAOs are often supported by a special office, normally situated within the NAO's ministry and including financial, economic and thematic experts as well as administrative staff. In 2002, more than three-quarters of NAOs had such support units which often include local and international consultants.

The number of staff in NAO offices, their qualifications and their responsibilities vary enormously across the ACP region<sup>2</sup>. Many have very heavy workloads, a situation exacerbated by the large amount of time required to satisfy EC administrative needs and procedural provisions. In addition, the internal role and task division within ACP governments does

not fully correspond with the multi-faceted obligations and responsibilities of the Cotonou Agreement. This is not to suggest, however, that ACP governments should be expected to structure themselves around the priorities of such an agreement.

### 2.2 Changes in the roles played by NAOs

#### The Lomé Conventions:

Under the Lomé Conventions, the joint responsibilities assigned to NAOs meant that they were primarily confined to three parts of the project cycle. These tasks had to be performed either independently or jointly with the European Commission. They were:

- drawing up, endorsing and submitting a project dossier and financing proposal;
- tendering, signing contracts with contractors and authorising payments; and
- monitoring and evaluating projects and programmes.

Typically, the NAOs focused on financial supervision associated with project implementation and other implementation activities. They had only limited input to strategic planning and programming, and most NAOs were preoccupied with complex management issues including procedural problems and technical aspects of project implementation. In many ACP countries, NAOs continue to deploy their limited resources largely to handle these tasks, although the ACP-EU agreements have gradually become more and more political, participatory and programme-based rather than project-based.

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#### Notes

- 1 The data in this section is taken from European Commission. 2004. Working Paper—Orientation Note on the reinforcement of the National Authorising Officer System.
- 2 In Burkina Faso, the average amount of money handled per NAO staff member is EUR 109 million, in Senegal - EUR 101 million, Gabon - EUR 89 million, Tanzania - EUR 84 million, Benin - EUR 70 million, and Mali EUR - 63 million, Barbados - EUR 2.7 million, the Dominican Republic - EUR 3 million, Haiti - EUR 4.4 million, and Grenada - EUR 3 million. These figures do not tell the whole story in terms of workloads since much depends on aid modalities, sectors of interventions, presence of project implementation units, etc. The numbers do, however, illustrate the disparities among NAO/RAO offices in different ACP countries.



## The Cotonou Partnership Agreement

Most of the technical roles and responsibilities of NAOs and EC Delegations remained unchanged in the Cotonou Partnership Agreement (see box below). Some provisions of the Cotonou Partnership Agreement allot slightly more responsibility to partner countries (e.g. in preparing financing proposals, evaluating tenders, authorising payments, and monitoring and evaluation).

### Joint management and division of responsibilities under the Cotonou Partnership Agreement

Article 57 of Title I of the Cotonou Partnership Agreement, which is an extended version of Article 222 (Title 3) of the Lomé Convention IVb, assigns responsibility to ACP States for the following tasks in the assistance project cycle:

- defining the objectives and priorities on which indicative programmes are based;
- choosing projects and programmes;
- preparing and presenting the dossiers for projects and programmes;
- preparing, negotiating and concluding contracts;
- implementing and managing projects and programmes; and
- maintaining projects and programmes.

Further details on the responsibilities of NAOs are given in Article 35 of Annex IV to the Cotonou Partnership Agreement.

The ACP States and the European Commission have joint responsibility for:

- establishing guidelines for development finance cooperation;
- adopting indicative programmes;
- appraising projects and programmes;
- ensuring equality of conditions for participation in invitations to tender and contracts;
- initiating and evaluating the effects and results of projects and programmes;
- ensuring the proper, prompt and efficient completion of projects and programmes.

The European Community is responsible for taking the final decision on the funding of projects and programmes.

On top of these technical responsibilities, the Cotonou Partnership Agreement also introduces several new elements which have implications for the roles and tasks performed by NAOs. These include:

- Rolling programming, regular reviews and performance-based allocations imply a shift from aid entitlements to a performance-based partnership. Unless NAOs and Regional Authorizing Officers (RAOs)<sup>3</sup> are involved in the programming and review processes of Country Strategy Papers (CSPs), there is a risk that EC-financed programmes will be implemented in parallel with the ACP country's priorities rather than in support of them.
- Non-state actors (NSAs) are now empowered to participate in programming, although the individual positioning of the NAO vis à vis the EC affects how this is done in any one country. NSAs can also access financial resources from the EDF.
- Increasing use of budget support and SWAPs which will bring greater involvement of finance and line ministries in implementing CSPs and NIPs. The roles of internal coordination, dialogue, monitoring and evaluation of programmes implemented by other ministries will probably fall to NAOs.
- Negotiations on Economic Partnership Agreements (EPA) increase the importance of trade ministries and regional integration processes in each of the six ACP regions. Closer internal cooperation and communication between NAOs and trade experts will strengthen the negotiating position of the ACP countries.
- The increased emphasis on political dimensions including governance, human rights, democracy and rule of law combined with an international context preoccupied with both soft and hard security issues are results in more pressure for coordination among NAOs, foreign ministries and heads of state, especially in countries where better governance and security are high on either the government's or the EU's agenda.

Whilst objectives and policy intentions have multiplied in the Cotonou Partnership Agreement over previous ACP-EU accords, only in a small number of ACP countries have the functions of NAOs changed accordingly. Change is constrained by the reality that the Cotonou Agreement is just one of many international and national agreements that influence

#### Notes

- 3 The RAO is the ECs counterpart at the regional level of the ACP. The RAO and NAO have the same authorities and responsibilities and they perform similar tasks

the policies and priorities of ACP countries. In addition, most ACP countries have their own local and national development strategies and/or a Poverty Reduction Strategy (PRS) with their own review and consultation processes to follow.

