

# EUROPEAN UNION

Development Assistance Committee (DAC)  
PEER REVIEW 2012



OECD

ORGANISATION FOR ECONOMIC CO-OPERATION AND  
DEVELOPMENT

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### The Peer Review Process

The DAC conducts periodic reviews of the individual development co-operation efforts of DAC members. The policies and programmes of each member are critically examined approximately once every four or five years. Five members are examined annually. The OECD's Development Co-operation Directorate provides analytical support and is responsible for developing and maintaining the conceptual framework within which the Peer Reviews are undertaken.

The Peer Review is prepared by a team, consisting of representatives of the Secretariat working with officials from two DAC members who are designated as "examiners". The country under review provides a memorandum setting out the main developments in its policies and programmes. Then the Secretariat and the examiners visit the capital to interview officials, parliamentarians, as well as civil society and NGO representatives of the donor country to obtain a first-hand insight into current issues surrounding the development co-operation efforts of the member concerned. Field visits assess how members are implementing the major DAC policies, principles and concerns, and review operations in recipient countries, particularly with regard to poverty reduction, sustainability, gender equality and other aspects of participatory development, and local aid co-ordination.

The Secretariat then prepares a draft report on the member's development co-operation which is the basis for the DAC review meeting at the OECD. At this meeting senior officials from the member under review respond to questions formulated by the Secretariat in association with the examiners.

This review contains the Main Findings and Recommendations of the Development Assistance Committee and the report of the Secretariat. It was prepared with examiners from Japan and Norway for the Peer Review of the European Union on 28 March 2012.

In order to achieve its aims the OECD has set up a number of specialised committees. One of these is the **Development Assistance Committee**, whose members have agreed to secure an expansion of aggregate volume of resources made available to developing countries and to improve their effectiveness. To this end, members periodically review together both the amount and the nature of their contributions to aid programmes, bilateral and multilateral, and consult each other on all other relevant aspects of their development assistance policies.

The members of the Development Assistance Committee are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Korea, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, the United States and the European Union.

### European Union's aid at a glance\*

#### EU Institutions

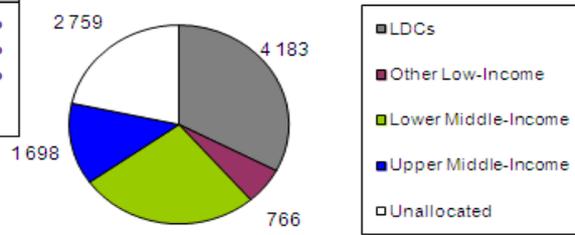
Gross Bilateral ODA, 2009-10 average, unless otherwise shown

Net ODA	2009	2010	Change 2009/10
Current (USD m)	13 444	12 679	-5.7%
Constant (2009 USD m)	13 444	13 226	-1.6%
In Euro (million)	9 654	9 573	-0.8%

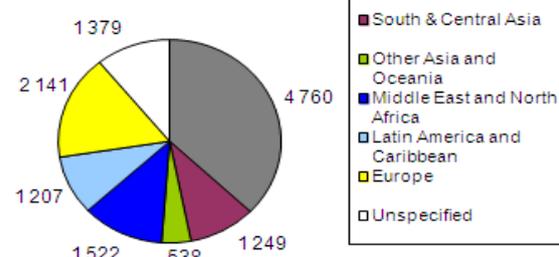
Top Ten Recipients of Gross ODA (USD million)	
1 Turkey	541
2 West Bank & Gaza Strip	490
3 Afghanistan	340
4 Congo, Dem. Rep.	299
5 Kosovo	298
6 Serbia	292
7 Sudan	255
8 Morocco	253
9 Ethiopia	220
10 Mozambique	199
Memo: Share of gross bilateral ODA	
Top 5 recipients	15%
Top 10 recipients	25%
Top 20 recipients	38%

By Income Group (USD m)

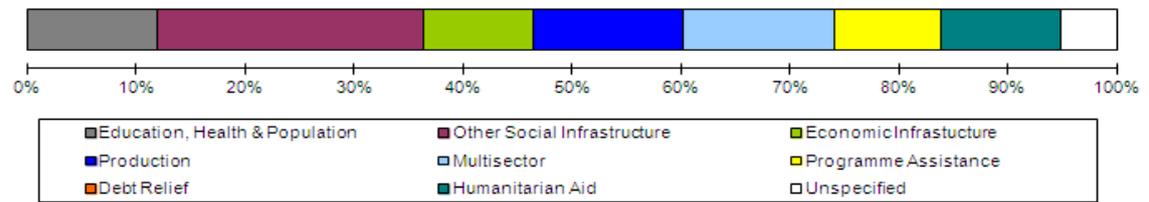
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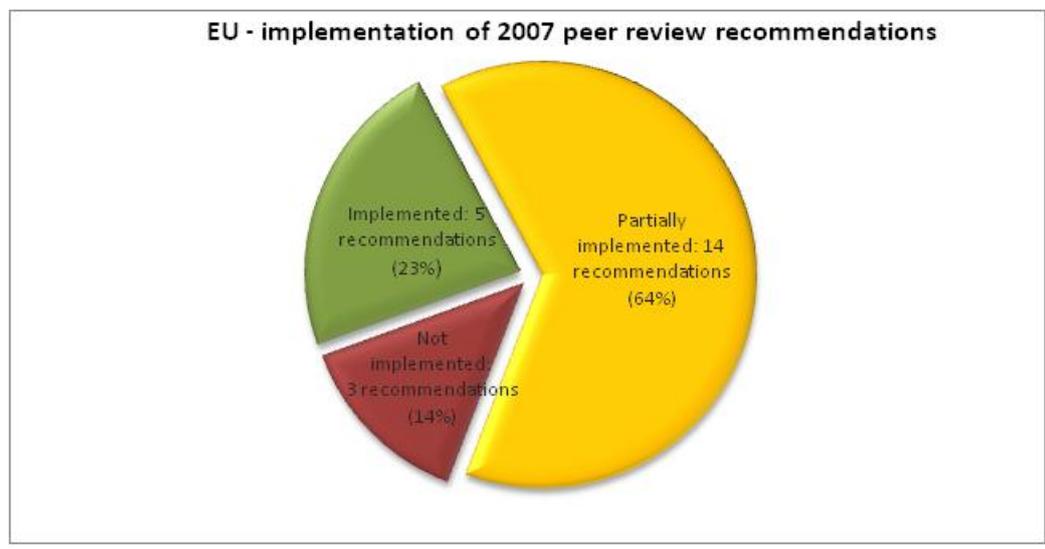
By Region (USD m)



By Sector



\*:The data on "ODA" flows and concessional assistance shown in this report for EU institutions from 2008 relate to grants only.



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## LIST OF ACRONYMS

ACP	African, Caribbean and Pacific countries
AidCo	EuropeAid Co-operation Office (Former Office)
ALNAP	Active Learning Network for Accountability and Performance
CFSP	Common Foreign and Security Policy
COHAFA	Council Working Party on Humanitarian Aid and Food Aid
COREPER	The Committee of Permanent Representatives of the Member States to the Union
CSOs	Civil Society Organisations
DAC	Development Assistance Committee
DCI	Development Co-operation Instrument
DG	Directorate General
DG DEV	Directorate General for Development (former Directorate)
DG DEVCO	Directorate General for Development and Co-operation EuropeAid
DIPECHO	Disaster Preparedness ECHO
EAMRs	External Assistance Management Report
EC	European Community
ECA	European Court of Auditors
ECHO	European Commission Directorate-General for Humanitarian Aid
EDF	European Development Fund
EEAS	European External Action Service
EIB	European Investment Bank
EU	European Union
GHD	Good Humanitarian Donorship
GNI	Gross National Income
HIPs	Humanitarian Implementation Plans
HR/VP	High Representative/Vice President
IfS	Instrument for Stability
IPA	Instrument for Pre-accession Assistance
LDCs	Least Developed Countries
MDGs	Millennium Development Goals
MIC	Monitoring and Information Centre
MICs	Middle Income Countries
NGOs	Non-governmental organisations
ODA	Official Development Assistance
PCD	Policy Coherence for Development
QSG	Quality Support Group
RELEX	Directorate General for External Relations (former Directorate)
ROM	Results Oriented Monitoring
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund

## European Union: Essential Glossary

**Treaties:** The Lisbon Treaty – which entered into force on 1 December 2009 – consists of the Treaty on European Union and the Treaty on the functioning of the European Union and is the legal basis for the European Union. It amended the previous versions of the Treaty on European Union and the Treaty on European Community.

**European Union (EU):** The EU is the legal successor to the European Community. The EU is an economic and **political** union of Member States (currently numbering 27) and has legal personality. The Treaties contain fundamental values such as respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. The EU has a *sui generis* legal nature, and it is an individual donor in its own right, with its own development policy. Its legitimacy is dual, based on both the legitimacy of the governments of the Member States that are represented in the Council (*i.e.* indirect legitimacy) and the legitimacy of the European Parliament that is directly elected by EU citizens (*i.e.* direct legitimacy).

**European Union Member States in 2012:** Austria, Belgium, Bulgaria, Cyprus,<sup>1</sup> Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom.

### Council:

- **European Council:** this comprises the heads of state or government of the 27 EU member states, along with the President of the European Council (who chairs its meetings) and the President of the European Commission. The High Representative for Foreign Affairs and Security Policy (HR) also takes part in its meetings, but neither the presidents of the European Council and Commission, nor the High Representative for Foreign Affairs and Security Policy have a vote. While the European Council has no legislative power, the Lisbon Treaty established that it defines the general political directions and priorities of the Union. The European Council also deals with complex or sensitive issues that cannot be resolved at a lower level. The President of the European Council represents the EU on issues concerning its Common Foreign and Security Policy (CFSP) at the level of heads of State or Government.
- **Council of the European Union:** This, together with the European Parliament, is the EU's legislative body. The Council is composed of one representative at ministerial level

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1. *Footnote by Turkey:*

The information in this document with reference to “Cyprus” relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of United Nations, Turkey shall preserve its position concerning the “Cyprus” issue.

*Footnote by all the European Union Member States of the OECD and the European Commission:*

The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.”

per Member State, with exact membership depending upon the topic being discussed. The Presidency of the Council rotates every six months among the governments of Member States (except in the area of foreign policy). Council decisions can be made by weighted qualified majority voting in most policy areas and unanimity in others.

- **Foreign Affairs Council:** This is a configuration of the Council of the European Union. It deals with matters **related** to the external action of the EU and helps to ensure coherence across external policies. Since the entry into force of the Lisbon Treaty, the Foreign Affairs Council is chaired by the High Representative (instead of the Rotating Presidency of the Council of the European Union) and meets once a month, bringing together the Foreign Ministers of the Member States, with the participation of other Ministers depending on the items on the agenda. The Foreign Affairs Council can meet in different formats (Trade, Development, Defence) several times a year to discuss those policy areas.
- **COREPER (Committee of Permanent Representative)** is made up of the Member States' Permanent **Representatives** to the EU (Ambassador Extraordinary and Plenipotentiary) and deals with political, financial and foreign policy issues. COREPER is tasked with defining the agenda for the ministerial Council of the European Union meetings and co-ordinates the work of some 250 committees and working parties that work on technical issues to be discussed later by COREPER and the Council of the EU.
- **Working Groups of the Council:** Member State civil servants, whether based in capitals or at the Permanent Representations in Brussels, take part in working-level meetings which prepare decisions to be taken by the Council. In the foreign policy field, working groups can be either geographical (*e.g.* regional) or thematic (*e.g.* development, trade).

**European Parliament:** This is the assembly of the directly-elected representatives of the EU citizens. It has three main functions: legislative, budgetary and control. It acts as legislator together with the *Council of the EU*. It also acts, jointly with the Council of the EU, as Budgetary Authority, deciding on the multiannual and annual EU budgets. Its consent is required on a wide range of international agreements negotiated by the EU. It exercises political oversight over the use of funds within the annual budget discharge procedure. All external actions, including development aid, are scrutinised by the European Court of Auditors whose reports form the basis for the discharge exercise led each year by the Parliament's Budgetary Control Committee.

**European Commission:** This is the executive body of the European Union. It has the sole right of initiative (except in the area of common foreign and security policy (CFSP)). All policy or legislative proposals must be presented by the Commission, which has autonomy in deciding whether to do so. The Commission is also, as the EU's civil service, responsible for the day to day running of the EU, implementing policies and executing the budget. The Commission is, along with the *Court of Justice*, the "guardian of the Treaties". In areas other than its CFSP, it ensures the Union's external representation. The Commission is organised as a "college" of 27 Commissioners who take collegial decisions. There is one Commissioner per Member State. Since the Lisbon Treaty, the person holding the new post of High Representative of the Union for Foreign Affairs and Security Policy automatically also becomes a Vice-President of the Commission. The Commission is appointed for a five-year term by the Council acting by qualified majority in agreement with the Member States. It is subject to a vote of appointment by the European Parliament, to which it is answerable. The Commission is made up of Directorates-General or services, responsible for individual policy areas.

**High Representative of the EU for Foreign Affairs and Security Policy/Vice President of the European Commission (HR/VP):** The Lisbon Treaty established this position, which has two roles (Figure 0.1). The HR is responsible for the EU’s Foreign Affairs and Security Policy, chairs the Foreign Affairs Council and has authority over more than 130 EU Delegations located in third countries and to international organisations. The HR is a Vice President of the European Commission and ensures the consistency of the Union’s external action. The VP is responsible within the Commission for responsibilities incumbent on it in external relations and for coordinating other aspects of the Union’s external action. The HR represents the EU in matters relating to CFSP.

**European External Action Service (EEAS):** established at the end of 2010, this serves as the foreign ministry and the diplomatic corps of the European Union. It is responsible for assisting the HR/VP in his or her functions, including developing and implementing the EU’s Common Foreign and Security Policy and co-ordinating other areas of the EU’s external relations. The EEAS, working with European Commission services, ensures coherence between external policy objectives and development. It comprises officials transferred from relevant departments of the General Secretariat of the Council, the European Commission and diplomatic services of the Member States.

**European Court of Auditors:** This is responsible for auditing EU finances. It provides external checks to ensure the EU budget has been implemented correctly. The Court of Auditors is composed of one member from each EU Member State, appointed by the Council of the European Union, after consulting the European Parliament, for a six-year renewable term.

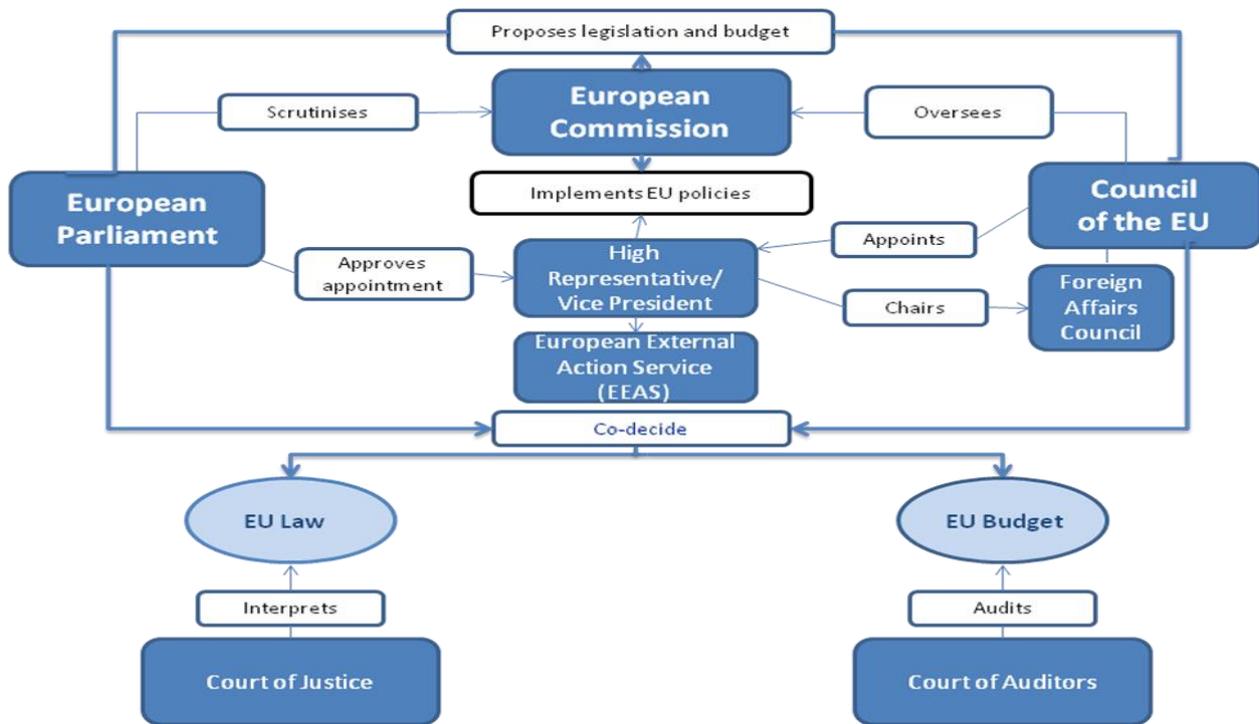
**European Investment Bank (EIB):** founded in 1958, its shareholders are the EU Member States. The EIB enjoys decision-making independence within the EU’s institutional system and operates in accordance with the provisions of the EU Treaties. It aims to support EU policies internally, as well as outside the EU under the supervision of its Board of Governors, which comprises the 27 Finance Ministers. In this context, it provides long-term finance to support EU external co-operation and development objectives, either by borrowing on the capital markets or with funding from EU, European Development Fund (EDF) or EU Member States.

**Court of Justice of the European Union:** composed of one judge per Member State, it is tasked with interpreting EU law (much of which is directly applicable) and making sure it is applied in the same way across the EU. The Court also acts as arbiter between EU governments and EU institutions.

**European Central Bank:** based in Frankfurt-am-Main, its task is to maintain the stability of the European currency, the euro, and control the amount of currency in circulation. It has legal personality and acts totally independently.

**ACP Group:** This is the group of 78 African, Caribbean and Pacific (ACP) states that are signatories to the Georgetown Agreement. The EU established its co-operation with this group of countries via the ACP-EC Partnership Agreement, later referred to as the “Cotonou Agreement”. This agreement provides for joint ACP-EU institutions: a Council of Ministers that meets annually and brings together representatives of the EU and of signatory governments; a Committee of Ambassadors which assembles representatives of the signatories in Brussels; and a joint Parliamentary Assembly that meets twice a year and includes representatives of the parliaments of the ACP countries and the European Parliament. It is supported by a secretariat in Brussels and financed by the EU.

Figure 0.1 Key institutions involved in the EU’s development co-operation policy



Source: Unofficial chart based on information available to the review team

## The DAC'S main findings and recommendations

### Overview

The size, geographical reach and partnership dimension of the European Union's (EU) aid programme makes it a formidable player in global development. The EU institutions are unique in that they provide direct support to developing countries and play a "federating role" vis-à-vis the 27 Member States – co-ordinating them for better development impact, and preparing common positions to strengthen the EU voice in global debates. Development co-operation and humanitarian assistance are areas of shared competence between the EU and Member States. Given this, to achieve its leadership potential, the EU needs to build on the 2005 EU Consensus on Development to strengthen its shared vision as well as common commitments and approaches to development co-operation. The proposed *Agenda for Change*, adopted by the Commission in October 2011, is well-timed to build such consensus and to influence the 2014-2020 financial framework.

The EU institutions manage a large volume of ODA. Based on its USD 12.7 billion grant programme alone, in 2010 the EU was the third largest DAC member. The EU also extended loans and equities to partner countries totalling USD 8.3 billion gross, a significant contribution to development. Since the 2007 peer review, the EU institutions have taken positive steps to make the programme more effective and increase its impact. These steps include major organisational restructuring; efforts to streamline financial instruments; and a strategic approach to making co-operation more co-ordinated and aligned. They have also enhanced their dialogue with civil society.

However, the EU institutions need to make more progress in a number of areas. In completing the reorganisation they need to be clear about responsibilities of each institution as they work together to implement the development co-operation programme. The EU institutions also need to strengthen knowledge management and lower the administrative burden on partners and EU staff to improve the impact of the programme. They should also do more to demonstrate and communicate results. The EU institutions should also build on the renewed political will at the Commissioner level to develop a coherent approach to programming in post-crisis and transition contexts. Finally, the Commission has developed a sound strategic framework for promoting policy coherence for development, and should make every effort to use its mechanisms to their full potential.

## Overall framework for development co-operation

### *Ensuring strong internal cohesion for greater development impact*

**Key findings:** *The Lisbon Treaty offers opportunities to reinforce the EU's global leadership role, but the EU is not yet making the most of these opportunities. To do so would require stronger cohesion between the EU institutions and the Member States, in the context of a complex legal and institutional system. Based on the significant achievement in building a common vision, the EU can strengthen its leadership on development at the international level, and its impact in partner countries and regionally.*

**Recommendation:** The EU institutions need to continue efforts to build a common EU strategic vision with Member States, using the proposed *Agenda for Change* to meet their commitment to reduce poverty.

The EU has become a stronger development actor in the last decade. The 27 Member States now share a set of strategic frameworks covering three pillars of development co-operation: financing, strategies, and policy coherence. Playing a global role, they have developed common positions which have advanced work on issues such as development financing and effective aid. In partner countries they rely on a broad network of 136 Delegations which bring together the various competences of the EU institutions and Member States.

Despite progress, it is still a challenge to develop a cohesive approach to meeting the development co-operation commitments and to speak consistently with a unified voice in the international arena. Falling short of this risks weakening the EU's influence and impact. According to the Lisbon Treaty, the European Commission may promote co-ordination, while respecting the Member States' sovereignty (paras 5-7). This shared competence in development co-operation requires EU stakeholders to share a vision of development co-operation. The steps taken so far need to be consolidated. In particular, the proposed *Agenda for Change* could represent a common vision of development co-operation, since it reflects many Member States' own new orientations. Debate in Council and Parliament should now help to firmly establish the strategic directions for EU policy.

The working arrangements between the Commission and the EEAS were finalised in January 2012. In implementing these working arrangements, the EU needs to build on respective comparative advantage of EU actors and respect the balance of powers in the Lisbon Treaty. In the complex institutional system, the High Representative for Foreign Affairs and Security Policy/Vice President of the Commission chairs the Foreign Affairs Council, and development co-operation responsibilities are split between the diplomatic corps – the European External Action Service (EEAS) - established outside the Commission, and the Commission. The value of the EEAS to the development agenda will depend on its ability to bring together the EU's many tools of influence – economic and political, plus civil and military crisis management. To do this well, the role of each EU actor must be made clear.

### *Having the right strategies and building public support for the 2014-2020 financial framework*

**Key findings:** *The institutional changes have delayed the development of a number of strategies. Further delays to finishing the strategic framework will mean it cannot be matched by appropriate programmes and budget lines in the 2014-2020 financial framework. In these times of financial crisis, the EU is also facing increased public scepticism and more intense scrutiny of its development co-operation programme, making it more difficult to secure budgets for development co-operation.*

**Recommendations:** to influence the next financial framework so that it supports the EU's strategic priorities, the Commission and EEAS should:

- Finish or update strategies, action plans or guidance, especially those addressing security and transition, private sector development and mainstreaming the environment.
- Strengthen efforts to communicate results to increase transparency and make the public more aware of what the development co-operation programme has achieved.

Reducing poverty remains a primary aim of EU development co-operation, as stated in the Lisbon Treaty and in the main development co-operation programmes. The Commission has developed a solid framework for supporting the achievement of the Millennium Development Goals (MDGs) and made good efforts to implement it. The proposed *Agenda for Change* maintains a strong focus on reducing poverty, to be addressed through good governance and inclusive growth. These priorities should form the basis for programmes and regulations included in the 2014-2020 financial framework.

The integration of various policy areas and its large volume of funding help the EU to engage in fragile states. The European institutions also have a recognised added value in supporting regional integration. The Commission has done well to promote international consensus on climate change. It has made good progress in mainstreaming gender equality, and should now allocate adequate resources to implement the 2010-2015 Plan of Action. The Commission has also developed a variety of programmes, and blends grants and loans - measures which will help to scale up support to economic growth and private sector development.

Continuing this work requires: i) finishing on-going conceptual work on security, fragility and development to ensure that European objectives for development co-operation, humanitarian assistance, and international security are mutually reinforcing; ii) updating the 2003 policy on private sector development; and iii) developing a strategy for mainstreaming environment and climate change issues into development co-operation. These strategies need to be in place before the adoption of the 2014-2020 financial framework.

The Commission has engaged in a successful “structured dialogue” with civil society organisations (CSOs) and local authorities in partner countries and in Europe, which should lead to further involvement of CSOs in strategic dialogue.

Public support for development aid remains strong in the EU, but support for increasing budgets has declined in recent years. The EU aid programme is under intense

scrutiny, being overseen both by the European Parliament and Council with the support of the European Court of Auditors, as well as by think tanks and NGOs. With increased public scepticism and more intense scrutiny, measuring and communicating development results is even more important. The EU institutions need to build a communication culture and shift the current emphasis on ensuring visibility of EU development support towards communicating priorities, challenges and impacts. This approach should be aligned with efforts by Member States.

### **Promoting development beyond aid**

#### ***Strong political will must drive an EU-wide approach to policy coherence for development***

**Key findings:** *Having enshrined policy coherence for development (PCD) in the Lisbon Treaty, the EU has taken a lead role in promoting such coherence, but Member States have implemented the commitments they have agreed in the EU unevenly.*

**Recommendation:** To give PCD sufficient weight in EU decision making, the Council of the EU should forge political will and reinforce existing mechanisms.

The EU has made policy coherence for development a central pillar in its concerted fight against poverty. Its strategic framework includes appropriate tools to track progress. The biennial reports started in 2007 help raise awareness and increase ownership of policy coherence for development within the EU.

However, the extent to which Member States use the EU framework in their own domestic policy making appears uneven. At a time when many Member States look inward as a result of the economic crisis, it bears reminding that PCD remains a political priority for the whole of the EU. This requires high-level and consistent engagement from the Council, Parliament, the Commission and the EEAS. In particular, the Council should ensure more systematic follow-up of policy coherence for development issues to give them sufficient weight in EU decision making. Reinforcing existing mechanisms could help. Meanwhile Parliament's newly-created standing Rapporteur for policy coherence for development could point out potential incoherencies in EU policies, and ensure that the effects of new European legislation on developing countries are taken into account during the lawmaking process.

*The Commission: a well structured approach, with potential for influencing policies further*

**Key findings:** *The Commission has developed appropriate institutional mechanisms, frameworks and tools for promoting policy coherence for development; however, these instruments are not yet used to their full potential. This is hindering progress in ensuring that policies are consistent with development goals.*

*The Commission, taking a leadership role at the global level, has successfully promoted better financing for development, stimulating using aid as a catalyst for other resources (Box 2).*

**Recommendations:** To get the most out of PCD mechanisms and strengthen the evidence needed to inform decision making, the Commission and EEAS should:

- Strengthen knowledge management, making more use of internal and external capacity.
- Develop and implement a strategy on development research which would include producing evidence on policy coherence for development.
- Together with Council and Parliament, improve awareness and training for officials to deal with policy coherence for development, at headquarters and in Delegations.

Led by EuropeAid, the Commission has made good progress on policy coherence since 2007. As a new measure, new EU initiatives and policies must be assessed for the impact they may have on development (the “ex-ante impact assessment process”). The Commission has also included PCD in its programming process, and it makes better use of inter-service consultations to ensure a targeted, operational and strategic approach. It has also taken steps to hear partner countries’ views early on in policy discussions, using the consultation process of the Cotonou Agreement.

However, the Commission does not yet make full use of these mechanisms. Only a few impact assessments include an external dimension, and the scope of the analysis is often restricted. The EU institutions could make better use of the capacity available in the Commission, including through stronger links with DG Research. It could also involve the EU Delegations more now that PCD is a remit for all Heads of Delegation, and make more use of reports from Delegations, which now include a section on policy coherence for development. Drawing on expertise outside the organisation, by setting up consultation processes with research institutes, think tanks and CSOs doing valuable research on these issues, could also help. These issues are complex and their effects are difficult to monitor. It is therefore important to find ways for feeding back impacts and allowing for revisions of the major EU common policies.

The concept of policy coherence for development is not yet well owned by staff in DGs other than EuropeAid, nor in the EEAS. As PCD is not dealt with in a separate organisational unit, it has lost some visibility. Support from the highest level of the Commission and EEAS would help raise the profile of policy coherence for development and provide incentives to promote it.

### **Good practice: a lead role in promoting better financing for development**

The EU has been a leading force in realising the catalytic role of official development assistance (ODA) for stimulating domestic and foreign private investments, external trade, and mobilising domestic resources for development in partner countries. The 2000 Cotonou Agreement was an innovative way of bringing in the trade dimension, for example. As part of the 2002 Monterrey Consensus and 2008 Doha Declaration on Financing for Development, the EU has set itself quantitative and qualitative targets for different sources of finance. The Commission produces annual accountability reports reviewing progress made by the EU and its Member States in fulfilling their commitments. These reports reflect international thinking on key areas such as setting a global standard for revenue transparency and accountability, innovative finance, using ODA to leverage more private flows, and providing aid for trade. The Commission also plans to provide guidance for an “ODA-plus” approach for providing and tracking non-ODA financial sources that contribute to sustainable development and global public goods.

### **Aid volume and allocation**

#### *The challenge of meeting the 0.7% target in a time of crisis*

**Key findings:** *The 2005 commitment to achieve a collective ODA level of 0.7% of gross national income (GNI) by 2015, and an interim target of 0.56% by 2010, has encouraged substantial efforts by EU Member States who between 2004 and 2010 accounted for 62% of the global ODA increase in real terms. However, with a collective ODA/GNI ratio of 0.44% in 2010, the EU failed to achieve the 2010 target; projections show that there is a high risk of also falling short of the 2015 target.*

**Recommendations:** To confirm their strong role in development co-operation and help meet the EU collective 0.7% ODA/GNI target, the EU institutions should:

- Review and update the roadmap to meet the EU targets.
- Analyse and share with Member States the benefits to be expected from meeting the target levels of ODA.

The 27 EU Member States provided USD 69.7 billion of ODA in 2010. However, they must do more to keep the EU promise of reaching a collective ODA/GNI ratio of 0.7% by 2015 (paras 59-60). The Commission has repeatedly emphasised that this is a challenge. In 2011 it asked the Member States to establish multi-year action plans, put ODA targets in legislation, and share projections to be included in an annual report to the European Council. Now, more than ever, with several Member States planning to scale down their budgets as a result of the fiscal crunch, the European Council needs to map out how the EU as a whole will meet the 0.7% target, taking into account the individual responsibilities of Member States. This mapping, along with an analysis of the benefits of meeting the target, should underpin political decisions about what steps to take between now and 2015.

In the 2014-2020 financial framework the Commission proposes raising the share of the total EU external action budget from 5.7% to 6.8% – excluding the European Development Fund (EDF). Where it leads to increased ODA by EU Member States, raising EU development funding levels could help to meet the 0.7% ODA/GNI target.

*Making the best of an impressive outreach*

**Key findings:** *Implementing the Commission's proposed differentiated approaches to partnerships so as to direct aid where it is most needed, can have great impact if managed properly. Working closely with multilateral organisations, the EU institutions are under pressure to demonstrate the added value of providing earmarked allocations to these organisations in the field.*

**Recommendations:** To support their strategic orientations, the EU institutions should:

- Develop sound exit strategies in countries where they plan to phase out, taking into account division of labour, and thinking further on how to engage on global public goods.
- Be even more strategic in their engagement with multilateral organisations, building on synergies to have the greatest impact, and being transparent about their engagement and streamlined in their financial and administrative arrangements.

