

STRATEGIC INTERVENTION OR SHOWCASE? EU AID (MEDA) AS A FORCE FOR CHANGE IN MOROCCO*

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The Mediterranean region has always been of strategic importance to Europe and has served as a stimulus for collective European action. Indeed it was the setting for the first collective European Community 'Foreign Policy' effort, the Global Mediterranean Policy of the nineteen seventies (Ginsberg, 1989:117-121). Although the European Union's current Mediterranean policy is much criticized, EU officials assert that they are quietly and effectively supporting internal reforms in non-member Mediterranean states that will ensure long-term change. This paper tests this claim through an analysis of how one particular instrument, the EU's MEDA aid programme (designed to inculcate structural change) operates in Morocco. MEDA was established as a part of the Euro-Mediterranean Partnership (1995), intended to develop heightened cooperation and a reform dynamic in the region - an effort that is now being supplemented with the European Neighbourhood Policy (2003) and various other initiatives. EU policy is evaluated in terms of the effort to reform economic structures and institutions rather than promoting democracy. As outlined below reform of economic governance is the Union's major concern and it forms part of a broader strategic vision, which involves establishing a Euro-Mediterranean economic block. However, many have pointed out that (for better or worse) donors have not been able to use aid effectively to encourage/enforce substantial reforms of third countries' economic and governance systems. Consequently it is worth investigating whether aid policy is playing a significant role in developing reformed free-market economic institutions in the region.

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Morocco is the case study country as it is of high strategic importance; the economic and political difficulties it faces clearly have an effect on Europe's own security. Morocco would appear to be amenable to EU leadership as it is clearly economically dependent on the Union and has very close (if not always amicable) political and economic ties with major EU states. Most famously with an application for membership in 1987, Morocco's political elite have been for furthering integration and cooperation with Europe. Yet its complex socio-economic and political environment presents major difficulties for outsiders (and insiders) to bring about meaningful change. Thus, this paper analyses how EU aid is used to intervene in the Moroccan political economy and serve as a form of power projection for the EU. It should also be of interest to those concerned with the political economy of reform (and EU policy) in the wider region. The research on which it is based involved an extensive study of EU planning and policy documents, as well as interviews with policy makers and activists in Brussels and Morocco. One major caveat must be noted; the paper does not discuss what the optimum development strategy for Morocco would be. Rather it is concerned with the EU's capacity to promote its own agenda - there is no normative position taken here as to what the EU *should* be doing in Morocco. The course of the paper is as follows; the theoretical framework and the central question are outlined, an overview is given of the EU policy framework and the situation in Morocco followed by a detailed analysis of the EU's aid strategy for Morocco.

EU Aid and Power Projection

While the EU's efforts to coordinate foreign and security policy (or the traditional domain of high politics) have been given much attention, there are other ways to understand how the EU can project power (Ginsberg, 2001). In particular the instruments of the European Community, its aid and trade policy, can be used to exert economic and political influence and a significant volume of research has been devoted to this sphere of activity. Even the famous critique of the EU's 'capability expectations gap' in foreign policy accepted the 'highly structured political economy dimension of collective autonomous external commercial and development

policies' (Hill, 1993: 322). Schirm (1998) points out that the EU's comparative advantage, as an international actor, is its potential to promote development and stability, thus enhancing Europe's security. Smith (1998) also argued that it is in this sphere that a type of 'European Foreign Policy' is emerging.¹

This paper may thus be situated within the tradition of proposing and evaluating the EU as an *actor* and a 'civilian power'. The framework is more specific than this, however. EU influences through its ideological power or processes of socialisation are not investigated here; rather the focus is on the use of aid as a tool. It is not implied that the 'instrumental' approach to analysing the EU in the world is the only valid one; merely that it is a worthwhile approach. For this vision of the EU as a purposeful actor the 'strategy' concept is crucial. In the traditional sense the concept implies a conscious plan to work on the external environment in pursuit of certain well-defined medium to long-term objectives (Mintzberg et al., 1998: 3-22). Thus the focus here is on conscious concrete efforts on the EU's behalf to influence the policies and institutions of partner countries. While the main concern is with aid policy aid is, of course, always operated in tandem with other external policies.

This focus on purposeful strategic activity is relevant because the EU has itself begun to proactively shape its surrounding environment. Of particular interest is that in the area now known as 'Wider Europe' (the western half of the Eurasian land mass and the Mediterranean basin) the EU in the 1990s launched efforts to shape the political and economic institutions of its neighbours. In practice the EU can use its instruments to promote its ideas/norms, its economic interests and its traditional security/foreign policy interests (or indeed all three although they rarely perfectly coincide). For example in promoting a free-market democracy in Poland through the PHARE (Poland Hungary assistance for economic restructuring) aid and Russia through the TACIS (Technical Assistance for the Commonwealth of Independent

¹ Smith uses the term 'soft power' to describe this form of power projection.