Even though EU cooperation supports policy objectives of the national PRS, it still operates within its own logic and time frame, and with its own procedures for implementation, reviews and consultation. With one senior government official being the national NAO (often the Minister of Finance or Planning), it also gives one Ministry more influence over others, which can create internal tension. As the official government counterpart to the EC, the Cotonou Partnership Agreement ascribes coordination and facilitation tasks to the NAO that rarely fall within one Ministry – including review of EC specific programming, external liaison and consultation with NSAs on national development policies, internal coordination between line ministries on e.g. sector-wide programmes, trade negotiations and political dialogue. In PRS processes, these tasks span a number of different ministries. Unless the NAO and the NAO support office set up systems to liaise and facilitate the involvement of other ministries to fulfil these tasks as part of their regular responsibilities, the NAO system tends to work as a parallel consultation and reporting system to existing ones at the national level. This is bound to overstretch government personnel and could undermine national capacity.

The result is often a lack of coherence among different ministries with one adhering to one framework and another to a different approach. This creates inefficiencies, undermines harmonisation and encourages unconstructive battles for resources. External donors who insist on “their” agreements with each government inadvertently encourage this disconnect.

### 3 Implementing conditions in ACP countries

The reality of the contexts in which NAOs and EC Delegations operate is often very remote from the legal provisions and policy intentions of international treaties, in large part because of a variety of institutional settings and often unfavourable conditions. In many ACP countries, the context in which NAOs and EC delegations have to operate is characterised by:

- *High aid dependency.* Many ACP countries rely on development assistance for a large part of their recurrent budgets. This usually means that there are many activities and donors<sup>4</sup>, although the EU, including the Member States, usually represents more than 50% of the total aid receipts<sup>5</sup>.
- *Weak democratic governance.* Many ACP countries have few effective checks and balances to help to keep governments open and accountable.
- *Fragile institutions.* Increasingly, weak institutions and accompanying weak administrative capacity are seen as contributing to the poor development records of many countries. Even when their policies are well defined, there is often a wide gap between will and action.
- *Weak results culture.* Many ACP countries do not have a result-oriented work culture and the accountability of governments to citizens is often weak. Combined with limited statistical capacities, this can lead to difficulties in monitoring the results of policies and the impact of external assistance.
- *Instability, conflict and civil war.* There is a high incidence of poor governance in ACP countries which encourages instability and civil strife, undermines economic growth and exacerbates poverty and ethnic and religious tensions.

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#### Notes

- 4 Since in most highly aid dependent countries, the EU represents more than 50% of the flows, reducing the number of activities will require greater complementarity among the programmes of the Commission and the Member States.
- 5 This suggests that better coordination and coherence among the EC and the Member States would reduce the complexity for ACP countries.

The capacity of NAOs to manage the technical, coordinating and political tasks ascribed to them by the Cotonou Partnership Agreement depends on a number of factors, such as the socio-economic, political, organisational and administrative context, but also on the capacity of their direct counterparts, i.e. the EC Delegation. These factors place limits on what NAOs can and should be expected to do. There is thus a need to take the implementing environment into consideration when adapting the roles and responsibilities of NAOs and EC delegations in each ACP country. It is however crucial that ACP countries take the leadership and insist on mechanisms that firmly direct all donors into a coherent and comprehensive government-donor coordination. Too often have external donors insisted on their own ways of working and this has fragmented ACP governments, reduced the effectiveness of the external assistance and undermined development goals.

In addition, there are some str it the effectiveness of NAOs (and EC delegations) in their work:

### **3.1 First challenge: focusing NAOs on the right tasks<sup>6</sup>**

The 2003 COTA/GRET evaluation suggests that NAOs and RAOs are not focused on the most strategic tasks for the countries they represent. The report notes that:

- In general, NAO offices are geared towards financial and administrative tasks and have little or no input in the programming, preparation and appraisal stages, which are performed by EC Delegations.
- Most NAO offices participate only minimally in the preparation and performance reviews of the strategies (CSPs) and programmes (NIPs).
- The involvement of NAO offices in invitations to tender varies widely from full responsibility to a minimal role.
- EC Delegations tend to question the efficiency of

the systems of partner countries so TAs (technical assistants) often function as compliance officers and report to Delegations.

- Most NAO offices have not yet taken responsibility for monitoring and evaluation of their activities with the EC, reinforcing the Delegations' belief that priority should be given to control, timely implementation and financial accountability rather than learning, effectiveness and quality in the implementation of the aid.
- The NAOs and his/her supporting office often operate independently and in parallel to other ministries and divisions. There is limited coordination and cooperation with other parts of the government including line ministries.

There are few incentives for staff in NAO units or in EC delegations to change this status quo and most of the national offices are run much as they were before the Cotonou Agreement came into force. Few ACP countries are pushing for change and the EC's preoccupation with administrative compliance does not favour it. The result in many countries is what is seen as a bureaucratic culture with a high degree of risk aversion which together take precedence over results and any move for more effective use of the resources available<sup>7</sup>.

### **3.2 Second challenge: joint management under attack**

As mentioned previously, control and accountability in EU external assistance have tended to override the strategic and capacity-building elements of joint management. What was previously a delicate balance between the two dimensions has shifted due to internal EU processes and long-term changes in ACP-EU relations:

- The fall of the Santer Commission in 1999 due to corruption triggered a major reform of the Commission's departments and functions. Administrative changes in the management of the EU's external assistance coupled with new and tougher financial rules and procedures led to a tightening of the administrative regime in the European Commission. Whilst these processes and changes might make sense from the EC's organisational and administrative perspec-

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#### Notes

<sup>6</sup> Evaluation findings (cf. GRET, 2002).

<sup>7</sup> This comes out of 2003 and 2004 NAO meetings held in Brussels and in the 6 ACP regions. See also the Brussels Declaration on effective implementation of the EDF by NAOs and RAOs. 2003.

tive, they are difficult to reconcile with EU commitments to partnership, ownership and joint management in its external assistance. In other words, administrative logic at the EC has taken precedence over the strategic and developmental dimensions of joint management in external assistance.

