The DAC’s main findings and recommendations

Extract from: OECD Development Co-operation Peer Reviews

European Union 2018
The European Union has demonstrated global leadership and strong commitment to development effectiveness

The European Union (EU) has shown leadership in its efforts towards reaching global agreements on sustainable development and climate change, as well as in shaping the international humanitarian landscape. Its extensive use of budget support and variety of delivery instruments are enhancing ownership and inclusiveness in partner countries. The EU is also working closely with member states, civil society organisations (CSOs), local authorities and their associations in building global citizenship across Europe.

Against the backdrop of a difficult economic situation following the 2008-09 financial crisis, rising nationalism and impending exit of the United Kingdom, the EU has addressed a number of recommendations from the last peer review, notably:

- Building a common EU strategic vision with member states by updating the European Consensus on Development in 2017 with the objective of eradicating poverty and contributing to the 2030 Agenda for Sustainable Development.
- Leading humanitarian assistance by sharing clear policy guidance and carrying out rapid responses with member states.
- Championing the development effectiveness agenda by becoming more transparent, inclusive, timely and flexible as well as increasing the use of programmatic approaches.

The EU is showing leadership in the global arena and in humanitarian assistance

In addition to being the world’s largest donors (in terms of the combined official development assistance (ODA) of EU and member states), the EU has stepped up its efforts to play a key role in the provision of important global public goods. In particular, it has demonstrated strong leadership on sustainable development by forging alliances to find solutions to global challenges. For example, the formation of common EU positions for the 2030 Agenda for Sustainable Development and the Paris Climate Agreement were instrumental in securing these agreements.

The EU is also shaping the international humanitarian landscape based on solid policies, an extensive field network, well-recognised expertise, a diversified pool of partners and an effective civil protection mechanism. Further, it is able to rapidly deploy different funding sources for humanitarian aid when needed. In complex conflict settings, the Directorate General for European Civil Protection and Humanitarian Aid Operations (DG ECHO) is committed to implementing the EU’s comprehensive approach to humanitarian aid by defending humanitarian principles and by responding coherently with other EU instruments. A diverse and robust programming toolbox, which includes humanitarian, development and stabilisation instruments with different time horizons, also enhances the EU’s coherence across the humanitarian-development-peace nexus.

Development effectiveness is improving, driven by partnerships and budget support

The EU champions the development effectiveness agenda, which is enshrined in the 2017 European Consensus on Development. It has made progress on several international
commitments, such as deepening its multi-stakeholder partnerships, notably with a more structured engagement with CSOs, local authorities and their associations, and the private sector. Furthermore, the European Commission’s performance-based and differentiated budget support - which comprises 15% of the Commission’s ODA - is widely appreciated by partner countries, particularly when used in synergy with other instruments and programmes. The variety and mix of delivery instruments also enable EU delegations to tailor programming to the needs, priorities and capacities of partner countries, thereby enhancing ownership and inclusiveness.

*Awareness raising efforts are building global citizenship across Europe*

Public support for helping developing countries is high in EU member states, averaging 89% in 2017. The EU has made efforts to increase public awareness of global issues across member states. It has expanded its tools - including through social media, events such as European Development Days and the online DEVCO Academy - to build citizens’ awareness of global sustainable development issues, even beyond development co-operation. The EU’s development education and awareness-raising programme (DEAR) also funds CSOs and local authorities to strengthen citizens’ understanding of various development issues. Thus, in working closely with member states to build global citizenship, the EU is promoting a comprehensive and whole-of-society contribution to sustainable development and global public goods.

*The European Union can build on its achievements*

*Strategies, safeguards, and a comprehensive roadmap for meeting policy aspirations are needed*

The 2017 Consensus is fully aligned with the 2030 Agenda for Sustainable Development and structured around its five core themes of people, planet, prosperity, peace and partnership. The Consensus states that the cross-cutting elements for the EU and its members to implement are youth; gender equality; mobility and migration; sustainable energy and climate change; investment and trade; good governance, democracy, the rule of law and human rights; innovative engagement with more advanced developing countries; and mobilising and using domestic resources. It also commits the EU and member states to prioritise eradicating poverty, tackling discrimination and inequality, and leaving no one behind.