States) it was both supporting its own economic interests as well as its long-term security interests. That is to say it was effectively creating an environment more amenable to its own political/strategic as well as economic interests.

While much attention has been given to efforts to promote democracy, this paper focuses on efforts to shape economic institutions, policies and governance. This is the main thrust of EU activity and as implied above is an essentially 'political' (in the broader sense of the term) enterprise. A cursory glance at the situation in the Mediterranean region makes this clear. There is a fear of instability in various forms (drug trafficking, 'terrorism') spreading north due to the ongoing economic and political difficulties in neighbouring states. Morocco is an obvious case. Naturally the EU seeks to prevent this. However the means to deal with this kind of unconventional 'security threat' are to support economic and political development. The primary track the EU has chosen (see below) to do this is to reform the economic governance and policies of its neighbours (together with some low key efforts to push for political reform). This dovetails with the EU's perennial efforts to expand its own geo-economic block - in adapting its neighbours' regulatory system and general economic governance (including issues such as competition policy) it is facilitating a form of integration.

The Euro-Med Partnership (the EMP) launched in 1995 includes three baskets; political, economic/financial and social/cultural cooperation. Basket two unsurprisingly is the engine of the process as this involves signing bilateral free trade association agreements (AAs) and the eventual regional free trade area. The EMP has now been altered by the European Neighbourhood Policy that focuses more on 'bilateral' (EU-Partner state level) but has essentially similar objectives and means. The MEDA programme (*mésures d'accompagnement*) was designed officially to support the economic reform and regional integration process. This new aid programme was supposed to be qualitatively different to traditional 'development aid'. Rather than to promote development its aim was to support the EMP objectives (primarily derived by the EU). It was also conceived as a proactive instrument in that it would

attempt to stimulate/catalyse rather than merely ‘support’ reform. It would do this via strategic programming by the Commission, a heavy focus on ‘technical assistance’ on how to reform and a heightened form of rewards-based conditionality – funding would increase or decrease in accordance with the partner’s progress towards reform. Under the previous ‘financial protocol’ system from 1977 until 1995 the aid relationship was quite different. While there were some broad priorities agreed with the EC, aid was basically demand-driven, and responded to the partner governments’ wishes to support socio-economic development (Holden, 2005: 10). To a certain extent MEDA was modelled on the PHARE programme for Eastern European candidate states. Of course the EU could not have quite the same leverage over Mediterranean states but potentially has substantial influence nonetheless. This is particularly the case for Morocco which has been locked into an unequal trading relationship with Europe (White, 2001).

Therefore, from the above it’s clear that in theory and based on official discourse MEDA can be conceived as a ‘strategic intervention’. On the other hand it is by no means clear that the EU has the means to accomplish this. Numerous studies have shown that (for better or worse) aid donors find it very difficult to impose reform of policy and governance. Some common issues which have been pointed out are:

- A lack of organisational coherence on the donor’s part.
- Short term political/diplomatic considerations can impinge on the deeper vision.
- Knowledge constraints in formulating an adequate strategy, the lack of a suitable methodology for programming for qualitative issues such as governance.
- As a result of these difficulties donors often revert to parroting buzzwords and a reform discourse (Hibou, 2002).
- Conditionality places large demands on donors in terms of resources and methodologies for monitoring.²

² In any case, studies have shown that donors cannot ‘buy’ the positive policies they want in this crude fashion. See World Bank, (1998) .

- Given donors' ignorance/negligence or lack of understanding, authoritarian governments can exploit reforms (particularly if they control credit allocation) and ensure that their own elite supporters benefit from (for example) privatisations rather than secure the emergence of a competitive free market (Dillman, 2002).

As to the EU, many would agree that these weaknesses apply to it. This leads to doubts about whether the EU can in fact use its aid strategically to reform its partners' economic institutions and governance. Concerning Mediterranean aid, major official evaluations (European Commission, 1999, European Commission, 2003a) have touched on issues such as these. However their frame of reference has been an economic/technocratic rather than a political one. Therefore the question at hand is apposite:

Does EU aid really amount to a strategic intervention in Morocco's internal structures or is it (if not exactly a showcase) more of a diplomatic 'sweetener' for the Moroccan government?