In 2010, middle income countries received slightly more in grants from the EU institutions than least developed countries (USD 4.9 billion and 4.6 billion respectively). Under the new policy, the EU institutions plan to tailor their approach to middle income countries to take account of specific needs, capacities, commitments and performance. The EU will withdraw its bilateral co-operation programme from some of these middle income countries, while maintaining thematic and regional programmes and making more use of blending instruments and private finance to support economic and trade co-operation. This new approach to MICs will help shift resources of the aid programme to countries most in need. As the EU phases out of some countries, it should take into account division of labour. The EU institutions also need to make sure that the thematic and regional programmes are appropriate to engaging with middle income countries on global challenges.

The EU's desire to promote an international system based on stronger multilateral co-operation is a central element of its external action. The EU institutions are major contributors to UN non-core funding and the World Bank's trust funds. Despite evaluations showing the positive impact of programmes implemented jointly with multilateral organisations (which is often the only way of engaging in difficult contexts), several EU Member States question the value of European funds being channelled through international organisations. To respond to these doubts, the EU institutions are drawing on evidence to ensure that they only choose a UN channel when there is a proven added value. The Commission has made some progress to ease the administrative burden of working within the EU regulations while ensuring strong control of the funds. They could still do more since high transaction costs continue to affect the partnership with multilateral organisations.

## Organisation and management

### *The importance of managing change and people well*

**Key findings:** *The EU institutions have undergone major organisational changes in the last two years. Risks involved in these change processes include: (i) unclear division of responsibility amongst the EU institutions, particularly over programming of EU development co-operation; (ii) duplication of or poorly aligned procedures and activities; (iii) confusion over contact points for support and lines of authority – both for field staff and for external partners; and (iv) loss of expertise.*

**Recommendations:** In order to maximise the opportunities and manage the risks associated with the recent organisational changes, the EU institutions should:

- Monitor how the division of responsibilities agreed between the Commission and the EEAS works in practice and improve it in ways that avoid overlaps and ensure synergies. This should accompany more streamlined processes.
- Make knowledge management a corporate priority, invest further in staff expertise, offer career incentives for specialising, and make more effective use of contract agents.

With working arrangements between the Commission and the EEAS now in place, risks associated with the change process should be managed closely – including monitoring progress, communicating the impact of change, and staying open to making adjustments. A stocktaking exercise could be planned to look at ways to avoid creating “silos” and ensure synergies.

Knowledge management should be a clear corporate priority for all the EU institutions involved in development co-operation. Greater investment in expertise and knowledge management would help the EU institutions, especially EuropeAid, to implement programmes more effectively, improve their reputation and convince Member States of the real added value of their role. Partners, Member States and internal reviews have highlighted that a lack of specific expertise in key areas (including policy dialogue, public financial management, health and education) may weaken the impact of co-operation budgets. EuropeAid has tried to augment its capacity in particular areas by using experts on short term contracts – who now make up around 40% of staff. However, in headquarters, contract agents can only work for the Commission for a maximum of three years. This leads to high staff turnover, making it difficult for EuropeAid to retain expertise. In the field, contract agents can be employed longer but have no formal way to move to other posts, which limits staff mobility and retention.

### *Modernising management of EU development co-operation by devolving and simplifying*

**Key findings:** *The EU institutions have reduced the number of budget lines and devolved further authority and staff to field offices, both widely recognised as successful moves. Nevertheless, partners and operational staff agree that procedures are still cumbersome, which slows down implementation while also putting a strain on partners with limited capacity.*

**Recommendations:** Building on progress already made, the EU institutions can further simplify and modernise their development co-operation by:

- Reducing the number of budget lines and continuing aligning rules for implementation of the Development Cooperation Instrument (DCI) and the EDF.
- Further streamlining approval procedures, particularly for small-scale activities or annual action plans, where multi-year plans have already been approved.
- Involving Delegations more closely in designing regional and thematic programmes to make aid flows more predictable, and ensure they are able to build a coherent programme at country level.

Despite a reduction in the number of financial instruments from 35 to 10 in 2007, processes – particularly approval and contracting – remain complex and heavy. Procedures are long, complicated and not the same for all instruments. The resulting inflexibility is felt most acutely in fragile situations, where rapid support is important and where the capacity to follow complex procedures is limited. The complexity of EU procedures is also an obstacle to civil society organisations – a challenge the EU needs to address if it is to fulfil its goal of stronger civil society.

Proposals for the next financial framework include reducing the number of budget lines still further, developing a common set of rules for implementation (to standardise different channels under the DCI), and making the Instrument for Stability more flexible. This is positive. While these proposals do not apply to the EDF, the proposed regulation for implementing the EDF is intended to align closely with the regulation that applies to the other instruments. The EU institutions have not yet tackled the sensitive issue of streamlining approval processes. One approach might be to require full consultation and approval at the more strategic, multi-year level, while streamlining approval processes for annual project and programme. These changes will require agreement among the Commission, Parliament and Member States.

The devolution of authority and staff to Delegations is widely seen as a successful step in modernising EU development co-operation. EU support now flows faster and its reputation amongst partners has improved. Nevertheless, EU Delegations still need to seek headquarters' approval for every new activity – irrespective of volume – and some programmes are still designed at headquarters. In particular, Delegations have a limited role in making decisions about thematic and regional funding, varying by instrument. This does not help efforts to build a coherent programme in partner countries, nor to make the most of synergies among activities. Giving Delegations more authority must go hand-in-hand with building their capacity. Furthermore, Delegations now have a stronger mandate to play an EU-wide role, and staff in Delegations therefore increasingly need to be able to represent the EU effectively in development co-operation.

### *Fine tuning monitoring and evaluating for stronger emphasis on results and learning*

**Key findings:** *The EU institutions monitor closely the development co-operation programme. However, their focus on financial accountability, while crucial, does not provide stakeholders with evidence on how EU development co-operation is achieving results.*

**Recommendation:** The European Commission should increase the focus on results and enhance wider learning.

The Commission’s monitoring and review instruments provide detailed and useful data for financial accountability, but do not always capture the type of information useful for guiding the programme to maximise development results – an aspect of concern to EU citizens. EuropeAid recently adjusted its internal monitoring system so as to collect the type of information that headquarters can collate and analyse. Delegations believe the information gathered should also be useful for their project management purposes. It is good that the external monitoring system has increased the proportion of projects which receive monitoring visits. However, the system should be improved further to ensure it serves both the Delegations and headquarters’ management needs better. In some cases, it is difficult to monitor results because the objectives set for individual activities are not always clearly linked to objectives agreed in country and thematic strategic documents, or in overall financial instruments.

### **Improving the impact of development co-operation**

#### *Fulfilling a challenging role as “federator” of EU development co-operation*

**Key findings:** *The EU institutions, as convenors, have made a concerted effort to make EU-wide development co-operation more effective, especially when it comes to division of labour. The Commission and the EEAS now emphasise joint programming for greater development impact by making aid more effective and enhancing ownership of partner countries. However, a combination of technical and political obstacles has meant that the EU institutions have not made as much progress as they had hoped in these areas.*

**Recommendations:** To realise their ambition to play a strong EU-wide role in promoting more effective development co-operation, the EU institutions should:

- Focus on implementing the EU code of conduct; demonstrate to politicians and practitioners the benefits of moving towards joint programming; and work with Member States to identify and address obstacles at headquarters and at country level.
- Seek to bring harmony with and amongst Member States’ approaches in challenging areas such as conditionality in budget support; measuring development results; and aligning programming cycles with partner countries’ cycles.

The EU institutions face a challenge in meeting their ambitions to play a “federating” role in promoting more effective aid. Nevertheless, some of their achievements in this area deserve recognition. They have, for example, provided an operational framework for increasing the effectiveness of EU-wide development co-operation. They have also

sought to implement the *EU Code of Conduct on Complementarity and Division of Labour*. Globally, many Member States are reducing the number of countries in which they work, though these efforts are not co-ordinated. The Commission has found it difficult to influence these political choices. Within individual partner countries, results have varied, including amongst the 32 countries targeted to fast track the division of labour. Nevertheless, the fast track exercise has reaped benefits such as increasing the information available to partner governments and other stakeholders on what donors are doing and planning to support. Looking forward, the EU institutions will be expected to play as strong a role in the Global Partnership for Development while also following through on existing EU-wide commitments.

At the Busan forum in 2011, the EU stated that making progress on joint programming is a clear priority. The EU institutions are working with Member States to build the political will needed to achieve this, using evidence of potential cost savings and legal openings amongst Member States. Moving in this direction is challenging for Member States, who value their bilateral relationships and the autonomy of their programmes; they also want to ensure that their support is visible both to recipients and to their own taxpayers.

The Lisbon Treaty may help the EU institutions play a leadership role in making EU aid more effective and the overall EU approach in partner countries more consistent. As the 136 Delegations now represent the EU as a whole, the EU Ambassador assumes the local presidency.

*Next steps in making the aid programme managed by the EU institutions more effective*

**Key findings:** *Although the EU institutions have had some successes in making their co-operation more co-ordinated and aligned, they need to do more. This is needed if they are to live up to their Busan commitment.*

**Recommendations:** To consolidate progress in making development co-operation more effective, the EU institutions should now:

- Examine ways to make EU project approaches more effective, timely and flexible, and increase use of programmatic approaches; both approaches will continue to be needed given the range of contexts in which the EU operates.
- Implement the strategy for reforming technical co-operation and review how EDF cells, which support National Authorising Officers, could be better integrated into national administrations and contribute more to broad state capacity development.

The EU institutions have made strong gains in their use of country systems, including both public financial management and procurement, and in co-ordinating support to capacity development. This progress has been possible because of high-level commitment and priority setting, most notably in the European Commission. This commitment has paved the way for an operational framework and action plans which prioritise challenges, and focus efforts and responsibilities. Staff was also substantially involved, with staff networks established in headquarters and the field to identify and address challenges. The Commission has also integrated criteria to make aid more effective into existing monitoring and review processes. In addition, the EU institutions have been able to make more use of programmatic support. The Commission also agreed a promising “backbone

strategy” for reforming its technical co-operation and implementation units; its application is still in the early stages. In 2011, the EU adopted a transparency guarantee and the Commission started implementing IATI (which it joined in 2008) - measures which should increase transparency.

To build more capacity, align and strengthen ownership, the Commission introduced a policy to avoid using parallel implementation units – with the result that their number fell by two thirds. Despite this progress, the EU still establishes special units or cells to support implementation in each country under the European Development Fund; some of these appear to operate in parallel to the rest of the partner government. The EU should contribute to building capacity in national administrations, allowing over time for reliance on country systems as a default option, as called for in Accra and Busan. If not properly integrated, such cells may pose similar risks as full-fledged parallel implementation units and miss opportunities to develop broader state capacity.

## **Towards better humanitarian donorship**

### *Humanitarian coherence across the Commission, with Member States, and in the field*

**Key findings:** Structures are now in place to promote a coherent humanitarian response between the Commission and Member States. These include the EU Consensus on Humanitarian Assistance and the Member State Working Party on Humanitarian and Food Aid (COHAFA). However, humanitarian action remains a “shared competence” between the EU and Member States. While the DG on Humanitarian Aid and Civil Protection (ECHO) is right to adopt a prudent approach towards coherence in this environment, more could be done.

**Recommendation:** To implement the EU Consensus on Humanitarian Assistance, ECHO should help Member States to share policy guidance and learning, and to plan complementary responses and advocacy messages.

With the signing of the Lisbon Treaty and the adoption of the EU Consensus on Humanitarian Aid, the EU has a solid humanitarian policy that is in line with the GHD principles, is anchored in relevant legislation and is applicable across the Commission and Member States. A new, independent Commissioner for International Co-operation, Humanitarian Aid and Crisis Response has raised the profile of humanitarian aid internally while protecting the independence of decision making, and strengthened the EU voice externally.

The EU’s new policy and operating environment presents new opportunities to increase coherence, both across the Commission and with Member States. ECHO’s focus on building trust with Member States in this new environment has been useful; but there are some areas where the Commission could take a stronger lead, including harmonising Member State advocacy messages for important stakeholders, including UN agency boards, and clarifying the role of military and civil protection agencies in EU humanitarian responses.

Civil protection responses now form a more integral part of the ECHO’s crisis response toolkit, and here ECHO should continue to play a key role in strengthening coherence across Member States. The EU should also plan how to finish the merger of civil protection operations into DG ECHO, including providing guidelines to ensure clear complementarity between civil protection and humanitarian operations.

Clarifying the role of the military in humanitarian response has been a tricky issue for many Member States – one in which the Commission must continue to engage actively.

***From political will to effective programming: the challenges of post-crisis countries***

**Key findings:** *DG ECHO has solid experience in disaster risk reduction. However, a more comprehensive and flexible approach would allow the EU to integrate risk reduction more effectively into its development and humanitarian programming.*

**Recommendations:** To translate political will for building resilience and for improving support to recovery and transition environments into effective programming, ECHO, EuropeAid and EEAS should:

- Develop joint planning and analytical frameworks for fragile contexts and disaster risk reduction, and provide operational guidance for working across the Commission on these issues.
- Increase the flexibility and timeliness of relevant financial instruments, and commit to providing appropriately skilled human resources to Delegations and field offices in high disaster risk and recovery/transition environments.

The Commissioner has announced renewed political impetus for a coherent approach to programming in post-crisis and transition contexts, and to building resilience. However, this has yet to be translated into an operational framework and sufficiently flexible instruments.

Significant challenges remain if the EU institutions are to deliver on their commitments to properly mix and match the appropriate tools, resources and expertise in evolving recovery and transition contexts. In particular, the EU will need to provide flexible and timely financial tools that avoid stretching humanitarian funds; ensure joined up analysis and programming; and deploy staff with the right skills to these resource-intensive situations.

***Reducing cumbersome procedures***

**Key findings:** *As a humanitarian donor, the EU's strengths lie in its profile and volume; a strong field presence and understanding of operational realities; a solid evidence base, strong programming and a learning culture; and the depth of experience of DG ECHO staff. However, compliance requirements remain a significant barrier to more effective programme delivery.*

**Recommendations:** To reduce the compliance burden on partners and staff, ECHO should:

- Reduce the barriers to strategic partnerships with the humanitarian community by speeding up partner project approvals, aligning audit and liquidation procedures, and only requiring NGO consortia in areas where they add clear value.
- Consider a differentiated approach to monitoring compliance, matching monitoring to the risk profile of each grant.
- Establish a rapid response mechanism for key partners.

The EU is the world’s largest humanitarian donor, if one includes the funds allocated by all Member States to those spent by ECHO, but it will have to work hard to maintain these volumes in the current budgetary climate.

New procedures have increased ECHO’s access to funds for new and escalating emergencies, and it now has a comprehensive rapid response toolbox, but there are no special measures to ensure that these funds are passed on to partners in a timely and flexible manner.

ECHO has a solid and strategic model for determining where, what, and how much to fund, drawing on a wide body of evidence. However, this system could benefit from greater transparency.

ECHO is more than a traditional humanitarian donor; it delivers programmes, not just funding. ECHO’s Humanitarian Implementation Plans focus clearly on achieving the results that ECHO seeks, and this has sometimes been at the expense of forming strategic partnerships with the humanitarian community. Barriers to more strategic partnerships include a lack of medium term funding predictability, delays in project approval, a high administrative and compliance burden, pressure on NGO partners to form consortia, and a perceived focus on monitoring inputs and day to day operations rather than results.

Cumbersome procedures for humanitarian assistance continue to present problems for both partners and staff. Time and resources are focused on compliance, leaving less space for strategic thinking and analysis. ECHO could perhaps make some progress towards simplification and streamlining as it moves towards new partnership framework agreements.

## *Chapter 1*

### **Strategic orientations**

This chapter looks at how the European Union (EU) and its institutions have reformed the strategic orientations of their development co-operation over the last five years. Building on the actions taken in response to the DAC recommendations from the peer review in 2007 and other changes made, this chapter highlights four areas for the EU to consider:

- (i) Maintain strong internal cohesion to strengthen the EU's role in international development debates and increase its impact in partner countries and at a regional level
- (ii) Reflect the new strategic policy priorities in the financial perspectives for the next seven years (2014-2020) so as to meet the EU commitment to reducing poverty
- (iii) Engage with a broader range of civil society stakeholders to support development
- (iv) Communicate development results to maintain public and political support for EU development co-operation, in coordination with EU Member States' communication efforts.

## **The European Union: a major, unique donor with potential to be a strong global leader**

The characteristics – size, scope and institutions – make the EU a formidable player in global development. The EU institutions<sup>1</sup> are unique in that they (i) play a “federating role” vis-à-vis the 27 EU Member States (who altogether provided USD 69.7 billion of official development assistance (ODA) in 2010); and (ii) provide direct donor support to developing countries. The EU institutions manage a large volume of ODA. Based on its USD 12.7 billion grant programme alone, in 2010 the EU was the third largest DAC member. The EU also extended loans and equities to partner countries totalling USD 8.3 billion gross, a significant contribution to development. The EU institutions have global reach – EU Delegations are present in 136 partner countries, and are among the top three donors in 75 countries. The 2000 Cotonou Agreement, the largest co-operation and partnership agreement the EU has around the world, guides the long-standing, predictable partnerships with 78 African, Caribbean and Pacific (ACP) countries.

The EU has gone through major legal and institutional changes since the peer review in 2007 (OECD, 2007a). These include: the Lisbon Treaty, which came into force on 1st December 2009 and created new institutions and bodies to strengthen the consistency of EU external action; the merging of two European Commission directorates-general dealing with development co-operation; and the preparation of a new strategic framework for development co-operation, resulting in a proposed new “Agenda for Change” (COM, 2011a). The EU is now preparing its next seven-year budget financial framework (2014-2020), a challenging task in the current difficult budgetary environment. This framework will determine both the resources and instruments for the EU development co-operation programme in the medium term. To meet its goals, the EU must therefore get it right.

Over the last decade, the European Union has been instrumental in advancing a number of key global issues such as financing for development, aid effectiveness and policy coherence for development. In partner countries it has built a broad decentralised network of EU Delegations, whose ability to bring together the various competences of the Commission makes them credible development co-operation partners. The Lisbon Treaty intends to go a step further, bringing greater coherence and unity to the EU’s external action as a whole. This should give the EU a stronger role in international debates, including on development co-operation, to reflect the size and reach of its development co-operation programme. To achieve this potential, the EU will have to make the best use of its complex legal and institutional system.

### ***Good progress as a “federator”***

Over the last 10 years, the Commission has developed its convening or co-ordinating role. With the 2005 European Consensus on Development<sup>2</sup> providing a key milestone (EU Council, 2005a), the Commission has engaged in strategic work, succeeding in:

Developing a set of common strategic frameworks and plans of action approved by the European Council and binding for both the EU institutions and the Member States. These frameworks cover the three pillars of development co-operation:

Development financing, where the EU, building on the 2002 Monterrey conference, has made specific commitments that became part of the 2005 European Consensus on Development, and has broadened them in areas such as trade and taxation;

Development strategies, including the 2007 EU Code of Conduct on Complementarity and Division of Labour, the 2008 EU Agenda for Action on Millennium Development Goals, and the EU Plan of Action on Gender Equality and Women's Empowerment 2010-15; and

Policy coherence, a commitment to take into account development objectives in all policies (this commitment is embedded in the European Consensus on Development).

Following up internally on the implementation of these commitments through progress reports on the actions of the Commission and the Member States. These reports are prepared by the Commission and presented to the Council of Ministers and Parliament (*e.g.* annual accountability reports on financing for development, biennial reports on policy coherence for development, and annual reports on progress against the gender equality action plan).

Developing common positions to strengthen the EU's leadership role in global debates. These positions are adopted by the Council and presented on behalf of the EU and its Member States in international conferences. For example, common positions were prepared for major international events including the 2008 Doha follow-up international conference on financing for development; the 2010 UN summit on the MDGs; the UN conferences on climate change in Copenhagen (2009) and Durban (2011), and the third and fourth high level fora on aid effectiveness held respectively in Accra (2008) and Busan (2011).

### ***Making full use of policy agreements is challenging***

Despite progress, developing a cohesive approach to meeting development co-operation commitments and speaking with a unified voice in the international arena is still challenging. Internally, while the Commission has pushed Member States on a technical level to fulfill their EU commitments, political sovereignty of individual Member States limits its leverage. The Commission prepares progress reports and proposes practical measures to Member States but decisions are, of course, taken by Member States who decide in Council whether and how they will take on board the proposed measures. Once Council has taken a decision, Member States are expected to carry it out, and, if they fail to do so, the Commission may take action, including at the European Court of Justice. However, expectations are not always met, such as with EU commitments to policy coherence for development, volume of aid, and division of labour (Chapters 2, 3 and 5).

In international negotiations, it is sometimes difficult for the EU to present itself as a coherent bloc, which risks weakening its influence (Eppstein and al, 2010). Whereas, according to the Treaties, only "EU actors"<sup>3</sup> are entitled to represent the Union externally, Member States are still entitled to represent their positions on issues falling under competences not given to the Union in the Treaties. Representatives of the Union and of the Member States are under legal obligation to co-ordinate, in full mutual respect, and assist each other in the spirit of sincere co-operation. Where this principle is difficult to translate into practice, however, it can weaken the expression of a coherent EU position. This was the case, for example, at the 2009 Copenhagen conference on climate change, where diverging interests among Member States led to a weak EU position and

conflicting statements during the conference. When entering into a political dialogue in partner countries EU members also need to agree a common position on a case-by-case basis.

### ***Moving forward: reaching the objectives of the Lisbon Treaty***

The Lisbon Treaty sets out the respective competences of the EU institutions and Member States. However, its related legal and institutional set up is complex for development co-operation and humanitarian aid, areas of shared competence between the EU institutions and Member States. The Treaty states that the EU's development co-operation policy and that of the Member States “shall complement and reinforce each other” (TFEU, 2010, article 208). To achieve this, the EU institutions and the Member States “shall coordinate their policies on development co-operation and shall consult each other on their aid programmes, including in international organisations and during international conferences. They may undertake joint action (...) (and) the Commission may take any useful initiative to promote the coordination” (TFEU, 2010, article 210). Meanwhile the Member States' sovereignty must be respected and the EU should act only within the limits of the competences conferred upon it by them<sup>4</sup>. Specifically, “in the areas of development cooperation and humanitarian aid, the Union shall have competence to carry out activities and conduct a common policy; however, the exercise of that competence shall not result in Member States being prevented from exercising theirs” (TFEU, 2010, article 4).<sup>5</sup> Putting this into practice requires that the EU stakeholders share a common vision, build mutual trust and agree on arrangements that make it possible to build on the comparative advantage of each, while strengthening cohesion.

### ***Building trust for added value***

In development co-operation, the EU needs to find common agreements which both protect the sovereignty of the Member States and strengthen the credibility of the European institutions as a driving force for an “EU voice” on effective development cooperation practices. Building such consistency, given the various cultures of development co-operation, is challenging, and requires a pragmatic approach. The EU's convening role is all the more difficult in the current financial crisis, where Member States tend to focus their attention more on national interests than on supporting a broader EU approach. In order to fulfill their mandate to ensure complementarity and promote co-ordination with and between Member States, the Commission and the European External Action Service should continue to build mutual trust, and identify with the Member States where they can add most value as co-ordinator or moderator – keeping in mind their recognised areas of comparative advantage (Box 1.1).

#### **Box 1.1 Added value of the EU institutions in development co-operation - views from stakeholders**

All EU Member States recognise that the geographic reach, scale, and scope of the development co-operation programme are three key comparative advantages of the EU institutions. Member States also appreciate these institutions' normative role in humanitarian aid, and their proactive engagement in promoting regional approaches. Recognising the EU's long-term engagement, they see EU institutions complementing Member States' bilateral programmes in: i) specific contexts, such as fragile states, where

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they can bring together various instruments in a coherent manner and where Member States feel they are too small to have an impact; ii) a number of sectors – notably infrastructure which requires large-scale investments; and iii) specific aid modalities - in particular budget support, which is not used by all Member States. Member States also feel that the role of the EU institutions should vary depending on partner countries. In several Member States' former colonies, the EU institutions provide a valuable neutral platform for facilitating dialogue with the partner government.

The EU Member States recognise that bringing together all EU stakeholders can improve the quality of partnerships, and that consulting all stakeholders adds value – as was the case for the Green Paper process in 2011. Members also agree that collective action, supported by common positions, can be powerful. They consider that developing joint positions is a good way forward and should be the condition for the EU to speak on behalf of the EU and its Member States. While supported by several Member States, joint programming is considered a challenge as it requires synchronising different aid systems of Member States (e.g. degree of decentralisation, programming cycles). Other stakeholders would like to see the EU institutions taking a stronger intellectual lead in areas such as innovative finance, using aid as a catalyst, and further strategic thinking on development beyond aid.

Meanwhile, EU Member States consider that the EU institutions: i) have limited expert capacity in certain partner countries and sectors; ii) maintain a strong Brussels-centric culture and instead should be more decentralised with better equipped Delegations; iii) need stronger knowledge management and focus on results; and iv) lack flexible instruments for reacting quickly to emerging needs and linking relief, recovery and development better.

*Source:* Interviews in Brussels, October 2011

### *Maintaining cohesion within a complex system*

The Lisbon Treaty created a High Representative of the Union for Foreign Affairs and Security Policy/Vice President of the Commission (HR/VP), responsible for the EU's Common Foreign and Security Policy (CFSP) and the Common Security and Defence Policy.<sup>6</sup> The High Representative is also Vice President of the European Commission. She is supported by the European External Action Service (EEAS). Under this service, the 136 Delegations now represent the EU as a whole. The ambassador of each Delegation is the official EU representative and assumes the position of the local presidency. This new set-up aims to make EU external action more consistent, and the EU foreign policy machinery more streamlined to ensure that the European Union speaks more often with one voice, and is able to act more effectively and cohesively across policy fields (TEU, 2010, article 21).

The value of the European External Action Service to the development agenda will depend on its ability to bring together, working closely with the European Commission and the Member States, the EU's many levers of influence – economic and political, plus civil and military crisis management tools – to support a single political strategy. Such convergence can help to develop synergies and increase development impact. However, development co-operation must not become subordinate to foreign policy, and must stay focused on poverty reduction as set out in the Lisbon Treaty.

This new institutional set-up makes the external action architecture more complex, raising some associated risks. The High Representative/Vice President wears two hats: in addition to chairing the Foreign Affairs Council and being responsible for CFSP, she is also Vice-President of the European Commission, a position which affects the role of the rotating Presidency. The mandate, position, and composition of the European External Action Service also add complexity in the system. Positioned outside the Commission,

but fully plugged into Commission systems in order to do its work, the EEAS has authority for the multiannual phase of development programming, and works jointly with the Commission services, under the responsibility of the Commissioner responsible for development policy; meanwhile the Commission remains responsible for managing the budget, and designing and implementing the programme.<sup>7</sup> Maintaining strong internal cohesion in this complex system requires a common strategic vision, clear mandates, effective co-ordination mechanisms and streamlined processes. The working arrangements between the Commission services and the EEAS were finalised on 13 January 2012. Effective working relations call for synergies between the Commission and the EEAS, at headquarters and in the field, and for the institutions to avoid operating in “silos”. They also need to address related administrative costs (Chapter 4). The mid-term review of the EEAS planned in end December should provide the opportunity for consolidating the external action architecture. It could also clarify roles of each EU actor – including the High Representative/Vice-President and the rotating Presidency - while respecting the balance of powers set out in the Lisbon Treaty.

## **Strategic framework**

### ***A strong legal basis for poverty reduction***

Poverty reduction remains the primary aim of EU development co-operation, enshrined in the Lisbon Treaty and in main development co-operation instruments.<sup>8</sup> One of the key objectives for EU external action is to foster the sustainable economic, social and environmental development of developing countries. The Lisbon Treaty maintains development co-operation as a policy on its own, conducted within the framework of the principles and objectives of the EU’s external action, and having as its primary objective the reduction and, in the long term, the eradication of poverty.<sup>9</sup> The 2005 European Consensus on Development, which provides a common vision, also sets poverty reduction, sustainable development and the MDGs as the objectives for the Commission, the Member States and the European Parliament (EU Council, 2005a).

The Commission has maintained the integrity of its development agenda, as recommended in the 2007 peer review (OECD, 2007a). It has developed a solid framework for supporting the achievement of the MDGs. An EU Agenda for Action on MDGs was adopted by the Council in 2008, setting key milestones and actions for reaching the goals (EU Council, 2008a). It was complemented in 2010 by a 12-point action plan proposed by the Commission to support the MDGs (COM, 2010a). The Commission has made commendable efforts to implement the plan, launching a EUR 1 billion MDG initiative targeting those sectors that are most off-track for meeting targets and creating MDG contracts to provide predictable funding to eight of the countries that are most off-track.

### ***Promising new directions for development co-operation***

In October 2011 the Commission adopted two communications proposing a new agenda for increasing the impact of EU development policy (referred to as the *Agenda for Change*), as well as a new approach to budget support (COM, 2011a&b). Once adopted by Council, they will form the policy framework for the EU in the years to come. They

build upon extensive public consultation processes that were launched in 2010 on the basis of two Green Papers, and involved a large number of stakeholders across the world.

The proposed *Agenda for Change* comes at a good time as it follows a period of major organisational restructuring of the EU development co-operation programme (Chapter 4). It also comes at the beginning of negotiations for the next seven-year financial perspective. The agenda maintains a strong focus on poverty reduction – in line with the Lisbon Treaty – and builds on the 2005 Consensus on Development, providing continuity in the policy framework. The new *Agenda* emphasises governance and sustainable and inclusive growth as two pillars for European policy. It aims to: i) bring about genuine political reforms and good governance; ii) help to create sustainable and inclusive economic growth; and iii) concentrate on sectors with high impact on development. The agenda also calls for a differentiated approach to partnerships with countries so as to reflect better specific needs, capacities, commitments and performance and to direct aid where it is most needed and can have the greatest impact.<sup>10</sup>

The new agenda should help build a consensus with the Member States. Its directions correspond to the new orientations of many of them, providing incentives for more joint work that is better co-ordinated and procedures that are less complex (Chapter 5). Debate in Council and Parliament should now help to firmly establish the strategic directions for EU policy. These priorities will then need to be internalised across the organisations, and reflected in the new budget instruments and regulations attached to the financial perspectives for 2014-2020 currently being discussed.

### ***Making the most of EU comparative advantage in fragile states***

The Lisbon Treaty sets preserving peace, preventing conflicts and strengthening international security as one of the key goals for EU external action (TEU, 2010, article 21). This gives the EU a strong legal basis for working in fragile states. The EU's integration of various policy areas and its large volume of development co-operation funding are key assets for engaging in fragile contexts. The Member States recognise the potential added value of the EU institutions in these contexts (Box 1.1), in particular where their overall bilateral engagement is weak (for instance only France and Germany are active in Chad). While this should not result in the EU institutions being left to act alone in these countries, they should prepare for further engagement. The Commission's proposed *Agenda for Change* calls for greater efforts to tackle insecurity, fragility and the challenges of transition, giving greater attention to the links between insecurity and poverty.