At the same time, the EU and member states have an action plan on gender equality that commits them to increase their gender equality efforts. The EU has made progress on this front, but there needs to be improvements to enhance capacity, incentives and measures of organisational performance across EU actors to ensure impact on the ground and to meet the level of ambition. On environment and climate change, the EU has also made progress in mainstreaming, capacity development, quality control and dedicated staffing at headquarters, but is yet to develop a strategy, despite the recommendation in the 2012 Peer Review. Furthermore, when engaging in fragile contexts, the EU increasingly uses emergency trust funds, pooling resources to provide a coherent response to crisis. The EU should undertake measures to maintain and further uphold the alignment of such instruments to partner countries’ development priorities, especially in dealing with migration issues. Focusing trust funds on specific crisis contexts will also help strengthening coherence with other EU instruments.
In line with the concentration principle proposed in the Agenda for Change in 2011, although not reconfirmed in the Consensus, the EU’s country programmes have been focusing on a maximum of three sectors per country since 2014. The implementation of this principle was indeed observed in Bolivia and Mali. At the same time, the thematic funding, trust funds, investment funds and the European Investment Bank (EIB) do not necessarily finance the three priority sectors in each country. Thus, further effort to consolidate EU-wide activities around priority sectors could be explored, in order to bring better synergy and coherence among EU actors.

More broadly, in reflecting the 2030 Agenda and the EU Global Strategy, the European Commission has just presented a proposal for a comprehensive financial instrument for implementing the Consensus\(^1\) within the next Multiannual Financial Framework (MFF) 2021-27. This proposal offers an important opportunity to elaborate how the EU, its institutions, and member states intend to remain focused on poverty eradication. It may also serve as a basis for developing operational guidance on how EU actors - among them the EIB which disburses 27% of the EU’s gross ODA - and member states will work coherently, particularly in focusing on the poorest countries and leaving no one behind.

**Recommendation:**

i. In view of the negotiations for the MFF 2021-27, the EU should:

- Establish operational guidance on how the EU, its institutions and the member states as a whole will implement the Consensus by remaining focused on poverty reduction and sustainable development, building on the comprehensive financing instrument proposed by the European Commission.

- Further strengthen measures of organisational performance against the gender action plan.

- Develop an explicit strategy for furthering environment and climate change objectives.

- When creating new trust funds, maintain and further uphold the alignment of objectives with partner countries’ development priorities and limit where possible their scope to a specific crisis context.

- Further consolidate the EU programme around priority sectors in its partner countries.

**Policy coherence for development needs to focus on impact**

In line with the OECD Ministerial Declaration, 2030 Agenda and the 2017 Consensus, the EU is deepening its commitment to policy coherence for development. For example, over the past decade, the EU has worked to transition to a partnership model based on trade rather than solely aid, including in Sub-Saharan Africa where two-way trade by member states exceeds USD 300 billion annually. Furthermore, the EU reformed the Everything but

Arms initiative to support more imports from least developed countries (LDCs) by reducing competitive pressures. During 2016, EU member states imported EUR 24 billion from the 49 countries benefitting from the initiative, making the EU member states the world’s most open market for LDCs. At the same time, some EU agriculture and trade policies are responsible for significant negative spill over effects on developing countries, which need to be addressed.

The Commission has included policy coherence for development as a regular agenda item in the inter-service steering group for the implementation of the 2030 Agenda. It has also developed a mechanism to assess economic, social and environmental impacts, which applies to impacts on developing countries as well. At the same time, the biennial reporting on policy coherence for development has its limitations in describing the actual or potential impact of all EU and member state policies that have a positive or negative impact on the development aspirations of developing countries. Furthermore, although member states are required to report to the Commission on efforts towards policy coherence for development, such reporting is uneven, since the extent to which EU Member States prioritise policy coherence for development is not uniform.

Recommendation:

ii. Building on its work to strengthen policy coherence for development, the EU should:

- Better identify impacts of EU and member state policies on developing countries in its reporting, beyond actions taken.
- Systematically follow up on EU member states’ efforts to promote policy coherence for development.

The EU should demonstrate clearer value added in channelling funds to multilaterals and development finance institutions

Acting as an individual donor in its own right with a *sui generis* legal nature, the EU provides a significant amount of funds to multilateral organisations in line with its commitment to multilateralism for a more efficient response to collective challenges. In 2015-16, approximately 24% of the Commission’s bilateral ODA - totalling on average USD 3 billion per year - was channelled through multilateral organisations, most of which were UN agencies. This proportion is high compared to the country average of 16% of bilateral ODA by the 20 EU DAC member states. The added value of this type of modality for the EU could be highlighted further so that it can be assessed correctly, given the significant transaction costs involved. A clearer rationale and a more transparent approach could help inform choices and ensure that funding is adding value.

