Review Article

Possibilities of Effectiveness Evaluation of Development Cooperation of European Union

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Abstract

The paper is focused on possibilities of economic effectiveness evaluation of supports expended in the framework of the European Development Fund. As an indicator which would reflect the influence of support on a given country, human development index was chosen for its complexity. On base of a sample of African countries monitored in the period of 2001 – 2011, an analysis of time series has been carried out. Its aim was to find out whether and after what period the amount of supports will be reflected on the size of human development index. Statistically, a small efficiency of provided supports was proved. It is necessary then to deal partly with the question of their advisability in the present form and partly with a methodology of determination of their efficiency.

Keywords: European Union; development cooperation; ACP countries; European Development Fund; support effectiveness; development tendencies; statistical analyses.

INTRODUCTION

The European Union in the global measure belongs to the main actors of development aid. Its cooperation with developing countries dates already since the half of last century and it grows in intensity in a time series till the present. In a historical dimension, aims of the development cooperation resulted from momentary priorities. At present, the priority is a fight against poverty. The cooperation is oriented by the European Union regionally, to ACP countries (African, Caribbean and Pacific), countries of Asia, Latin America, Mediterranean and other. Within programmes in the period 2001 – 2004 also transforming economies of countries of the Central and East Europe were included among these countries. ACP countries have a significant position. The EU (EC, EEC) development cooperation was signed with them in agreements from Lomé and Cotonou. These agreements were and are a subject of discussions, both from the side of developing countries and the member countries of the European Union which support financially developing countries by means of various programmes. Especially the volumes of financial support are discussed as well as their purpose orientation, especially effects are discussed which these supports bring, or fail to bring. In extreme cases the sense itself of the development cooperation is called into question.

AIM AND METHODOLOGY

The main aim of this contribution is to try to find an indicator by means of which it would be possible to evaluate economic effectiveness of financial supports which are provided in the framework of the European Development

Fund administrated by the European Commission. We begin from the fact that regarding the matter of interest of supports it is not possible (and also it would not be meaningful) to use one aggregated indicator, as for example gross domestic product (GDP). The reason is the fact that the development aid is aiming at certain concrete areas and the operation of the supports should be then monitored just in the concrete areas. So, the paper is devoted to the support of human potential development. The objects of monitoring are selected ACP countries because a decisive part of financial support aims just in them. A relation between the provided supports and the achieved effect has not been described in scientific literature yet.

Methodology

It has been already mentioned that effectiveness of the supports cannot be unambiguously evaluated on base of development and value of the only indicator. Impacts can be seen not only in economy, but also in the social sphere, in health of the population, its education, an infrastructure, in particular sectors including agriculture, after all also in the state apparatus and operation of governments. These impacts are too wide for only one indicator to be used. Moreover, a positive impact for example on education and health of people will not show itself e.g. in the economic sphere immediately and also other areas can be found where the provided support does not have an immediate effect.

Considering the fact that the supports aim largely at the social sphere, population health and education, for purposes of monitoring of supports' impacts it is suitable to use the human development index (HDI). This summary

index stems from data with life expectancy, literacy of the population and the gross domestic product per inhabitant of the given state (Report 2011).

As it has been mentioned before, the impact of support does not have to show and it also does not show on the instant, but after a certain period. Therefore, methods of time series analyses were used for the analysis of impact of supports on HDI and on base of a correlation of time series (correlation of residues) it was observed whether and with what delay the influence of support will show itself on the HDI size (Hindls 2002; Anděl 1976).

The analysis was carried out on a sample of ten African sub-Saharan countries. The selection was made so that the sample would contain both the countries with higher and a very low HDI. As the interest period, a decade 2001 – 2011 was chosen, i.e. the period of the 9th and 10th European Development Fund.

HISTORICAL CONTEXT OF DEVELOPMENT COOPERATION

From Rome conventions to Cotonou

Solving the problems of developing countries, especially of former colonies belonged always among priority interests of the Community. Even if there were many opinions and proposals to solve relations between these countries and slowly integrating Europe (e.g. so called “Strasbourg plan”), the first fundamental step in implementation of problems in the so called Rome agreement, concretely in the Treaty on establishment of European Economic Community (7) in 1957. In connection to the treaty appropriate measures were realized on base of Commission Regulation (10).