- There has been a corresponding decline in the relative power of the ACP. The ACP countries enjoyed a relatively strong negotiating position during the early years of ACP-EU cooperation. This continued during the Cold War, when their emerging markets and natural resources became of crucial economic and political importance to European countries. This allowed the ACP countries to progressively negotiate far-reaching powers, leading to the inclusion of innovative partnership principles in successive Lomé Conventions. The ACP-EC agreements have handed a higher degree of decision-making powers to the ACP countries than most, if not all, other recipient-donor accords.
- EU interests in the ACP are no longer dominated by post-colonial guilt or geo-strategic necessity and the ACP negotiating position is weaker than in the past. As a result, ACP countries have to struggle to safeguard joint management and shared political responsibilities which they 'won' in the early years of ACP-EU cooperation. These are seen as a guarantee that the EU, and especially the European Commission, will respect the rights and roles of ACP countries in implementing the Cotonou Partnership Agreement.
- For many officials in national ACP governments, on the other hand, the concept of the ACP is dominated by a post-colonial logic that many have (or are trying to) depart from by more focus on national development priorities and regional integration.
- Another issue is that a co-managed system is slower than one managed by a single authority. In the context of pressures to deliver tangible results, the EC believes, and probably realistically so, that it can deliver faster by taking over programme implementation, especially in countries with particularly weak governance systems. Programmes supporting more politically sensitive areas - such as the deepening of democracy, support to Non State Actors, civic and voter edu-

cation etc. - can also be blocked or delayed significantly from benefiting from EC funding by ACP governments with weak governance systems who may perceive them as too threatening or controversial in nature. The principle of co-management often prevents the EC from intervening in these areas in a timely manner, leaving the EC to more technical areas of cooperation with less pressing timing (such as infrastructure support which can get government approval more easily). This said, development experience suggests that single authority management by the EU rather than co-management would undermine ACP influence and control as well as the strategic objectives of ACP-EU cooperation in relation to long term capacity development. The debate does, however, raise a fundamental conundrum between sometimes conflicting goals: short-term objectives of performance in project implementation and longer-term reinforcement of national capacity.

### 3.3 *Third challenge: structural constraints imposed by the EU*

NAOs, RAOs and EC Delegations have identified a number of structural constraints which are not specific to individual countries but are caused by the special context in which EC external assistance operates. These tend to be generalised across the ACP and include:

- Disbursement pressures from EU Member States and the European Parliament. Most if not all development agencies face pressures to spend their budgets within the fiscal year when funds are allocated. Because the EC significantly underspent its budget prior to 2004, this issue is particularly sensitive and politicians and other interest groups criticise the 'huge amount of unused resources'. Administrators are then under pressure to concentrate on speeding up disbursements rather than improving programme effectiveness or quality.
- The effect of EC/EDF procedures on the implementation of EC-funded programmes. Implementation is seen as driven by systems instead of policy objectives. As one senior EC official said, the European Commission is more concerned with 'doing things right, rather than

doing the right things<sup>8</sup>. The preoccupation with control and accountability in resource management often takes precedence, encouraging staff to make decisions based on expediency rather than effectiveness.

There are two layers of procedures. The first is the Financial Regulations for the EU budget, which form the over all framework for EU external aid, and were created with the purpose of spending resources in Europe and not in developing countries. In fact, there are formally two sets of regulations: one for the EC budget and one for the EDF. The financial regulations for the 10th EDF will be negotiated in 2007 and jointly approved by the EC and the ACP by the end of 2007 in order for them to be applied at the beginning of 2008. It is expected that the EC will push for these regulations to be identical to the EC budget financial regulations which was the case for the 9th EDF.

The second layer is the guidelines and handbooks which are the translation of the Financial Regulations, a process dominated by preoccupations with control and accountability mechanisms. Very few people who use EC/EDF procedures in developing countries have been involved in designing and revising these regulations and guidelines. These procedures are seen as user unfriendly and difficult to apply to politically sensitive and process dependent programmes. There is also little emphasis on the need to 'nationalise' these procedures, i.e. to involve partners from both the NAO office, line ministries and the EC delegation in a consultation on how these procedures are applied in the national context and how they fit in with other government processes and procedures. This in turn affects the quality of the programmes developed which often focus on what is possible within the regu-

lations rather than what is needed from a development perspective. The development impact of the resulting programmes suffers, especially in such areas as trade negotiations, regional integration, capacity building and governance.<sup>9</sup>

A 'projectised' approach to capacity support rather than systems strengthening. Related to the above point is the continued heavy reliance on capacity building support that is de-contextualised from the daily work and constraints of the NAO office, or driven by outside expertise in the form of expatriate technical assistance. Training sessions on EC procedures are often carried out for a small number of government officials out of the office (and often out of the country) and rarely pay enough attention to ongoing coaching, systems strengthening in the national context and in ensuring long term sustainability and national knowledge management. This can partly be explained by the way capacity support services are tendered for and procured, which often takes place in isolation of a more comprehensive national capacity building strategy. A more traditional approach to capacity building in terms of training sessions abroad also presents a window for allowances and incentives for national staff. This affects the way in which competitive bids for providing the services are evaluated and selected, prioritising short term gains rather than the more difficult and long-term goals of strengthening of national systems.

- Split of policy, programming and implementation within the organisational structure of the European Commission. The EC's development policy only covers – in practice – ACP countries and the tasks and responsibilities of officials are sometimes duplicated in more than one department. This has a negative impact on the delivery and effectiveness of the external assistance. The structure and mandates of European Council and the EU Parliament working groups and committees also tend to produce a piecemeal approach which does not foster coherence and consistency in the implementation of external assistance<sup>10</sup>.
- Upwards rather than downwards accountability. As with many donors, the EC's systems of monitoring and evaluation tend to accountability of the ACP country to the EC rather than accountability of the government to the citizens in that country. This undermines the social contract between citizens and their governments that underpins Western democracies.