The remainder of the paper is devoted to exploring this. This involves an in-depth analysis of aid programming and planning concerning economic reform in Morocco informed by the vision of the EU aid as an instrument of civilian power described above. The organisational framework for EU Mediterranean aid is outlined in more detail, followed by an account of the Moroccan context and the specific challenges the EU faces there.

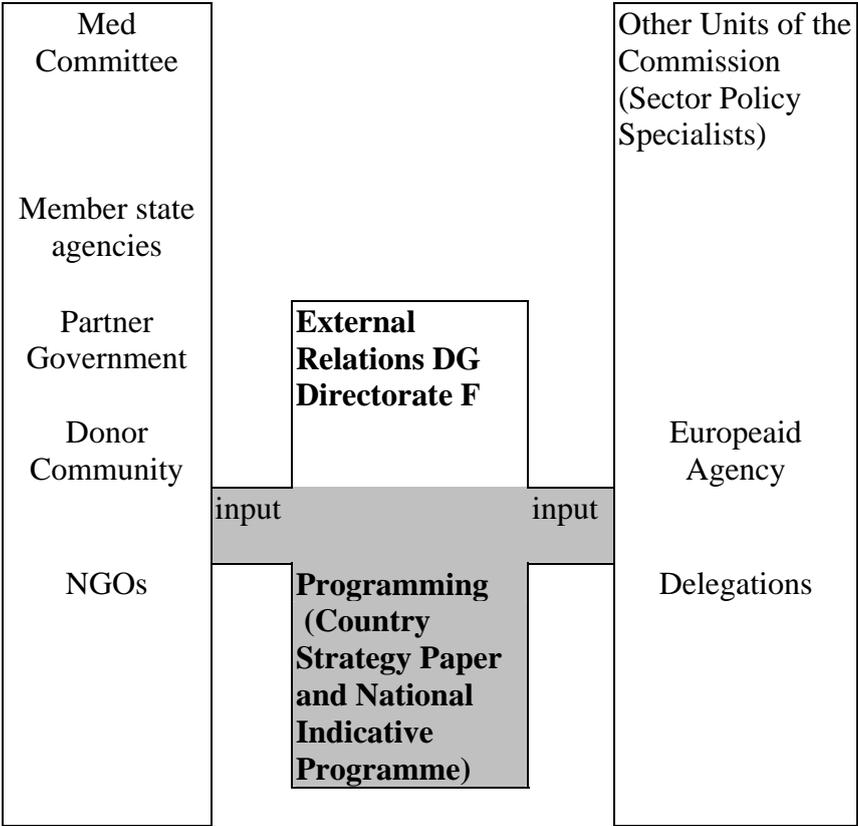
Substantive Context

EU Organisational Framework

While the Council of the European Union (the member states) has the major role in setting out EU Mediterranean policy, the Commission has been delegated a large degree of responsibility in formulating aid strategy. The External Relations directorate general (ERDG) within the Commission handles the programming and policy making. It is guided in this by the Mediterranean Committee of member states, which must approve the programming

documents (but in practice do not make major changes). The Europeaid Cooperation Office within the Commission assists the ERDG in this process and is involved in planning specific projects and programmes and implementing the aid. However the Commission Delegations in the partner country are now playing a much greater role in managing and planning aid. (A process of deconcentration of aid management was set in train in 2002).

Figure 1. Actors in MEDA aid programming/strategy formulation (since the reforms implemented on 01 January 2001).



Concerning aid policy in general the EU system has gone through substantial changes since the launch of MEDA in 1995.³ These reforms encompassed all aspects of external aid and developing strategic coherence was a major theme. This involved establishing a standard programming format for all EC aid schemes. This was a six year Country Strategy Paper (CSP) and a three-year National Indicative Programme (NIP). The CSP would outline the broad situation of the partner country and the EC's overall priorities. The NIP would get down to more specific details and include details concerning the allocation of funds. In terms of content and methodology the common framework agreed included an in-depth economic and political analysis of the partner country, the outlining of medium-term challenges and elaboration of the EC's response strategy. The CSPs were also to include an account of member states' and other donors' aid policy in the area, other EC aid policy instruments,⁴ and the overall EU policy framework.

The Moroccan Context

Generally it is agreed that Morocco has been a type of rentier state (Waterbury, 1970) in that the economic elites and powerful vested interests have been able to dominate the (in many respects underdeveloped) economy. This is intrinsically linked with the essentially authoritarian political system and culture the country has had (at least until recently) since independence. The power of the Monarchy was predominant as the (numerous) political parties were weak and parliaments sporadic in any case. Beyond the formal system power had been exercised by the *Makhzen* (ruling elite centred around the throne) through patronage. In recent years there have been substantial changes, however. King Hassan II made efforts to reintegrate opposition political parties into the system and establish a type of parliamentary monarchy. A new constitution was declared (which left the king with massive

³ There were also separate specific changes to the MEDA system established in the legislation for the second budgetary period in 2000. These were purely procedural and of no great relevance to the theme at hand.