The EU has endorsed the DAC principles for good engagement in fragile states (EU Council, 2007a), but it has yet to finalise the action plan on security, fragility and development requested by the Council in 2007.<sup>11</sup> This plan would provide an appropriate approach to engage effectively in fragile contexts, but progress has been slow so far. It should now be a top priority driven by senior leadership as called for in the *Agenda for Change*. Only a comprehensive, time-bound action plan will enable the EU to match its ambitions with action. The plan should build on the recent evaluation of the Commission's support to conflict prevention and peacebuilding (COM, 2011c). It should also be guided by the Busan "New Deal for Engagement in Fragile States" – endorsed by the EU – which aims at integrating peacebuilding and statebuilding in strategies and programming. If backed by strong, high-level political drive, implementation of the plan would ensure that the European objectives in the fields of development co-operation,

humanitarian assistance, peacebuilding, conflict prevention and international security are mutually reinforcing. Such a whole-of-EU approach requires strong co-ordination among the relevant bodies and structures (the EEAS, EuropeAid<sup>12</sup> Service for Foreign Policy Instruments, DG for Humanitarian Aid and Civil Protection (ECHO), and CSDP structures) and with the Member States engaged in emergency, crisis and transition situations.<sup>13</sup>

In addition to standard instruments, specific arrangements to engage in fragile states include three financial instruments,<sup>14</sup> combined with the possibility of mobilising 25% of the European Development Fund's (EDF) B envelope (see Box 6.3) and use of more flexible procedures (as is currently the case in 29 countries). These instruments should be revised to increase their flexibility in volatile situations while ensuring long-term funding to strengthen security, development and humanitarian linkages (Box 6.3, Chapter 6). This requires making more use of specific, dedicated instruments, and further integrating conflict sensitivity into normal instruments.

### ***Promoting sustainable and inclusive economic growth***

The intention to scale up efforts to support sustainable and inclusive economic growth and private sector development is confirmed in the proposed *Agenda for Change*. Delivering this stronger focus will mean updating the policy on private sector development, which dates back to 2003. The revised strategy should build on the evaluation of private sector development support 2004-2010 to promote inclusive economic growth that can reduce poverty. In recent years, the Commission has covered a large spectrum of interventions, including trade policies, trade facilitation, quality infrastructure, intellectual property rights, business enabling environment, business facilitation for foreign investments, and access to finance. To go further, EuropeAid will need stronger knowledge-management processes and should draw on the expertise of other Directorates General (DG), such as DG Trade and DG Enterprise. It should also reinforce its partnership with the European Investment Bank (EIB) and other European Finance Institutions, since interventions will be increasingly blended with traditional methods of implementation (Chapter 2).

Supporting regional integration, another objective of the *Agenda for Change*, is already a strong feature of the EU institutions' programme. Despite efforts to strengthen their capacity, achieving results through regional organisations is still hindered by weak capacity (e.g. as in Chad with the Economic Community of Central African States) or varying ambitions amongst key players (e.g. in Peru with the Community of Andean Nations). The EU institutions tend to focus partnerships at a technical level through project implementation. To reinforce the regional approach, they should emphasise the political and policy dialogue at regional and national levels so as to reinforce ownership. This was noted for the joint Africa-EU strategy (cited in COM, 2010h). EU Delegations should also build stronger links with Delegations in neighbouring countries, and be more involved in planning the regional budget lines (Chapter 4).

### ***Using experience in gender equality to mainstream the environment***

The Commission has made progress in mainstreaming gender equality, supported by a strong commitment to gender equality in all key strategic documents. In June 2010, EU Member States adopted the *EU Plan of Action 2010-15 on Gender Equality and Women's*

*Empowerment in Development* (COM, 2010b), binding for both the Commission and the EU Member States. This is a positive achievement. It defines an innovative three-pronged approach with political dialogue as a key dimension, along with mainstreaming and focused programmes. The operational framework of the gender plan of action is ambitious, with precise targets and a solid reporting mechanism. As the peer review team saw in Peru (Annex C), the action plan and a well-designed toolkit on gender equality (COM, 2009a) have helped several EU Delegations to mainstream gender equality into their programmes, using screening tools at each stage of the programming cycle. Efforts made by the Commission to strengthen the use of the DAC gender equality policy marker are also positive.

However, the gender action plan is still unevenly implemented. While focal points have been identified in each Delegation, no specific resources have been allocated to implement the plan, and capacity is limited both at headquarters and in the field. While there is a strong, proactive gender network within the Commission, designating a senior official as “gender champion” would give the impetus needed to pursue efforts throughout EU institutions and bodies – including the External Action Service.

The Commission needs to make similar progress in mainstreaming environmental issues. The environment is one of the priority areas of the *European Consensus on Development* (EU Council, 2005a), and is re-emphasised in the *Agenda for Change*. Despite this commitment – and a mixed report from the European Court of Auditors (ECA, 2006) – there has been little progress in preparing a strategy for mainstreaming environment and climate change issues into development co-operation. In June 2009 the Environment Council requested the Commission to present an ambitious EU-wide integration strategy by late 2011 (EU Council, 2009a). This request was reiterated in the Court of Auditors’ 2009 annual report.<sup>15</sup> While institutional changes have caused delays, it is now crucial that this strategy be put in place in the coming months. This would ensure that the new instruments and regulations accompanying the 2014-20 financial framework include the environmental and climate change priority, so that it can be translated into actual programming. The strategy should also build additional momentum for applying existing guidelines and tools, in particular strategic environmental assessments, to maintain progress in mainstreaming environment into the programme. This requires ensuring that country environmental profiles are linked to the timeline for preparing country programming. It should also enhance the co-ordination among the relevant EU institutions and bodies involved (EuropeAid, the EEAS, DGs for Climate Action and Environment).<sup>16</sup>

Climate change is an important topic for the Commission, which is actively promoting international consensus for reducing emissions and for helping developing countries adapt to the consequences of climate change. The Commission should be commended for this engagement, which includes: i) setting up the Global Climate Change Alliance in 2007, focusing support on those least developed countries (LDCs) most vulnerable to climate change, action recognised as a global model for climate change assistance; ii) committing to fast start finance and tracking the EU Member States’ individual pledges; and iii) attempting to create a definition and baseline for reporting on climate finance (see COM, 2007a; COM, 2011f; CAN Europe, 2010; Colebourn, 2011). The EU Member States have diverging views, however, and have not yet agreed a definition of what is “new and additional” money, or a common baseline against which to measure climate finance.

## Efforts in strengthening external partnerships

The Commission has made progress in increasing and better structuring its dialogue with civil society organisations (CSOs),<sup>17</sup> including from partner countries. The EU Consensus on Development called for increased participation of CSOs in the development process in order to enhance the viability, efficiency, and impact of development programmes. However, an evaluation of the Commission aid going through CSOs and a report from the Court of Auditors both found that: i) involvement of CSOs was limited; ii) the calls for proposal procedure needed improvement; and iii) support to capacity building was uneven (COM, 2008a; ECA, 2009a). As a response, the Commission launched a structured dialogue process in March 2010. This participatory process was welcome as it covered policy level discussions as well as funding modalities, recognising the diversity of CSOs as development actors in their own right.

Building on the success of the structured dialogue (Box 1.2), the Commission should ensure effective engagement with civil society on development co-operation strategies and programming, recognising CSOs' added value and multi-faceted role. As was seen in Chad and Peru (Annex C), the Delegations' increased dialogue with CSOs is evident, but is not yet sufficiently structured, systematic or strategic. The Commission should ensure that engagement with civil society is institutionalised and leaves political space for CSOs in policy discussions both in Brussels and in the field, where processes for consultation should be adjusted to each specific context. This also requires efforts to extend the knowledge on CSOs to the EEAS, so that it also integrates this into its own agenda. A welcome step is the announcement, made during the final conference of the structured dialogue, of the establishment of a policy forum on development in Brussels for systematic dialogue with civil society and local authority representative groups on policy issues. This policy forum will be set up in 2012. In addition, the Commission will issue a communication in 2012 on engaging with civil society.

### Box 1.2 Structured dialogue for an efficient development partnership

The structured dialogue was conceived as a consensus-building mechanism involving four main categories of stakeholders: the European Parliament; the Member States; CSOs and local authorities; and the European Commission. While responding to requests coming from the European Court of Auditors, Parliament and CSOs, the structured dialogue was also an answer to the Accra Agenda for Action, which called for supporting the capacity of CSOs to take an active role in dialogue on development policy, and for engaging further with them as development actors in their own right. The 14 month process comprised four regional seminars for both CSOs and local authorities, Brussels-based sessions, and two supporting initiatives, one on human rights and democracy and one on development education and awareness raising. This culminated in a final meeting in Budapest in May 2011, where conclusions and recommendations to partner governments, CSOs, to local authorities, and to the EU were endorsed.

The dialogue has reached a consensus on the most pertinent needs of CSOs and local authorities that will be supported by the EU. Subsequent discussions focused on how to best adapt existing delivery mechanisms and on alternative future mechanisms for effectively supporting CSOs and local authorities in their respective roles and ambitions as development actors. The dialogue will continue in 2012 and will result in a communication by the Commission proposing ways to improve the policy dialogue and engagement with these stakeholders. A policy forum for systematic dialogue on development issues will be established in 2012.

Source: COM (2011d)

The Commission's plans to do more to build civil society capacity, as is suggested in the proposed regulation for the Instrument for Development Cooperation published in December 2011, is a welcome step. The Commission has already taken encouraging steps, which should now be pursued and broadened. These include: i) allowing Delegations to support umbrella organisations directly; ii) allowing regional, continental and global organisations to receive support (a first call for proposals was launched in November 2011); and iii) creating a new facility to support CSOs working in neighbouring countries. Using short concept notes rather than full reports in the pre-selection phase of the call for proposals is another positive step, alleviating the administrative burden both for CSOs and EU Delegations.

To make further progress, the Commission will need to revise existing instruments to make it easier for local organisations to access funding, while ensuring appropriate accountability. Preparing proposals is resource intensive and time consuming, and only a few submissions are successful. Since 2008, local CSOs (and trade unions, foundations, etc) have been able to access EU funding directly. The number of applicants has therefore increased and, with only a small rise in the overall budget, the average success rate in the thematic budget line covering non-state actors is decreasing. In 2008, only 404 full applications were selected out of 5 339 concept notes received (a 7% success rate).<sup>18</sup> Even though European NGOs and the EU Delegations organise training to help local CSOs understand EU procedures, the success rate for calls for proposals managed by EU Delegations is even lower in the poorest countries, as the peer review team noted in Chad (Annex C). Successful applicants must then follow strict and complex contracting procedures driven by the need for accountability. In preparing the new instruments, the Commission should: i) look at the best ways to use the competencies of international NGOs to support and build capacity of local CSOs in countries where they are still weak; and ii) streamline procedures to enable access to funding with a focus on outcomes rather than inputs.

Finally, the Commission needs to make sure that it has adequate resources to monitor a broader capacity development programme for CSOs and local authorities. While the unit dedicated to civil society and local authority in the Commission has been strengthened, capacities in EU Delegations are stretched. The Commission needs to ensure it has the resources needed to monitor these programmes in the field.

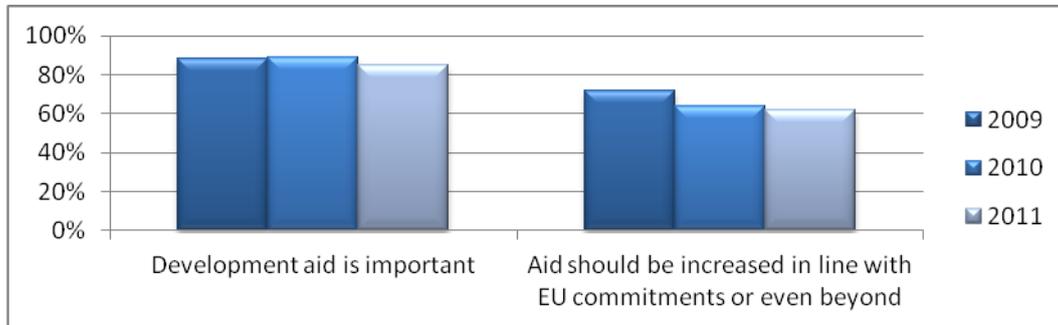
## **Communicating and building public awareness and support**

### ***A slight decrease in public support for development aid***

Public support for development aid remains strong in the EU, but support for an increase in aid has declined in recent years (Figure 1.1). The Commission has taken an important role in documenting public support for development aid through its annual *Eurobarometer*. Since 2009, while around 80% of Europeans remain convinced that development aid is important, this figure decreased slightly in 2011, and the level of support for increased development aid is diminishing, likely a result of the financial crisis. While these figures do not relate specifically to aid spent by the EU institutions, weaker support for aid budgets may translate into increased scepticism about the aid programme managed by the Commission. In their own communications, Member States rarely give any credit to the results of programmes managed by the Commission,

preferring to promote their own bilateral ODA. Meanwhile think tanks and NGOs play their watchdog role actively and regularly question the value added of the EU's external aid budget.<sup>19</sup>

**Figure 1.1 Public support for development aid, 2009-2011**



Sources: Special Eurobarometers 318 (COM, 2009b), 352 (COM, 2010c) and 375 (COM, 2011e)

### ***Intense scrutiny by Council and Parliament***

The EU aid programme is under intense scrutiny, being overseen both by the European Parliament and Council. Parliament's budgetary powers for EU external affairs have been strengthened by the Lisbon Treaty and its scrutiny rights have been substantially extended through a reform of the EU financial regulation, resulting in an important role for the Committee on Budgets. Meanwhile the Committee on Development oversees the EU's development co-operation policy on a more *ad hoc* basis. Although consultative, its resolutions on the development co-operation strategy help guide the EU institutions' policy.<sup>20</sup> The Member States control how the Commission implements its powers through the "comitology" procedure.<sup>21</sup> On 1 March 2011, new comitology rules established two procedures: an advisory and an examination procedure (EU Council, 2011a). The European Court of Auditors assists the European Parliament and Council in overseeing the implementation of the EU budget, including the budget for external affairs, by producing the annual financial report for the Parliament's discharge procedure as well as an annual report on the activities funded by the European Development Funds. The Court also conducts specific audits of the aid programme. These reports are authoritative and have brought about changes in the aid programme (Chapters 3, 4 and 5).

As was recommended in the last peer review, it is important to ensure that the legal oversight mechanisms are made more strategic, and that micromanagement by Parliament and Council is avoided (Annex A). This should be kept in mind when revising the regulations attached to the next financial framework, to allow more flexible and rapid procedures while maintaining strategic oversight (Chapter 4).

### ***The need to communicate priorities and results***

With increased public scepticism and more intense scrutiny, measuring and communicating development results becomes a crucial challenge that the Commission

needs to address. With an overall communication budget of EUR 6.8 million in 2011,<sup>22</sup> EuropeAid needs to build a communication culture and shift the current focus away from ensuring visibility of EU development support towards communicating priorities, challenges and long-term results. This new focus should drive EuropeAid's multi-year communication strategy, which has been postponed due to the reorganisation, and which should now be developed and operationalised. It should also be communicated to the EEAS, including in the EU Delegations where it has communication officers. The results approach should be implemented in close co-operation with EU Member States' efforts. This is in line with the proposed *Agenda for Change* which calls for a common EU framework for measuring and communicating results (Chapter 5).

These communication efforts need to be complemented by sustained development education and awareness-raising activities. The Commission is continuing to support CSOs' and local authorities' awareness-raising activities – these can access EU funding through calls for proposals (the non-state actor thematic budget line has development education as one of its three objectives). In 2010, EuropeAid carried out a study of how to add value to its development education and awareness-raising activities in co-ordination with interventions by the Member States and other major actors (COM, 2010d). This positive step should pave the way for more proactive engagement by the Commission to ensure effective and consistent activities across the EU. Meanwhile the Member States and the EU institutions could also make further use of European Development Days. These have been organised annually since 2006 to ensure greater understanding of EU external aid by the European public.

### Future considerations

To strengthen its role in international development debates, and its impact in partner countries and at a regional level, the EU needs to ensure strong internal cohesion between the EU institutions and bodies, and Member States. The Lisbon Treaty offers opportunities to achieve this, assigning a strong EU-wide role to the EU institutions while recognising that development co-operation is a shared competence.

- Achieving the Treaty's aim of strengthened consistency of EU external action requires EU institutions to pursue efforts to build a common EU strategic vision and arrangements that make it possible to build on respective comparative advantage. The proposed *Agenda for Change* should help strengthen such consensus with the Member States, supported by robust strategic thinking and a strong focus on sustainability and poverty reduction. The EU needs to delineate clear roles for each actor within the new institutional set-up to bring together the various levers of action, accompanied by streamlined processes and effective co-ordination mechanisms.
- The Commission needs to finalise or update strategies, action plans or guidance delayed by the reorganisation, especially as regards security and transition, private sector development and mainstreaming the environment. This should help ensure that up-to-date development priorities are reflected in the revised instruments under the 2014-2020 financial framework. Adequate resources should also be allocated for implementing the gender equality action plan.
- The EU institutions and bodies should pursue efforts to involve a broader range of civil society stakeholders in a strategic, structured dialogue. They should become

more efficient in building civil society capacity in partner countries; instruments will need to be revised for this.

- The Commission and European External Action Service should strengthen efforts to measure and communicate development results so as to maintain public and political support for the EU aid programme.

## Notes

1. Reference is made here to the European Commission and the European External Action Service, as they programme development co-operation. Only the European Commission, as an institution, can manage / implement the aid budget.
2. The European Consensus on Development is an EU policy statement that identifies shared values, goals, principles and commitments which the European Commission and EU Member States will implement in their development policies - in particular reducing poverty; development based on Europe's democratic values; and that developing countries are mainly responsible for their own development.
3. *i.e.* the President of the European Council, the Commission, the High Representative and EU Delegations.
4. Treaty on the European Union, Art 4 and 5 (TEU, 2010).
5. As an illustration, at the high level forum on aid effectiveness in Busan, having agreed on an EU common position did not prevent separate representation by both the Commission and some individual EU members in the “Sherpa group” negotiating the outcome document.
6. The High Representative “shall express the Union’s position in international organizations and at international conferences” (article 27-2 of the TEU, 2010).
7. This is set out in the Council decision of 26 July 2010 establishing the organisation and functioning of the EEAS (EU Council, 2010a). Article 9 describes the respective roles of the EEAS and Commission services in external action instruments and programming, which has been further clarified in service-level arrangements.
8. Especially the Cotonou Agreement and the Development Co-operation Instrument.
9. Article 20, TEU (TEU, 2010) and article 208, TFEU (TFEU, 2010).
10. Many commentators have analysed the balance between continuity and change in the two documents. See for instance Koch et al., 2011.
11. See Council conclusions 14919/07 and 15110/07.
12. EuropeAid is the Commission DG in charge of development co-operation.
13. It is worth noting that EuropeAid now has a unit for fragility and crisis management, and the EEAS has a division for peacebuilding, conflict prevention and mediation. In addition, a third institutional player for conflict and fragility is the Foreign Policy Instruments Service (FPI), also a new creation. Relations among these entities, with the EU delegations and with the member states will be crucial (Sherriff, 2011a & b).
14. Africa Peace Facility, Instrument for Stability, and Common Foreign and Security Policy.
15. See the former DG development’s annual activity report (DGDEV, 2010).

16. DG Climate leads international climate negotiations and implements the EU Emissions Trading System. It tracks and monitors commitments. DG Environment aims to protect, preserve and improve the environment for present and future generations. It represents the European Union in environmental matters at international meetings such as the United Nations Convention on Biodiversity.
17. Referred to as non-state actors in the European Commission documents.
18. This is despite the fact that, according to CONCORD, the Commission recognises that around 80% of the rejected applications were of good quality (CONCORD, 2010).
19. For a recent example, see EU Aid: What is it For?, a public event organised by ODI and Open Europe on 13 September 2011: [www.odi.org.uk/events/report.asp?id=2684&title=eu-aid](http://www.odi.org.uk/events/report.asp?id=2684&title=eu-aid), accessed 2 December 2011.
20. Recent examples include resolutions on increasing the impact of EU development policy (EP, 2011a), on the 4th High Level Forum on Aid Effectiveness (EP, 2011b), and on the EU Policy Coherence for Development and the “Official Development Assistance plus” concept (EP, 2010).
21. In implementing legislation, the Commission is assisted by committees consisting of representatives from Member States.
22. Each programme has its own communication budget line, in addition to the EuropeAid communication budget.

## *Chapter 2*

### **Development beyond aid**

The EU is strongly committed to promoting policy coherence for development. It has taken a lead role on this agenda, together with the OECD. This chapter looks at how the European Union institutions ensure that the EU's broader policies positively affect developing countries – or at least avoid a negative impact. While appropriate institutional mechanisms, frameworks and tools have been developed, these instruments are not yet used to their full potential. Appropriate capacity and high level and consistent engagement from the Council, Parliament, Commission and the External Action Service are needed to ensure compliance with EU commitments and obligations.

The Commission has also taken a lead role in promoting better financing for development and plans to engage further in using ODA to leverage private flows for development.

Based on these findings, the chapter sets out future considerations in the following areas:

- (i) Reaffirm the EU's strong commitment to policy coherence for development
- (ii) Improve awareness of the importance of this dimension within the EU institutions
- (iii) Strengthen and make full use of existing instruments to inform policy decision making better, drawing on internal and external capacity. This includes setting up an institutional mechanism to feed back information about policies negatively affecting developing countries and to enable these policies to be revised.

## Policy coherence: enshrined in the Lisbon Treaty

The EU, together with the OECD, has taken the lead in promoting policy coherence for development (PCD). The EU recognises that aid alone cannot stimulate sufficient development to meet the needs of the poor in developing countries and that many of its policies also have a decisive impact on those countries. Therefore, the EU has made policy coherence for development a central pillar in its concerted fight against poverty. This strong commitment, already outlined in the 2005 Council Conclusions (EU Council, 2005b) and in the European Consensus on Development (EU Council, 2005a), is now enshrined in the Lisbon Treaty: “The Union shall ensure consistency between the different areas of its external action and between these and its other policies”.<sup>1</sup> It is reaffirmed in the *Agenda for Change*.

### “Federator role”: a crucial need for high level support

As recommended in the 2007 peer review (OECD, 2007a), the EU has made efforts to implement policy coherence and develop a more focused work programme through an incremental approach. The Council agreed in May 2005 to follow efforts by both the Commission and Member States in 12 policy areas<sup>2</sup> through a two-yearly reporting process. Building on the first two progress reports, in 2009 the Council directed policy coherence efforts for five priority themes (trade and finance, climate change, food security, migration, and security) in an effort to reinforce political impetus and create a more targeted, effective and strategic approach.<sup>3</sup> These priority themes were selected using four criteria: their place on the EU’s agenda; their importance for developing countries and for the achievement of the MDGs; concrete opportunities for incorporating development objectives; and links to a long-term agenda. The Commission then developed a work programme 2010-13 detailing how the EU would address, through relevant policies, processes and financial means, these five global challenges. Through targets and indicators the programme has established a scoreboard to track progress towards its identified objectives (COM, 2010e).

The biennial EU reports on policy coherence for development also help raise awareness. The three reports published (COM, 2007b, 2009c, 2011q) reflect the progress made in relevant areas by Member States. These reports are discussed in Council and made public so that they can be used by CSOs and national parliaments to support domestic dialogue in each Member State. This process helps increase ownership of policy coherence for development within the European Union. The 2009 report showed a better understanding of these issues, and its publication has been recognised by the Member States as a major achievement.<sup>4</sup>

However, as highlighted in the 2009 report, the extent to which the Member States use the EU work programme and reporting process to inform domestic policy discussions and incorporate policy coherence issues effectively into decision making appears uneven (COM, 2009c). The Committee of Permanent Representatives (COREPER) has been tasked by the Council of the EU as the main forum for ensuring PCD. It could be used more systematically for following up on Member States’ efforts, in particular on issues that are beyond the Commission’s exclusive competence.<sup>5</sup> The 2007 report had already called for revising the Council procedures to this end.<sup>6</sup>

The following mechanisms can also be improved:<sup>7</sup>

- **Council agenda screening** is meant to identify items with a development dimension and to ensure that development concerns are considered at all stages of the decision-making process. While this screening has been carried out by all presidencies since 2007, its status could be clarified and formalised, and follow-up could be more systematic.
- **Informal PCD network of the EU Member States and joint meetings** at Council working group level and at ministerial level (*e.g.* joint meeting of foreign and defence ministers) could be formalised and strengthened which would help to address persistent underlying conflicts between internal EU and development policy objectives, and the lack of ownership in non-development Council contexts.

So far, achieving policy coherence for development relies to a large extent on the willingness of the EU presidency to engage in this area. As mentioned by some Member States, sustained engagement would require a stronger role for the Council and more intense interaction among different Council working groups.

There is a strong constituency in the European Parliament pushing for better coherence. In 2011, the Parliament called on the Commission to “define clearly responsibilities and leadership at the highest level with regard to enforcement of the Treaty obligation of PCD and for sufficient resources to be set aside for this purpose in the Commission, the European External Action Service and the EU Delegations” (EP, 2011a). The European Parliament regularly asks written questions on the impact of EU policies on developing countries in areas such as migration, trade and fisheries. It also adopts resolutions on specific aspects, such as the impact of EU fisheries and agriculture policies (EP, 2010). With the OECD and the Commission, the European Parliament organised a conference on migration and development in February 2009. It also created a standing Rapporteur for policy coherence for development in May 2010. The Rapporteur’s mandate is to alert the Development Committee of incoherencies in EU policies, and find ways to work more closely with other committees in Parliament and with external stakeholders on these issues.<sup>8</sup> Despite these positive actions, awareness of policy coherence for development by parliamentarians outside the Committee on Development remains weak, their concern being primarily to defend short-term national and European interests without a clear view of the long-term impact in and outside Europe. Raising awareness of the world’s interdependency is therefore a key task; fortunately this is one of the Rapporteur’s objectives as he/she is also mandated to present a PCD report every year.

High level and consistent engagement by the Council of the EU, Parliament, Commission and the External Action Service is needed to ensure that Member States comply with their commitments and obligations. Signalling that policy coherence for development remains a political priority for the whole of the EU is crucial at a time when many countries are tending to look inward as a result of the economic crisis.

### **Commission: a well structured approach, with potential for influencing policies further**

With EuropeAid in the lead, the Commission is committed to policy coherence for development, and has made progress since 2007 (Figure 2.1). It now aims for more targeted, operational and results-oriented efforts, focusing on areas where it has exclusive

competence and which have a strong impact on partner countries, in particular trade, agriculture and fisheries. The Commission now includes policy coherence for development as a component of its main programming instruments (the Development Cooperation Instrument and European Development Fund), with related sections introduced in country strategy papers.

### *Good progress in setting mechanisms to promote policy coherence for development*

The Commission should be commended for including a development perspective in its mechanism for assessing new initiatives and policies by EU institutions. The “ex-ante impact assessment process” (Box 2.1) can become a powerful instrument to ensure that EU policies support, or at least do not undermine, development efforts in partner countries. The Commission also makes better use of inter-service consultations, mainly thanks to the inter-service group on PCD created in 2006. The group regularly establishes an informal workplan which lists all the EU policy initiatives and legislative proposals with a potential impact on developing countries. In 2008 26 initiatives were identified and 37 in 2009. This planning list should allow the Commission to use the inter-service consultations and impact assessments more strategically, concentrating efforts on initiatives with significant impact on developing countries.

**Figure 2.1 The European Commission's progress in building policy coherence for development, 2007-2012**

Building block	Situation in 2007	Progress made by 2012
<b>A: Political commitment with clear policy statements</b>	The EU Consensus on Development and Council Conclusions of May 2005 have given the EU an explicit commitment to policy coherence for development with 12 priority areas.	The Treaty of Lisbon that entered into force on 1 <sup>st</sup> December 2009 clearly states that the EU shall ensure consistency between the different areas of its external action and between these and its other policies. A work programme 2010-13 outlines how the EU will address five global challenges, setting concrete targets and indicators.
<b>B: Policy co-ordination mechanisms that can resolve conflicts or inconsistencies between policies and maximise synergies</b>	A unit on policy coherence for development was established in DG DEV.  The PCD rolling work programme served as common vision for Member States and the Community.	A well-structured approach is in place with PCD included in programming instruments and in ex-ante impact assessments. The PCD inter-service group is used to follow key issues identified through an annual work plan listing the EU policy initiatives and legislative proposals having a potential impact on developing countries.  However, methodological aspects still need to be solved to strengthen the evidence base and make use of the full potential of these mechanisms. The profile and capacity of the unit in charge of policy coherence for development has diminished following the merge of two DGs, and incentives for staff are lacking.
<b>C: Monitoring, analysis and reporting systems</b>	The Commission started producing in 2007 biennial progress report on PCD. This dimension was not included in standard reporting mechanisms	PCD is now included in the various reporting mechanisms, including joint ACP-EU reports. They offer opportunities to focus on strategic issues for both the EU and partner countries, and to strengthen the evidence base in order to inform decision making.

### **Box 2.1 The *ex-ante* policy impact assessment process**

Since 2003, each DG must conduct, in collaboration with other DGs, a study of the potential economic, environmental and social impact of each new initiative it takes within the EU. This study is brought to the Impact Assessment Board, chaired by the Secretariat General and attended at the director level by ten members. This board, which was set up in 2007, meets monthly and produces opinions which are made public (as are the impact assessments). It can either approve or sanction an initiative – in the latter case the initiative must be revised.

Following a revision of the guidelines, since January 2009 the impact assessments must include an external dimension, making policy coherence for development a mandatory component of these assessments. The guidelines state that “initiatives that may affect developing countries should be analysed for their coherence with the objectives of EU development policy. This includes an analysis of consequences (or spill-overs) in the longer run in areas such as economic, environmental, social or security policy”. This puts the Commission in a better position to inform political decision making and ensure policy coherence for development.

*Sources:* discussions in Brussels, October 2011; and COM, 2009c

Meanwhile, the Commission has taken steps to have partner country voices and demands heard at the early stages of policy discussions. This can be a powerful approach for ensuring that EU policies do not cancel out the development efforts of partner countries. The Cotonou Agreement set up an innovative consultation process for policy coherence for development issues which could be strengthened and used more often in the coming years (Box 2.2).

### **Box 2.2 Bringing the partner country perspective: the Cotonou Agreement**

The EU emphasises the importance of dialogue with partner countries on policy coherence for development to strengthen their ownership of this agenda. This approach is embedded in the Cotonou Agreement, which links the EU to 79 African, Caribbean and Pacific (ACP) countries. As set in article 12, dedicated consultation mechanisms are in place. The first formal consultation of this kind took place on 12 February 2009 at a meeting of the Joint ACP-EU Subcommittee on Trade Cooperation, at the request of the ACP. The ACP Group had asked for information on five Commission initiatives: the use of pesticides, nickel substances, fisheries cold chain requirements, the renewable energy directive and the Forest Law Enforcement, Governance and Trade (FLEGT) licensing system. They expressed concerns that these initiatives could have significant impacts on their exports of certain products to the EU, and they asked to be involved as early as possible in the preparation of all measures that might affect their interests.

Such interest in coherent policies is likely to grow as global economic integration continues. The revision of the Cotonou Agreement provided an opportunity to strengthen the consultation mechanism. Article 12 of the Cotonou Agreement now specifies: "The Union acknowledges that Union policies, other than development policy, can support the development priorities of ACP States in line with the objectives of this Agreement. On this basis the Union will enhance the coherence of those policies with a view to attaining the objectives of this Agreement. The Commission shall regularly inform the Secretariat of the ACP Group of planned proposals and communicate simultaneously its proposal for such measures."