At the beginning (i.e. in the 1960s) the attention concentrated on decolonized African countries (so called Associated African states and Madagascar – EAMA). The activity initiators were above all EEC institutions and from the member states France. Vice versa, other states, especially Germany and the Netherlands called into question the orientation only to Africa. The result of the activities was signing of an association agreement in Cameroon Yaoundé which came in force under the name Yaoundé I (1964) and which lasted till 1971 when it was replaced by Yaoundé II. In fact, there was not only one zone of free trade between EEC and EAMA (as it was in the agreement) but moreover several separate zones with a certain rate of preferences, and further a financial support was provided from EDF. The necessity of re-evaluation of the cooperation system and enlargement of associated countries arose after the accession of Great Britain in the Community (1973). Britain required incorporation of

the Commonwealth states, i.e. selected states of Africa, Caribbean area, Pacific and Indian ocean. At first, the EAMA states opposed this because they were afraid to lose their advantages; nevertheless, after a difficult negotiation (6) so called Lomé Convention was signed among the ECC and countries of Africa, Caribbean area and Pacific (ACP) in 1975. Thereby an extensive and long-term process of development cooperation was started (Table 1) which brought only partial successes and demanded no-small financial means from the Community (EEC, later EC and EU) (Table 2). As it results from the Table 1, approximately till the half of the 1980s agreements were more or less unilateral in the sense that the Community supported development of economies (by means of trade development) and it did not make any reservations and requirements. However, since the second half of the 1980's a departure from this approach is seen and the Community started to emphasize fulfilment also of political topics – democracy, human rights, legally consistent state.

Rome conventions do not deal with the development cooperation in such an extent as it is realized today. Nevertheless, even if they concerned only a selected group of countries (overseas countries and areas, Annex of IV. Convention on establishment of EEC), it was dealt with the first official policy of the Community towards developing countries (article of the Convention No.13-art.136) and other regulation of relations can be found in articles concerning trade relations of EEC with third countries.... *“A purpose of association is to support economic and social development of these countries and territories, and to establish close economic relations among them and the Community as a whole”*...Art.131) (7).

To fulfil this aim partly specific trade relations, which featured above all free access (removal of duties) on EEC markets, could serve. Other real expression of cooperation was the establishment of the European Development Fund (EDF). Thereby financial means which should help economic and social development of the referred-to countries were concentrated.

Legally, the development aid is settled by the Treaty on European Union (“Maastricht Treaty”)... *“Community policy in the sphere of development co-operation, which shall be complementary to the policies pursued by the Member States, shall foster: the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them; the smooth and gradual integration of the developing countries into the world economy; the campaign against poverty in the developing countries. Community policy in this area shall contribute to the general objective of developing and consolidating democracy and the rule of law, and to that of respecting human rights and fundamental freedoms. (art. 130u) (8)*

Table 1: View of contractual regimes of development cooperation

Convention	period	Number of countries	Association areas (Yaoundé Convention) – partnership (Lomé conventions)
Yaoundé Convention I.	1963-1971	18	Zone of free trade with a certain rate of preferences and a financial support from EDF (projects for modernizing of agriculture, transport, infrastructure, education, industrialization).
Yaoundé Convention II.	1971-1975	18	See Yaoundé I and moreover a stabilization of export prices (determination of the minimal price) and thereby a stabilization of export incomes ^{x)} in selected commodities.
Lomé Convention I.	1975-1980	46	99.2 % of agricultural products, duty-free access on EC markets, enlargement of export price stabilization system, a transfer of technologies, technical and special aid, more active participation of the support receivers.
Lomé Convention II.	1980-1985	58	See Lomé I. + enlargement of export stabilization export to some mineral raw materials and moreover an emphasis on self-sufficiency in foods; use of natural resources, development of human resources, quality of environment.
Lomé Convention III.	1985-1990	65	See Lomé II with an emphasis on development of agriculture and countryside, erosion-protection measures.
Lomé Convention IV.	1990-2000 (EDF 1990-1995)	68	See Lomé III. + support of a long-term development, taking account of the debt ratio problem, emphasis of significance of small and medium-sized enterprises development – diversification of economies – from political topics in the forefront: keeping of human rights and democracy development
Lomé Revision V.	1995-2000	70	Reaction to a small effectiveness of conventions – nevertheless, continuation in the same spirit + moreover preferences of regional cooperation among ACP countries + increased emphasis on political topics.
Cotonou Convention	2000-2020	77	Political dialogue, conflict prevention, support of private sector and investment in connection with reform of economies, a transfer of technologies and know-how, social services, regional cooperation and integration, equality between men and women (in details see 1.2.).