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#### Notes

- 8 Statement in a meeting with NGOs in 2003.
- 9 See EC thematic and country evaluations for example the 2006 thematic evaluation of good governance by Jean Bossuyt. The EC has noted these constraints in several publications, such as the 2004 Mid Term Review Conclusions of Country Strategy Papers and in the 2003 and in the 2003 internal EC survey of implementation bottlenecks.
- 10 See for example 2005 Evaluation of the 2000 European Development Statement. The 2006 evaluation of the African Peace Facility also highlights these issues.

## 4 Efforts made to improve the situation

A number of initiatives have been taken in the past to improve ACP-EU cooperation. For their part, National and Regional Authorising Officers have committed themselves to an array of far reaching improvements.

### 4.1 *NAO commitments to improving the management and implementation of EU external aid*

In the 2003 Brussels Declaration on the Timely and Effective Implementation of the European Development Fund, the NAOs and RAOs committed themselves to:

- undertaking appropriate action to strengthen the capacity of NAO offices and line ministries;
- streamlining their decision-making processes and procedures with the view to ensuring the effective and timely implementation of EDF-financed programmes;
- ensuring the training and continuity of local staff of NAO offices and line ministries; and
- ensuring that sufficient funds for capacity-building are set aside in NIPs and RIPs.

In 2004, a list of recommendations for improving the effectiveness of NAO offices was adopted at a number of regional NAO seminars:

- Address the broader context
  - In order to succeed, ensure that capacity-building addresses the whole management chain and not just EC Delegations or NAO offices.
  - Ensure transparency and accountability in the management of EDF resources.
- Use and strengthen local systems:
  - Simplify EDF/EC procedures or use ACP governments' procedures. Cumbersome EDF/EC procedures require continual training, make it difficult to attract skilled staff and increase reliance on highly skilled TAs.
  - Minimise the use of TAs and increase permanent staffing to ensure sustainability and administrative capacity.

- Allot greater decision-making authority on human resource matters to NAOs. NAO offices should be able to decide on their own needs without requiring constant supervision by EC Delegations.
- Rethink the use of TAs. Change the responsibility of TAs so that they are used primarily for developing the capacity and skills of permanent staff rather than for line tasks.
- Increase use of partner countries' line ministries to implement programmes.
- Review staff remuneration in each national context. Salaries and the income disparities between nationals and expatriates are generally a contentious issue where there is expatriate technical assistance.
- Improve regional linkages:
  - Exploit the capacity of different NAO offices by rotating staff and TAs within a region.
  - Strengthen the links between NAOs and RAOs.
- Improve information flow
  - Ensure timely provision of and ready access to crucial information on the EDF. Improved communication with the European Commission can help considerably in increasing the capacities of NAO offices.
  - Increase the frequency of face-to-face meetings between NAO offices and EC Delegations.

## 4.2 The European Commission's response

Based partly on the above NAO commitments, in 2004, the European Commission launched a process for reforming the long-standing NAO system (European Commission 2004b). The EC proposed a number of actions as follows:

Actions	Objectives
Improve the positioning of NAOs in ACP governments.	Improved integration of EC-supported programmes into national systems for the management of public resources and improved coordination of internal and external resources, notably in the context of PRSPs (Poverty Reduction Strategy Papers).
Improve the interface role of NAOs and line ministries and promote the sub-delegation of responsibilities.	Simplification of aid management and increased ownership and responsibility of partner countries.
Set up systems for effective monitoring of cooperation.	Better collaboration between NAOs and EC Delegations by means of a commitment to a code of conduct formalising procedures and timetables, regular consultations, warning systems and the involvement of non-state actors.
Re-examine the role and mandate of support units	Improve coordination and the methodological and procedural support provided to NAO units, strengthen ownership on strategic issues such as planning, programming and monitoring, and reduce the role played by support units in the direct management of programmes.
Review the role of technical assistance and promote the use of local personnel and institutions.	Increase ownership by national governments and gradually phase out expatriate TAs.

Both the NAOs' own recommendations and the European Commission's proposals are sound initiatives. They encourage much-needed dialogue between NAOs and EC Delegations about the most appropriate organisational setting in each ACP country. Reform of the NAO system and joint management is, however, a delicate issue that has significant bearing on ACP-EU relations as a whole. Any changes should not be undertaken lightly or in a manner that dilutes the essence of ACP-EU cooperation.

However, as countries are implementing the NAO support packages under the 9th EDF and start to negotiate provisions for the 10th EDF, there is an opportunity to revisit some of these proposed actions and to take debates further on the future roles and subsequent support needed by national ACP governments in order to improve the effectiveness of the partnership.

Building on the recommendations made above, we suggest below some further actions which might be useful.

## 5 Building blocks for effective cooperation between NAOs and EC Delegations

### 5.1 Positioning NAOs within ACP governments

It is the right of the governments of ACP countries to appoint a NAO to represent them in their dealings with the European Union. However, neither the European Commission nor partner country governments have had clear criteria for selection of NAOs and ad hoc requirements combined with availability of staff appear to have been the principle determinants of who has been named as NAOs. Without clear criteria, including definition of the strategic issues, there is a risk that the NAO will be positioned in a way that undermines his or her capacity to play a strategic role. The box below suggests that this may be the case in Papua New Guinea.

#### **Papua New Guinea: the importance of the positioning of the NAO office**

In Papua New Guinea, the government structure which reflects the country's difficult political situation affects the NAO and his ability to play his role on the implementation of EC assistance. The NAO office is located in the Department of National Planning and Monitoring, which is not directly involved in aid management or coordination. The department has only recently gained this status, an upgrade from being an office within the Treasury. The Minister of the Treasury, who is also the Prime Minister, is the NAO, with four deputies to back him up. Of these, only one, a lower ranking official in the Department of Planning and Monitoring, is considered to be 'active'. This positioning undermines the ability of the NAO office to play a strong coordinating role with other ministries. Based on COTA/GRET (2002)

The European Commission has argued that positioning NAOs in a ministry or a department dealing with the management of internal or external resources (such as the department that is responsible for devising a Poverty Reduction Strategy) helps to integrate EU assistance into the government's planning and implementation cycles and to harmonise EU aid with aid provided by other donors. Information from EC

Delegations as outlined in table 1 below suggests that collaboration between an NAO office and other governmental entities has in the past worked best when the NAO has been located within the Ministry of Finance or Planning. This probably reflects the administrative focus of the time.