⁴ In the MED area for example these would include separate aid programmes to support civil society organisations in the region.

powers) and after relatively fair elections of 1997 opposition parties were allowed into the government, the socialist leader Youssoufi becoming prime minister. There had been a growth in civil society groups (in all sectors) many of whom were becoming actively engaged in public policy. Upon the accession of Mohammed VI in 1999 the reforms were speeded up and old hard line authoritarians were removed from government. However the declining security situation and a vibrant (and polyphonic) 'Islamist' movement have cast a shadow over efforts at democratization.

The aforementioned political culture and general poverty has naturally affected public management. A culture of patronage at all levels has led to problems with corruption (Waterbury, 1973. El Badaoui, 2004. Maghraoui 2001) and indeed inefficiency in general at all levels. Economic reform has been on the agenda in Morocco since the financial crisis of 1982 forced the government into the arms of the International Monetary Fund and the World Bank. The government pursued reforms that at times had led to social unrest and stabilised the macro-economic situation (budget, inflation and national debt). However efforts to reform the institutional framework for the economy and economic governance in general have been more sluggish. There has been some deregulation but few would argue that a liberal market economy has resulted. Moore Henry (1996: 157-158) argues that patronage and rentier networks were *reconstituted* rather than a genuine competitive private sector nurtured. He cites as an example the World Bank's efforts to promote the independence of the banking sector in 1991. While the Bank sought to finance *independent* banks, in fact the Monarchy and Mahkzen had gained (indirectly) a great deal of control over these institutions before the Bank disbursed its funds - an episode that illustrates the pitfalls for international organisations which seek to intervene in Morocco.

Since signing the EMP in 1995 the government has continued its reform drive, signing free trade agreements with other Mediterranean states (Tunisia, Egypt and Jordan as part of the 'Agadir process', Turkey separately) and with the United States.

The Association Agreement with the EU was signed in 1997 and came into force in 2000.

This outward orientation is intended to help lever change but it is a risky strategy. The challenges remain large. As economic growth has not been robust there is still a very high level of poverty, illiteracy and unemployment. Some sectors (such as telecommunications) have been rapidly liberalised. However many outsiders and insiders deny that deep structural reform has taken place. (El Badaoui, Maghraoui, Interviews). The drives to reform public administration and the justice system are generally regarded to have had little success hitherto [Liberation, 2004]. El Badaoui (2004) argues forcefully that the rentier state persists. The reasons for the lack of real change are both the genuine fear of causing greater economic hardship and instability and the existence of vested interests (at all levels of society) that oppose change.

EU Aid Strategy

As Table 1 illustrates, the clear thrust of EU cooperation is towards promoting economic reform; reforming institutions and developing the private sector. The exception to this are the social and environmental support programmes, which represent the EU's commitment to maintaining social cohesion in partner countries. All in all, the aid programmes are very much geared to the EU's strategic objective of supporting building the Association Agreements/building the free trade area. If one categorizes EU funding rather bluntly as 'support for reform/adjustment and the private sector' and 'socio-economic development' the former has been allocated 836.1 million euro or 63% of the total 1334 million for 1995-2004.⁵ The emphasis on reform has become more noticeable as the partnership develops. Were it left to the partner governments there would be much more funding devoted to job

⁵ Figures taken from the MEDA Annual Report for 2000 and the Country Strategy Paper. All figures in this paper are for *commitments* as they reflect the decision-making in Brussels regarding geographical and thematic priorities.

creation and infrastructure support activities (Interview, Commission, April 2004).

In the case of Morocco, for 2002-2004 there are three programmes (reform of public administration, transport system and support for the association agreement) directly concerned with reforming the governance and regulatory system. Also the programmes to adapt the industrial sector and for the development of the Northern Provinces have a strong institutional element. For the next period this trend is continuing with support for key governance/public administration reforms balanced with support for social and economic cohesion. In terms of the instruments used one notes a greater reliance on budgetary support mechanisms for sectoral reform. That is aid paid directly to the government (usually in tranches) on condition that they undertake certain reforms. Such programmes place a heavy demand on the aid donor in terms of monitoring and research/preparation but they do suit the Commission's stated desire to focus on comprehensive reforms in key sectors. Although this means that other very important sectors (in this case financial reform, the rule of law, decentralisation and local government reform) are given less attention, the Commission does try to coordinate strategically with other international donors. However progress here has been patchy. There is quite close cooperation with the World Bank; for example, the reform of public administration programme is a joint programme with the Bank. Concerning the EU member states, cooperation at the strategic level (as opposed to the level of implementation) is not what one might expect. There have been thematic working groups set up, led by the Commission, but coordination with the Member State Agencies (primarily France, Spain and Germany) is more advanced in traditional development spheres such as water supply and rural development than reform of economic governance and policy.