*Source:* COM (2009c)

### ***Making full use of the mechanisms requires better use of capacity and strong management support***

The Commission does not yet make full use of the mechanisms available. So far, only a few impact assessments include an external dimension. Between 2009 and 2011, only 7 out of 164 impact assessments looked at the impact on developing countries even though 77 were potentially relevant for developing countries (CONCORD, 2011). Moreover, some impact assessments do not look in depth at the full impact: in the case of the EU Common Fisheries Policy, the impact assessment restricted its analysis to public agreements, excluding the majority of EU vessels that fish outside EU waters under private agreements or joint ventures (Keijzer, 2011). The Commission needs to make the best use of existing resources to increase the number of in-depth assessments – some of which are very complex (e.g. the Common Agriculture Policy) – while ensuring a solid evidence base combining quantitative and qualitative studies to demonstrate links and causes. To achieve this, the EU institutions could:

- **Make better use of the capacity available in the Commission:** while the previous DG DEV and DG AIDCO had dedicated units in charge of conducting forward-looking studies into policy coherence for development, the new organisational set-up of EuropeAid brings these aspects together into one unit, which also deals with aid effectiveness (Chapter 4). There are only two staff members working on policy coherence. These limited resources have led EuropeAid to select only those specific issues where it can have an impact, which risks a very narrow focus.<sup>9</sup> It is thus crucial to strengthen mechanisms to identify the evidence base and support knowledge-based management and brokerage and build on the inter-service group, the PCD focal points in selected DGs, and the External Action Service to develop further cross-DG work and make better use of internal expertise. A strategy on development research should be developed and promoted in order to engage with DG Research and other research DGs, as well as other relevant bodies external to the Commission, e.g. OECD, World Bank. When preparing the 2014-2020 financial framework, The Commission and EEAS should ensure that provisions are made to focus some DG Research programmes on issues relevant to development.
- **Involve the EU Delegations further:** for instance, negotiations on Economic Partnership Agreements are conducted by Brussels, and Delegations are only involved at a late stage. The opportunity for earlier involvement now exists, especially as PCD is now included in the Head of Delegations' mandates.
- **Draw on expertise both within the EU and outside the EU,** e.g. making the best use of EU Research Framework Programme projects, engaging directly with academics and relevant research institutes, think tanks and CSOs.

The Commission also needs to raise the profile of policy coherence for development and disseminate this agenda more widely. PCD is not yet well owned by the staff in DGs beyond EuropeAid, nor in the External Action Service and EU Delegations.<sup>10</sup> As far as the organisational set-up is concerned, in February 2012, the PCD function was moved within the “Policy and Coherence” unit (Annex D). This should increase its ability to engage effectively with other DGs and encourage them to be more development-oriented. Support from the highest level in the Commission would help raise the profile and provide incentives to promote policy coherence for development, reflecting better the priority the EU institutions give to this agenda.

### ***Monitoring and reporting should support evidence-based decision making***

Standard reports from Delegations<sup>11</sup> now include a section on policy coherence for development. This has also been the case since 2008 for the joint annual reports prepared by ACP countries and the EU Delegations. These give useful insights, highlighting the key concerns for the partner countries. For example, the 2008 joint annual reports referred to one of the 12 priority policy areas for PCD 136 times (COM, 2009c). Three areas (trade, climate change and environment) made up 50% of the total. Trade accounted for 25%, followed by economic Partnership Agreements and EU sanitary standards. EuropeAid also undertakes a reporting exercise every two years to assess the work programme and look at the implications of forthcoming proposals on partner countries. The Commission could make more use of these existing reporting processes to guide the policy coherence agenda, communicate better its importance across the EU institutions, and inform decision making.

There have been positive results in specific cases where the Commission has been able to build on synergies between different instruments to mitigate the negative impact of EU policies. For instance, it provides training to help developing countries meet the sanitary and phyto-sanitary standards required for food exports. It has also put in place accompanying measures for countries benefiting from the Sugar Protocol to support the adjustment processes required by the 2006 reform of the Common Market Organisation for sugar. These accompanying measures encompass improving the competitiveness of the sugar sector and diversifying production. They have been effective, despite the heavy procedures required, in allowing eligible countries to integrate these objectives into their national strategies (COM, 2009e).

However, issues remain which need attention. The impact on developing countries of major policy reforms now under preparation, in particular the EU common fisheries and common agriculture policies, should be looked at carefully.<sup>12</sup> Some observers suggest that the Commission set up an institutional mechanism for feeding back impacts and allowing for revisions of the major EU common policies. For instance, an EU rapporteur or country-level focal points could help ensure that affected stakeholders are heard and corrective measures proposed (Klavert *et al.*, 2011; CONCORD, 2011).

### **Aid and beyond: a lead role in promoting better financing for development**

The EU has been a leading force in considering how ODA can play a catalytic role in stimulating domestic and foreign private investment, external trade, and mobilising domestic financial resources for development in partner countries. These dimensions were taken on board at the high level forum on aid effectiveness in Busan, South Korea in November 2011 (OECD, 2011a). The 2000 Cotonou Agreement was an innovative way of bringing in the trade dimension, and the Commission maintains its intention to ensure a strong development dimension in the Economic Partnership Agreements with ACP countries. As part of the 2002 Monterrey Consensus and 2008 Doha Declaration on Financing for Development, the EU has set itself quantitative and qualitative targets covering different sources of finance against which its progress can be measured. In 2008, the Council re-emphasised that financing for development depends primarily on domestic resources and that development requires mobilising resources far beyond aid (EU Council, 2008b). This is discussed in the sections which follow.

### *A broad approach to development finance*

The Commission produces annual accountability reports reviewing progress made by the EU and its Member States in fulfilling their commitments for more and better financing for development. The 2011 report (COM, 2011f) covers the previous year's efforts to: i) support domestic mobilisation of resources through promoting good governance in tax matters and fighting illegal financial flows; ii) support international trade and mobilise private investments, remittances and other private flows for development; iii) increase aid and climate finance in line with commitments; and iv) spend aid effectively, support debt sustainability in developing countries and create a more conducive international architecture for development. Building on the findings of the report, the Commission recommends that the EU and the Member States strengthen their support to developing countries' own efforts to mobilise domestic resources for development in line with the principles of good governance in tax matters; continue to support aid for trade; revisit how support for regional integration is provided, to which actors and how stronger links are made to regional political dialogue; and sustain innovative mechanisms with significant revenue generation potential. These reports reflect international thinking on key areas such as setting global standards for revenue transparency and accountability, innovative finance, using ODA to leverage more private flows, and providing aid for trade.

Concrete actions have been taken. For instance, the EU has promised to make it cheaper and easier for migrants to send money home (remittance transfers). This reflects an understanding of the importance of remittances sent by migrants in the EU back to developing countries and how fluctuations in these flows can have a big impact on the living conditions of recipients. Efforts should be pursued in this area (COM, 2011g).

### *Using ODA to leverage more private flows*

The EU is committed to promoting policies and instruments that support private investment and the expansion of partner countries' private sectors in order to ensure inclusive and sustainable economic growth. The EU institutions have started to use various incentives to encourage private capital flows to developing countries and support a stronger international framework for responsible corporate behaviour. These include investment guarantees, dedicated funds, preferential loans and support for joint ventures. As mentioned in the *Agenda for Change*, the Commission plans to use more blending of loans and grants or use funds in equity or risk-sharing instruments to mobilise additional funding – including from the private sector. This would increase the volume of development financing in a context of constrained resources while addressing the volatility of the aid system and securing financing for development.

To prepare for increased use of blending mechanisms, EuropeAid has set up a new unit on financial instruments. It tries to promote better linkages with the EIB and other European Finance Institutions (such as the European Bank for Reconstruction and Development), EU Member State agencies (such as the German KfW, the French AFD, the Austrian Development Bank OeEB, Lux-Development etc), and international finance institutions. The first blending mechanism was created in 2007 and was focused on Sub-Saharan Africa. Other facilities were subsequently set up to cover the neighbouring region, Latin America, Central Asia. These facilities blend grants from EU financial instruments (e.g. the 10th EDF) with loans from multilateral and bilateral finance institutions.<sup>13</sup> Strengthening the new blending instruments will help scale up support to private sector development, with potentially positive effects for developing countries.

The Treaty of Lisbon (TFEU, 2010, article 209) requests the EIB to contribute to implementing development co-operation policy of the EU. A decision by the European Parliament and Council on the EIB adopted on 25 October 2011 (EU Council, 2011b), the so-called EIB external lending mandate, sets out the legal framework for EIB support to EU external action and provides a budgetary guarantee for EIB financing operations covering risks of a sovereign or political nature. It identifies the areas and regions in which the EIB can finance projects and specifies that, in ODA eligible countries, EIB financing operations should foster sustainable economic, social and environmental development; the smooth and gradual integration of developing countries into the world economy; the campaign against poverty; and compliance with EU goals in the context of the UN and other competent international organisations. Under this decision, the EIB should frame the development agenda for its external action in close co-ordination with the Commission and the European External Action Service, and follow the principles of the European Consensus on Development as well as the Paris Declaration on aid effectiveness and the Accra Agenda for Action. As for the EDF, under which the EIB manages the Investment Facility, the revised Cotonou Agreement specifically refers to blending mechanisms to support investment and private sector development. The use of these mechanisms to engage in developing countries (middle income countries in particular) and support private sector development is positive. This approach should be seen as a complementary tool for development, and should not replace grants with loans on a large scale, especially in low income countries. Rather, the best mix of modalities should be pursued ensuring that grants are leveraging loans and taking into account each country's context and needs in order to maximise development results and impact.

### **Future considerations**

- High level and consistent engagement from the Council of the EU, Parliament, the Commission and the EEAS is needed to ensure compliance with the EU commitment to policy coherence for development. To give the concept sufficient weight in EU decision-making, the Council of the EU should look at ways to build political will and reinforce existing mechanisms.
- The European Commission, the Council, the Parliament and the EEAS should give special attention to improving awareness and provide training for officials to deal with policy coherence for development at headquarters and in the EU Delegations. EuropeAid should ensure adequate coverage is given to the range of issues with the potential to affect developing countries.
- To get the most of existing mechanisms and strengthen the evidence base needed to inform decision making, the Commission and EEAS should: i) strengthen knowledge management; ii) make more use of internal capacity, including DG Research programmes; and iii) set up mechanisms to draw more on expertise from outside the institutions. They should also pursue efforts to incorporate partner countries' concerns at an earlier stage in policy making, and consider setting up an institutional mechanism to monitor impacts of EU policies on developing countries and revise them as needed.
- The Commission is commended for its efforts towards better use of blending mechanisms to complement its development co-operation efforts. It is encouraged to pursue its efforts to promote better financing for development within and beyond the European Union.

## Notes

1. Art 21, TEU (2010). The Treaty on the Functioning of the EU also states: “The Union shall take account of the objectives of development cooperation in the policies that it implements which are likely to affect developing countries” (TFEU, 2010, art 203).
2. Trade, environment, climate change, security, agriculture, fisheries, social dimension of globalisation, employment and decent work, migration, research and innovation, information society, transport and energy.
3. Council Conclusion on Policy Coherence for Development, 17 November 2009 (EU Council, 2009b and EC, 2009d).
4. Although some member states found it difficult to draw operational conclusions from the evidence provided and did not receive sufficiently broad support from member states and the Commission.
5. Cited in the 2009 EU report on PCD (EC, 2009c), referring to Council decision making of October 2006.
6. One of the outstanding issues identified in the 2007 PCD report was the need to review and improve Council procedures, in particular for ensuring that PCD is built into the Council working groups so that COREPER receives coherent submissions. The development co-operation channel (CODEV) does not have the same effective leverage for bringing policy coherence for development issues to the Council or Parliament.
7. Member states with less experience of PCD are on the whole more positive than the ones that have been working on it for the last decade. For this first group, the EU procedures provide fair guidelines to develop their capacity to ensure PCD within government (EC, 2009c).
8. The Rapporteur will also draw up a biennial report on PCD in response to the Commission’s reports, inviting other committees to contribute opinions linked to their remits.
9. For instance, as regards the Common Agricultural Policy, the Commission has decided to focus on small farmers. This has strong links with food security, one of the priority areas for PCD.
10. This was noted by the review team in Peru and Chad (Annex C).
11. In particular, the six-monthly report from EU delegations to headquarters (called the External Assistance Management Report – EAMR) now also includes PCD aspects.
12. For example, a study commissioned in 2010 by the Evert Vermeer Foundation showed the negative impact of European policies on Ghanaian development targets (Hardus, 2010).
13. The EU-Africa Infrastructure Trust Fund was established in 2007 to mobilise resources in support of regional infrastructure investment projects in Africa by combining grants provided by the European Commission (from EDF resources) and EU Member States (on a voluntary basis) with loans from the EIB and other European finance institutions, also leveraging funding from the African Development Bank and private sector.

## *Chapter 3*

### **Aid volumes, channels and allocations**

This chapter examines trends in the overall amount of official development assistance (ODA) delivered by the European Union, and focuses on how the EU institutions' development co-operation resources are allocated.

The large size of the aid programme managed by the EU institutions allows for wide geographic and sector coverage. However, a more differentiated approach is needed given this large portfolio, and this is recognised by the EU institutions. The chapter makes four suggestions:

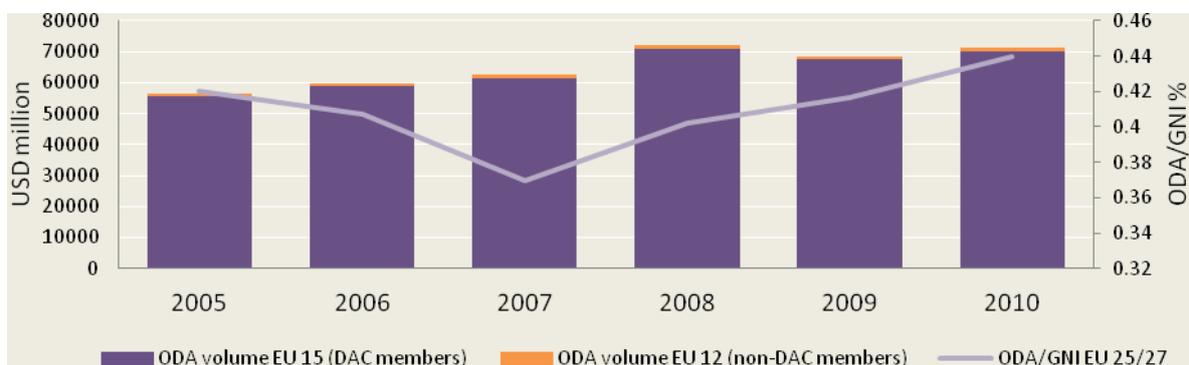
- (i) Make every effort to meet the overall EU commitment to allocate 0.7% of gross national income as ODA by 2015; and ensure the financial framework for 2014-2020 maintains a high proportion of the EU budget for development co-operation and includes a substantial increase in EU development funding levels
- (ii) Ensure that the next generation of financial instruments reflects new priorities and enables effective delivery of the development co-operation programme
- (iii) Accompany the EU's stronger focus on the most needy countries with sound exit strategies for withdrawing from those in less need, while deepening thinking on how to engage in global public goods
- (iv) Deepen the strategic engagement with multilateral organisations.

### “Federator role”: the challenge of meeting the 0.7% ODA/GNI target in a time of crisis

The EU has been a driving force in encouraging EU Member States to raise their official development assistance volumes and meet the EU commitment to allocate 0.7% of their gross national income (GNI) as ODA by 2015. The EU and its Member States agreed in 2005 to achieve this collective ODA level by 2015 and an interim target of 0.56% by 2010, both accompanied by individual targets.<sup>1</sup> Eleven EU Member States agreed to increase their ODA to 0.51% of their national income by 2010, while the four countries who had already achieved higher levels (0.7% or above) promised to maintain these levels. Targets set for the 12 Member States that acceded to the EU in or after 2004 were to spend 0.17% of their GNI on ODA by 2010 and 0.33% by 2015.<sup>2</sup>

This commitment has encouraged substantial efforts by Member States. Between 2004 and 2010, they accounted for 62% of the global USD 34.4 billion ODA increase in real terms. In 2010, despite the financial crisis, their ODA rose by 6.0% to reach USD 69.7 billion. However, collectively, the Member States face a challenge in meeting their commitment. In 2010 the EU reached a collective ODA/GNI ratio of 0.44% which, while above the DAC average of 0.32%, was below the EU intermediate target of 0.56% (Figure 3.1).

**Figure 3.1 EU Member States' ODA volumes and ODA/GNI ratios, 2005-2010**



Source: OECD

The Commission has repeatedly pointed out this challenge over the last four years, building on the findings of the EU annual accountability reports on financing for development, and proposing ways to step up efforts. In April 2011, acknowledging that the 2010 target had been missed, it urged Member States to reaffirm their collective commitment to increasing ODA to 0.7% of combined GNI by 2015, and to confirm they will reach their individual ODA targets. The Commission requested the Member States to establish multiannual action plans, enshrine ODA targets in national legislation, and share forward-looking data on their individual actions in the lead-up to 2015 in view of the first annual ODA report to the European Council<sup>3</sup> (COM, 2011f). The Commission also stressed the importance of winning public support for increased ODA levels by educating the public and communicating better on the impact of ODA in an interdependent world.

As shown by the Commission’s analysis of individual EU Member plans, there is a high risk that the 2015 target will also be missed. Several Member States are postponing their commitments or scaling down their plans as a result of current fiscal pressures. It is therefore important to pursue the dialogue on ODA commitments at European Council level, within the context of the next financial framework and Members’ own budget forecasts. While focusing on Member States’ individual responsibilities, the discussion on a roadmap to reach the 0.7% target should consider how the EU as a whole will meet its aid volume commitment. This should be complemented by an analysis of the benefits to be expected from meeting the target levels of ODA. Member States should be reminded that the Treaty on The Functioning of the European Union explicitly states that “the Union and the Member States shall comply with the commitments and take account of the objectives they have approved in the context of the United Nations and other competent international organisations” (Art. 208). These elements are strong arguments for development ministers to use in their dialogue with finance ministers. Ultimately, increasing aid levels is not a technical exercise and Member States need to take political decisions on the way forward using the Commission’s analysis.

### **Official development assistance managed by the EU institutions**

#### ***A promising outlook for the EU institutions’ ODA budget***

The EU institutions manage a large volume of ODA. The development co-operation budget managed by them amounted to USD 12.68 billion in 2010, making them the third largest DAC member. This is all grant aid, coming from the European Union budget and the European Development Fund. The EU aid architecture also includes the European Investment Bank (EIB), active in over 150 countries outside the EU, where it provides long-term finance in support of EU external cooperation and development objectives. In 2010, the EU extended loans and equities to partner countries totalling USD 8.3 billion gross, a significant contribution to development<sup>4</sup>.

The level of ODA managed by the EU institutions is determined within the EU multi-year financial framework, which translates the European priorities into financial terms. In the 2007-2013 framework, ODA is under budget heading 4: “The EU as a global partner”. This represents around 5.7% of the EU’s total financial framework. The Commission is now preparing the multiannual financial framework for 2014-2020. In June 2011 it adopted a communication of its overall budget proposal (COM, 2011h). In December 2011, it detailed its proposed budget for external action through a communication (*Global Europe*) and legislative proposals for nine geographic and thematic instruments, accompanied by a common implementing regulation (COM, 2011i). The total amount proposed for these nine instruments is EUR 96.25 billion for the overall period (at current prices). This would represent an increase of some 25% in heading 4 in 2011 prices over the previous financial framework,<sup>5</sup> and an increase in its share of the total EU budget to 6.8% (excluding the European Development Fund.). If agreed, this would confirm the strengthened priority that the EU gives to the external dimension. This should then translate into an increase in EU development co-operation funding levels, helping to achieve the 0.7% EU collective commitment.

### *Towards an “ODA-plus” concept*

The Commission has proposed developing a “Whole of the Union approach” making it possible to track non-ODA financial sources that contribute to sustainable development and global public goods (COM, 2009d). The 2009 mid-term review of the EU financial instruments found that current financial regulations<sup>6</sup> constrain the scope of bilateral geographical co-operation with eligible countries by requiring all measures financed to fulfill the OECD/DAC criteria for ODA (COM, 2009e). Meanwhile countries such as Mauritania and the Seychelles receive more funding under the Common Fisheries Policy than under the Development Fund (COM, 2009c). Security, migration and climate change are other areas where the EU increasingly co-operates with developing countries. Achieving development objectives in these areas may require accompanying measures which are not ODA eligible. The Commission’s proposals for future regulations foresee the necessary flexibility under the thematic programmes. Meanwhile the Commission should clarify the ODA/non-ODA division in the instruments, as was mentioned in an evaluation of these instruments in 2011 (COM, 2011g).

The European Parliament agrees with the need for a new financing instrument, or modification of an existing instrument (EP, 2009). However, it is concerned that the ODA-plus approach may dilute the EU’s ODA contribution to fighting poverty, and that funds mobilised with the ODA-plus approach do not count in achieving the MDGs. In 2010, Parliament firmly reminded the Commission and Member States that ODA has to remain the key element of the European development co-operation policy goal of eradicating poverty. Thus, if innovative sources of development financing are to be widely promoted, they must be additional to and not a replacement for ODA, and must be used for poverty reduction purposes (EP, 2010). The Commission should bear these elements in mind when designing new financial instruments.

As regards climate spending, the Commission suggests mainstreaming this across all headings and programmes, including external action. In addition, it plans to spend 31.5% of the “Global Public Goods and Challenges” thematic programme (part of the Development Co-operation Instrument (DCI)) on environment and climate change actions<sup>7</sup>. The Commission also intends to create a pooling mechanism for a Global Climate and Biodiversity Fund outside the budget in order to help the EU fulfill its climate finance commitments. This proposal is positive. It would benefit from a specific reference to the EU’s commitment under the 2009 Copenhagen Accord to providing “new and additional” funding for adaptation and mitigation in developing countries, amounting to USD 100 billion by 2020. However, what is meant by “new and additional” still needs to be defined by the UNFCCC (Chapter 1).

## **Geographic and sector allocations**

### *An impressive geographical reach*

A comparative advantage of the Commission is the size of its programme and its reach, with EU institutions providing aid to about 130 countries in 2009/10. In addition to this broad coverage, EU institutions are significant donors in a large number of partner countries: they are among the 5 largest donors in 121 countries, and among the 3 largest donors in 75 countries (Figure 3.2). This coverage is significantly broader than that of the individual Member States’ development co-operation programmes.

**Figure 3.2 EU outreach in 2009/10 (grant aid)**

Source: OECD/DCD

In 2010 LDCs received 45% of the bilateral allocable ODA managed by the EU institutions, a proportion which reflects the priority given to reducing poverty in the EU Consensus on Development and the Lisbon Treaty (Chapter 1). Aid allocated to Sub-Saharan Africa has remained stable over the last five years. With an average of USD 4.4 billion per year, it accounts for 42% of the programme, higher than the DAC average of 35% (Table B.3, Annex B).

However, slightly more aid goes to middle income countries (MICs) than to LDCs (respectively USD 4.9 billion and 4.6 billion in 2010). The share of the aid programme going to MICs rose from 50% in 2007 to 54% in 2009, before decreasing to 47% in 2010. This includes nine countries which are preparing to join the EU and which benefit from a special programme.<sup>8</sup> Three of these countries (Turkey, Kosovo and Serbia) are among the top 10 recipients of EU aid managed by the Commission (Box 3.1).

### Box 3.1 A specific programme for the EU accession countries

In the nine “enlargement countries”, DG Enlargement manages financial and technical support, using the Instrument for Pre-accession Assistance (IPA), covering both programming and implementation. While the overall political framework of IPA is helping the beneficiary countries accede to the EU, specific objectives of IPA include promoting the rule of law and supporting their social and economic development and welfare. The prospect of and support for integration are major incentives for reform, with positive impacts for reducing poverty. Total allocation of IPA between 2007 and 2013 is EUR 11.6 billion, covering transition assistance and institution building, cross-border co-operation, regional development, human resources capacity and rural development. According to the Commission’s proposal, the IPA will be renewed in the next financial framework 2014-2020 (COM, 2011j).

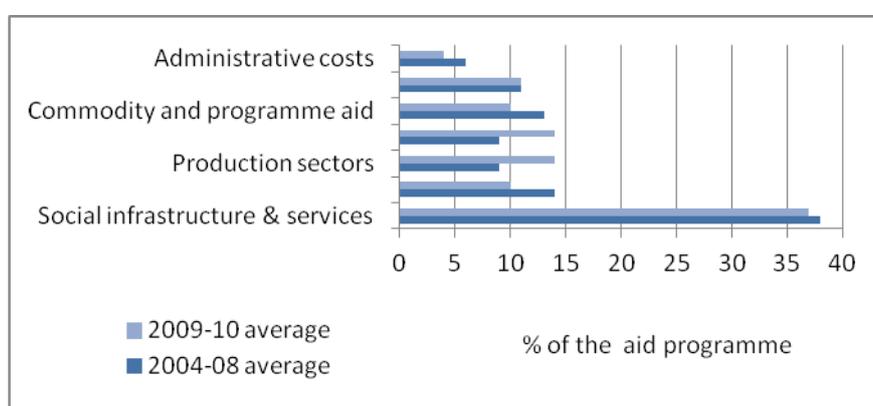
In other middle income countries, the Commission has proposed a differentiated approach for 2014-20, withdrawing the bilateral co-operation programme from some of these countries, while maintaining thematic and regional programmes and making more use of blending instruments to support economic and trade co-operation (COM, 2011a). This differentiated approach is welcome – if applied primarily to the upper middle income countries who seem wealthy enough to fund their own development and address

poverty and inequality – as it will help focus the aid programme on the countries most in need. However, it should be managed carefully. As was observed in Peru in November 2011 (Annex C), the uncertainty about the future of the EU institutions’ co-operation in that country - resulting from discussion at headquarters on differentiated co-operation - limits its ability to plan ahead and to conduct a productive dialogue with partners. A strategic, inclusive approach is needed in partner countries from which the EU plans to phase out, taking into account the required division of labour. Meanwhile the EU institutions also need to make sure that the thematic and regional programmes are appropriate vehicles to engage with these countries on global challenges such as climate change and communicable diseases. The EU institutions should also keep in mind that some of these countries are also emerging donors, and bring this dimension into their political and technical dialogue.

### *The need for a more efficient division of labour across sectors*

The sector coverage of the programme managed by the EU institutions has been stable in the last few years (Figure 3.3. and Table B.5.). The largest share of support goes to social infrastructure and services, which account for 37% of aid allocated in 2009-10. Within this category, the most important sub-sector is “government and civil society”, reflecting strong support to governance and capacity development. Economic infrastructure and services, together with the productive sectors, account for 24%, while humanitarian aid remains stable at 11%.

**Figure 3.3 Aid managed by the Commission – Sector allocation, 2004-2010**



While in many partner countries the EU programme may be grouped under three main headings, it can involve many sectors and sub-sectors. This was noted in Chad and Peru for example (Annex C). Thus, despite the size of the programme, there is a risk that aid is spread too thinly across sectors to have a real impact. Strengthening the in-country sector division of labour, as is suggested in the *Agenda for Change*, would allow the EU to focus more deeply on certain specific sectors. Joint programming with EU Member States may be a good way forward (Chapter 5).

### *Geographic and thematic financial instruments shape the programming process*

The EU institutions’ development assistance comes from both the EU budget (around 70%) and the European Development Fund (EDF – around 30%).<sup>9</sup> The EU has a limited

number of financial instruments covering geographic and thematic budget lines and tailored to each geographic and policy area (Figure 3.4). Even so, the budget framework remains complex; there could be better co-ordination with those instruments managed by other DGs and within the three main DGs dealing with external assistance (EuropeAid, Enlargement, and ECHO). The preparation of the next EU Multi-annual Financial Framework for 2014-2020 is an opportunity to streamline and simplify these instruments, make them more flexible, clarify roles, and make it easier for EU Delegations to factor strategic decisions on allocations into the EU budgeting and programming system (Chapter 4).

**Figure 3.4 Financial geographic and thematic instruments in the 2007-2013 financial framework**

		Instrument	Beneficiaries	Total funding
Geographic Instruments	EuropeAid / EEAS	European Neighbourhood and Partnership Instrument (ENPI)	Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, the Palestinian Authority, Russia, Syria, Tunisia and Ukraine	EUR 11.181 billion
		European Development Fund (EDF)	African, Caribbean and Pacific (ACP) countries and the overseas territories of EU Member States	EUR 22.7 billion
		Development Co-operation Instrument (DCI)	Latin America, Asia and Central Asia, and the Gulf region and South Africa	EUR 10.057 billion
		Instrument for Greenland	Greenland	EUR 20 million/year
	ELARG	Pre-Accession Instrument (IPA)	Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Iceland, Kosovo Montenegro, Serbia and Turkey	EUR 11.5 billion
Thematic Instruments	EuropeAid - EEAS	European Instrument for Democracy & Human Rights (EIDHR)	All countries, except EU	EUR 1.104 billion
		Instrument for Stability	All countries, except EU and industrialised countries	EUR 2.062 billion
		EU Food Facility	50 countries in Africa, Caribbean, Asia, Latin America, Gulf region	EUR 1.709 billion
		Nuclear Safety Co-operation Instrument (NSCI)	All countries, except EU and industrialised countries	EUR 524 million
		DCI - Environment and sustainable management of natural resources i	All countries, except EU, industrialised countries and pre-accession countries	EUR 804 million
		DCI - Non-state actors and local authorities in development	All countries (including EU), except third industrialised countries and pre-accession countries	EUR 1.6 billion
		DCI - Food security	All countries, except EU, industrialised countries and pre-accession countries	EUR 925 million
		DCI - Migration and Asylum	All countries, except EU, industrialised countries and pre-accession countries	EUR 384 million
		DCI - Investing in People	All countries, except EU, industrialised countries and pre-accession countries	EUR 1 billion
		DCI - Restructuring sugar production	18 African, Caribbean, Pacific countries	EUR 1.244 billion
	DCI - Main ACP banana supplying countries	10 ACP countries	EUR 190 million	
ECHO	Humanitarian Assistance (BL 23+40)	All countries	EUR 7.1 billion	

The Commission's December 2011 proposal, transmitted to the European Parliament and the Council (for an expected approval in 2013) rightly addresses some of the current weaknesses of the EU budget framework (COM, 2011i). In particular, it aims to concentrate spending, increase flexibility, and simplify rules and procedures for programming and delivering EU assistance (Chapter 4). The Commission suggests nine financial instruments, renewing the geographic and thematic instruments and creating a new Partnership Instrument. In line with the *Agenda for Change*, the proposal supports a

more differentiated approach to partnerships, driven by country contexts, taking greater account of human rights, democracy and good governance, and allowing for different forms of co-operation such as blending grants and loans.

### **Multilateral channel: becoming more strategic**

The EU's commitment to effective multilateralism is a central element of its external action, reaffirmed by the Treaty of Lisbon.<sup>10</sup> Together, the EU institutions and Member States are the single largest financial contributor to the UN system,<sup>11</sup> and the EU is one of the major contributors to UN non-core funding and World Bank trust funds – through earmarked allocations in the field.

In line with this engagement, in early 2000 the Commission decided to increase substantially the funds it channels through UN organisations in order to support a wider range of development operations (COM, 2001a & 2003). The Commission channels on average USD 1 billion a year through UN programmes in partner countries.<sup>12</sup> The main recipients in 2010 were the United Nations Development Programme (UNDP), which received 41% of funding allocated to the UN that year, and UNICEF, which received 15%. However, several EU stakeholders have questioned the value-added of European funds being channelled through international organisations. An evaluation carried out in 2008 found that the majority of the Commission's interventions funded through the UN have had a positive impact. Specifically, they often represented a unique chance to engage in difficult contexts, allowed the Commission to benefit from UN expertise, and offered opportunities for policy dialogue with partner countries (COM, 2008b). The evaluation also noted, however, that requirements imposed on the UN by the EU were much more demanding than those of other donors,<sup>13</sup> and that the Commission needed to make organisational adjustments to centralise information better given the increased importance of this modality. Taking a more critical tone, a special report conducted by the European Court of Auditors in 2010 found that the Commission's use of UN organisations was not based on sufficient evidence that this was more efficient and effective than other ways of delivering aid (ECA, 2010a).