Given the evolving roles of NAOs, it may be useful to think about whether NAOs with a more strategic focus would also be best positioned in ministries of finance. In some countries, for example, Kenya, interactions with line ministries on EC-specific programming are normally the domain of the Ministry of Planning. When the Ministry of Finance takes this on, the interactions tend to be rather technocratic and finance-oriented and focus more narrowly on EC-specific programmes rather than addressing strategic questions such as programming priorities and how they feed into national poverty reduction strategies<sup>11</sup>. In addition, these discussions tend to take place outside of the political context of on-going interactions with non-state actors such as on Poverty Reduction Strategies and other government reform agendas..

The decision on how to position the NAO office needs careful consideration and there is no one right answer that will suit all countries. But decisions should take into account the need for a more strategic role for NAOs, rather than reinforcing past technocratic functions.

### 5.2 The mandate of the support units

In 2002, about 75% of NAOs had special support units to assist them. The number of staff in NAO offices, their qualifications and their project responsibilities vary enormously across the ACP region. Many staff members are occupied primarily with the administrative, procedural and routine tasks required to implement EC funded programmes. This kind of work requires a specialised knowledge of EC/EDF procedures, which, in turn, requires months or even years to acquire. Since ACP governments often move staff around frequently, it is difficult to keep the experienced staff who often leave before or shortly after they have acquired the expertise to fully take advantage of the cooperation with the EC. Consequently, there is still a heavy reliance on external TAs when it comes to EC/EDF procedures in the day-to-day work.

#### Notes

- <sup>11</sup> Based on experience of a former TA assigned to the NAO office in the Ministry of Finance in Kenya.



**Table 1:** Location of the NAO and collaboration with other stakeholders

NAO Office located in:	Cooperation / dialogue with:					
	Finance Ministry	Ministry of Planning	Technical ministries	Non-state actors	Other donors	EC Delegation
Finance Ministry	++	+	+	++	+	+
Ministry of Planning	--	+	o	-	o	o
Foreign Ministry	--	--	-	--	-	-
Other ministry	o	-	o	+	-	-

Key to symbols: + indicates effective cooperation; - indicates weak cooperation.

Source: European Commission (2003)

If ACP countries want their NAOs to take up the new roles implied by the changes to the Cotonou Agreement (see section 3.2), these officers and their supporting staff will need time within their busy schedules to take on more strategic issues. In many cases, this can best be done by moving the technical and implementation functions of EC assistance to line ministries. This would leave time for NAOs and their offices to focus on more strategic issues such as coordination, programming, performance reviews and dialogue. However, for this to happen, it is required for the NAO and their offices to also have the legitimacy and capacity to take up these roles, which is partly influenced by their positioning in the government (see above section), and partly by the type of capacity support provided to them. The realities in each ACP country would determine exactly how this could be done.

It would also be useful to better define the conditions under which the NAO or the Delegation should address certain issues, adapting the division of tasks outlined in the Cotonou Partnership Agreement to the realities on the ground. Such adaptation should be based on dialogue and agreement between the ACP government and the EC Delegation.

Related to this is the issue of information flows. Presently guidelines coming from Commission headquarters to the Delegations and the NAO offices often arrive late and in a conceptual formulation which is not well adapted to country contexts. The NAO offices (especially the ones which are quite technocratic as

mentioned above) find it virtually impossible to do this national contextualisation and to get the material out to line ministries and other stakeholders such as Non State Actors on a timely basis, much less conduct meaningful consultations on their contents before given deadlines. In the meantime, the Delegations may be working with line ministries and other stakeholders to work out agreements on programme priorities and allocations, for example, around revisions to the MTR. The NAO offices may well know little, if anything, about what is going on. Alternatively, the NAO office, which is primarily administrative in nature, is forced to sign off on strategic and content matters in which it lacks the necessary expertise.

Improved information quality and its flow would help to strengthen NAO offices in their coordination role with other ministries and increase the efficiency of the system overall. Some steps that could be considered include:

1. improved timeliness – getting guidelines out of EC headquarters well in advance of when they are needed.
2. greater appropriateness - adaptation by Delegations to the realities of the country before transmittal to NAOs, and
3. improved liaison with NAO offices – Delegations keeping NAOs informed so that they can play the role of “clearing houses” for information on their governments’ behalf and of ensuring coordination, harmonisation and alignment with existing government procedures. This would avoid situa-

tions where they receive “admin requests” from ministries for inclusion in national budget and planning with no prior knowledge.

Such an approach would strengthen the role and the value added of NAO offices as facilitators of technical discussions among the relevant parts of government including line ministries.