Table 1 MEDA activities programmed for Morocco for the current period⁶

NIP 2002-2004	Eur Mill
Public administration (direct budgetary support)	81
Transport sector (direct budgetary support)	66
Aid to implement Association Agreement	5
Adaption of the industrial sector	61
Training programme	50
Tempus	8
Emigration I	5
Border management	40
Development strategy for the northern province	70
Rural development/ Arganier	10
Subsidies of EIB loans	30
TOTAL	426.5
NIP 2005-2006	
Fiscal Reform (direct budgetary support)	80
Aid to professional associations	5
Aid to implement Association Agreement	15
Aid to official human rights centre	2.5
Aid to civil society	2.5
Tempus	4
Participatory Development in Kenifra	6
Canalisation of Water	30
Dev strategy for the northern province	30
Subsidies of EIB loans	10
Aid for urban housing	90
TOTAL	275

⁶ The NIP for 2002-2004 was altered slightly in implementation in ways not relevant to the theme at hand. The NIP for 2005-2006 is only two years as there will be a new budget in 2007.

The national strategies are complemented by region-wide activities outlined in the regional indicative programmes (RIPs). These generally take the form of technical assistance and networking programmes and are seen to lay the basis for greater cooperation in the future. For example, there are technical assistance programmes to trade policy units in partner programmes and aid programmes to liberalise and interconnect their transport and energy systems. There are also programmes to support reform of the public administration and cooperation in the field of justice and home affairs to complement national activities. It is noteworthy (going beyond financial aid) that the EU has created a network of cooperative institutions with its neighbours as a part of its Mediterranean strategy. At the multilateral level (the EU, member states and partner states) there are regular ministerial meetings. In the economic and commercial sphere, there are multilateral sectoral ministerial meetings dealing with broad policy issues concerning trade, finance, energy transport etc. At the lower more technical level there are also numerous multi-lateral fora. Concerning the bilateral (EU-partner government) level the Association Agreements establish certain common institutions. The regular Association Councils, which discuss all aspects of the relationship (including political, security and human rights issues) are in the realm of high diplomacy. On the more 'operational level' there are the bilateral Association Committees and Economic Dialogues which deal with the finer points of cooperation and economic policy. All of these fora feed into the reform process in that the EU uses its technical knowledge and dialogue to encourage reform.

Allocative Conditionality?

The MEDA II regulation and programme was designed specifically to ensure that the flow of funds would be calibrated according to a country's progress in making reform. Patrick Laurent (head of the Unit managing the Barcelona Process);

This issue (conditionality) lies at the heart of the indicative allocation of funds within MEDA II. In this respect MEDA I had already broken with the underlying logic of previous

protocols. The main message in MEDA I, which had not always been well understood was that no country had a right to a certain financial amount. Our approach is based upon competition between countries (Euromed synopsis, 2001).

Indeed the EU's ability to adjust funding according to whether partner countries are making progress (or at least efforts) towards structural reform is potentially a powerful tool. However there are numerous obstacles to making this a reality. For administrative reasons the Commission does not attempt to calibrate funding within the three year programming period (unlike some other donors such as the World Bank). Also there are barriers to using the total three-year allocations as a lever for reform. These are political (the Commission and the member states may not wish to upset a certain government) but also methodological and intellectual.

Article 5 of the MEDA Regulation, the legal basis for allocative conditionality, states that allocation of funds should depend on 'progress towards structural reform' (Council, 1996). There is also the sense that progress in issues such as human rights and democratic principles may be taken into account but this is not clear. Academics and other experts are in agreement that to be effective conditionality must be clear and transparent and above all be based on clear criteria. The legal criteria are perhaps understandably vague but the Commission has not produced anything which outlines more specifically what is expected and how conditionality might function. As explained in the following section the Country Strategy Papers do not fulfil this function. The Commission's human resources are rather limited but there are a number of methods and studies (different types of economic freedom indexes) which it could draw on. Of course one could not be too rigorous; some acceptance of local differences and political realities must be made. However, if there is no effort at all the attempt has very little credibility and thus Mr Laurent's assertion that the partners did not seem to understand the new principle of allocative conditionality (in the interview cited above) might be a

bit wide of the mark. There was no real basis for them to ‘understand’ it.