^{x)} if an income from export decreased below an agreed limit. EAMA states got a compensation which represented a difference between the real and limited income.

Present development cooperation of EU with ACP countries

For the present development cooperation of the EU with the ACP Countries, two documents are determining: the Treaty on the Functioning of the European Union (the Lisbon Treaty 2009) and the Cotonou Convention (23.6.2000). The Treaty on Functioning of the European

Union deals with the problems of development cooperation in the part IV., in the article 208 – 215 it defines the development cooperation and its aims in the following way: ... *“the main aim of the EU policy in this area is reduction and eradication of poverty in the future ...”* (art. 208), creates a framework for humanitarian aid and delimits competences of EU institutions. The Cotonou Convention represents a new framework for

partnership between the EU and the ACP countries. Contrary to Lomé Conventions it emphasizes social, economic and political rights as well as human rights. The main aim is alleviation and gradual eradication of poverty, including removal of external debt, removal of stolen cultural monuments, prevention of armed conflicts, regional integration, eradication of HIV, food protection and environment conservation and others. The Cotonou Convention became a starting point for decision of the European Commission from 24.4.2000 in which the aims of development aids and priorities, on which these aims are founded, are mentioned. The new policy of development cooperation (from 2001) accepts the main aim – alleviation and gradual eradication of poverty in developing countries. In the framework of this aim, 6 areas (priorities) are set on which the attention should be focused at first. It is dealt with the following priorities:

1. *Coordination of trade and development policy-coordination, complementarity, cohesion*

The trade is for these countries the most important factor of growth and beginning of full independence. The EU tries to ease to integrate the ACP countries in the world trade system.

2. *Support of regional integration and cooperation*

Regional integration is considered from the EU side as a key element. Many developing countries can decide for integration owing to growth of competitiveness of its production. According to EU opinion, the integration could have positive impacts not only in economy, but also positives in prevention of war conflicts and in creation of peace co-existence.

3. *Support of macroeconomic and political approaches which lead to decrease in poverty and to a fair approach to social services.*

Macroeconomic measures cannot be successfully realized without social and human development. Therefore, the EU wants to support projects oriented to health and education of inhabitants.

4. *Transport*

The EU considers development of transport systems as a basic condition of economic and social development. Therefore, many supports aim at investment in transport infrastructure.

5. *Food safety and sustainable rural development*

A meaningful and rational nutrition at a national, but also a local level should be a prerequisite for decrease in dependence on food aid.

6. *Strengthening of institutional capacities, improvement of institutional structure, increase of responsibility of the state apparatus*

In the fight against poverty, the prerequisites are well functioning democratic institutions (responsibility of authorities, fight against corruption).

A new approach to project activities (individual projects are replaced by multisectoral programmes), improvement of project quality, reduction of realization time, harmonisation and simplification of financial and technical aid, and mainly increased emphasis placed on control mechanisms (effectiveness of use of financial supports) should lead to achievement of goals.

All the above mentioned priorities can be certainly considered as significant and unquestionable. However, a question is whether some of them are not determined by “EU European optics”, whether the CAP states are able to meet these ideas regarding their different historical, cultural and political development.

FINANCIAL ASPECTS OF DEVELOPMENT COOPERATION

A basic financial tool of the development cooperation is the European Development Fund (EDF) which was founded in 1959. It is an intergovernmental fund which stays beyond the EU budget and the member states contribute in it according to specific rules in relation to GDP. The volume of means concentrated in EDF grew in dependence not only on growing number of countries, but also on higher financial requirements of particular projects (Table 2). The principle is to maintain that a growing number of countries in ACP will not mean a decrease in means provided at average per one country.