Taking these findings into account, the EU institutions are strengthening their analysis before selecting a UN channel. Decisions are decentralised, with EU Delegations considering available options and looking at the most effective way to support sectors, including how to benefit from external expertise and avoid duplication of effort. Working with international organisations is often the only option available in a partner country and the EU approach aims to strengthen impact by providing expertise and building on synergies with what the EU has to offer (Box 3.2). The Commission has also adjusted its financial regulations to allow international organisations to manage EU funds following their own procedures, while ensuring appropriate control through verification missions. Administrative constraints remain heavy, however, and the EU institutions still need to find the right balance. This means continuing to engage with the European Court of Auditors and Member States, and prove the added value of working through UN organisations. Meanwhile formulating, co-ordinating and promoting Commission and EU positions on development-related issues in UN fora should be a key task for the unit on International Development Dialogue set up in EuropeAid to cover policy-level relationships with the UN.

Since the Treaty of Lisbon's entry into force, the EU has replaced the European Community as an observer at the UN General Assembly, and the Commission Delegation

and EU Council Liaison Office have merged into the European Union Delegation to the UN. The EU is an observer within the UN General Assembly and as such, has no vote. The EU is also a party to more than 50 UN multilateral agreements and conventions. Since May 2011, EU representatives can be included in the list of speakers among representatives of major groups and present positions of the EU and its 27 Member States (as agreed by them).<sup>14</sup> The resolution applies to the participation of the EU in the sessions and work of the General Assembly and its committees and working groups; in international meetings and conferences convened under the auspices of the GA; and in UN conferences. EU Delegations in UN sites have taken over the coordination and representation functions of the former rotating presidency, and play an active role in defining EU positions, and representing EU interests.

### **Box 3.2 Working with the EU institutions: views from UN organisations**

An impressive number of UN agencies (26) are represented in Brussels. This illustrates the relevance of EU development co-operation for the pillars of the UN - both have the MDGs as key objectives - and the number of partnerships implemented in developing countries. The EU is recognised by UN organisations as a crucial partner, in particular in areas such as humanitarian assistance, food security, disaster risk reduction, and climate change. However, several stakeholders mention a disconnect between the strong political will expressed by the Commission, and the reality of the partnership, hampered by administrative constraints. The UN considers that the Commission's procedures are cumbersome, involve high transaction costs, and are focused on controlling inputs rather than ensuring quality and results. Expectations are high, however, that the EU and UN can develop further synergies on the ground.

*Source:* Interviews in Brussels, Rome and partner countries, Oct-Nov 2011

As recommended in the 2007 peer review, and following an evaluation on Commission's aid delivery through Development Banks (COM, 2008c), EU institutions are also making their relationships with key international financial institutions (IFIs) more strategic. In March 2009 the Commission signed a new framework agreement with the World Bank Group, to which it provides an average EUR 410 million a year to trust funds. Framework agreements were also concluded with the IMF (January 2009) and with the Inter-American Development Bank (July 2011). In 2011 the Commission set up a Taskforce for an Enhanced Dialogue with International Organisations, dealing with IFIs only<sup>15</sup> and reporting directly to the Director-General of EuropeAid. The taskforce aims to develop a platform for a more structured dialogue with the IFIs, to identify joint actions and frameworks, and to co-ordinate and promote Commission and EU positions on development issues in the IFIs (COM, 2011k). The taskforce can help bridge the gap between policies and financial co-operation. Together with the "Financial Instruments" unit, it can also take a strategic role at a time when EuropeAid plans to develop further blending facilities.

### **Future considerations**

- To confirm their leading role in development co-operation and to help reach the EU collective 0.7% ODA/GNI target, the EU institutions should: i) make every effort to get the Member States to focus on their individual responsibilities and collective role in achieving the 0.7% target by 2015, developing a roadmap and analysing the benefits of meeting the target; and ii) pursue efforts to increase the proportion of the European budget allocated to development co-operation in the financial framework 2014-20.

- The differentiated approach to partnerships proposed by the Commission is welcome and should lead to focusing the bilateral programme on countries most in need. It should be accompanied by sound exit strategies, bearing in mind the division of labour between the EU and its Member States, and further thinking on how to engage on global public goods.
- In shaping the next financial framework and related tools, the EU institutions need to ensure that financial instruments reflect the new priorities and enable effective delivery of the development co-operation programme, through more flexible, simplified rules and procedures, and specific instruments for fragile state situations.
- The EU institutions should continue to deepen their strategic engagement with multilateral organisations, building on synergies and being clear about the added value of this engagement.

## Notes

1. This built on commitments made at the Monterrey Conference on Financing for Development in 2002.
2. “(...) the EU agrees to a new collective EU target of 0.56 % ODA/GNI by 2010 that would result in an additional annual EUR 20billion ODA by that time.
  - i) Member States which have not yet reached a level of 0.51% ODA/GNI undertake to reach, within their respective budget allocation processes, that level by 2010, while those that are already above that level undertake to sustain their efforts.
  - ii) Member States which have joined the EU after 2002 and that have not reached a level of 0.17% ODA/GNI will strive to increase their ODA to reach, within their respective budget allocation processes, that level by 2010, while those that are already above that level undertake to sustain their efforts.
  - iii) Member States undertake to achieve the 0.7% ODA/GNI target by 2015 whilst those which have achieved that target commit themselves to remain above that target; Member States which joined the EU after 2002 will strive to increase by 2015 their ODA/GNI to 0.33%.” (EU Council, 2005c)
3. The Commission also invited the member states to confirm and deliver on the commitments to increase ODA to Africa and to LDCs.
4. The data on "ODA" flows and concessional assistance shown in this report for EU institutions from 2008 relate to grants only.
5. Approximately EUR 56 billion was allocated to external action in the financial framework 2007-2013 – excluding the European Development Fund.
6. Specifically the Development Cooperation Instrument (DCI) regulation.
7. Moreover, no less than 50% of this thematic programme will be Rio-compatible.
8. These are Croatia, the former Yugoslav Republic of Macedonia, Iceland, Montenegro and Turkey (candidate countries), and Albania, Bosnia and Herzegovina, Serbia as well as Kosovo under UNSCR 1244/99 (considered as potential candidates). All are ODA-eligible apart from Croatia and Iceland.
9. The EDF is an inter-governmental agreement of the EU member states to which they all make voluntary contributions. Although the Member States have entrusted its implementation to the Commission, the decision-making process is different to the EU budget where the European Parliament and Council have joint decision-making powers.
10. “The Union shall define and pursue common policies and actions, and shall work for a high degree of cooperation in all fields of international relations, in order to: (...) h) promote an international system based on stronger multilateral cooperation and good global governance” (Article 21 TEU).
11. The 27 EU member states fund 38% of the UN's regular budget, more than two-fifths of UN peacekeeping operations, and about one-half of all UN member states' contributions to UN funds and programmes.
12. EUR 810 million per year between 2007 and 2010 (EuropeAid, 2011).

13. These requirements were set in the Financial and Administrative Framework Agreement (FAFA) between the Commission and the UN.
14. Resolution A/65/276, UN General Assembly, 3 May 2011.
15. Notably the International Monetary Fund (IMF), the World Bank Group and the three regional development banks: African Development Bank (AfDB), Inter-American Development Bank (IADB) and Asian Development Bank (ADB).

## *Chapter 4*

### **Organisation and management**

This chapter highlights how the major organisational changes and the new budget period are an opportunity for EU institutions to improve aid organisation and management. They need to focus on managing the change process and getting the most from staff experience and expertise. The successful decentralisation of co-operation to field offices highlights the benefits of going further along this road. On the management of co-operation, both staff and partners would benefit from simplified and more streamlined procedures. Building on an already solid base, the EU institutions could further fine-tune monitoring and evaluation to increase the focus on development results and learning.

The chapter sets out future considerations aimed at grasping the opportunity of the changes to improve how co-operation is organised and managed, specifically in the areas of:

- (i) Managing and embedding change
- (ii) Investing in knowledge and people
- (iii) Building further on the success of devolution to the field
- (iv) Increasing flexibility and reducing the complexity of procedures
- (v) Re-orienting monitoring to more strongly focus on development results.

### **Progress since the last peer review**

There have been major organisational and management changes since the last review in 2007 (OECD, 2007a). This chapter discusses the risks and opportunities associated with the most significant of these. In relation to progress against the four specific recommendations made in the 2007 review on organisation and management, the EU institutions' progress has been mixed (Annex A). There is still a need to involve Delegations better and unify the rules and procedures for using thematic instruments. Discussion on simplifying procedures is ongoing and work has started to integrate better performance monitoring and reporting, but further work is needed. The EU institutions did not accept the recommendation to establish a separate development human resource function.

### **The EU institutions in flux: managing change to realise potential**

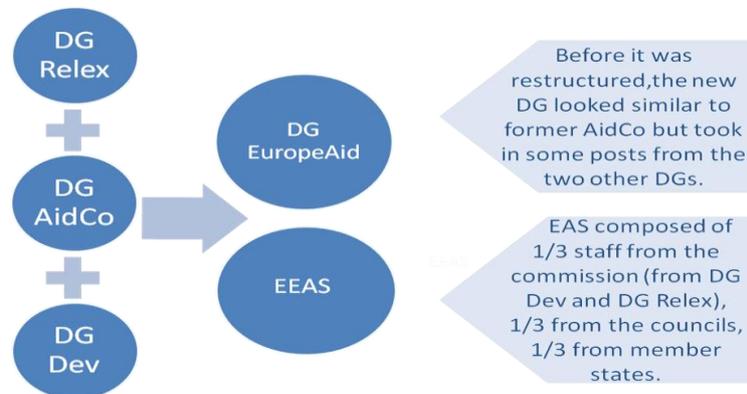
There is a clear rationale for the organisational changes underway in European development co-operation. The changes are major, although the enlargement and humanitarian components of the co-operation portfolio remain largely unaffected. Some of the changes respond to an adjusted mandate, others to a need to consolidate (Figure 4.1, diagrams of the new structures at Annex D). The rationale for the three main changes was:

- In response to the Lisbon Treaty, the European External Action Service (EEAS) was set up to serve the High Representative/Vice President in January 2011. The EEAS staff comprise one third Commission staff, one third from the Council, and the remaining third must be diplomats from Member States (to be achieved by mid-2013). It is an entirely new entity with a broader and more political mandate than any previous EU institution.
- To consolidate the delivery of development co-operation, a new Directorate General for Development and Co-operation EuropeAid (also known as DG DEVCO) was established in January 2011. The merger of parts of the former Directorate General for Development and the EuropeAid Co-operation Office brings under one roof the policy and management of most of the EU's financial instruments for development co-operation. A new service for Foreign Policy Instruments was also set up within the Commission in January 2011. The intention is to create a more efficient structure, cut duplication and increase learning across instruments and regions.
- Once merged, EuropeAid restructured in June 2011 by cutting the number of departments from 10 to 9, clarifying line management responsibilities for the deputy directors general and, most notably, giving the majority of staff new roles.

These changes offer welcome potential for increased coherence and reduced duplication; however, it is also important to note that the sheer magnitude of the changes raises risks and managing the change process has to be a top priority. Lessons from other contexts show the importance of communication – both internal and external – to ensure clarity, monitor progress, and demonstrate openness to making adjustments. Specific risks are summarized in table 4.1. Some risks relate to the fact that the EEAS sits outside the Commission – although fully plugged into Commission systems - while serving the High Representative/Vice President in her dual role. This has practical implications both at headquarters and in Delegations. In the latter, EU Heads of Delegation oversee teams made up of EEAS and (mostly) Commission staff and are double-hatted by the Commission in order to play a role in the management of EU assistance. Some of these

risks are more likely to materialise than others; and some will have a bigger impact than others. All will need to be managed to ensure organisational changes are successful.

**Figure 4.1 The new organisational arrangements: from a trio to a duo**



Note: Figure 4.1 does not include DG Enlargement which remained largely untouched by the changes described.

**Table 4.1 Risks associated with the organisational changes that need to be managed**

<b>Unclear division of labour between organisations until the working arrangements were finalised in January 2012</b>	The Council decision on the EEAS states that the organisation should contribute to programming of the external action instruments (EU Council, 2010a). The Commission and the EEAS have agreed to set out the detailed working arrangements in a memorandum of understanding. Negotiations on these working arrangements took time, resulting in a lack of clarity in the interim on the division of labour between the Commission and the EEAS for each instrument. A General Service Level Agreement was issued in December 2010, updated guidance on working relations was provided in December 2011, and the memorandum was signed in January 2012.
<b>Non-aligned parallel administrative procedures</b>	Delegations are seeing the complexity of having the EEAS and Commission managing the administrative and operational budget lines respectively, and applying separate sets of human resource rules.
<b>A clash of organisational cultures</b>	Both EuropeAid and the External Action Service are new organisations, created by combining staff from different sources. The EEAS, for example, brings together former Commission and Council staff as well as diplomats seconded from Member States, who have temporarily switched from representing their country to representing the EU. Bringing different working styles under a single set of rules and shared objectives will be crucial to success.
<b>Confusion over points of entry, support and authority.</b>	Following the reorganisation of EuropeAid, staff in the field and external partners were sometimes unclear about who to contact for support or advice, for example on thematic issues. Meanwhile, lines of authority for Delegations (in terms of signing off financial decision and staff performance appraisals) have become more complex because there are two organisations involved. Civil society organisations also lament a lack of clarity over their points of entry (CONCORD, 2012). Recent guidance on lines of authority at headquarters and in Delegations should provide welcome clarity.
<b>Creation of “silos” rather than synergies between the Commission and External Action Service</b>	While the reorganisation offers the potential to establish a more coherent approach, there is also a risk that the EEAS and Commission will carve out their own niches and miss opportunities to work together. The Council decision has tried to avert this risk by fully plugging the EEAS into the Commission system, stipulating a high degree of the High Representative/Vice President and EEAS involvement in key areas of Commission work relating to foreign and security policy areas.
<b>Loss of expertise</b>	The reorganisation of EuropeAid involved moving a majority of staff to new posts. While staff mobility is important, EuropeAid also needs to ensure it has people with specific expertise in the right places, <i>i.e.</i> where that expertise can be applied and drawn on. In addition it lost some staff to the EEAS.

How the relationship between the EEAS and the Commission is developing is being closely watched by external observers, not least those concerned with development co-operation. Key concerns include the division of labour between the EEAS and the Commission (Table 4.1), between the EU institutions and Member States in this area of shared responsibility, and how in practice the foreign policy and developmental priorities of the EU can dovetail (Chapter 1). This applies not only at headquarters level but also in Delegations. Ensuring the complex organisational arrangement fulfils its potential will not be possible overnight, and will require ongoing monitoring and readiness to make adjustments.

### The need to invest in knowledge

Staff numbers are likely to decrease over the coming years, with a 5% to 10% cut proposed across the Commission. Investing in and properly placing existing staff is therefore crucial. In 2011, EuropeAid had over 4 203 staff members, 2 919 of whom were in delegations (EC, 2012). The EEAS had over 3 267 staff, 1 861 of whom were based in Delegations (not all staff work on development co-operation). DG ELARG had 929 staff. In 2008, the former AIDCO reported that it had 3 311 staff (OECD, 2009f). In addition, the former DG Dev had around 300 staff in headquarters, and DG RELEX around 120 staff specifically working on development co-operation (OECD, 2007a). So while the overall staffing complement has not been weakened, a lack of specific expertise in areas of policy dialogue, public financial management, health and education has been highlighted as a challenge (ECA, 2010b; ECA, 2009a; ECA, 2009b). Member States also do not see development specific knowledge as a comparative advantage of the EU institutions in headquarters and the field. This affects the EU institutions' capacity in formulating policies and strategies for specific areas, and in implementation.

Deepening investment in expertise and knowledge would help the EU institutions, especially EuropeAid, to be effective, improve their reputation and add real value from a Member State perspective. This could be achieved through a mixture of methods:

- **Valuing specialist expertise.** The EU institutions need to ensure there are incentives for staff – such as career progression – to build specialist expertise, as well as valuing generalists' experience. In EuropeAid, existing training for staff is well regarded, though options for developing a strong specialist profile could be increased. For the EEAS, there is a need to build and nurture development awareness and expertise, as others have already noted (CONCORD, 2012).
- **Ensuring assignments exploit the expertise available.** Mapping staff expertise and matching staff experience and skills with the right assignments is important. The workload assessment undertaken by the Commission can be helpful in this regard. Facilitating experienced staff – whether officials, contract agents or local staff – to take on selected managerial roles (currently largely restricted to officials) could also help make the best use of capacity within Delegations. Ensuring that EU Heads of Delegation posted to countries where development co-operation is a major part of the portfolio have a relevant background will also be important.
- **Getting the most out of the contract agent system.** Since they account for around 40% of its staff, EuropeAid is more dependent on contract agents (the short term alternative to official posts) than many other parts of the Commission. Extending the maximum period for which contract agents can work in headquarters would secure expertise.

Providing an optional rotation system for contract agents in the field might help fill challenging posts and retain experienced staff in the system.

- **Investing in Delegations.** EuropeAid has increased its capacity in the field over the last decade; however, some Delegations remain overstretched. In particular, filling posts in some fragile countries has been challenging, but is crucial for the success of co-operation in those situations. Since, Delegations are now composed of a mix of EEAS and Commission staff, the institutions need to work together to encourage officials to take up posts in Delegations and to expand the options for career progression and capacity development for local staff and contract agents. Take-up of training opportunities by Delegation staff is constrained by limited budgets, but EuropeAid is trying to use e-learning to broaden access.
- **Making knowledge management a corporate priority.** This means finding ways to draw on and value staff knowledge and experience – particularly in implementation, monitoring and evaluation – disseminating it, and establishing better links between these lessons and policy.

Recognising that human resource management is crucial to the effective delivery of EU aid, EuropeAid has now established two separate human resource teams and bolstered its training provision. The first team is for headquarters staff, the second for Delegation staff. The latter is expected to work closely with the EEAS, which will be crucial to ensure coherent approaches to staff working side by side, but employed by different organisations.

### **Devolution has been a success on which the EU should build further**

In the early 2000s, the EU launched a process to devolve authority and people to Delegations. This is widely seen as a successful modernisation of EU development co-operation. Partners in the field and Commission staff have seen a marked improvement: specifically, an increase in the timeliness of EU support together with improved visibility and reputation amongst partners. A special performance audit, focused on assessing the success of this devolution, established that not only has the speed of delivery improved, but financial management has become increasingly robust (ECA, 2011).

Based on this success, there is room for the EU institutions to go further. Devolving more decision-making power to Delegations and placing enough people in the field to support this devolution would further increase the speed of delivery and coherence in programming. One area that EuropeAid could revisit is the role of Delegations in decision making for thematic and regional funding lines, currently designed by Brussels. The current approach does not always help build a coherent programme of action at country level or to capture synergies between activities. Delegations should play a greater role in deciding which lines are to be used and how. At the very least, Delegations should have sufficient advance information about the thematic lines to foresee the likely impact on their workload.

Giving Delegations more decision-making authority has to be linked to enhanced capacity. In addition, with a strengthened mandate to play an EU role, the need for people on the ground who can represent EU institutions effectively and provide substance to their work will only increase. If overall staff reductions are needed, the EU institutions should protect Delegations from such cuts – particularly those in complex environments or where the EU institutions are major players.

### Finding ways to streamline and simplify programming processes

Both inside and outside the EU institutions it is acknowledged that programming processes remain complex and heavy (particularly approval and contracting processes – the main processes are summarised in Annex E). The peer review team noted in both Chad and Peru that complexity is a problem across many financing instruments (Annex C). Partners and Delegation staff find applying and checking compliance with procedures exceedingly time consuming. Other reviews have also noted frequent delays in programming processes, overly-detailed regulations associated with each instrument, time-intensive calls for proposals and a lack of flexibility (EuropeAid, 2011). The lack of flexibility is felt acutely in fragile situations, and where humanitarian assistance is being phased out and needs to be replaced quickly with medium-term assistance to bridge the gap between relief and development (Chapter 6). It should be noted that in 2007 the EU reduced the number of instruments from 35 to 10 for the current financial period, a widely-welcomed step to tackle the complexity.

Even within their particular constraints, the EU institutions recognise that they can and should simplify and streamline procedures, and their proposal in advance of the 2014-2020 financial framework reflects this (COM, 2011i). The Commission is very aware that the European Parliament and Member States wish to be involved and that inter-service consultation is important and this means that it cannot propose very light procedures. Nevertheless, the proposal on the table, still to be approved at the time of writing, acknowledges the need for increased flexibility and speed, and for harmonisation between the procedures associated with each instrument, and makes some suggestions for achieving this (Box 4.1).

#### Box 4.1 Proposals to improve EU institutions' programming processes under the 2014-2020 financial framework

**Reducing the number of thematic instruments within the DCI**, so that different thematic issues can be funded through the same channels – one focused on civil society and one on global public goods. This is in addition to the thematic channels outside the DCI.

**Increased flexibility within the Instrument for Stability**, including an increase in the duration exceptional assistance measures can be applied – useful in transition situations – and a mechanism to exceptionally approve actions worth EUR 3 million or less without requiring prior Council approval.

More flexibility concerning the **multi-annual programming process**, to allow alignment with the national strategies of partner countries and division of labour between donors (i.e. joint programming).

More flexible **decision-making procedures** for the adoption and/or modification of multi-annual programmes, annual action programmes and other implementing measures, in particular in cases of crisis and fragility situations. The proposals would not require comitology for implementing decisions below a certain threshold (10 MEUR for annual action programmes and 30 MEUR for special measures).

Possibility to leave **funds unallocated** to be used in cases of unforeseen needs (e.g. crisis).

**A common implementation regulation** for four of the geographic and three of the thematic instruments. While there are exceptions within the detail of some instruments and the EDF is excluded, this would be an important step towards increased consistency.

These proposals are welcome and should be approved and implemented in time for programming processes for the 2014-2020 financial framework to begin. In addition, the EU institutions can use this opportunity to further streamline and refine programming processes by:

**Increasing cross-learning between different instruments.** The EDF in particular is not covered by the new proposal. Aligning the EDF with the proposed common implementation regulation would be helpful (Box 4.1). The EDF also has some features, such as the flexible “B Envelope”, which may be an equally useful mechanism for the DCI (Box 6.3).

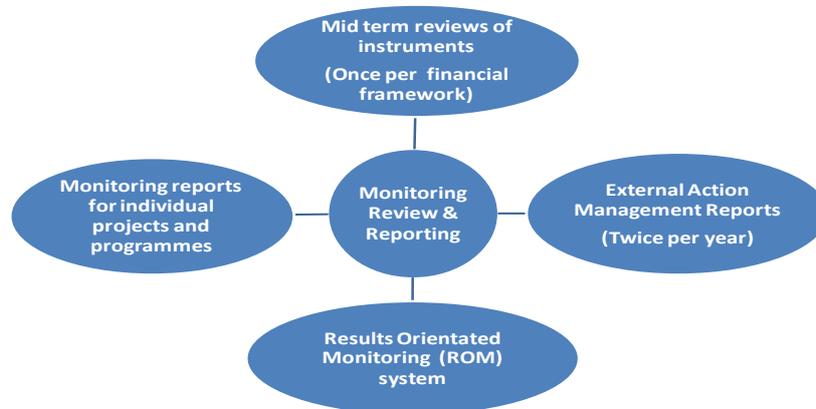
**Reviewing whether detailed approval processes could be better focused on multi-year planning,** while additional flexibility and speed might be introduced to approve annual action plans, a process which currently takes 18 months for the main instruments. The process can also complicate Delegations’ efforts to ensure local ownership and to coordinate with others, where there is a risk that headquarters may reverse locally agreed decisions. Such a step would require the buy-in of Member States and the European Parliament.

Implementing the division of labour between the EEAS and the Commission for each instrument and planning a stock-taking exercise to look at how the division of labour works in practice. In implementing the working arrangements signed in January 2012, the institutions should monitor the extent to which the arrangements ensure synergies and build on respective comparative advantages, and look at ways to improve the division of labour.

### **The approach to monitoring is thorough but could be more focused on development results**

There is a range of monitoring and review instruments used by the EU institutions (Figure 4.2). These include monitoring of individual projects and major mid-term reviews of financial instruments and country programmes, all of which involve internal and external reviewers. The involvement of partners in monitoring varies depending on the instrument. For the EDF, monitoring is officially done jointly by the Delegation and the national authorising officer, and a joint annual report is issued describing progress on all activities funded by the EDF in each country. The extent to which these reports are genuine joint endeavours varies according to partner capacity. For the Instrument for Pre-Accession, there is often more scope to draw on partners’ own data than for other co-operation instruments.

**Figure 4.2** Main components of EuropeAid's co-operation monitoring



EuropeAid is aware that although its approach to monitoring is detailed, it has not always captured the type of information that will help its teams understand and maximise development results. Currently, there is a strong focus on financial accountability, which is crucial. However, a major part of the EU institutions' accountability to taxpayers and Member States should also be to ensure development funding has an impact and to learn lessons to improve performance there and elsewhere. In this light, as EuropeAid re-examines its approach it should address three main areas:

- (i) **Fine tuning internal reporting.** EuropeAid has recently adjusted its semi-annual internal monitoring reports (EAMRs). They are now available online, and in addition to sections on control and financial disbursement also cover implementation of the aid effectiveness principles and the gender action plan. EuropeAid should consult with Delegations to ensure that the process of completing these reports is helpful to them and also ensure that the information provided to headquarters can be collated to help analyse overall results and trends. It might also review whether a full report is necessary twice a year.
- (ii) **Getting the most out of external monitoring.** EuropeAid has used information from Results Oriented Monitoring (ROM) to demonstrate the number of projects scrutinised and an improving trend in the proportion receiving a positive assessment (COM, 2010f). Some studies using ROM reports try to draw out common success and failure factors; this is an approach EuropeAid should build on, if it is to get the most from its EUR 17 million annual monitoring expenditure. At country level, this external monitoring system has helped to ensure more projects receive site monitoring visits, but further efforts could be made to ensure that the analysis and the recommendations provided to Delegations is more useful in improving the achievement of development results – in terms of identifying issues that need to be addressed to ensure projects are on track to meet their objectives.
- (iii) **Linking the objectives of individual activities to overarching goals.** Understanding overall development results would be easier if the objectives set out in individual activities had a clearer link to those agreed in country and thematic strategic documents (COM, 2007c; ECA, 2010b). Not all multi-year documents make explicit what development results are sought and how individual activities will feed into them. This should be explicitly addressed in multi-year strategic documents for the 2014-2020 period. A similar point was raised in a detailed study of the legal

instruments – the study concluded that the logic of the instruments should be revisited to make it clearer how their overriding objectives are expected to be achieved (COM, 2011g).

### **The EU has built a strong basis for evaluation and is seeking to improve its impact**

The change in the location of the strategic evaluation function in EuropeAid means that while it no longer reports directly to senior management, it hopes to forge better links with monitoring and quality assurance. These connections need to be made without compromising the independence of the evaluation function. The evaluation unit has an annual budget of around EUR 4.75 million; while not high given the size of the overall programme budget, it is supplemented by an estimated EUR 18 million of “decentralised” evaluations, managed by implementing teams. To follow up on recommendations, the evaluation unit responds formally to evaluations and follow up one year on, both of these responses being published on the internet. However, the evaluation unit does not have a clear overview of the extent to which their recommendations are accepted and used to inform new policies and programmes; these aspects are raised and analysed in the framework of the Interservice Quality Support Group. Some evaluations have directly brought about policy revisions, for example those on working with CSOs, UN bodies, and general budget support (COM, 2008a; 2008b; 2011).

The new central evaluation team is aware of the main challenges it faces in consolidating its role and impact. It has highlighted two pressing challenges:

- (i) **Increasing impact.** The team is keen to improve its communication to increase the impact of its evaluations in terms of lesson-learning and awareness. It needs to target messages to policy makers and to operational staff who may be interested in different lessons or angles. Impact is also linked to timing and this is not always easy to optimise especially in relation to country strategies which are all prepared at the same time. For example, an evaluation of the Chad programme came too late to inform the new country strategy (COM, 2009j). One useful and well-timed input in terms of informing the next financial framework is a synthesis evaluation looking at findings relating to the current legal instruments (COM, 2011g).
- (ii) **Working with others.** The evaluation unit makes an effort to involve stakeholders in consultation and reference panels, including partner countries. However, its default mode of working is neither joint with partners nor with other donors. The fact that the evaluation unit now sees this as an area it can and should develop is positive. In particular, strengthening how it involves partners in evaluations is important. The evaluation unit is also wary of incurring additional transaction costs which can be an issue in multi-donor evaluations. Concentrating on joint evaluations of those activities which were implemented jointly therefore makes good sense, as highlighted by EuropeAid’s leading role in the evaluations of budget support in Mali and Tunisia (COM, 2011).

### **Future considerations**

- Following the major organisational changes, the EU institutions need to ensure there is greater clarity on roles and responsibilities, and should remain flexible to make

adjustments where needed. They will need to prioritise communication and flexibility in embedding the change and managing the associated risks.

- To ensure effective implementation of their co-operation and to add value from a Member State perspective, the EU institutions should be knowledge-based organisations. They can do so by investing further in expertise, giving staff incentives to specialise, making better use of more experienced contract agents and local staff, and making knowledge management a corporate priority.
- The EU institutions can build on their success in devolving authority to the field by involving Delegations more closely in thematic and regional funding lines, thus also increasing the coherence of the total portfolio at country level. Delegations with significant programmes should be shielded from staffing cuts; career incentives should be used to fill less popular postings.
- In addition to implementing the proposals to simplify procedures, EuropeAid should also align the EDF with the proposed common implementation regulation and examine the scope for further streamlining approval processes, particularly for: (i) activities of smaller value and (ii) annual action plans, on the basis of approved multi-year strategic plans.
- The Commission should adjust the balance between financial accountability and learning in its overall suite of monitoring tools – including its external and internal monitoring mechanisms – in order to increase focus on development results and learning.

## *Chapter 5*

### **Aid effectiveness and results**

The EU institutions are firmly committed to making their aid more effective and their efforts reflect this. They have played a role at three levels: (i) internationally; (ii) as a co-ordinator or convener of EU Member States; and (iii) within their own development co-operation.

This chapter highlights factors that have enabled progress in some key areas – such as strong commitment, prioritisation and action plans – as well as some of the practical and political constraints hindering the EU institutions from making as much progress as hoped. It also illustrates how some of the specificities of EU co-operation affect progress. It sets out future considerations in the areas of:

- (i) Using the Lisbon Treaty mandate to make further progress on division of labour
- (ii) Putting into practice the strong strategy on reforming technical co-operation
- (iii) Increasing the proportion of EU development co-operation which is untied
- (iv) Building on experience of using results-orientated budget support alongside other modalities
- (v) Consolidating progress while implementing the Global Partnership for Effective Development

### **Progress since the last peer review**

The EU institutions have made progress against the aid effectiveness recommendations from the last review (Annex A). Specifically, they have continued to play a leading role in encouraging and co-ordinating Member States on these issues. In practice, however, they have faced political and practical barriers to ensuring Commission and EU-wide implementation. As suggested in the last peer review, they have sought to lead by example on some issues, such as in their use of programmatic approaches and efforts to co-ordinate support to capacity development. There has been some movement in untying EU aid, but the approach is not in line with the 2001 Recommendation. This represents partial implementation of both main recommendations made in 2007.