Table 2a MEDA Commitments⁷

	Morocco	Tunisia	Egypt	Syria	MED Total
1995-1999	656	428	686	99	3060
2000-2003	525.3	306.6	194.5	82.7	2383.9
TOTAL	1181.3	734.6	880.5	181.7	5443.9

Table 2b Analysis

	Morocco	Tunisia	Egypt	Syria
TOTAL 95-99	656	428	686	99
% of total for region	21%	13.9%	22%	3%
Aid per capita (euro)	22.6	44.94	10.89	6.99
TOTAL 00-03	525.3	306.6	194.5	82.7
%of total for region	22%	13%	8%	3%
Aid per capita (euro)	18.01	32.19	3.08	5.84
TOTAL 1995-2003	<i>1181.3</i>	<i>734.6</i>	<i>880.5</i>	<i>181.7</i>
% of total for region	22%	13%	16%	3%
Aid per capita* (euro)	40.70	77.14	13.98	12.84

⁷ Details taken from:

http://europa.eu.int/comm/europeaid/projects/med/financial_en.htm>.

All figures in millions of euros, apart from aid per capita in euros. Please note that actual disbursements are much lower. This is due to a number of factors (technical and administrative) from which not much can be extrapolated regarding the EU’s political decision-making.

* Aid per capita figures are based upon an average population figure for each country for 1995 - 2003 according to the University of Utrecht population growth database.

Table 2 offers an overview of the flow of funds to four countries over time. In divining a logic to the Commission's allocations one would be entering the realm of speculation. Has Morocco (as one interviewee suggested) been rewarded for its political opening? Has the government of Tunisia been rewarded for its economic progress and its political repression ignored? There are too many variables. Even signing an association agreement is not a determining factor as Egypt was slow to agree one but still received significant funding. Syria is a laggard in every sense so clearly would not be given a great deal. The point is that if a third party (after significant study), cannot perceive a clear logic to EU funding, then in a sense even if there is a logic the policy has failed. For conditionality to function as an engine for reform it must be reasonably transparent. It can of course function as a political instrument in other ways, beyond the scope of this paper.

Methodological and Intellectual Challenges

In the previous section it was mentioned that there are methodological difficulties in using conditionality. It is also the case that the EU faces methodological challenges in programming financial and technical assistance to mould the institutions of its neighbours.

The Country Strategy Papers

The six-year Country Strategy Paper format was established to achieve a strategic approach for aid to Mediterranean and other areas. It outlines the intellectual analysis and general priorities upon which EU activities are based. The guideline document for CSP's (Commission, 2000) specifies that there should be a systematic and holistic (political and economic) analysis of the country, making use of benchmarks and indicators. Nevertheless, these guidelines were not specific regarding the methodology to be used (Interviews European Commission, 2003/2003). The section of the Moroccan CSP (Commission, 2001) devoted to the government's policy agenda outlines the national government's National Development Plan. It notes that one of the four principal challenges cited is the need to 'modernize the public sector'. As a

part of this it notes that administrative reform is a first rank priority and also reform of public finance. The quality and nature of government planning and the question of political will is not discussed. The 'analysis of the economic and social context' deals first of all with the economic outlook and basic socio-economic indices etc. It notes that the privatisation process is continuing, and that in many ways the legal and regulatory framework for doing business and investing has improved. However it states that there are still major problems. It does not go into detail concerning these but the next section on 'medium-term challenges' gives us an insight. This cites the great need to improve the efficiency of the public sector and hopes that the ongoing process of deconcentration (within the Moroccan government) and the devolution of powers to local and regional bodies will help this situation. In terms of the environment for the private sector, while the legal framework has been approved it emphasises that this must be fully implemented. Small to medium-sized enterprises in particular need a more enabling environment. Concerning the need to attract investment, both domestic and foreign, it notes that the administrative burden on investors must be improved as it is still far too restrictive.