All EU countries contribute in the EDF. Till 2004 it was dealt with 15 “old” member countries; from the accession of “new” member states in 2004, this duty is obligatory also for them. Nevertheless, these countries do not contribute in the EDF so much as the foregoing “fifteen”^{cc}. From Table 3 it can be seen what differences among particular countries exist. In

Table 2: Financial means of EDF

	European Development Fund – EDF number									
	1. EDF	2. EDF	3. EDF	4. EDF	5. EDF	6. EDF	7. EDF	8. EDF	9. EDF	10. EDF
Mil EUR	569	730	887	3053	4207	7882	11583	13151	14300	22638
EUR/ country	41	49	66	73	121	170	187	201	295	301

Source: Communication from the Commission to the European Parliament, the Council and the Court of Auditors (Final Accounts of the 8TH, 9TH AND 10TH European Development Funds). European Commission COM (2011) 471 final. Brussels 26. 7. 2011

Table 3: Structure of payers in the European Development Fund (in %)

Country	9th EDF	10th EDF	Country	9 th EDF	10th EDF
Belgium	3.9	3.5	Bulgaria	x	0.14
Denmark	2.1	2.0	CR	x	0.50
Finland	1.5	1.5	Estonia	x	0.05
France	24.3	19.6	Cyprus	x	0.09
Italy	12.5	12.9	Lithuania	x	0.07
Ireland	0.6	0.9	Latvia	x	0.12
Luxembourg	0.3	0.3	Hungary	x	0.55
Netherlands	5.2	4.9	Malta	x	0.03
Germany	23.4	20.5	Poland	x	1.30
Portugal	0.9	1.2	Romania	x	0.37
Austria	2.7	2.4	Slovakia	x	0.21
Greece	1.3	1.5	Slovenia	x	0.18
Spain	5.8	7.9			
Sweden	2.7	2.7			
Great Britain	12.8	14.8			

Source: Communication from the Commission to the European Parliament, the Council and the Court of Auditors (Final Accounts of the 8TH, 9TH AND 10TH European Development Funds). European Commission COM (2011) 471 final. Brussels 26. 7. 2011

Fig. 1: Structure of financing from EDF (%)

both the 9th EDF and the 10th EDF the decisive contributors are France, Germany, Great Britain and Italy. However, the contribution of new member states is not so significant (3.4%) The CR together with Poland and Hungary contribute of these countries the most.

In geographical orientation of EDF, changes happen every 5 years according to what tasks and objectives are put on the EDF regarding to particular territories. The highest representation in all structures belongs just to financing of the ACP countries (see Fig. 1). In the framework of so-called “other countries” a significant position is occupied by so-called ENPI East

countries (Armenia, Azerbaijan, Belarus, Georgia, Moldavia, Ukraine, some programmes aim at Russia). Every EDF has its purpose orientation which, as it has been mentioned, changes according the existing character of cooperation.

EFFICIENCY OF DEVELOPMENT COOPERATION IN SELECTED AREA

The size of supports flowing from the EDF into African countries increased in particular years, for example in

Fig. 2: Total means from EDF for African countries in 2001-2011 (mil. EUR)

Source: Communication from the Commission to the European Parliament, the Council and the Court of Auditors (Final Accounts of the 8TH, 9TH AND 10TH European Development Funds), European Commission COM(2011) 471 final, Brussels 26.7.2011

2011 the difference amounted to 288% against the year 2001.

Supports to particular countries differed in years according to particular priorities of financing. Table 3 contains amounts of the supports from EDF in selected countries of Africa which were used for analysis of support effectiveness.

As a possible effectiveness indicator, after consideration of all possibilities, their positives and disadvantages, the human development index was chosen – HDI, above all for the following reasons:

- It represents one of attempts to evaluate quality of life; includes factors to which is paid the biggest attention within aid to developing countries. It involves the life expectancy as an indicator of inhabitants' health; also literacy of the population older than 15 years as well as a number of children entered the schools of primary, secondary and third degree as an indicator of knowledge of inhabitants; and gross domestic product per inhabitant in a parity of purchase power as an indicator of standard of living.

- Poverty reduction; social and human development belongs to basic priorities of the EU development

cooperation. It is started from a presumption that development of economy in the ACP countries will depend to a large extent on a quality (health, knowledge) of human population.

As it is obvious from Fig. 2, this index has a growing tendency in all selected African countries. The average HDI in 2011 had a value 0.682, for Europe 0.75 and for countries of sub-Saharan Africa 0.463. It is evident that supports are for African countries from this point of view fully justified.