### **An important global player in efforts to make development co-operation more effective**

The impact of the EU's aid effectiveness actions through its development institutions cannot be underestimated, given the breadth and volume of its co-operation activities. This impact was evident in the high level forums on aid effectiveness held in Accra (2008) and in Busan (2011). In Accra, the Joint EU Position emphasised the need to involve civil society. In Busan, the Common Position adopted by the Council emphasised, *inter alia*, inclusiveness, deepening and focusing commitments, and streamlining of the global aid effectiveness governance. The EU has also pioneered the use of country compacts to focus support on development results (EU Council, 2011c). By providing the co-chair of the Working Party on Aid Effectiveness in 2009/10, EuropeAid benefited from high-level opportunity to making its own aid, and development co-operation globally, more effective. In addition, the EU institutions have played an important role in recent evaluations of the effectiveness of budget support in Mali and Tunisia (COM, 2011l). Re-starting the EU-US development dialogue was made a priority in order to improve co-ordination and dialogue between two major players in development co-operation (EU, 2011m).

### **The challenge of meeting ambitions of the EU's "federating" role on aid effectiveness**

The EU institutions have worked in a number of areas to encourage more effective aid across the whole Union, though they acknowledge that results have varied. Highlighted here are their efforts in: (i) setting an operational framework for the institutions and Members; (ii) division of labour; and (iii) harmonisation and joint programming. The EU institutions' focus on these areas has been possible because of the high level commitment to making EU aid more effective. Further progress is challenging as it relies on political will, not only inside the EU institutions, but also amongst the 27 Member States. Looking forward, the post-Lisbon policy framework may help the EU institutions make further progress.

### *Providing a useful operational framework and guidance*

The EU institutions have created an operational framework for themselves and for Member States to make their aid more effective, as well as a series of technical and practical tools to help achieve priorities. Given strong political commitment within the EU institutions, and the common EU positions, the EU institutions and Members were able to set ambitious targets. The framework was intended to help the EU as a whole to reach these objectives (EU Council, 2009c).

The operational framework identifies three priority areas: (i) division of labour; (ii) use of country systems; and (iii) technical co-operation. A fourth priority, mutual accountability and transparency, was added in December 2010. The framework is linked to action plans for the EU institutions (specifically DG DEV and AidCo at that time), which set out objectives and lines of responsibility in efforts to make the totality of European aid more effective (EU Council, 2009c). The EU institutions also provided guidance and tools aimed at Member States, such as on country strategies, however, use of this type of guidance has been sporadic.

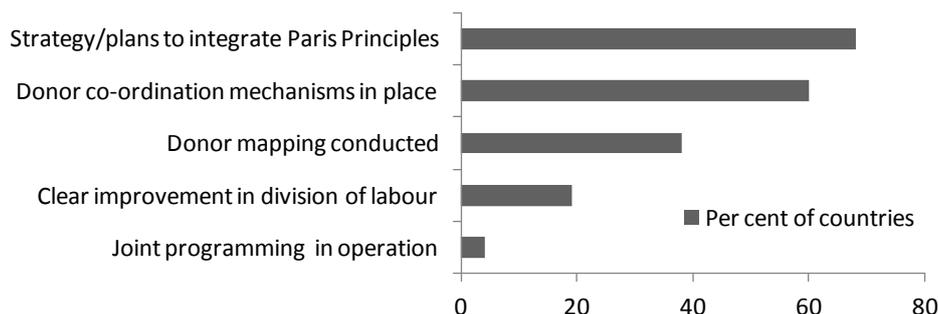
### *Division of labour: the challenge of translating political commitment into practice*

The *EU Code of Conduct on Complementarity and Division of Labour* is a striking example of a political agreement amongst Member States, pushed by the EU institutions, to help improve the co-ordination of European aid (EU Council, 2007b). This voluntary code includes 11 guiding principles on sector concentration, focus within countries, complementarity at the global level and system reforms. The EU institutions followed the code with a “fast track initiative” covering 32 partner countries. They also established a “toolkit” for division of labour in-country and provided Delegations with consultants to help with mapping. Both initiatives were welcomed in the field. Information gathered in aid mapping exercises has been useful to all development partners, though broader results have been mixed:

- **Globally**, many Member States are focusing by reducing the number of countries in which they work, though this is not yet being done in a co-ordinated way. It is difficult to influence these political choices. The EU institutions have raised issues on division of labour in regular meetings with Member States’ directors general. Staff know that political rather than technical arguments are needed to influence such decisions.
- **Within individual partner countries**, results have been varied, including amongst those who are part of the fast track initiative. However, the exercise has reaped benefits. While the mid-term review of the EDF described overall progress on division of labour as “disappointing”, it did note the presence of some sort of co-ordination mechanism in more than half of cases (Figure 5.1; COM, 2010g). A mid-term review of the fast track initiative found that a large share of countries had conducted mapping and established lead-donor arrangements, although few had assessed comparative advantage. It also noted that a decisive factor in improving donor co-ordination was partner country ownership and leadership of this agenda (COM, 2009h). Meanwhile, Members’ efforts to reduce the number of sectors they are engaged in, in order to reduce overlap, are becoming evident in more countries.

- **Delegated co-operation** was explicitly encouraged in the code of conduct. The EU institutions estimate they are delegating EUR 457 million to Member States (40% of this to one single agency). There has been less delegation of funds by Member States to EU institutions. Some Members have also increased delegation between them, though also on a limited scale.

**Figure 5.1 Results on division of labour from the 10th European Development Fund mid-term review**



Source: COM, 2010g

### *A recent push for harmonisation through joint programming*

The EU institutions are seeking to encourage Member States and their own officials to go further on joint programming. EuropeAid has commissioned studies to (i) quantify the costs of poor co-ordination; and (ii) identify the barriers to joint multi-annual programming. EuropeAid is using the findings to encourage Member States to move towards joint programming:

- **Potential cost savings.** Consecutive studies in 2009 and 2011 estimated potential annual cost savings and financial gains between EUR 5 and 12 billion for the EU and the Member States collectively of implementing the Paris agenda (COM, 2011n). This estimate includes the benefits of better co-ordination globally and in partner countries, increased predictability, more effective allocation of resources and greater untying of aid. The EU institutions agree that the upper end of the estimate includes savings that are not politically feasible, nevertheless a multi-billion EUR efficiency saving would be an enormous achievement for EU-wide development co-operation. The EU institutions plan to highlight these potential savings to Member States in their political and technical dialogue – to underscore that better co-ordination benefits both partner countries and donors.
- **Surmountable practical obstacles.** Barriers to joint programming do not relate simply to Member States' internal rules and regulations. Two-thirds of Member States can theoretically adjust their programming cycles to align with partner countries' and a similar proportion can sign joint programming documents (HTSPE, 2010). The EU institutions also need to adjust their own programming cycles and procedures, and have the opportunity to do so for the 2014-20 period.

In Brussels, there is a renewed focus on making joint programming a reality, but the fact that it is not already more widely used stems from the absence of political will in some partner countries and some Member States. The mid-term review of the EDF

highlighted that only 4% of the countries in the study (three countries) had used joint programming (COM, 2010g). The reality is that Member States value their bilateral relationships and the autonomy of their programmes. Some Members are concerned about ensuring the visibility of their support both for recipients and for their domestic audiences. In some cases progress towards joint programming has been made in the field but not accepted by headquarters. Many staff in the field see joint programming as unrealistic in the medium term. However, at the Busan forum in 2011, the EU stated that making progress on joint programming is a clear priority and that it was working to build the political will needed to achieve this amongst Member States (EU Council, 2011c, Annex II on Joint Programming).

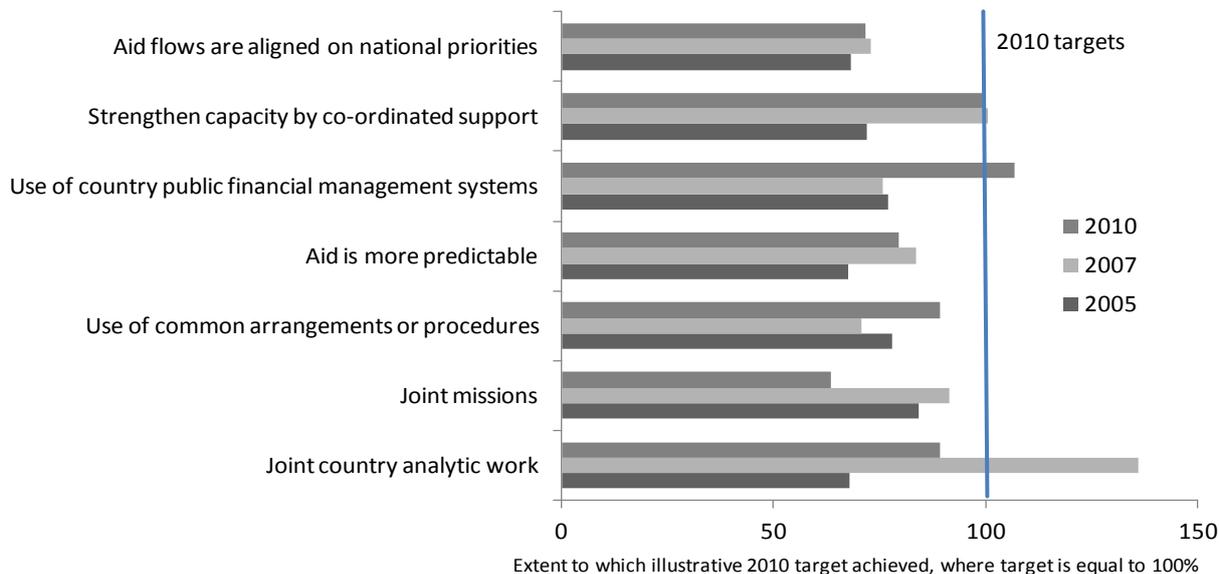
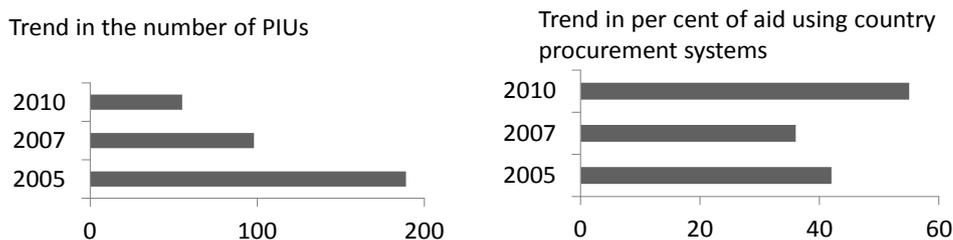
### *The potential added value for effective EU-wide aid*

While it is too early to see the results in practice, implementing the Lisbon Treaty could have a positive effect on the EU institutions' ability to play a leading role in making EU-wide aid more effective. Firstly, EU co-ordination groups in partner countries previously chaired by the Member State holding the EU Presidency are now chaired by EU Delegations. This enhances consistency and provides a channel for the EU to extend its co-ordinating and convening role into the field. Secondly, a stronger connection between development and political aspects may now be possible because Delegations involve a mix of EEAS and Commission staff under a single EU ambassador. This may help to confront some of the political barriers to making aid more harmonised, aligned and accountable. There are, however, limits to this in practice since, as mentioned above, individual Member States do not wish to dilute their bilateral relationships. In addition, the working relationship between the political and operational arms of the new system is still being clarified. EU ambassadors therefore have to tread carefully.

In both Chad and Peru, the review team saw new EU ambassadors seeking ways to capitalise on their dual role to support harmonisation (Annex C). In both cases, the number of EU Member States present is limited, but several have larger bilateral programmes and stronger ties with partner country governments and organisations than the EU. In these cases, the EU ambassador's role may be especially challenging. In countries where a larger number of Member States are active, playing a co-ordinator role may be more challenging in practical terms, but Member States may be more likely to see the benefits. In enlargement countries, in contrast, Member States expect the EU institutions to take a leading role – since much of the co-operation is aimed at countries preparing for EU membership.

### **As a donor: mixed progress on making aid managed by the Commission more effective**

The EU institutions have made notable progress against some of the indicators used to measure implementation of the Paris Declaration – including a marked increase in co-ordinated support, use of country systems and a reduction in their use of parallel implementation units. They have also made progress on transparency, including membership in IATI since 2008 and implementing IATI since October 2011. But they have not met all of the 2010 targets and indeed performance has declined against one of the indicators (Figures 5.2, 5.3).

**Figure 5.2 Progress towards the Paris Declaration targets, 2005-2010****Figure 5.3 Declining use of PIUs and increased use of partners' procurement systems, 2005-2010**

Source: Monitoring surveys of the Paris Declaration, based on data from 32 partner countries.

### *Understanding what has helped the EU to progress on specific targets*

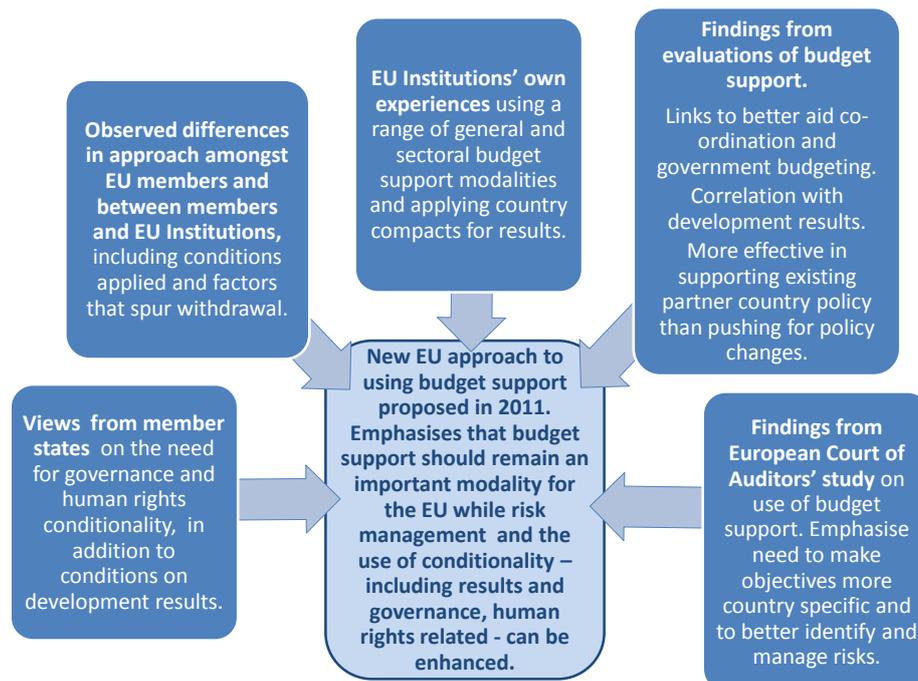
The EU institutions have made strong gains in their use of country systems, including both public financial management and procurement, and in co-ordinating support to capacity development since the last peer review. Though not on target, the EU has increased its use of programme-based approaches and within this programming category is trying to ensure more of its support can be recorded in partner country budgets. This progress has been buttressed by:

- **High level commitment and prioritisation**, notably in EuropeAid. This commitment paved the way for an operational framework and action plans, which prioritised challenges, focused efforts and responsibilities. In 2010, when it saw it was off-track for some key targets, EuropeAid identified 10 priority actions for the year to make its aid more effective (COM, 2010h).
- **Staff involvement in plotting the path**. EuropeAid established staff networks – one each in headquarters and the field – to identify and address challenges to aid effectiveness. These networks included staff responsible for operational, thematic, legal

and procedural matters. Staff also benefited from training and EuropeAid organised problem solving workshops for specific country programmes.

- **Integrating aid effectiveness criteria into existing monitoring and review.** Aid effectiveness is now included in the twice yearly report Delegations send to headquarters. In addition the mid-term review of the 10<sup>th</sup> EDF explicitly looked at aid effectiveness (COM, 2010g).
- **A policy to avoid parallel implementation units**, resulting in a three-fold reduction between 2005 and 2010 (figure 5.3).
- **Using programmatic support**, particularly budget support, has allowed greater use of partner country systems. As Figure 5.4 outlines, the EU institutions are seeking to learn from and build on experience in using budget support in a constructive way, drawing lessons on how it has been managed and used to date to propose an adjusted approach (ECA, 2010d; COM, 2011b; COM, 2011i). Box 5.1 gives an example of sector budget support in Peru.

**Figure 5.4 Factors influencing the EU's rethinking of how to use budget support**



Sources: ECA, 2010c; COM, 2011c; COM, 2011d

- **A strategy to reform technical co-operation** (Figure 5.5). This “backbone strategy” has started to influence positively how technical co-operation is being thought of, but has not yet been fully applied. Full implementation would help the EU institutions make their technical co-operation for capacity development more effective, while providing evidence to demonstrate the value of the approach to Member States. It would also reduce the use of parallel implementation units.

### Box 5.1 EUROPAN in Peru - an example of how the EU is applying the aid effectiveness principles in practice

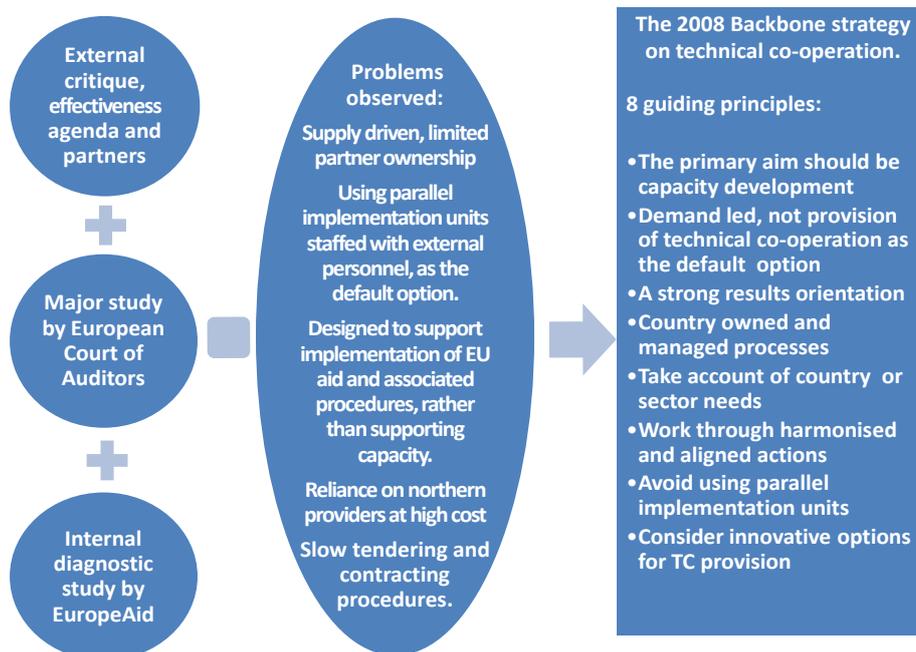
EUROPAN is an EU sector budget support to a nutritional programme of the Government of Peru. The EU provides EUR 60.8 million over three years as budget support via the Ministry of Finance to increase the focus of an existing government programme (PAN) on poorer regions. PAN has been operating since 2006.

The EU Delegation, Peruvian government, and other stakeholders cite EUROPAN as a good example of effectively managed aid:

- It supports an existing, clear and fully-owned government policy and programme which involves the Ministry of Finance, local governments and the Ministry of Health, which leads on substantive content and policy.
- The additional resources it provides to the programme are relatively small, but are focused on three of the poorest regions, subsidising the basic per capita contribution from central government.
- It uses results-oriented budgeting – with performance tranches available for delivery of improved nutrition to target groups in the poorest regions. Based on good experience of this approach, the Ministry of Finance now wants to extend it to the whole PAN programme and to other government initiatives.
- Progress is monitored based on nutritional outcomes and various stakeholders are involved in the monitoring process, including a Peruvian civil society roundtable. The government provides real-time expenditure data.

Source: Interviews with stakeholders in Peru

Figure 5.5 How the backbone strategy seeks to address shortcomings in EU technical co-operation



Source: COM, 2008d

### *Understanding the barriers and specificities that influence progress*

Despite important advances, the EU institutions did not meet half of the 2010 aid effectiveness targets – including those relating to disbursing funds on schedule and

through partner country budgets. It is useful to explore what has hindered progress, despite high-level commitment to meeting them.

The overall figures hide the variation in performance across the different instruments and modalities used. For example, figures on use of country systems reported from countries covered by the EDF are higher than those covered by the DCI, and particularly strong in those countries where the EU uses budget support. On the one hand this reflects the success the EU has had in using programmatic approaches. On the other, the variance reveals that a large chunk of EU institutions' co-operation is delivered through projects. Efforts are also needed to increase the effectiveness, timeliness and alignment of these projects. As projects will remain an important modality for the EU institutions, particularly in fragile states, becoming more effective is crucial to achieving results.

Limited progress on increasing the proportion of missions and analyses conducted jointly has been evident for many donors. Intuitively, one would expect the EU to make progress in this area – but in fact progress appears to have declined from the reasonable base it achieved in 2005. However, this has not been a priority for the EU institutions since it is seen as a consequence of more widespread use of joint programming.

There are specific aspects of EU development co-operation which affect its ability to meet the aid effectiveness principles. These include:

- **Use of co-financing.** The EU institutions often require partner organisations to co-finance projects. This can be a useful tool to ensure strong ownership by the implementing government or organisation. It can also create or exacerbate delays. This was evident in Chad, where projects were delayed for years because the government did not provide its contribution. It can also mean that small organisations are unable to submit a proposal for EU projects since they may not have sufficient funds to co-finance. This can be a major obstacle for partner country civil society organisations which the EU is keen to support. In order to mitigate such situations the EU may derogate from the co-financing rule for humanitarian aid, actions in crisis situations, actions for the protection of health and fundamental rights.
- **Special units to support “national authorising officers”.** EU institutions often provide support to run a cell to help national authorising officers (usually a minister in the partner government) to implement EDF-funded activities. These cells implement and monitor EDF activities, in co-operation with the EU Delegation. Though they are not defined as parallel implementation units, they often operate in parallel to the rest of the state and the capacity support focuses on ensuring their staff can apply complex EU procedures rather than supporting broader state capacity development. In Chad, for example, the unit was considered well run but not well connected with the rest of government. Reviewing how these cells could be better integrated into government structure and how they can be better part of a broader capacity development process should be a priority.
- **Predictable but famously inflexible.** As the two largest funding channels work within seven-year financial frameworks, EU development co-operation is fairly predictable on a multi-year basis, though less so in terms of in-year predictability. Slow start up and lack of information also reduces predictability between one framework and the next. While partners find the EU's predictability helpful, they would value more flexibility. Existence of tools such as the EDF's “B Envelope” (Box 6.3), the MDG Initiative and Instrument for Stability indicate that the EU institutions can introduce more flexibility

into programming. This positive trend should be expanded (Box 4.1, Chapter 4). Nevertheless, one way in which Member States see added value in the EU approach is in providing the funding to scale up existing successful initiatives; in these cases volume and predictability are vital and the lack of speed and flexibility is less important.

- **A government-focused approach to ownership and accountability.** The Cotonou Agreement means that the EDF offers a degree of built-in state ownership and mutual accountability. Both the EU institutions and ACP countries are involved in programming, implementing and reviewing. Since 2000, the Cotonou Agreement has led to a gradual opening up to involvement of civil society in partner countries, in addition to government. This trend, which is particularly clear in the 10<sup>th</sup> EDF, is positive since it broadens ownership. There are opportunities to go further in the 11<sup>th</sup> EDF, while also making greater use of other funding lines and the new structured dialogue mechanism (Chapter 1) to support civil society engagement. With the DCI and IPA, ownership is also focused on government partners, while some of the smaller thematic lines explicitly seek to involve and support other entities.
- **A hybrid approach to untying aid.** Bearing in mind differences between the EU and DAC Member countries, the EU institutions' approach to untying only partially meets the 2001 DAC Recommendation. Procurement under the EDF, while open to all DAC Members, is not open to all developing countries (*i.e.* not open to countries outside the ACP and LDC groups). Similarly, DCI procurement is not open to all developing countries for all geographic and thematic programmes. Accordingly, EDF and DCI are tied aid programmes under DAC definitions. Despite this, good progress on opening procurement eligibility has been made, including in areas not covered by the Recommendation (e.g. non LDCs/HIPCs, food aid, technical co-operation). In 2010, the 10<sup>th</sup> EDF rules were reviewed in order to further open procurement eligibility and align the EDF with the DCI, an encouraging move. The EU is working on individual bilateral agreements to increase openness with some countries and untie aid on the basis of reciprocity and proportionality in developing countries. This represents progress in opening procurement eligibility and competition among bidders. This is the case for instance with Australia, and the peer review team encourages a step-up in this process.

### **Going forward: consolidating progress and responding to global development challenges**

While consolidating progress to date, like other donors the EU needs to respond to a changing global environment and the agenda set out at the High Level Forum in Busan, summarised in the Global Partnership for Effective Development Co-operation. The tools that the EU institutions used to make progress against the Paris Principles over the previous five years – such as action plans, training, and work to identify legal and regulatory blockages - remain important. Such tools can be used to consolidate progress, increase efforts in areas where progress has been slower and take forward the additional priorities highlighted at Busan. The EU institutions will need to continue to use their position to push for improvements in EU-wide efforts, while not losing momentum in reforming their own co-operation.

The EU institutions can play a particularly important role in taking the Global Partnership for Effective Development Co-operation forward. The Global partnership also stresses the importance of working with the private sector, which is a feature of the

proposed *Agenda for Change* (Chapter 1). Its intentions for climate finance are less clear (Chapter 3). The EU institutions can add particular value in those areas where they can combine their international, European and donor role. For example:

**Responding to the needs of under-aided countries.** Member States are reducing the number of countries in which they have bilateral programmes, but not in a co-ordinated way. The EU institutions could play a stronger role in ensuring some countries are not left under-supported, both by helping Member States to make more co-ordinated choices and by increasing its own role in the potential “orphan” countries. For this reason, the EU institutions are likely to become increasingly important players in fragile contexts. The fragile states principles, peacebuilding goals and “New Deal” (Chapter 6) provide overall guidance. But the EU institutions also need to give high level priority to the challenge (Chapter 1), along with adequate tools and experience to enable them to ensure their support in these challenging situations is effective.

- (i) **Taking a co-ordinated approach to development results.** Making development results a higher priority will help the EU institutions achieve their objectives and retain public support (Chapter 1). The EU is in a strong position to encourage a harmonised approach to development results. The EU’s support for country level result and accountability agreements, such as country compacts, and its proposal to work with Member States to establish common EU level results frameworks, are therefore especially welcome.

### Future considerations

- To realise their ambition to play a strong EU-wide role under the Lisbon Treaty in promoting more effective development co-operation, the EU institutions will need to: (i) focus on implementing the EU code of conduct; (ii) demonstrate – together with the EU Member States - to politicians and practitioners the benefits of moving towards joint programming; (iii) along with Member States, identify obstacles at headquarters and at country level and address them with suitable technical tools; and (iv) review their own procedures to ensure they can lead by example.
- To improve implementation arrangements and support to partner capacity development, the EU institutions should: (i) fully apply the 2008 “backbone strategy” for technical co-operation and implementation units; and (ii) review and adjust how they use and support cells connected to the EDF national authorising officers to ensure they are better integrated and contribute more to broad state capacity development, rather than focusing only on EU procedures.
- EuropeAid can use the new communication on budget support to ensure buy-in from Member States for continued and better use of the modality alongside other channels, and a more harmonised approach to conditionality and results across EU institutions’ and Member States’ use of budget support.
- The Commission, as with other DAC Members, agreed to commitments in Accra and Busan to “untie aid to the maximum extent”. The Commission is encouraged to set out

how it intends to implement this commitment and the impact this will have on the tying status of its aid.

- The EU institutions should consolidate and deepen the gains made under the Paris aid effectiveness principles, and take forward the Global Partnership for Effective Development, making use of their EU-wide role to make further progress in areas that require a co-ordinated approach among donors, including measuring development results.

## *Chapter 6*

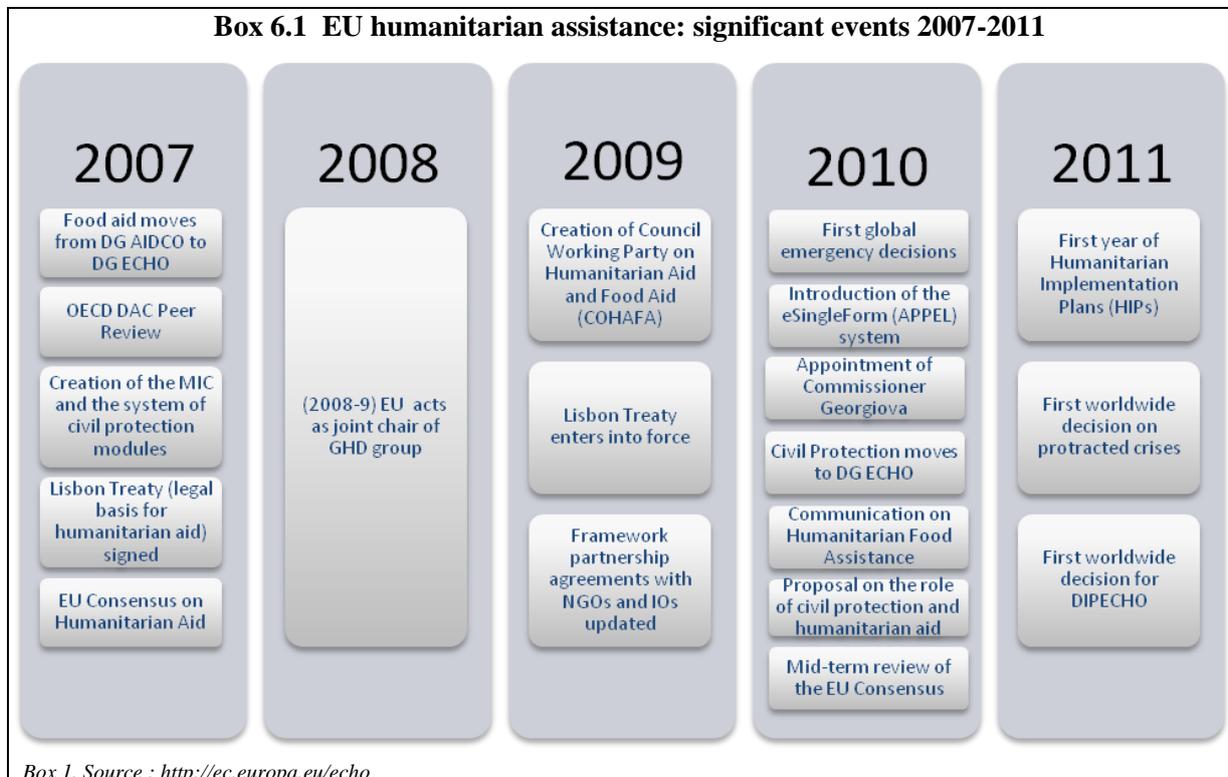
### **Humanitarian assistance**

The EU juggles a dual mandate in humanitarian assistance – on the one hand working to promote co-ordination with and between member states to enhance the efficiency and complementarity of humanitarian measures; and on the other, delivering comprehensive and evidence-based programming through partners, operating in a hands-on way that often goes beyond traditional humanitarian donor practice.