In response to the call of the Addis Ababa Action Agenda, the EU promotes activities to enhance financing for development. For example, the Commission adopted a Collect More - Spend Better approach in 2015 to contribute to improving domestic resource mobilisation and public financial management in partner countries. The Commission has also facilitated several developing countries to join the Global Forum on Transparency and Exchange of Information for Tax Purposes to combat illicit financial flows.

The EU further launched the External Investment Plan (EIP) to mobilise private investors in Africa and the European neighbourhood countries. The plan includes the European Fund
for Sustainable Development (EFSD), which offers guarantees mostly to the EIB, European Bank for Reconstruction and Development (EBRD), and European development finance institutions (DFIs). In doing so, the EU has addressed the challenges cited in the evaluation of blended finance operations regarding the lack of diversification of implementing partners and heavy focus on infrastructure projects and middle income countries. Moving forward, the EU should keep ensuring that partner country priorities are well targeted and elaborate better the added value of the EFSD to all stakeholders, including partner countries, the business community, and civil society. In addition, while the EFSD provides an open platform to enhance collaboration among the Commission and European DFIs (including EIB), in the context of the EIP, strengthened co-operation to help improve the investment climate through policies in partner countries would make the EU’s contribution to the Addis Agenda more coherent, comprehensive and effective.

Recommendations:

iii. In channelling funds to multilateral organisations, the Commission should articulate a clearer rationale to ensure added value.

iv. In implementing the External Investment Plan, the EU should:

- Ensure that partner country priorities are well targeted when mobilising finance for sustainable development and elaborate the valued added of the EFSD to all EU stakeholders.
- Develop an evidence-based and whole-of-EU approach, driven by EU policies to mobilising private investment, by enhancing collaboration between the Commission and the EIB, as well as the EBRD and other European DFIs, including on how to improve the investment climate.

Joint programming and results-based management could be enhanced

The EU’s joint programming exercises help support the 2030 Agenda and advance the effectiveness agenda in partner countries, as they harmonise efforts towards joint analysis and commonly agreed objectives. They also potentially facilitate collaboration, a clearer division of labour and greater visibility of European support. At the same time, recent reviews suggest that joint programming should ensure greater partner country ownership, joined-up dialogue and decision making, better synchronised programming cycles, and strengthened mutual accountability through joint results frameworks. Efforts to expand the implementation of joint programming should thus continue in a pragmatic way, tailored to each country context, in order to deliver on the high ambition of making European development co-operation more effective.

In line with the 2017 Consensus that committed EU institutions and member states to align their results to the 2030 Agenda, the EU has made significant progress in establishing results frameworks that facilitate target setting and in providing incentives to achieve goals at the country level. At the corporate level, however, it is not obvious how all the results information and data collected, as well as findings from all the evaluations, contribute to policy steering or common learning. In addition, most evaluations are decentralised and uploaded to the EVAL Module, but the public does not have access to the repository. Moreover, it is difficult to determine value for money due to the lack of criteria for assessment. Communications to policy makers and the public that draw on results frameworks and evaluations could also be enhanced. This could be done by articulating a
stronger analysis and narrative on the contributions of the EU as a whole to country level outcomes that are aligned to the Sustainable Development Goals.

Recommendations:

v. The EU and its member states should continuously expand and refine implementation of their joint programming strategy, including by reinforcing partner country ownership and strengthening results-based approaches, in support of the 2030 Agenda and the SDGs.

vi. The EU should make better use of its results information and evaluations:

- In determining overall achievements, trends, common factors in success and/or failure, value for money, and policy making.
- In communications by articulating a stronger narrative on the contributions of EU institutions as a whole to country-level outcomes.

vii. The Commission should make decentralised evaluations more accessible to the public in order to enhance transparency and accountability.

The European Union needs to address some challenges

The EU needs to enhance its co-ordinating role in achieving the ODA targets and increase its aid to least developed countries

The first European Consensus on Development in 2005 committed the Commission to carry out a co-ordinating role in encouraging member states to attain the targets of 0.7% ODA/GNI and 0.15%-0.2% of GNI in aid to LDCs by 2015. As these targets were not met by most EU member states, the commitments were reaffirmed in the new Consensus in 2017, to be attained by 2030. Thus, while development co-operation is a shared competence for the EU and its member states - and member states alone can decide on their ODA allocations - the EU will have to use its co-ordinating role more effectively in encouraging member states to meet their commitments in the coming years. This may become particularly challenging with the departure of the United Kingdom from the EU, as it has achieved the 0.7% target and also made significant contributions to the EU’s diplomatic, security and development assets throughout the years.