There is a brief analysis of the political situation. As well as this there is a specific section dealing with 'risks' (presumably to the efficient management of aid and the achievement of the results desired in each priority area). In practice, this section deals with the risks to the political and economic welfare of the country more generally as well as to EU projects. Here certain issues of political economy and *cui bono* are addressed albeit in a laconic fashion. The Moroccan CSP notes that there are very strong expectations on the Moroccan side in terms of what they can get from their privileged relationship with the EU. It admits that the envisaged range and scale of activity is quite ambitious and notes that expectations on the Moroccan side are very high. As for the budgetary support programmes, it emphasises that public finance must be 'in order' for these to go ahead. The CSP also, as is mandatory, outlines the coherence of aid policy with other EU policies and the prospects for complementarity (a division of labour) with the member states. In terms of coherence with the entire range of EU policies (the CFSP etc) the CSP is quite laconic.

This is probably not surprising as aid policy is an altogether different (although political) form of external policy to standard foreign policy activity. Also of course the CSP is a Commission document and for many external policies it does not play the leading role. The section on 'lessons learned' illustrates to what extent the Commission is drawing on past experience to inform its current methods and plans. The Moroccan CSP outlines previous EU cooperation with Morocco (from the financial protocol era to MEDA). The initial difficulties with the new MEDA procedures are noted. Also the previous evaluations done on Mediterranean aid are cited although the precise lessons learned not specified. Generally, it accepts that there have been major administrative problems in implementing aid and it is proposed that the deconcentration process may improve this. Sectoral and other budget support mechanisms are noted as being useful in that they give the Commission leverage over the government and help to develop synergy and consensus among Moroccan ministries. No evidence is provided to justify this point. It might not be unduly cynical to suggest that these instruments are favoured as they make the administrative burden on the Commission much easier and help it to increase the disbursement rate.

Although the Mediterranean CSPs are highly regarded within the Commission (Interview, Commission, January 2003), in terms of their supposed function to form the basis for a strategic intervention, they have some clear deficiencies. Although promoting reform is ostensibly the main aim of the programme, political economy issues are not given due attention and there is no deep analysis of the likely opponents and supporters of change. Dearden had noted the CSP's (for developing countries) lacked analytical rigor in terms of their poverty reduction objectives (Dearden, 2002), this is even truer for the reform of economic policy and governance objectives for MEDA countries. While there is a frank analysis there is no use of indicators and benchmarks that could form the basis for specific objectives and also could serve to operationalise the principle of allocative conditionality .

Project and Programme Planning

Aid has become more focused on EU objectives but EU programming and planning methodology must be more rigorously analysed in terms of the difficulties in bringing about reform in third countries' economic policies and institutions. The use of indicators here is crucial. These can be quantitative or qualitative (particularly suited when the aim is reform of institutions and governance). They can also be divided into those for *processes* (activities to take place as a part of the programme) for *outputs* (the direct impact) or *outcome* (the longer term and broader impact). All types have their uses but the distinction should be clear. The support to association agreement programmes takes the form of technical assistance from experts from the private sector or indeed EU member state officials. As stated above it deals with quite a range of areas, and so is quite ambitious. Several types of indicators are used; many are process-based (the production of research) in terms of outputs; it planning documents mention actual legislation and regulations in various sectors and (crucially), their implementation. However, as the programme is small scale (at the moment) it is difficult to derive specific realistic indicators. The regional aid programmes face similar problems as they are mostly concerned with technical assistance and networking. For the programme to liberalise the transport sector, the indicators are either quantitative for outputs such as the number of privatisations etc or process-based. In several instances in North Africa, due to the nature of the political/economic system, public monopolies have simply been replaced by (well-connected) private monopolies. If the aim is to introduce a truly competitive market in this area, there is surely a need for more detailed and to a certain extent qualitative indicators. The reform of public administration programme's objectives include increased quality of the public administration as well as reducing government expenditure and altering the budget procedure. This is a controversial programme as many civil servants jobs will be cut across the board and elements of the finance ministry will lose power. Privately, officials in both donor organisations (The Commission and the World Bank) accept that probably all the governments' objectives cannot be fully met. Yet it is unclear what exactly will be the minimum level of change

demanded. The indicators used are mostly for *processes* (the production of reports etc) or if for *outputs* they are quantitative (reduction in salary costs). The less tangible but fundamental *outputs* and outcomes of better administration and a changed culture appear not to be represented.