### 5.3 *The role played by technical assistants*

Most of the work of NAO offices is generated by the technical and administrative regulations which are specific to EC programmes and which have created a need for specialised expertise. In most offices, this is filled by expatriate technical assistance personnel as the chart below shows. In many ways, these TAs perpetuate the worst excesses for which technical assistance has been criticised for more than 20 years – one TA following another in highly paid positions with little or no development of national staff. In most NAO offices, highly paid experts are used to handle procedural issues rather than to share knowledge and facilitate learning in the public service of the ACP partner, i.e., build capacity. As a result, TAs have become permanent features of much ACP-EU cooperation, with the following factors contributing to this situation:

- lack of strategic vision and definition of the role of TAs,
- disbursement pressures;
- inadequate attention to medium-term objectives of building capacity and transferring knowledge;
- lack of incentive to change on the part of the ACP countries or the EC Delegations,
- understaffing of support units, exacerbated by the fact that national staff are often absent on training programmes, and
- departure of skilled staff for job opportunities in higher income countries or the private sector;

TAs could be used more strategically by involving them in strengthening the general capacity of the NAO offices to carry out the new roles specified in section 3.2 as well as in instructing and mentoring national staff to better understand the EC and the EU external policies. Such a shift would imply that TAs would require facilitation and communication skills rather than simply procedural or regulatory expertise. They would also need skills to help strengthen the capacity of national staff and to help them enforce national policy dialogues, not just pro-

viding administrative back-stopping. Such a shift in roles would imply that nationals would have to take on more responsibility for managing and implementing programmes. Such changes would require a clear country-specific vision of the role desired for TAs and a reformulation of their mandates away from inputs required to the national capacities to be developed.

This vision would benefit from a rethinking how to approach capacity building. The present system of sending NAO staff out of the office and often out of the country and training them in a de-contextualised manner on EC policies and procedures reinforces the need for outside expertise to manage the day-to-day issues. A system based more on learning by doing, including mentoring on a systematic basis, might be more effective. An overall and cohesive capacity building plan could also use short-term expertise more strategically and in a more targeted manner rather than relying on an external TA as a permanent feature.

The ultimate solution rests, however, in fundamentally rethinking how EC aid is delivered, including greater harmonisation with the systems of the country<sup>12</sup>. The present EDF regulations involve high transaction costs for both the EC and for the ACP. In theory, the Cotonou Agreement allows for EC programmes to be implemented using national systems in ACP countries but, in fact, apart from budget support, we could find no examples of where this has happened.

### 5.4 *Improving the interface between NAOs and line ministries*

The ACP countries and the EC both emphasise the importance of improving the interactions, task division and coordination between NAO offices and line ministries and other government entities involved in the planning and implementation of EC aid. It is difficult for NAOs to fulfil all the responsibilities outlined in the Cotonou Agreement as noted above. This suggests that ACP governments and EC delegations alike have an incentive to agree on a more limited role for NAO offices. A first step could be to agree to restrict the activities of the NAO office in technical and financial issues related to the implementation of EC-funded programmes but increase its responsibility for

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#### Notes

- 12 EU Council Conclusions of June 30, 2006 on the Court of Auditors report on devolution underline the necessity for substantial revision of the EC’s implementing rules and procedures.

broader coordination, alignment and harmonisation.

Such functions are labour intensive and involve processes on two levels, as follows:

- **Internal processes**, including participation in formulation of government strategies, annual and multi-annual planning, the budget allocation process and related analysis and dialogue functions. In many ACP countries, this would imply that the NAO would coordinate the implementation of projects and programmes between different line ministries. Depending on the degree to which the NAO is willing and able to delegate responsibilities to other entities, this requires smooth and regular working relations with:
  - the foreign ministry (for political dialogue)<sup>13</sup>,
  - the finance ministry (for ensuring the efficient management and coordination of all development assistance and integration into the national budget),
  - the planning ministry (for formulating the role of EU aid in the overall national development strategy and the PRS),
  - the sectoral ministries (to help them attract resources from EDF funds set aside through the country strategy paper),
  - the national audit office,
  - the regional ACP organisation or organisations working on EPA negotiations, and
  - the ambassador and ACP Secretariat in Brussels
- **External processes** including the integration of external aid into the budget cycle (ministry of finance), monitoring in the form of annual, mid-term and end-of-term reviews (ideally harmonised with national reviews of the PRS) and ensuring harmonisation of EC assistance with that of other development organisations (usually managed by a department for external relations).

In relation to ongoing interactions with non state actors (NSAs), the NAO office is in itself often badly equipped and under-staffed to handle this. Again, existing systems for interactions between national governments and NSAs should be employed and strengthened within the relevant ministries or government departments

- e.g. through thematic sector working groups, or budget monitoring groups - rather than creating parallel consultation mechanisms.

The NAO office is a small interlinking unit between ministries who are the implementing actors. The role of the NAO office is to make government involvement in EC cooperation easier and to help line ministries attract resources. Hence it has a facilitation and information sharing role that should imply strategic involvement and dialogue with stakeholders. The figure shown below shows an NAO as an integral part of government and how it might relate to government departments to effectively play these roles. A number of ACP countries have succeeded in fully integrating NAO units into government structures along these lines and have ensured an effective task division with line-ministries. In South Africa, for example, the NAO office is the strategic, coordinating entry point for all relations with the EU and the EC Delegation. The norm is, however, usually quite different with many NAOs operating as extended project implementation units according to the EDF cycles.