Since the last peer review, the EU has agreed a Consensus on Humanitarian Aid and established the cross-Member State Council Working Party on Humanitarian Aid and Food Aid (COHAFA) as a policy base and platform for enhancing the quality and intensity of humanitarian assistance. As a donor, the EU's strengths lie in its profile and volume; a strong field presence and understanding of operational realities; a solid evidence base, strong programming and a learning culture; and the depth of experience of the staff in DG Humanitarian Aid and Civil Protection (ECHO). A new, independent Commissioner has raised the profile of humanitarian aid internally, while protecting the independence of decision making, and strengthened the EU voice externally. The remaining challenges include building resilience and improving support to transition and fragile environments. These are now clear policy priorities, but the EU institutions do not yet have the right tools and resources to enable effective programming in these difficult areas. ECHO's openness to regular dialogue is valued by partners, but the compliance burden on partners and ECHO staff remains a significant barrier to more effective programme delivery.

### Progress on the 2007 peer review recommendations

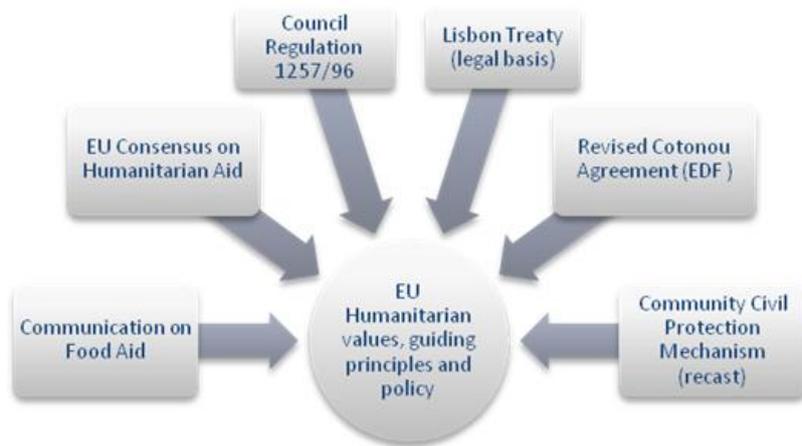
Two recommendations from the 2007 peer review have been implemented, and there is progress on a third, but one recommendation remains a challenge (Annex A). The Council Working Party on Humanitarian Aid and Food Aid (COHAFA), set up in January 2009, has created space for information sharing and dialogue on humanitarian issues, with and across member states. The appointment of a separate Commissioner for International Cooperation, Humanitarian Aid and Crisis Response<sup>1</sup> has helped raise the profile of humanitarian aid, and has increased the EU's influence on global humanitarian policy making – for example on humanitarian reform – as well as better outreach to new donors. DG ECHO is lobbying to shore up support for the humanitarian base budget in proposals for the next multi-annual financial framework, but it is too early to see results. One recommendation has not been met: despite some moves to support a simplification of administrative requirements, the considerable compliance burden continues to challenge the effectiveness of both partners and DG ECHO staff (see Section 6.5). Significant events are summarised in Box 6.1.



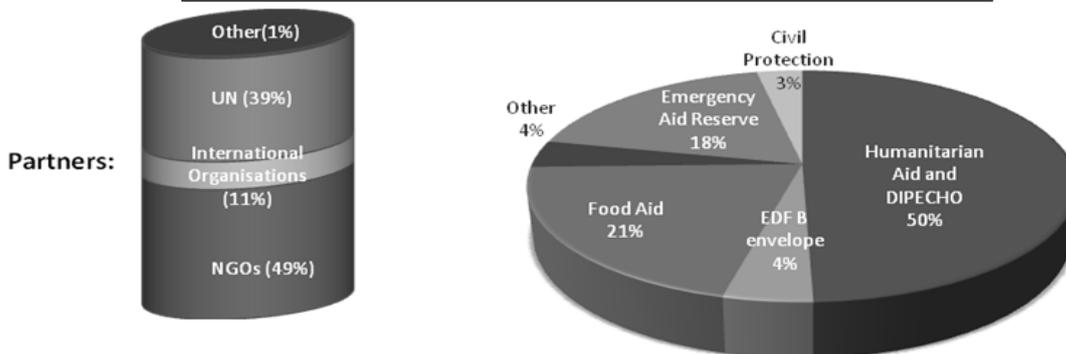
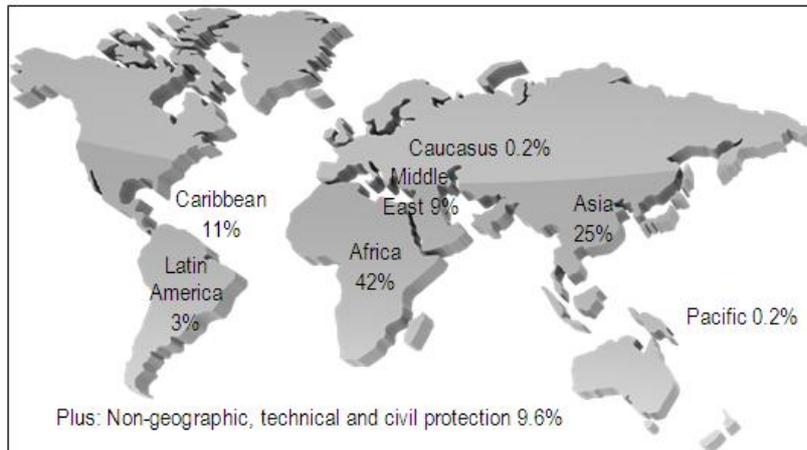
### A strong policy framework, but challenges remain in countries emerging from crisis

Article 214 of the Treaty on the functioning of the European Union (TFEU, 2010) provides the first legal basis for EU humanitarian aid. Together with the adoption of the EU Consensus on Humanitarian Aid (EU, 2007c), the EU has put in place a solid humanitarian policy, anchored in relevant legislation and applicable across the Commission and Member States (Box 6.2). DG ECHO is to be especially commended for its role in enabling the EU Consensus, a document that has helped entrench respect for international humanitarian law and the good humanitarian donorship (GHD) principles across the EU. The appointment of the separate Commissioner has helped solidify this move, raising the profile of humanitarian issues within the EU, and helping protect the independence of humanitarian decision making.

**Box 6.2 EU humanitarian assistance – key legal and policy documents...**



**... and DG ECHO 2010 Budget breakdown (Total: EUR 1.135m)**



**General budget Title 23:** Three budget lines: *Humanitarian aid line and food aid* – country/region humanitarian operations under the Humanitarian Implementation Plans, worldwide decisions for disaster response and ad hoc grants. *Operational support and disaster preparedness* – includes DIPECHO. *Support expenditure* – administration.

**General budget Title 40:** *Emergency aid reserve* – for unforeseen events, requiring trilateral agreement between the Commission, the Council and the Parliament.

**European Development Fund (EDF) B Envelope:** DG ECHO has access to 25% of this envelope for emergency and humanitarian aid in ACP countries, under the revised Cotonou Agreement, articles 72 and 73.

**Civil Protection Financial Instrument:** prevention, preparedness and response.

Source : <http://ec.europa.eu/echo> and DG ECHO Annual Report 2010 (EU, 2010x)

The integration of European civil protection functions into DG ECHO has created a useful opportunity to develop a fully coherent strategy for crisis response, and to outline the clear complementarity of the EU's various tools and instruments. Civil protection functions moved from DG Environment to DG ECHO in 2010, and developing a joint policy framework is now a priority. The Communication on a stronger European disaster response (EU Council, 2010b) looks at the mandates and capacities of existing instruments, and aims to balance deploying the most appropriate resources with strengthening prevention and preparedness, and improving cost effectiveness. Legislative follow-up for this approach – announced as a 2012 policy priority (COM, 2011o) – and filling gaps in the response, would be useful.

The Communication on Humanitarian Food Assistance (COM, 2010i) is applicable to both the EU and Member States. It outlines guiding principles that include providing flexible, needs-based food assistance and favouring local or regional purchase. ECHO channels most of its food aid through the World Food Programme. ECHO is also involved in the negotiations for an updated Food Aid Convention.

### *Challenges in post-crisis and transition contexts*

There is renewed political will at the Commissioner level to develop a coherent approach to programming in post-crisis and transition contexts, and the Commission has now endorsed the New Deal for engagement in fragile states<sup>2</sup>, but this has yet to be translated into an operational framework or sufficiently flexible instruments – although it is a policy priority for 2012. The mid-term review of the EU Consensus on Humanitarian Aid (COM, 2010j) called for greater synergy and timeliness between interventions in the area the EU calls “linking relief, rehabilitation and development” (LRRD for short; COM, 2001b). To take this forward, the EU's inter-service group on Transition, co-chaired by DGs EuropeAid and ECHO, could produce operational guidance for working on recovery and transition issues across the Commission, building on existing tools such as the Humanitarian Development Framework. Mapping the gaps between current funding instruments (Box 6.3) would also emphasise the need for greater flexibility in the impending re-design of instruments such as the DCI. In particular, the peer review team's analysis, backed up by observations in Chad (Annex C), highlights that the following issues need to be addressed if the EU is to properly mix and match the appropriate tools, resources and expertise in evolving recovery and transition contexts:

- Experience from field initiatives, such as joint missions, clearly shows that joint analysis between ECHO, EuropeAid and EEAS staff can lead to better, and more strategic, programming in recovery settings (c.f. Annex C). However, joint analysis and programming between the different arms and financial instruments of the Commission, and with Member States, is not yet systematic, and faces bureaucratic challenges.
- The EU institutions' lack of tailored and/or sufficiently flexible financial tools make it difficult to bridge the gap between relief and development and could, in some cases, lead to sub-optimal results on the ground (Box 6.3). This leads to either an over-reliance on and stretching of humanitarian funds, or to incomplete recovery programming in terms of sectors covered and/or the timeliness of funding disbursements. Work to increase the flexibility of procedures at EuropeAid should continue.
- Working in a transition environment through a project-based approach requires more staff than in other contexts where less resource intensive instruments are used. Yet EU

teams in transition contexts are often stretched as the extra work load is not taken adequately into account. There is not yet a dedicated pool of EuropeAid and ECHO staff with expertise of transition situations that can support Delegations and ECHO offices on the ground, although DEVCO has now approved this idea in principle. ECHO could begin by specifying that the post-emergency experts it seeks should be skilled in transition financing and programming (which involves more than skills required for “rehabilitation and reconstruction”, the criteria listed in its individual experts application system<sup>3</sup>).

- Despite accelerated procedures, it still takes a very long time to get EU transition programmes up and running, hampering the ability of the institutions to provide prompt results in these time-critical environments, and straining relations with partners (Annex C).

### **Box 6.3 Strengths and weaknesses of main EU instruments for funding recovery and transition\***

**Humanitarian Instrument:** Recovery programming under Humanitarian Implementation Plans (HIPs). **Strengths:** allows a focus on community level vulnerability. Rapid contracting and disbursement, flexible programming. Good links to humanitarian actions. **Challenges:** Host governments are wary of overuse, as these funds are, by their nature, off-budget. Limited time period and scope – only while emergency conditions are ongoing – usually 18 months maximum.

**European Development Fund (EDF) B Envelope:** Includes post-emergency action to facilitate the phasing out of humanitarian aid. ECHO can directly access 25% of each country’s B envelope for programmes under the HIPs, the remainder is for EuropeAid, which can transfer funds for ECHO use such as for the recent crisis in the Horn of Africa. **Strengths:** Longer timeframe – up to 36 months. Extra funds can be transferred from the A envelope if development programming is not yet feasible. Can promote links into long-term development programmes. Assistance can be provided to countries in crisis and to fragile states. Envelopes for unforeseen needs will soon be available at regional level. **Challenges:** Disbursement through EuropeAid can be slow and inflexible. Funds only available for ACP countries. Co-financing requirement can be prohibitive for some partners.

**Development Co-operation Instrument:** Includes geographic programme support to post-crisis systems and fragile states, and thematic programmes addressing underlying vulnerability in areas such as food security, health and education. Programmed through country or thematic strategy papers and multi-annual indicative plans. **Strengths:** Can link into longer-term programming. Often provides higher funding volumes for specific themes. **Challenges:** Use of standard procedures, including calls for tender, can hinder timeliness and flexibility. No funds available for ECHO.

**Instrument for Stability:** Includes short-term component for “crisis preparedness and response” covering conflict prevention, crisis management and peace building – including support to state institutions and independent media; governance and rule of law, and landmine programmes. Much of the IfS support is short-term non-programmable funding, managed by the Commission's service for Foreign Policy Instruments. The EEAS programmes the long-term component. **Strengths:** Can be complementary to the work on community vulnerability undertaken through the other instruments.

\*Note: proposed changes to the development instruments are outlined in Chapter 4, Box 4.1

Source: [www.europa.eu/legislation\\_summaries/development](http://www.europa.eu/legislation_summaries/development) and peer review interviews with EU staff and stakeholders

### ***Disaster risk reduction: strong political commitment, but a more comprehensive approach is needed***

The EU is clearly paying more attention to disaster risk reduction. The Communication on disaster risk reduction (COM, 2009i) proposes a strategic framework for EU risk reduction activities in developing countries, through both development co-operation and humanitarian aid, to support the implementation of the Hyogo Framework for Action (UN, 2005a). On the development side, this has been followed up by financial commitments, including for mainstreaming risk reduction in ACP countries, implemented through the World Bank's Global Facility for Disaster Reduction and Recovery.

On the humanitarian side, ECHO has solid experience in disaster risk reduction, an area that benefits from strong political commitment and is a policy priority for 2012. However, ECHO could integrate risk reduction more effectively into its humanitarian programming if its approach was more comprehensive and flexible. ECHO was an early adopter of the disaster risk reduction concept, ring-fencing funds – now around 8-10% of its total budget – through its DIPECHO tool, although partners note that this tool's short-term project style interventions are not always the best placed to ensure lasting resilience to disaster risk. In the field, ECHO's humanitarian programmes have also included preparedness measures at community level. These exist both on a small scale, for example epidemic preparedness in Chad (Annex C), and on a larger scale, including work to reduce malnutrition risk across the Sahel. The merger with civil protection could provide a further string to ECHO's bow, as Member States increase their interest in building the capacity of disaster management teams in partner countries. However, disaster profiles and risk reduction measures are not yet systematically included in either ECHO's humanitarian country plans, or in EuropeAid's development country strategies.

Recent global commitments by Commissioner Georgieva to finance resilience strategies in critical disaster hotspots,<sup>4</sup> following commitments made in the EU Consensus,<sup>5</sup> have further raised the profile of risk reduction. ECHO is currently working on policy guidelines in this important area. In doing so it could take stock of its experience to review how to best deliver effective resilience programmes using all available tools. This should include building appropriate timeframes and flexibility into relevant EU funding instruments. A coherent resilience approach should also be integrated into country and regional strategies. ECHO could also help Member States in their efforts.

### **More than a traditional donor – delivering programmes, not just funds**

#### ***Budgetary pressures***

The EU is the world's largest humanitarian donor if one includes the funds allocated by all Member States to those spent by ECHO (ECHO's budget breakdown is shown in Box 6.2). But it will have to work hard to maintain these volumes in the current budgetary climate. Currently, ECHO is using its full allocation of resources to meet its share of global needs, disbursing over 99% of its base budget in 2010 (ECHO, 2011). It regularly exhausts the emergency aid reserve set aside annually for unforeseen emergencies that cannot be met out of its regular budget lines.

However, and despite significant needs, the Commissioner fears it will be difficult for the Council or Parliament to prioritise an increase in the humanitarian base budget

beyond the current annual level of around EUR 1 billion. So, if the EU wants to continue to be predictable in meeting its share of the global humanitarian burden, it will need to:

- Ensure ECHO maintains at least a steady base budget for humanitarian and food aid under the next multi-annual financial framework.
- Seek to increase the emergency aid reserve and allow it to be carried forward if it is not used fully in any given year.
- Supplement these budgets with greater access to other reserves, including reviewing the possibility to increase humanitarian access to the EDF B envelope (beyond the current 25% share), and/or by seeking the creation of a similar flexible mechanism under the re-designed DCI.

### *Striking a balance between results and partnerships*

ECHO is one of the rare donors with a solid and strategic model for determining where, what, and how much to fund, drawing on a wide body of evidence. ECHO staff use analytical tools such as the Global Needs Assessment, the Forgotten Crises Assessment, an improved food insecurity needs assessment,<sup>6</sup> supplemented by field assessments, to provide objective evidence to help determine the severity of individual crises, assess absorption capacity, ensure that forgotten crises are not overlooked, and prioritise programme directions. Evidence from many of the tools is published electronically each year. Similarly, a rigorous assessment of partner capacity is made during the framework partnership agreement process, which vets and accredits operational partners. A growing number of Member States are now relying on these tools to inform their own decision making, and this is to be encouraged.

ECHO translates this evidence into well thought-out strategies for individual protracted crises called humanitarian implementation plans (HIPs), which are made public once funding allocations have been set.<sup>7</sup> However this part of the system could benefit from greater transparency. An outsider cannot determine how ECHO's solid pool of evidence has been used in its decision making, how the evidence leads to funding allocations between individual crises, how it helps indicate strategic programming directions, or how the HIPs link to the humanitarian consolidated appeals process (CAP<sup>8</sup>). If ECHO is to demonstrate that its humanitarian decisions continue to be based on its solid evidence pool, and thus continue to be based on the GHD principles of humanity, impartiality, neutrality and independence from political pressures, it could be useful to make these links more transparent.

The HIPs focus clearly on achieving the results that ECHO seeks, and this has sometimes been at the expense of forming more strategic partnerships with the humanitarian community. HIPs are financed through a global funding decision, a recent innovation (2011) that has reduced the bureaucratic burden under the individual country decisions of the past, increased predictability for partners, and improved access to ECHO funds for smaller players. As a tool, the HIP seeks a clearly defined set of results on an annual basis, with partners chosen through what is effectively an annual call for proposals. This, by its very nature, leads to earmarked, short-term, project based funding, with partners who are, in effect, closer to the implementing partner concept used by some UN agencies, rather than independent entities with their own vision and objectives. Indeed, the peer review team noted the striking similarity between comments made by

many partners about ECHO to those often made by NGOs about their implementing partnerships with UN agencies. Major barriers to more strategic partnerships include:

- Medium term predictability – ECHO does not provide multi-annual funding to partners, because the system is based on annual planning cycles; however many of the crises ECHO funds will continue to have a humanitarian dimension into the medium term, and indicative, if non-binding, funding allocations should be possible.
- Timeliness – proposal approval currently takes an average of three months (the Commissioner has recently reiterated her commitment to reduce this to three weeks<sup>9</sup>), delaying the delivery of aid to those in need, and putting pressure on partners to deliver expected results despite reduced timeframes.
- High administrative and compliance burden (see Section 6.5) – forcing partners and ECHO staff to focus their time and resources on compliance, resulting in less space for strategic thinking and analysis, and limited programme flexibility in volatile crisis environments.
- Increased pressure on partners to form consortia to respond to calls for proposals – a move that merely downloads more risk and administrative burden to partners.
- A perceived focus on monitoring inputs and day to day operations in the field, instead of focusing on results – probably appropriate for partners with limited capacity, but less useful for more professional partners where a more strategic, and differentiated, approach to partnership could be applied.

These could be addressed under the new framework partnership agreement, due for 2013.

***A comprehensive rapid response toolbox, but funding is not as timely as it could be***

New procedures have increased ECHO's access to funds for new and escalating emergencies, but there are no special measures to ensure that these funds are passed on to partners in a timely and flexible manner. In 2010, ECHO set up annual global emergency decisions for epidemics, small-scale disaster response, and for responses through the Red Cross family, alongside the 15% of the base budget that is set aside each year for other emergency responses. These provide a pool of funds that ECHO can access more quickly for emergencies. This pool can be supplemented, where necessary, by the emergency aid reserve budget line, subject to Council and Parliament approval.

However, partners still have to comply with the regular administrative regulations, and fill in the same extensive forms, if they are to access funds for emergency programming. While decisions are often made more quickly under emergency conditions, the burden on partners remains the same, but under increased time pressure and in an implementing environment that is inherently more fluid and risky. ECHO could address this problem by lobbying for separate, simplified rapid response procedures, or by seeking other options for disbursing its emergency funding – such as pre-positioning emergency funds with chosen partners. Several Member States now use this approach with good results.

Civil protection responses<sup>10</sup> now form a more integral part of the EU’s crisis response toolkit, and here ECHO should continue to play a key role in strengthening coherence across Member States. Responses include:

- The deployment of fully-equipped Member State teams, or “modules”, who are trained and operate in accordance with international guidelines in their area of technical expertise.<sup>11</sup>
- The provision of in-kind aid by Member States, supported by EU-funded transport subsidies.

Civil protection responses are co-ordinated at EU level through the Monitoring and Information Centre (MIC), which facilitates information flows and acts as a communications hub. ECHO has announced plans to merge this facility with the current humanitarian crisis room. This would be a good step towards making the two intervention systems more coherent. A further useful step would be to review the EU’s comparative advantage in delivering in-kind aid. This could perhaps lead to cross-EU criteria to guide in-kind aid decisions, so that this type of aid always provides the most effective and appropriate response to needs on the ground.

### **Promoting humanitarian issues across the Commission, with Member States, and in the field**

Recent structural changes within the EU’s policy and operating environment have helped raise the profile of humanitarian issues. However, this new environment raises both risks and further opportunities to increase coherency, both across the Commission and with Member States:

- The appointment of a dedicated crisis Commissioner, alongside a new mandate under the Lisbon Treaty, is a positive achievement, allowing the EU to both advance and protect the humanitarian agenda.
- Relations with the new External Action Service, a source of anxiety to many in the humanitarian community, do not appear to have undermined the independence of humanitarian decision making. However risks still exist in this area; ECHO could help mitigate them by increasing efforts to raise awareness of humanitarian principles and issues inside EEAS.
- Opportunities for greater programme coherency between ECHO, EuropeAid and EEAS are sometimes being missed, particularly in the field. While ECHO, EuropeAid and EEAS staff may sometimes work in the same Delegation premises, collaboration is limited to sharing administration and logistics resources. In some countries, individual staff members consult informally on contextual analysis and programme design (see for example Chad, Annex C); however, there is currently no formal process in the field to promote systematic joint analysis, ensure that humanitarian issues are taken up in the development country strategy, or to ensure that the humanitarian plans do not undermine future development work. Stronger coordination and coherence is necessary to advance on the LRRD agenda.

### ***Promoting coherent humanitarian action across the EU***

Structures to promote coherence between the Commission and Member States are now in place, but humanitarian action remains a “shared competency”.<sup>12</sup> ECHO is right to adopt a prudent approach towards coherence in this environment, but more could be done. The Lisbon Treaty says that EU and Member State humanitarian responses should “complement and reinforce” each other,<sup>13</sup> with the EU Consensus on Humanitarian Aid (EU, 2007c) providing similar guidance.

To take this forward, a Member State working party on humanitarian and food aid (COHAFA) was set up in January 2009. It provides a useful platform for enhancing the quality and intensity of humanitarian assistance with and across Member States. However, the Commission’s role is, in effect, limited to co-ordinating an exchange of views through COHAFA, which means that progress towards coherence has so far been quite slow, as the mid-term review of the Consensus confirms. Instead, the Commission has focused on building trust between the various COHAFA actors using initiatives such as a joint network on evaluations, and by increasing awareness of the GHD principles. This is in stark contrast to the approach taken by the civil protection side of the house, where ECHO acts in a much more directive capacity. While the peer review team agrees that the Commission’s softly-softly approach will lead to more sustainable progress on humanitarian coherence in the medium term, there are some areas where the Commission could take a stronger lead, identified by different stakeholders interviewed for this review:

- Further promoting ECHO’s role as service provider for Member States, for example in policy advice, sector guidance and learning, and in sharing its excellent evidence base for humanitarian decision making.
- Helping Member States to prioritise complementary interventions in crises where ECHO is present and most Member States have no staff on the ground, and thus ECHO is the primary information provider.
- Promoting the harmonisation of messages to UN agency boards, and on important advocacy issues such as co-ordination and humanitarian space.

### ***Advocating for a clear role for the military***

Clarifying the role of the military in humanitarian response has been a tricky issue for many Member States, and the Commission must continue to engage actively on this subject. Many Member States are eager to deploy military resources in major, and neighbouring, crises. The Commission, and especially the Commissioner, have usefully advocated that the GHD-endorsed international guidelines<sup>14</sup> for this issue continue to be respected. This advocacy is especially important in those Member States where there might be a need to counterbalance the strong voice of powerful defence ministries. The recent crisis in Libya provides a good practice example that could be used to guide future European civil military co-operation. The Decision of the Council providing the legal framework of the Libya operation specified that any use of military assets to support humanitarian assistance would be contingent on a request from OCHA for assistance. OCHA never made a request, and the Council’s Decision was respected by all Member States.

### *Maintaining clear and constructive working relationships*

ECHO's strong field presence, and its understanding of field realities and operational challenges, are highly appreciated by partners. There are currently over 450 staff in the field spread over 40 offices and backed up by over 300 staff in Brussels. Field staff are selected for their technical expertise in humanitarian assistance – common sense, but not standard practice amongst donors. The field staff are supported by sector experts and regional teams, who can surge to the field in times of crisis or to support on particular issues. In Chad, for example, there have been numerous support missions on issues of a regional dimension – including the fallout from the recent Libya crisis, and to combat cross-Sahel malnutrition (Annex C). Working relationships between field staff, regional staff and desk officers in Brussels appear strong, probably due to ECHO's efforts to provide joint training (including for local staff), to encourage regular support missions, and to bring all expatriate field staff together on an annual basis in Brussels. The only downside is the temptation for these highly-skilled staff to sometimes be “overly-intrusive” in partner operational decision making (as reported by some partners). ECHO staff must tread a fine line between ensuring the quality of partner programming, and letting partners get on with the job. A clearer focus on assessing and managing programmatic risk (see Section 6.5) could help maintain this delicate balance.

### *Dealing with the remaining operational challenges*

There are still some issues to resolve within human resources and management following the changes brought by the Lisbon Treaty:

- The Lisbon Treaty envisaged the creation of a volunteer humanitarian aid corps. However, this could be seen as countering calls for increased consolidation and professionalisation of the sector, and could also add to the security burden in crisis environments.<sup>15</sup> Legislation is planned for 2012 and in the meantime, pilot initiatives to shape the future volunteer corps include work to build the leadership cadre of partner organisations. This could be an intelligent way to approach the treaty's difficult request. Whatever form this voluntary corps takes, ECHO must ensure that it clearly adds value to the humanitarian response.
- The merger of the humanitarian organisation with the civil protection operation is not yet complete. A clear outline is needed of how the two sides of the house will work together to ensure a complementary response (beyond merging their crisis rooms). This should also address their physical separation, as the two groups still occupy separate premises.
- As in many other donor organisations, it can be hard to find quality field staff willing to take up postings in countries with difficult living conditions. Other donors have introduced incentive schemes for such postings, including extra leave, fast-tracked career progression, and/or firm promises of a subsequent move to an easier environment, and ECHO could consider similar measures. Promoting strong local staff to become expatriates in another country can also be useful, but there are currently significant barriers to this under ECHO's rules.<sup>16</sup>

## The need to reduce cumbersome procedures to improve programming

Cumbersome procedures for humanitarian assistance continue to present problems for both partners and staff, whose time and resources are focused on compliance, leaving less space for strategic thinking and analysis. The EU's financial regulation and implementing rules have been translated into a plethora of rules and procedures, toolkits, fact sheets, guidelines and a standard (single) form. There are so many rules that ECHO has had to provide specialised training for its partners alongside a dedicated helpdesk service. In total, the level of control imposed on partners is much higher than that expected by individual Member States and it is strenuously enforced by the auditors, responding to oversight demands from the council and the parliamentary budget committee. While it is important to maintain a rigorous approach to reporting and accountability, stakeholders – staff, partners and auditors – recognise that the current compliance burden has significant costs (such as additional staff required, for example) and is probably having a negative effect on programme efficiency. The peer review team understands ECHO's reluctance to push for further exemptions from the standard regulations, which risk the withdrawal of hard-won concessions to increase flexibility. However the team was made aware of some areas where ECHO could perhaps make some progress towards simplification and streamlining:

- The overlap of procedures between the audit and liquidation processes, often resulting in an added compliance burden for partners, could be reviewed and obvious duplications removed.
- Unforeseen complications of the APPEL on-line system for sharing grant information between partners and ECHO – such as difficult Internet access in many field locations, and the inflexibility of formats and data fields – could be documented and addressed, or APPEL could perhaps be applicable only for a certain range of partners or actions.
- Adopting a risk management approach<sup>17</sup> which clearly identifies contextual, programmatic and institutional risks inherent in ECHO's operations, could be a useful first step towards a differentiated approach to monitoring and compliance, monitoring high-risk partners and operations more closely, and maintaining a more strategic relationship with less-risky partners.

Visibility requirements are also a source of tension between ECHO and its partners. They could be reviewed – particularly in light of their impact on core humanitarian principles, such as the requirement for independence from political, economic, military or other objectives. For example, ECHO now has the same logo as players perceived as less neutral – including EUFOR and European election monitors. Yet ECHO requires this logo to be prominently positioned on all partner projects unless an exemption has been issued. It would be useful for ECHO to seek a more appropriate – and perhaps less expensive – means of communicating its work and results to European taxpayers, in a way that does not affect its independence and avoids the misconception that the EU's humanitarian assistance is a foreign policy tool. At the very least ECHO should consider adopting a new logo.

ECHO is widely viewed as a learning institution. All evaluations are public documents and are available on the web and through the humanitarian community's ALNAP learning network. They are also systematically shared with Member States and with EuropeAid. The evaluation programme is agreed in the COHAFSA Member State

group, and includes thematic studies and individual interventions. Civil protection teams undertake systematic exercises to learn lessons from each deployment and share their findings. Other donors could learn from this approach.

### **Future considerations**

- The EU should continue to provide sufficient base budget allocations for humanitarian programming. Given the unpredictable nature of humanitarian needs, allow ECHO to have greater access to reserves, including reserves in development co-operation instruments.
- ECHO, EuropeAid and EEAS should work together to translate political will for improving support to transition and fragile environments into an operational framework; including lobbying for sufficiently flexible and timely financial instruments, developing joint planning and analytical frameworks, providing operational guidance for working across the Commission, and making a commitment to supplying appropriately skilled human resources to Delegations and field offices in transition environments.
- Similarly, EuropeAid, ECHO and EEAS should work together to implement political commitments on resilience by creating appropriate instruments, operational guidance and programming.
- The EU should develop a plan for finishing the merger of civil protection operations into DG ECHO, including (i) guidelines to ensure clear complementarity between civil protection and humanitarian operations; and (ii) steps to overcome the barriers created by the physical separation of the two teams.
- ECHO, with the Commissioner's support, should work to decrease the compliance burden on partners and staff. Priority issues include reducing delays in approving partner projects, developing differentiated approaches to monitoring compliance based on the risk profile of each grant, limiting NGO consortia to areas where there is clear added value, reviewing options for a rapid response mechanism for key partners, and aligning audit and liquidation procedures.
- COHAFA Members should continue to work together to implement the EU Consensus on Humanitarian Assistance, including sharing policy guidance and learning, and through harmonising advocacy messages to deliver to UN agency boards and other important stakeholders.