The EU institutions’ own ODA could be better targeted to support LDCs. In 2015-16, 43% of the EU’s allocable bilateral ODA disbursements went to upper middle-income countries (UMICs). In the same period, only 27% of such ODA went to LDCs, which is a low proportion compared to the country averages of EU DAC members at 37% and all DAC countries at 40%. The proportion of EU aid going to UMICs is relatively high particularly due to the heavy focus of EIB loans to this income grouping. At the same time, most of the top recipient countries of the Commission’s grants are LMICs and UMICs, which saw an increase due to humanitarian aid going to these income groupings following conflicts that caused massive forced displacements and severe humanitarian emergencies. These countries include Turkey, West Bank and Gaza Strip, Syrian Arab Republic, and Ukraine.
Recommendation:

viii. In implementing the Consensus regarding ODA targets, the EU should:

- Take steps to use its co-ordinating role more effectively in encouraging member states to attain the ODA targets.
- Lead by example by allocating more resources to LDCs.

Challenges with systems and staffing continue

The Commission’s development co-operation remains administratively heavy. Its approval processes for both policy and programming are complex due to the number of institutional and external actors involved. Some of these challenges may be resolved in the next MFF 2021-27, as it includes a plan to consolidate numerous financial instruments. To date, however, implementing partners have criticised the time-consuming PAGoDA agreements, for instance, although improvements have recently been made. While the EU's procurement and contracting systems are recognised as inclusive and transparent, they are also difficult to understand. The Commission could therefore continue efforts to make planning, approvals and contracting for its activities less time-intensive.

The Commission could build on progress made - such as enhanced use of partners’ systems - in simplifying procedures and reducing transaction costs in partnering with civil society organisations, in particular by further lightening their reporting burden. This could include greater reliance on streamlined or shared assessment mechanisms, including with the EU member states. At the field level, minimising administrative burden, increasing efficiencies and modernising IT systems would free up time of senior officials for more strategic work in the delegations. Increasing the delegations’ budgetary authority would also help enhance the flexibility of the EU to respond faster to changes in needs and country contexts.

In this context, while the EU is supporting innovation in a number of important areas such as state-building contracts and the EIB’s green bond and Sustainability Awareness Bond, there is room to better balance its risk management demands with an innovation culture. In other words, the EU will need to pay attention to the trade-offs around high administration and management costs that could stifle appetite for innovation and intelligent risk-taking that could improve development impact.

In terms of organisational structure, the European External Action Service (EEAS) was established in 2010 to develop and implement the EU’s Foreign and Security Policy, including for development co-operation. While reliant on the various Directorate Generals to do its work, the EEAS is placed outside the Commission. It is mandated to ensure that all EU policies are coherent and consistent with the principles, values and objectives of EU external action. The EU’s external development co-operation function was further reconfigured in 2011 with the establishment of DG DEVCO, thus consolidating policy and management functions.

Despite these organisational changes, some of the human resource challenges observed in the last Peer Review were still present across all EU institutions: disparities in conditions and career opportunities among different employment categories; difficulties in retaining technical expertise and knowledge; and relatively low staff morale. Furthermore, as there has been a reduction of specialist skills, DG DEVCO should constantly ensure that it has the right mix of specialist skills and generalist/diplomatic profiles. This is essential in
enabling the EU to make informed decisions on development co-operation, to engage strategically with developing country partners and to deal with an increasing number of complex crises.

**Recommendations:**

ix. The Commission could build on progress in simplifying procedures and responding faster by:

- Reducing the reporting burden through greater reliance on streamlined and/or shared assessment mechanisms, particularly in partnering with CSOs.
- Increasing the budgetary authority of the delegations.
- Encouraging and incentivising innovation to improve its administrative systems, working methods and development impact.

x. The EU should regularly review and adjust its human resource policies to ensure that its system has staff with appropriate skills and knowledge in the right places.
Summary of Recommendations

List of all recommendations featured above:

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   - Further strengthen measures of organisational performance against the gender action plan.
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   - When creating new trust funds, maintain and further uphold the alignment of objectives with partner countries’ development priorities and limit where possible their scope to a specific crisis context.
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iv. In implementing the External Investment Plan, the EU should:
   - Ensure that partner country priorities are well targeted when mobilising finance for sustainable development and elaborate the valued added of the EFSD to all EU stakeholders.
   - Develop an evidence-based and whole-of-EU approach, driven by EU policies to mobilising private investment, by enhancing collaboration between the Commission and the EIB, as well as the EBRD and other European DFIs, including on how to improve the investment climate.

v. The EU and its member states should continuously expand and refine implementation of their joint programming strategy, including by reinforcing partner country ownership and strengthening results-based approaches.

vi. The EU should make better use of its results information and evaluations:
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