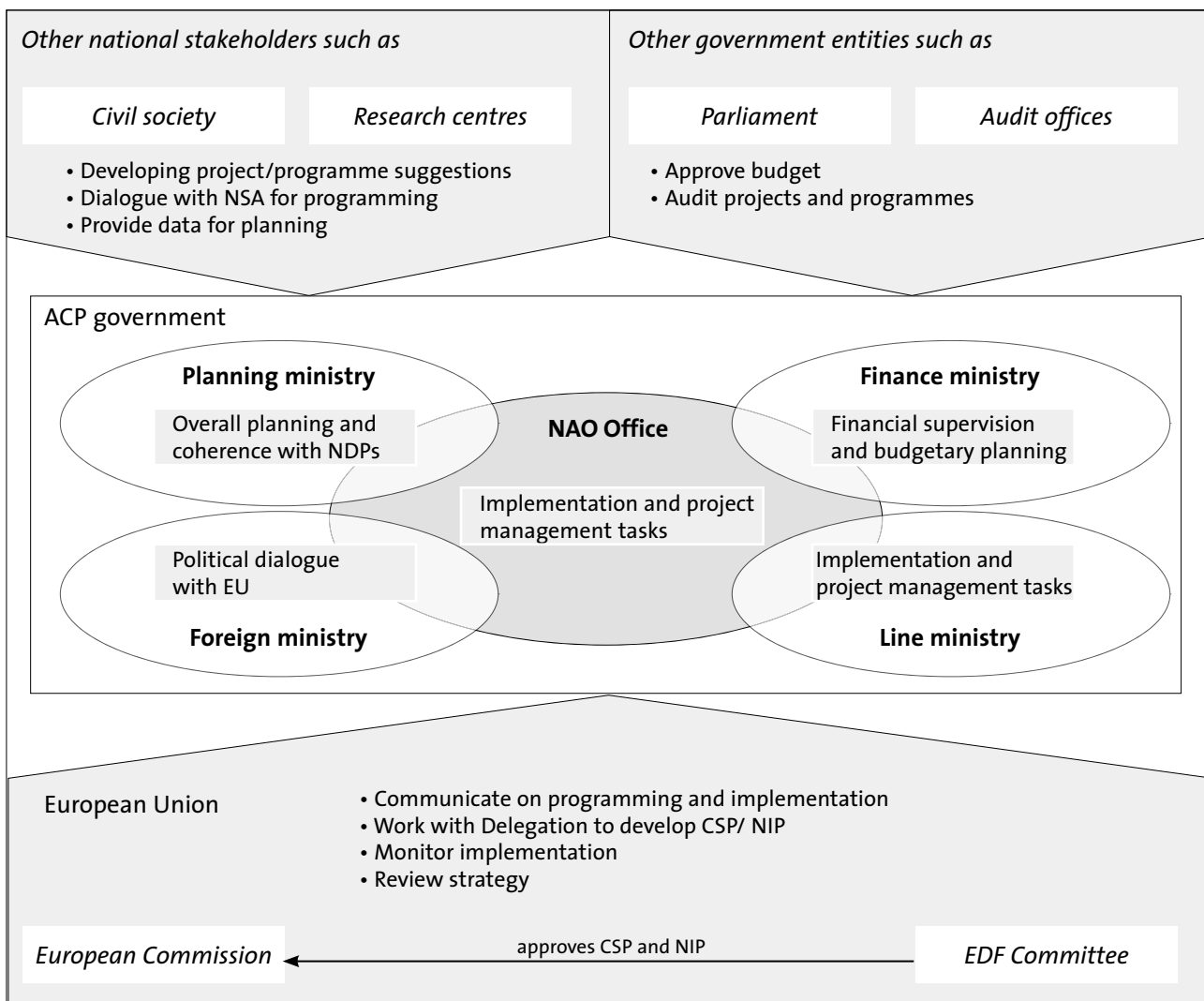
In this configuration, the identification, preparation and implementation of programmes to line or sectoral ministries would be the domain of line ministries. This allocation of tasks would encourage increased responsibility and ownership on the part of the public services of ACP countries, while simplifying the management of aid. It would also link the cooperation between NAOs and EC delegations to that between the ACP countries and the bilateral EU member states and hence encourage harmonisation among donors at the sectoral level. It must be recognized, however, that line ministries may well resist the additional administrative burden that such delegation implies, because of their own lack of capacity to take on the complexity of the EC regulations and implementation procedures. This might be counteracted by replacing the existing system of one or more TAs permanently in the NAO office with a TA team with different skill sets who could work across ministries to help strengthen their capacities.

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#### Notes

- <sup>13</sup> This link may well be the most critical role in terms of enhancing the strategic role of NAOs.

**Figure 1:** The coordinating role played by NAOs.



## 5.5 Monitoring cooperation

Different stakeholders have different purposes in doing monitoring and evaluation with the dominant one in development cooperation being accountability for funds by the recipient to the donor or development organisation. As the chart below indicates, each

purpose implies a different approach and it is difficult to combine two or more purposes into one approach. In addition, because of the time and resource-consuming nature of many M&E approaches focusing on accountability, they often squeeze out other valid objectives for M&E such as learning and domestic accountability.

### Purposes of M&E - Accountability to donors - Local accountability - Learning and improvement

#### M&E for accountability to donors

- The traditional type of M&E
- Donors determine the evaluation questions & evidence to be used
- External evaluators are the norm
- Undefined evaluation standards for capacity
- Capacity development (CD) viewed as a project/programme intervention
- Emphasis on quantitative indicators & impact assessments

#### M&E for learning & improvement

- Newer type of evaluation
- CD viewed as a continuous, developmental process
- Legitimacy is gained through building consensus
- Evaluation questions and methods determined internally
- Internally managed (self) evaluation
- Emphasizes participatory, constructivist, qualitative approaches

#### M&E for local accountability

- Probably the most important, but least practiced
- Experience in NGOs/mutual accountability processes
- Local stakeholders determine the evaluation questions & evidence to use
- Local evaluators / facilitators are the norm
- CD viewed as local empowerment or increased legitimacy
- Primacy of participatory, qualitative analysis

#### M&E for management

- Newer type of evaluation, emerging out of everyday management problems
- Concerned with improving management techniques and performance
- CD viewed as a management tool
- Managers want information for decision-making
- Monitoring must fit with schedule for decision making
- System must be perceived as fair

#### M&E for building capacity

- Purpose - to build national systems in public sector
- Process is the means
- Effectiveness depends on giving space to partners
- CD is about local empowerment
- Should encourage people to think strategically about their own organisation
- Primacy of participation, quantitative analysis

#### M&E for symbolic protection

- Arguably the real reason for much evaluation
- Erects a system with sufficient legitimacy to satisfy outside stakeholders
- Concerned with defending operational space
- Appearances more important than product
- Process contributes little of operational value

Because of the history of the Santer Commission, accountability and control have received a great deal of attention in the European Commission, although it should be noted that many development organisations are similarly preoccupied. The literature suggests that such a focus results in minimal learning, has little impact on programme planning and is largely preoccupied with tangible outcomes to the neglect of key human qualities necessary for successful development outcomes<sup>14</sup>. Addressing these requires a more participatory approach to M&E and a focus not only on quantitative results such as roads built but on the developed capacity of nationals and national organisations to manage programmes, including non-tangible factors such as leadership, legitimacy and the relationships critical to strong institutions.