The analysis focused on a question whether it is possible to evaluate cost-effectiveness just by the help of HDI. It is logical that if the supports are expend purposefully, they should lead to increase in life level of inhabitants of the given country. However, changes usually do not appear immediately but after a certain time. Therefore, a correlation between the time series of costs in particular countries and the HDI development was examined. After a removal of trend, residues were correlated because only the identical development of a random component (residues) show at a mutual relations between the development of observed indicators. Within a correlation of time series without a

Table 4: Development of supports amount to selected countries of Sub-Saharan Africa in 2001 – 2011 (mil. EUR)

Country	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Angola	30.71	27.8	38.4	42.5	51.35	53.4	35.5	46.7	32.23	27.9	12.3
Gabon	15.98	19.99	19.2	16.5	11.23	15.99	6.52	9.5	9.87	6.62	9.67
Ghana	20.07	27.22	53.42	70.7	47.4	67.36	58.8	61.87	82.09	119.8	59.7
Kenya	22.12	88.6	18.3	30.2	53.3	103.2	59.7	87.26	35.43	32.3	26.6
Mali	23.77	45.63	69.3	95.7	93.75	105.2	103.2	129.13	102.2	70.5	66
Namibia	17.42	21.4	22.1	15.8	19.13	13.8	12.3	20.53	17.43	23.3	7.5
Niger	14.85	44.08	42.2	50.7	74.53	100.7	58.8	77.7	99.6	37.9	88.2
Senegal	26.15	26.97	47.2	31.33	44.15	32.8	36.7	61.5	97.9	95.5	56.1
Seychelles	4.65	0.93	0.47	0.12	0.3	0.7	0.8	0.9	0.5	8.7	2.89
Tanzania	18.06	88.4	65.35	138.8	113.85	116.7	142.6	128.1	121.6	91.3	108.9
Africa	1088	1718	1747	2106	2150	2353	2405	2625	2928	3045	3135

Fig. 3. Size of HDI in selected countries in 2001 and 2011

Source: Human Development Index Report, 2011

Table 5: Correlation coefficient between supports development and HDI development in selected countries with shift by two years

Country	Correlation coefficient	HDI in 2011
Angola	0.432	0.486
Gabon	0.114	0.674
Ghana	0.390	0.541
Kenya	0.372	0.509
Mali	0.501	0.359
Namibia	0.105	0.625
Niger	0.659	0.295
Senegal	0.488	0.459
Seychelles	0.690	0.773
Tanzania	0.766	0.466

shift, only a very weak correlation was proved. Therefore, other analyses were carried out, for a shift by one and two years. In all monitored series the correlation of series within a shift by two years showed itself the most. The relation can be evaluated in most countries as moderate. Correlation between the amount of support and HDI in countries which can be ranked considering the HDI to countries with a better living standard (Gabon, Namibia) proved to be weak. An exception in that respect are Seychelles. On the contrary, the strongest correlation, which means a higher effectiveness of support, was recorded in countries with very low HDI (Mali, Niger).

CONCLUSION

Effectiveness of supports in their whole range cannot be captured by one indicator. Even if it is possible to adopt an idea that the total economic development of a country and

the standard of living of inhabitants can be expressed by the help of aggregated indicator GDP, despite the fact in case of support to developing countries it is more meaningful to evaluate effect gained (or non-gained) in concrete areas. The evaluation of cost-effectiveness itself in the framework of EDF is not an easy business. The means are spent in various ways according to necessity of particular countries and the problem is to find an indicator which would reflect exactly the state of use of subsidiary means, and which would be comparative at the same time. Because effects of supports do not show themselves immediately, it is relevant to deal with a question in what time the supports will bring these effects.

Because qualitative parameters of human factor represent a driving force in all countries it is possible to start from the fact that overriding attention in the framework of support policy should be devoted just to it. From the realized analyses it seems that the Human Development Index (HDI), which includes information about health, knowledge of inhabitants and about the size of GDP if the given country, could be just regarding to its complexity a relatively good indicator of efficient use of support funds in the concrete areas. However, a question is after what time the influence of costs for increase in GDP will prove. It will have to depend inter alia also on priorities of particular supports. At present when a big part of the means went in the social sphere, the relation between the amount of support and HDI proved the most significantly after two years. This relation was more significant in very underdeveloped countries. It means that in case of human factor a time delay would not be too big. However, there are also local factors which can this generally favourable result completely turn (institutional and personal interests, military conflicts, interest of governing apparatus

but also of inhabitants, conditions which enable not only to create qualitatively higher human potential, but at the same time to maintain the higher quality and ability to use it and so on.).

Means from the EU spent for population development in the ACP countries are not small. However, it is important so that they would be used for the purposes for which they were provided.

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