While the direction of EU funding is in line with the EU's strategic objectives there is no guarantee its efforts will have the desired effects in specific sectors. Its use of indicators implies a lack of clarity concerning causality and what results it expects from its activities. Essentially the analytical and planning techniques for supporting reform are inadequate and put into question the EU's capacity or commitment to promote deep change. Collaboration with other donors may redress some of these weaknesses but there are deeper problems with the EU and other donor' approaches. Like all donors the Commission tries to assume its work is purely 'technical' or based on a consensus rather than a political intervention. Thus, while programmers are aware of issues pertaining to the political economy of reform and the difficulties of creating a genuine liberalisation, there has been no systematic attempt to get to grips with such issues. The insights of academics such as Dillman (2002) regarding the importance of sequence and how to avoid reform capture have not been taken on board. The Commission is instead promoting simultaneous reforms in different clusters. As the Commission has abrogated to itself responsibility for strategic direction (Holden, 2005) it needs to develop long term comprehensive strategies. It has not done this except for limited (trade related) sectors. As a result it has a panoply of quite broad desiderata ; policy reform, administrative and governance reform, social cohesion, private sector restructuring. The links and the hierarchy (as an official evaluation pointed out - European Commission, 2003) between these have not been clearly established. Accordingly, the impression given is that as Hibou (2002) argues for the World Bank in Africa, EU plans are not based on a deep knowledge and comprehensive plan for the region but rather on ideology and on quasi-performative discourse. Unfortunately the incantation of words such as 'transition' and 'synergy' is not enough to make them a reality.

The Impact of the EU's New European Neighbourhood Policy (ENP)

The ENP offers the partner countries greater access to the EU internal market and certain internal programmes. The primary mechanism is that short to medium-term action plans with benchmarks are developed in agreement with the partner countries.

As such it borrows from the Accession Partnership technique with Enlargement countries and so will be more rigorous than previous EU efforts. Commission documents to prepare the action plans⁸ certainly involve a more structured and detailed analysis of the partners' economic institutions, including the state role in the economy, competition policy and the financial system. However given that the objective is centred on economic integration it is quite likely that the reform agenda will be skewed towards the externally oriented aspects of economic policy and governance and leave the deeper institutional structures untouched.

As regards aid policy there will be a new emphasis on supporting cross border cooperation (akin to internal European Union programmes or those with candidate countries). Some of MEDA II for 2005-2006 has been allocated for this new cross border cooperation focus and a new aid instrument will be established in 2007 (European Commission, 2004a). In other respects there is a dissonance between MEDA aid strategy and the ENP as the national indicative programmes for 2005-2006 were drawn up before the AP benchmarks were agreed. Thus MEDA will continue to support the general EU reform objectives (outlined in the country strategy papers) rather than specifically the APs. In general the coming years will reveal the impact of the ENP but for the moment many are sceptical as to whether what is on offer will be enough to encourage partner governments to implement radical changes.

⁸ At http://europa.eu.int/comm/world/enp/document_en.htm

Conclusion

Although the issue at hand is a complex one, some general conclusions can be drawn. First of all the assumption that the EU is seeking to use aid to project soft power is justified not only by the official and unofficial rhetoric but also by the fact that organisational and legal frameworks have been established to use aid as a strategic rather than a diplomatic or developmental instrument. Secondly in practice this system has had some effect. It has enabled funding to be targeted on the strategic objectives of EU policy and facilitates a more long-term approach. The new ENP should help further develop this. However as outlined above there are major deficiencies in the EU's approach to using aid and conditionality effectively to intervene in the political economy and institutions of Morocco. On the ground the drive for reform and to nurture new forms of governance in Morocco has run into difficulties. Many members of the EU and other international agencies in Morocco feel that the reform process has stagnated. There is a frustration that certain elements of the state apparatus and other interest groups are successfully resisting real change or moulding reforms to suit their own interests. More importantly there is chronic public disillusionment with the economic and political system. Aid is of course also still used as a 'diplomatic' instrument; to help support friendly governments such as Morocco's rather than to bring about change. Of course the increased salience of security considerations concerning terrorism and Islamism render this implicit function of aid more relevant.

In conclusion, while aid is certainly more than just a showcase it can only have a limited role in helping to reform Morocco and other Arab countries. The Union could respond to this fact by seeking to further develop its intellectual and methodological approaches to using aid to catalyse reform. It could also further refine its cooperation with member state agencies and other international donors. However there would still be no guarantee that the EU and the rest of the 'international community' could "impose its will". This is because the (essentially neo-liberal) development strategy upon which EU aid policy is predicated is not

accepted wholeheartedly by many.⁹ While there is widespread recognition of the need for change there is understandable fear that the free trade strategy led by domestic elites and the EU may not produce the growth necessary. Perhaps it is time for a rethink of this fundamental approach but that is beyond the scope of this paper. For now it may be concluded that there are clear limits to the form of EU power projection described herein.

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⁹ There are a significant amount of individuals active in NGOs and indeed government and public administration who are not convinced that the EU and World Bank etc understand the Moroccan situation and have come up with the right prescriptions.

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