The literature shows that participatory evaluations have more developmental impact. The Paris Declaration calls for more involvement of nationals which the EC might accomplish through the following steps:

- Reinforcing the accountability link between ACP governments and their citizens, though greater involvement of national organisations, and greater transparency and dialogue.
- Doing joint evaluations involving nationals using evaluation approaches and frameworks which take into account national perspectives. This would probably result in more emphasis on learning and less on accountability.
- Doing joint evaluations involving other donors as peer reviewers using approaches agreed by the ACP country.

These proposals represent a departure from the past when donors, including the EC, have tended to insist on their own performance criteria and indicators. For example, the 2004 Mid Term Reviews of the ACP-EU country strategies focused on the EU's needs to collect data for cross-country comparison and accountability purposes. New systems need to be firmly linked to the NAOs overall role (i.e., internal and external coordination, programming, reviews, monitoring, evaluations etc.) and based on the governments own systems wherever they exist.

The changes suggested would need to be accompanied by support to NAO offices, focusing on changing their management practices and including the development of motivators for both junior and senior staff. It is also important that the management logic (i.e. the need for rapid disbursements) not take priority over a dialogue on capacity building and qualitative use of resources available.

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Notes

14 Watson (2006)

## 6 **Concluding thoughts: developing a medium-term to long-term NAO strategy to respond to the Paris Declaration**

The discussion above presumes that the NAO function should be maintained although with some modification to its role. There is another perspective on the issue, however, which comes out of the Paris Declaration. This accord is critical of project implementation units (PIUs) such as NAO offices which are seen as creating parallel systems to permanent government systems and drawing resources away from them. The Declaration commits signatories, of which the EC is one, to the reduction by 2/3 of the stock of PIUs by 2010<sup>15</sup>. For NAOs, this would probably imply either integration into the countries' aid management units so that these groups become the entry points for all external assistance whether from the EC or other development organisations or transformation into another role such as information centres, inter-ministerial convenors, etc. .

### **Types of project and programme implementation units**

The term project or programme implementation unit covers a broad range of functions and structures from private offices run by consulting firms managing large projects who hire specialised staff and use international systems (the model used most frequently by the Asian Development Bank) to units with a distinct mandate located within government departments, staffed largely if not wholly by government employees and using government systems (the model used e.g. in the Environmental Action Programme in Jamaica)<sup>16</sup>. NAO support units sit somewhere in the middle of a continuum between these two extremes: although they are nominally attached to government ministries, they use donor systems and often rely heavily on expatriate staff to interpret them.

In the short to medium term, the NAOs and their offices are essential for implementation of ACP-EU Cooperation and the European Development Fund. Phasing them out will not be possible until major changes are made to the current system for development cooperation within the Commission including the EDF/EC rules/procedures and the administration which applies to them. These are linked to the entire policy-project cycle and changing them will take time. The changes required would include:

- Ensuring that the NAOs help their countries exploit the potentials of the Paris Declaration by playing a more strategic role primarily focused on coordination, harmonisation and alignment including general donor (EC)-recipient dialogue and programming. Their roles should also include understanding the 'newest' trends in ACP-EC cooperation (political dialogue, EPAs, and aid modalities such as budget support) and where they could be most appropriately used. The change in role implied cannot take place overnight but a medium-term plan should include actions which gradually ensure that NAOs pay more and more attention to strategically important issues which involve all donors and not just the EC.
- Increasing the reliance on national systems for procurement, auditing, financial and non-financial reporting etc. In many countries and regions across the ACP, local systems need to be reinforced to enable donors such as the EC and EU member states to use them for delivery of their assistance. A gradual, integrated reinforcement to these systems is the first step in moving away from the use of EDF (or other donor) systems, procedures and programming documents.
- Moving away from Country Strategy Papers. Recent evaluation findings such as that done by the EU on programming strategies suggest that the Country Strategy Papers hinder effective alignment and donor harmonisation at the country level. The evaluation recommends as an alternative providing flexibility to allow more decision-making powers at the national level (e.g., NAOs and EC delegations) and thus encouraging the use of local systems.

#### Notes

<sup>15</sup> OECD 2005, page 9.

<sup>16</sup> Morgan (2004), page 14.

These points supplement the framework provided in section 5 which suggests a pragmatic analysis of what should/could be done within each of the five pillars: positioning of the NAO within ACP government, the mandate of the NAO support units, the roles and tasks of TAs, interface between NAOs and line ministries, and monitoring and evaluation of activities. Such an analysis would have to be done at a national/regional level, as no general approach would fit all 78 ACP countries. It would be up to EC Delegations and NAOs to design an appropriate institutional and organisational strategy.

The above approach would be feasible only if a number of simultaneous steps were taken to address structural issues:

- Speed up EC administrative procedures by, for example, simplifying the sign off process in EC delegations and Brussels and reducing the number of people involved in decision-making;
- Simplify the programming and implementation process, for example, by reducing the demands at each step in the project cycle, and
- Ensure equal attention in the EC/EDF procedures to transparency and control of the resources and to the efficiency, effectiveness and quality of the EDF resources. This would reduce the emphasis on control which is presently costly, inefficient and of questionable effectiveness.

These steps will, in turn, not be possible unless EU member states, the European Parliament and the EC headquarters all make a serious commitment to addressing the structural constraints identified. Resolving them is key to increasing the impact of EC-ACP cooperation and ensuring that the Cotonou Partnership Agreement and the 10th EDF increase their legitimacy both with partner countries and in the international development community. The forthcoming revisions of the 10th EDF Financial Regulations and of annex IV of the Cotonou Agreement provide two concrete moments to start addressing these structural constraints.



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