## Notes

1. Kristalina Georgieva, appointed January 2010.
2. Further information on the New Deal for engagement in fragile states, and the list of current signatories, can be found at: [oe.cd/ND](http://oe.cd/ND).
3. Definition from the individual experts application system: [webgate.ec.europa.eu/dispo-extranet/CANDIDATES/](http://webgate.ec.europa.eu/dispo-extranet/CANDIDATES/), accessed 17 January 2012.
4. Kristalina Georgieva, European Commissioner for International Cooperation, Humanitarian Aid and Crisis Response commented in September 2011 that: “This is a vital initiative at a time when we are faced with the greatest humanitarian crisis in the Horn of Africa. Building resilience will empower vulnerable countries to withstand not only unforeseen disasters but also cycles and patterns of adversity. The European Commission is committed to spending 8-10% of its humanitarian budget on disaster reduction and resilience”.  
[web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/JAPANEXTN/0,contentMDK:23010751~pagePK:1497618~piPK:217854~theSitePK:273812,00.html](http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/JAPANEXTN/0,contentMDK:23010751~pagePK:1497618~piPK:217854~theSitePK:273812,00.html), accessed 17 January 2012.
5. Refer particularly to Section 5.1: Reducing Risk and Vulnerability through Enhanced Preparedness.
6. Further information and methodological notes on these tools, and the results both for the current and previous years, can be found at [ec.europa.eu/echo/policies/strategy\\_en.htm](http://ec.europa.eu/echo/policies/strategy_en.htm), accessed 17 January 2012.
7. Current HIPs can be viewed at [ec.europa.eu/echo/funding/decisions\\_2012\\_en.htm](http://ec.europa.eu/echo/funding/decisions_2012_en.htm), accessed 17 January 2012.
8. CAP stands for the Consolidated Appeals Process. Under good humanitarian donorship principle number 14, donors – including the EU – have committed to “contribute responsibly, and on the basis of burden sharing, to United Nations Consolidated Inter-Agency Appeals...”
9. Opening speech by Kristalina Georgieva at “ECHO & Partners: Helping People Together”, annual conference of the European Commission's humanitarian aid partners in Brussels, 18 October 2011 available at: [europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/11/757&format=HTML&aged=0&language=EN&guiLanguage=en](http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/11/757&format=HTML&aged=0&language=EN&guiLanguage=en).
10. This peer review only covers civil protection responses outside the European Union.
11. The regulations define a total of 13 modules, covering pumping and purification of water, aerial firefighting (planes and helicopters), urban search and rescue (heavy and medium), medical assistance including medical evacuation (advanced medical posts, field hospital, aerial evacuation), emergency shelter, chemical, biological, radiological and nuclear (CBRN) detection and sampling, and search and rescue in CBRN conditions. See [ec.europa.eu/echo/civil\\_protection/civil/prote/modules.htm](http://ec.europa.eu/echo/civil_protection/civil/prote/modules.htm), accessed 17 January 2012.
12. Shared competences are defined in Article 4 of the Treaty of the Functioning of the EU (TFEU, 2010) as follows: the EU and member states are authorised to adopt binding acts in these fields. However, member states may exercise their competence only in so far as the EU has not exercised, or has decided not to exercise, its own competence.

13. TFEU Article 214(1): “The Union's operations in the field of humanitarian aid shall be conducted within the framework of the principles and objectives of the external action of the Union. Such operations shall be intended to provide ad hoc assistance and relief and protection for people in third countries who are victims of natural or man-made disasters, in order to meet the humanitarian needs resulting from these different situations. The Union's measures and those of the Member States shall complement and reinforce each other.” (TFEU, 2010; emphasis added).
14. The 1994 Oslo Guidelines (updated in 2006) and the 2003 Guidelines on the Use of Military and Civil Defence Assets to Support United Nations Humanitarian Activities in Complex Emergencies.
15. Further comments are available in the Review Concerning the Establishment of a European Voluntary Aid Corps (Prolog Consult, 2006).
16. The current rules state that all candidates must “possess a minimum of three years’ professional experience in humanitarian aid and a minimum of 2 years’ relevant experience in their chosen areas of expertise outside the European Union and other industrialised countries, other than their country of origin” (emphasis added) [ec.europa.eu/echo/files/jobs/individual\\_experts\\_call\\_en.pdf](http://ec.europa.eu/echo/files/jobs/individual_experts_call_en.pdf).
17. For example, by using the ISO standard: ISO 31000:2009, see [www.iso.org/iso/catalogue\\_detail?csnumber=43170](http://www.iso.org/iso/catalogue_detail?csnumber=43170).



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## Annex A

### Progress since the 2007 DAC peer review recommendations

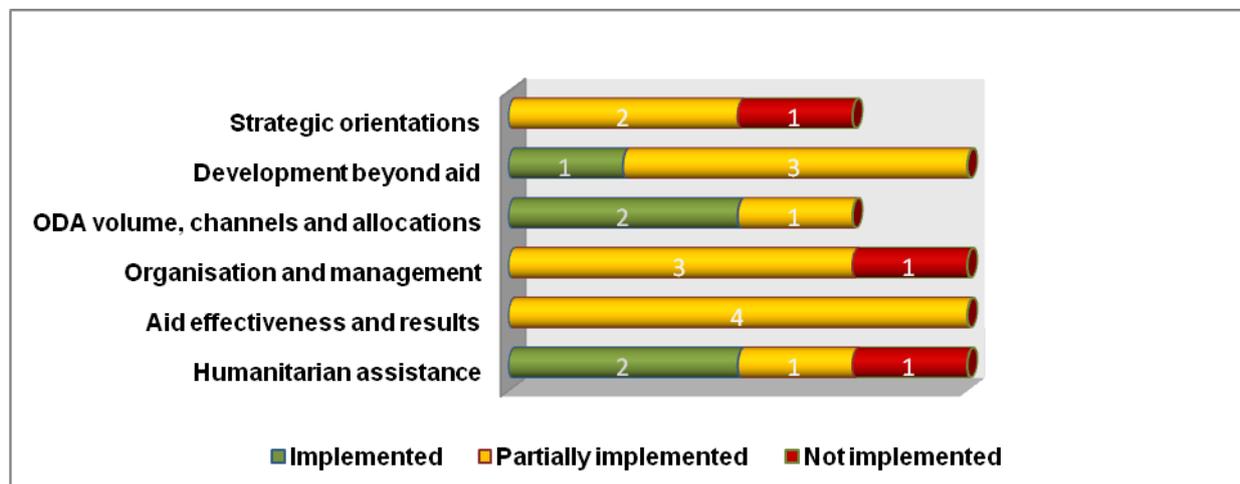
Key issues	Recommendations 2007	Progress since 2007
<b>Strategic orientations</b>	In implementing the European Consensus, the Commission needs to maintain the integrity of its development agenda and to emphasise results. To achieve this, more coherent operational strategies would help assure that poverty eradication, the MDGs and cross cutting issues, including gender, environment and HIV/AIDS are fully addressed.	<p><i>Partially implemented</i></p> <p>The EU institutions have maintained the integrity of the development agenda and its focus on poverty reduction and the MDGs (e.g. Lisbon Treaty, the MDG initiative, the proposed <i>Agenda for Change</i>).</p> <p>The results approach is not yet fully developed in the programme, with short-term outputs and visibility being favoured. The Commission is strongly committed to integrating cross-cutting issues, and has made good progress in gender equality. However, the strategy for mainstreaming environment and climate change is not yet in place.</p>
	Member States and Parliament will also need to improve and consider streamlining the different levels of oversight they exercise over development operations to enable the Commission to further improve its effectiveness and performance. Oversight should be structured so that it is strategic and streamlined and does not attempt to micromanage Commission operations.	<p><i>Not implemented (recommendation addressed to Member States and Parliament)</i></p> <p>The development co-operation programme is under high scrutiny from both Council and European Parliament. As was recommended in 2007, this oversight could be made more strategic and focus more on the expected results, beyond controlling inputs and outputs. Detailed scrutiny currently leads to micromanaging the programme and hampers its effective delivery in the field (delays, lack of flexibility to respond to emerging needs, time consuming procedures).</p>
	The Commission is encouraged to intensify its consultations with civil society partners in headquarters and in the field through better structured meetings on policy, strategic programming and aid effectiveness issues. It also should explore ways to better match its contracting procedures to the often limited capacities of civil society partners.	<p><i>Partially implemented</i></p> <p>The Commission has taken positive steps to increase and better structure its dialogue with civil society organisations, as illustrated by the “structured dialogue” process launched in March 2010.</p> <p>Although it plans to engage more in building the capacity of civil society, its administrative procedures remain heavy, hampering access to funding of local CSOs.</p>
<b>Development beyond aid</b>	The two-yearly evaluation should be used to develop a work programme for the current agenda of policy coherence for development to: (i) ensure best allocation of resources; (ii) facilitate closer monitoring of progress; and (iii) help reconcile inconsistencies and strengthen synergies among competing policies.	<p><i>Fully implemented</i></p> <p>The Commission has developed a work programme for 2010-2013. Drawing on the findings of the PCD reports, it focuses on five global challenges in order to direct more results-oriented, operational efforts. Synergies have been developed and inconsistencies addressed in several important policy areas (e.g. trade).</p>
	The Commission and Member States should examine improved ways of bringing policy coherence issues effectively to the decision-making level, reflecting their respective competencies.	<p><i>Partially implemented (recommendation also addressed to Member States)</i></p> <p>The Commission has made progress in setting mechanisms to promote PCD in decision making. In particular, the <i>ex-ante</i> impact assessment process now includes an external dimension. However, despite its strong potential, it is not yet used extensively.</p>
	The Commission should take advantage	<i>Partially implemented</i>

Key issues	Recommendations 2007	Progress since 2007
	<p>of the work programme and improved communications to further enhance inter-service co-ordination. In the field, a common agenda should translate into thematic and country specific policy positions that permit better communication and co-ordination, both with headquarters and among EU Members and the country Delegations. This may require strengthening the policy dialogue capacity of key Delegations.</p>	<p>In Brussels, EuropeAid is making good use of the inter-service group on PCD created in 2006 to promote the development perspective in domestic and other foreign policies.</p> <p>In partner countries, the Commission has given a stronger profile to policy coherence for development in programming and reporting processes. However, awareness of PCD remains uneven among the EU Delegations, and there is no strategic approach to consulting the Delegations on PCD matters. Opportunities now exist for more systematic follow-up on PCD issues in the field, with a PCD role now explicitly included in the mandate of each head of Delegation.</p>
	<p>Increased Commission attention to whole of government approaches to PCD could contribute to more effective policy co-ordination in selected thematic areas examined in this peer review. These include: democratic governance; fragile states and security system reform; strengthened co-ordination on security and defence policy instruments and better integration of missions to the field; and gender.</p>	<p><i>Partially implemented</i></p> <p>The High Representative for Foreign Affairs and Security Policy/Vice President, assisted by the External Action Service, should help ensure the coherence of EU external policies. Their mandate offers potential for strengthened whole-of-EU approaches. This will require a common vision and clear links among the stakeholders involved (EU institutions and Member States).</p> <p>For fragile states, the EU still needs to finalise its action plan on security, fragility and development. Its implementation would ensure that European objectives in the fields of development, peacebuilding and international security are mutually reinforcing.</p>
<p><b>Aid volume, channels and allocations</b></p>	<p>The Community should continue to be a driving force for monitoring and encouraging progress towards the agreed targets for scaling-up ODA at the European Union level.</p>	<p><i>Fully implemented</i></p> <p>The EU has been a driving force in encouraging Member States to meet their commitments. The Commission has taken an instrumental role, using the annual accountability reports on financing for development to regularly point out the challenges involved and propose ways to address them.</p>
	<p>The Commission is encouraged to work with the Member States to differentiate better their respective roles in countries and to prioritise the sectors it targets for assistance, ensuring that it does not spread itself too thinly as a donor agency. Given its priority to eradicate poverty, the Commission should demonstrate how it is integrating this objective into pro-poor growth and other operational strategies while looking for opportunities to increase assistance to low-income countries.</p>	<p><i>Partially implemented</i></p> <p>The Commission has proactively engaged with Member States to implement the division of labour Code of Conduct and the EU fast tracking in-country division of labour. Despite mixed results, evaluations show overall progress in reducing the number of sectors in which EU Members are involved in each country.</p> <p>The differentiated approach proposed in the <i>Agenda for Change</i> leaves space for increasing support to low income countries. Updating the 2003 strategy on the private sector would help demonstrate how the EU institutions promote an inclusive economic growth model conducive to reducing poverty.</p>
	<p>The Commission needs more explicit frameworks for its engagement with multilateral institutions and should be clearer about the role it plays in relation to the Member States. It should continue to strengthen its relations with key multilateral partners.</p>	<p><i>Fully implemented</i></p> <p>The Commission has continued to strengthen its strategic relations with multilateral organisations. This is particularly evident for the international financial institutions. A new framework agreement was signed with the World Bank in 2009, and a dedicated taskforce set up in EuropeAid to strengthen dialogue,</p>

Key issues	Recommendations 2007	Progress since 2007
		promote joint actions and develop common positions.
<b>Organisation and management</b>	The Commission should continue to simplify procedures, to further decentralise authority and to provide the Delegations with sufficient capacity (staff and skills) to fulfil their responsibilities, including its “federating” role.	<i>Partially implemented</i> There is still a pressing need to simplify procedures further. However, the Commission has made some progress and has proposals on the table to make further simplifications. It has not decentralised more authority since the last peer review, but has been consolidating the decentralisation process.
	It [the Commission] should consider establishing a specialised development personnel function in Brussels to lead personnel planning for all related staff.	<i>Not implemented</i> The Commission has stated that it did not accept this recommendation. However, it has established two personnel teams (one for the field and one for headquarters).
	The Commission should give more say to the Delegations in prioritising and applying the thematic programmes in country. The Community should continue to unify the rules and procedures of the main financial instruments as opportunities permit and guard against further proliferation of budget lines for development.	<i>Partially implemented</i> Devolution has been a success; however, EU Delegations do not yet have a strong role in decision making for thematic and regional budget lines, which are designed from Brussels. In reducing the number of financial instruments from 35 to 10 in 2007, the Commission has substantially simplified its financial framework. However, the EU institutions recognise that they can do more to simplify and streamline their procedures. They plan to achieve this in the new instruments for the 2014-2020 financial framework.
	The Commission should continue to establish a simple and more integrated performance monitoring and reporting system and build capacity in the Delegations to provide this information. Performance management reforms should be pursued jointly by the Community and Member States.	<i>Partially implemented</i> The six-monthly reporting has been consolidated and computerised. However the approach to performance monitoring is still in need of revision to ensure that it is streamlined and well focused on development results. The Commission is now making efforts to pursue a more co-ordinated approach to results monitoring with Member States and partner countries.
<b>Aid effectiveness and results</b>	The Commission should continue to lead the EU action plan for implementing the Paris Declaration. It should set an example by implementing aid effectiveness measures and improving the quality and delivery of its aid. The new division of labour principles offer a promising avenue for improving the effectiveness and impact of Community and Member State development co operation.	<i>Partially implemented</i> In some areas the Commission has played a leading role and set an example to Members, for example in expanding its use of programmatic approaches. However, it has not been able to lead by example in all areas and has not been able to meet all of the targets set at EU level. It has played a strong role in pushing for a better division of labour and co-ordination amongst Member States, particularly in countries part of the fast track initiative on division of labour. Despite mixed results, the Commission can be credited with taking up the challenge of implementing the commitments set out in the 2007 Code of Conduct.
	The Commission and Member States should use recent Council conclusions on division of labour to further clarify their respective operational roles and ensure strategic use of comparative advantages to manage and deliver European development co-operation in country, and across countries and	<i>Partially implemented</i> This recommendation has partially been addressed by the Lisbon Treaty and organisational changes which followed it. The treaty makes clear that international development co-operation is an area of shared Commission/Member State competence. In practice however, defining where the line between

Key issues	Recommendations 2007	Progress since 2007
	sectors. This is likely to entail further adjustments in Community priorities, organisation and operations to enhance complementarity.	Member State and Commission competence should be drawn is still difficult. The creation of the EEAS means that there are organisational responsibilities but that the division between the EEAS and commission role (notably in the case of EuropeAid) have not yet been defined in detail. The joint responsibilities for programming will be trialled throughout the preparation for the 2014-20 financial period.
	The Commission should update the 2001 evaluation of National Authorising Officers and EDF cells to ensure their use is consistent with aid effectiveness principles, and to document lessons learned and best practices for all development co-operation, whether in the ACP countries or elsewhere.	<i>Partially implemented</i> The Commission has done well to reduce its use of parallel implementation units (PIUs) and as part of this process is trying to ensure that its EDF cells are not <i>de facto</i> PIUs. In its response to the EU aid effectiveness target not to fund any parallel project implementation units (PIUs), EuropeAid has examined the extent to which NAO offices and EDF cells are parallel PIUs. The EDF mid-term reviews did look at the effectiveness of each cell from an implementation perspective.
	While recognising the actions already taken, the Commission and the Member States should work with ACP partners to bring the untying policy under EDF in line with the DAC Recommendations of 2001 and the Community should look for ways to further untie its aid in general.	<i>Partially implemented</i> While there has been no major change to the Commission's policy on untying aid, it has sought to make bilateral agreements with individual countries beyond the EU. While this is a small step, given the constraints the Commission faces in this area it is this type of action which can help make progress.
<b>Humanitarian assistance (Good Humanitarian Donorship)</b>	ECHO should use regular consultations on humanitarian issues to further formalise policy priorities and operational mechanisms. It should seek to increase its influence on international humanitarian policies while maintaining its rapid and flexible response capacity.	<i>Fully implemented</i> The appointment of a separate Commissioner for International Co-operation, Humanitarian Aid and Crisis Response in January 2010 has helped raise the profile of humanitarian aid, and has increased the EU's influence on global humanitarian policy making – for example on humanitarian reform – as well as supporting greater outreach to new donors.
	The Community and Member States should consider fostering strategic policy discussion of humanitarian action at the Council Working Group level, perhaps within CODEV, to complement the actions of the Humanitarian Aid Committee.	<i>Fully implemented</i> The Council Working Party on Humanitarian Aid and Food Aid (COHAFA), set up in January 2009, has created space for information sharing and dialogue on humanitarian issues, with and across Member States.
	The Community should review the significant under-funding of ECHO's base budget for humanitarian crisis action, especially given the comparative advantage of ECHO and its value added role as a global actor and federator of European humanitarian assistance.	<i>Partially implemented</i> DG ECHO is lobbying to shore up support for the humanitarian base budget in proposals for the next multi-annual financial framework, but it is too early to see results.
	The Community should continue to streamline and simplify its administrative requirements so as to strengthen collaboration with partners and improve field effectiveness.	<i>Not implemented</i> Despite some moves to support a simplification of administrative requirements, the considerable compliance burden continues to hinder the effectiveness of both partners and DG ECHO staff.

Figure A.1 EU implementation of 2007 peer review recommendations





## Annex B

### OECD/DAC Standard Suite of Tables

As the OECD Secretariat is currently unable to determine which loans by the EIB are concessional in character, the data on "ODA" flows and concessional assistance shown in this report for EU institutions from 2008 relate to grants only.

**Table B.1 Total financial flows**

USD million at current prices and exchange rates

EU Institutions	Net disbursements						
	1996-2000	2001-2005	2006	2007	2008	2009	2010
<b>Total official flows</b>	<b>5 751</b>	<b>8 498</b>	<b>12 101</b>	<b>16 350</b>	<b>16 085</b>	<b>12 818</b>	<b>11 580</b>
Official development assistance	<b>5 141</b>	<b>7 335</b>	<b>10 245</b>	<b>11 634</b>	<b>13 197</b>	<b>13 444</b>	<b>12 679</b>
Bilateral	4 973	6 773	9 699	11 327	12 868	13 021	12 428
Multilateral	168	562	546	308	329	422	251
Other official flows	<b>610</b>	<b>1 162</b>	<b>1 855</b>	<b>4 716</b>	<b>2 888</b>	<b>- 625</b>	<b>-1 099</b>
Bilateral	610	1 162	1 855	4 716	2 888	- 625	-1 099
Multilateral	-	-	-	-	-	-	-
Net Private Grants	-	-	-	-	-	-	-
Private flows at market terms	-	-	-	-	-	-	-
Bilateral: of which	-	-	-	-	-	-	-
Direct investment	-	-	-	-	-	-	-
Export credits	-	-	-	-	-	-	-
Multilateral	-	-	-	-	-	-	-
<b>Total flows</b>	<b>5 751</b>	<b>8 498</b>	<b>12 101</b>	<b>16 350</b>	<b>16 085</b>	<b>12 818</b>	<b>11 580</b>
<i>for reference:</i>							
ODA (at constant 2009 USD million)	8 047	10 377	11 985	12 191	12 865	13 444	13 226
ODA to and channelled through NGOs							
- In USD million	168	332	618	0	759	1 455	1 648
- In percentage of total net ODA	3	5	6	0	6	11	13
- DAC countries' average % of total net ODA	6	9	7	7	7	8	..

a. To countries eligible for ODA.

**ODA net disbursements**  
At constant 2009 prices and exchange

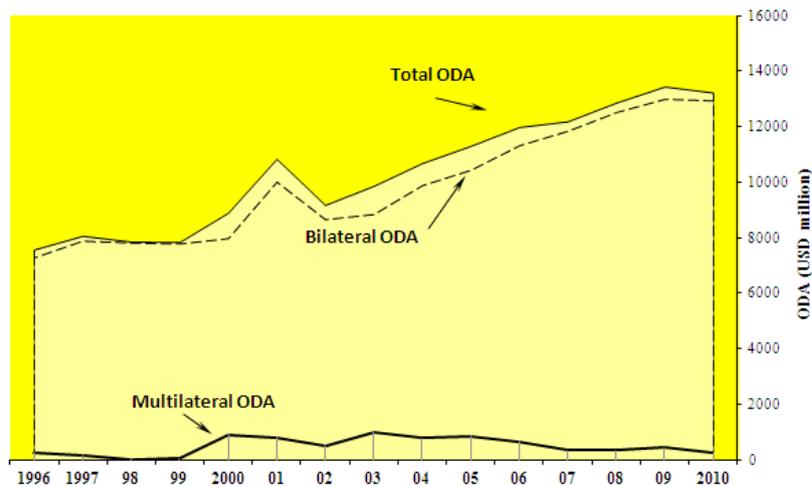
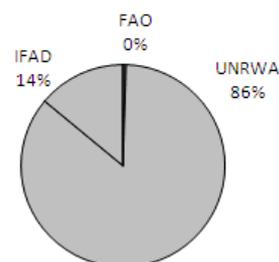
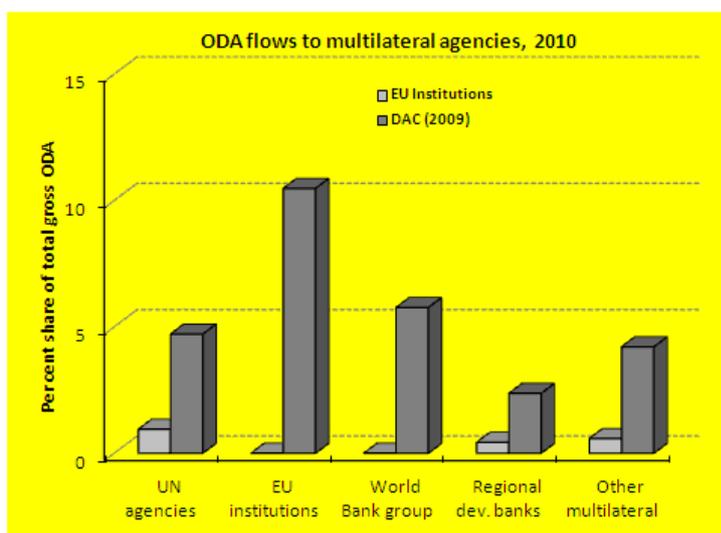
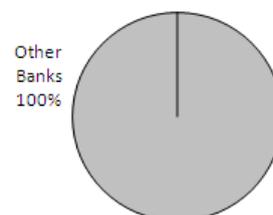


Table B.2 ODA by main categories

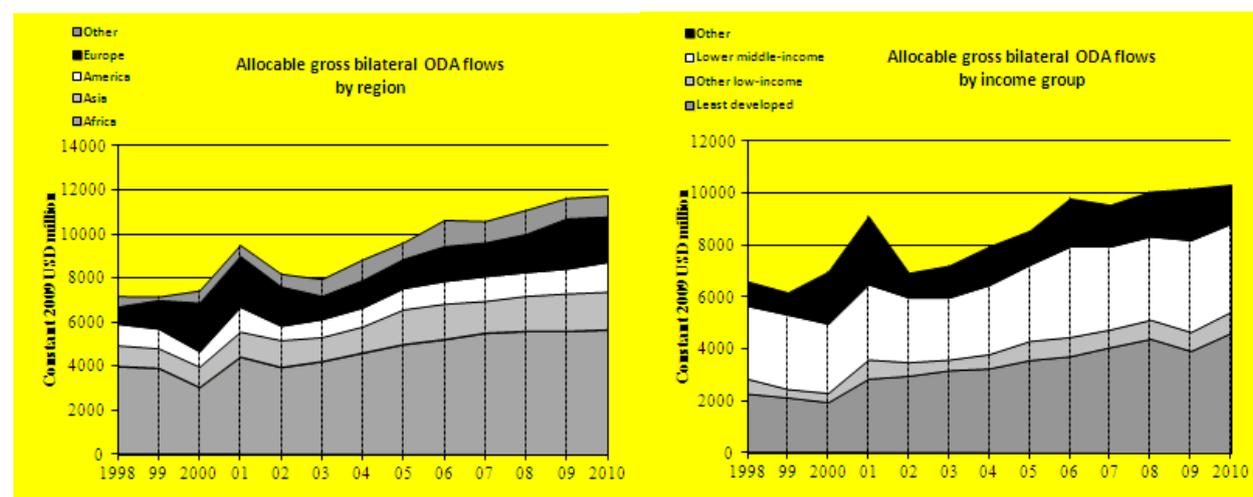
EU Institutions	Constant 2009 USD million					Per cent share of gross disbursements					Total DAC 2009%
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010	
	<b>Gross Bilateral ODA</b>	<b>11 853</b>	<b>11 983</b>	<b>12 544</b>	<b>13 024</b>	<b>13 113</b>	<b>95</b>	<b>97</b>	<b>98</b>	<b>97</b>	
General budget support	987	873	778	1 184	1 621	8	7	6	9	12	2
Core support to national NGOs	1	0	-	-	-	0	0	-	-	-	2
Investment projects	5 999	5 932	5 400	5 659	1 315	48	48	42	42	10	15
Debt relief grants	-	-	125	161	23	-	-	1	1	0	2
Administrative costs	846	692	768	763	742	7	6	6	6	6	4
Other in-donor expenditures	32	53	59	61	52	0	0	0	0	0	3
<b>Gross Multilateral ODA</b>	<b>638</b>	<b>322</b>	<b>321</b>	<b>422</b>	<b>262</b>	<b>5</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>28</b>
UN agencies	297	193	100	129	126	2	2	1	1	1	5
EU institutions	-	-	-	-	-	-	-	-	-	-	10
World Bank group	210	-	-	-	-	2	-	-	-	-	6
Regional development banks	-	-	-	15	58	-	-	-	0	0	2
Other multilateral	132	129	220	279	78	1	1	2	2	1	4
<b>Total gross ODA</b>	<b>12 491</b>	<b>12 305</b>	<b>12 865</b>	<b>13 446</b>	<b>13 375</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
Repayments and debt cancellation	- 506	- 114	0	- 2	- 148						
<b>Total net ODA</b>	<b>11 985</b>	<b>12 191</b>	<b>12 865</b>	<b>13 444</b>	<b>13 226</b>						
<i>For reference:</i>											
Free standing technical co-operation	520	747	1 387	1 534	1 517						
Net debt relief	-	-	125	159	23						
Imputed student cost	-	-	-	-	0						
Refugees in donor countries	-	-	-	-	-						

Contributions to UN Agencies  
(2009-10 Average)Contributions to Regional Development  
Banks (2009-10 Average)

As the Secretariat is currently unable to determine which loans by the EIB are concessional in character, the data on "ODA" flows and concessional assistance shown in this report for EU Institutions from 2008 relate to grants only.

Table B.3 Bilateral ODA allocable by region and income group

EU Institutions	Gross disbursements										Total DAC 2009%
	Constant 2009 USD million					Per cent share					
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010	
<b>Africa</b>	5 239	5 529	5 611	5 608	5 678	49	52	50	48	48	<b>41</b>
Sub-Saharan Africa	4 158	4 446	4 809	4 802	4 922	39	42	43	41	42	<b>35</b>
North Africa	1 080	993	801	774	671	10	9	7	7	6	<b>4</b>
<b>Asia</b>	1 619	1 456	1 604	1 715	1 726	15	14	14	15	15	<b>34</b>
South and Central Asia	1 027	887	1 213	1 259	1 292	10	8	11	11	11	<b>18</b>
Far East	434	458	346	368	369	4	4	3	3	3	<b>15</b>
<b>America</b>	1 030	1 123	1 075	1 125	1 345	10	11	10	10	11	<b>10</b>
North and Central America	587	643	577	613	920	6	6	5	5	8	<b>4</b>
South America	361	394	441	484	397	3	4	4	4	3	<b>5</b>
<b>Middle East</b>	1 088	895	997	839	822	10	8	9	7	7	<b>8</b>
<b>Oceania</b>	98	76	92	82	126	1	1	1	1	1	<b>2</b>
<b>Europe</b>	1 596	1 541	1 746	2 292	2 076	15	15	16	20	18	<b>5</b>
<b>Total bilateral allocable by region</b>	<b>10 670</b>	<b>10 620</b>	<b>11 125</b>	<b>11 662</b>	<b>11 773</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Least developed</b>	3 731	4 076	4 398	3 931	4 627	38	43	44	39	45	<b>37</b>
<b>Other low-income</b>	750	695	743	742	825	8	7	7	7	8	<b>15</b>
<b>Lower middle-income</b>	3 481	3 191	3 210	3 533	3 387	36	33	32	35	33	<b>39</b>
<b>Upper middle-income</b>	1 842	1 581	1 717	1 968	1 489	19	17	17	19	14	<b>9</b>
<b>More advanced developing countries</b>	-	13	-	-	-	-	0	-	-	-	<b>-</b>
<b>Total bilateral allocable by income</b>	<b>9 804</b>	<b>9 556</b>	<b>10 067</b>	<b>10 175</b>	<b>10 328</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<i>For reference:</i>											
<i>Total bilateral</i>	11 853	11 983	12 544	13 024	13 113	100	100	100	100	100	100
<i>of which: Unallocated by region</i>	1 183	1 363	1 419	1 362	1 340	10	11	11	10	10	22
<i>of which: Unallocated by income</i>	2 049	2 427	2 477	2 849	2 785	17	20	20	22	21	29



1. Each region includes regional amounts which cannot be allocated by sub-region. The sum of the sub-regional amounts may therefore fall short of the regional total.

Table B.4 Main recipients of bilateral ODA

EU Institutions	1999-2003 average				Memo: DAC countries' average %	2004-08 average				Memo: DAC countries' average %	2009-10 average				Memo: DAC countries' <sup>1</sup> average %
	Current	Constant	Per cent	Per cent		Current	Constant	Per cent	Per cent		Current	Constant	Per cent	Per cent	
	USD million	2009 USD mln	share			USD million	2009 USD mln	share			USD million	2009 USD mln	share		
Serbia	285	488	5		Turkey	421	468	4		Turkey	541	547	4		
States Ex-Yugoslavia	184	308	3		West Bank & Gaza Strip	371	399	4		West Bank & Gaza Strip	490	499	4		
Morocco	174	285	3		Morocco	299	334	3		Afghanistan	340	346	3		
Bosnia-Herzegovina	171	284	3		Serbia	290	325	3		Congo, Dem. Rep.	299	306	2		
Turkey	148	249	3		Afghanistan	269	298	3		Kosovo	298	304	2		
<b>Top 5 recipients</b>	<b>962</b>	<b>1 615</b>	<b>17</b>	<b>26</b>	<b>Top 5 recipients</b>	<b>1 650</b>	<b>1 825</b>	<b>16</b>	<b>32</b>	<b>Top 5 recipients</b>	<b>1 967</b>	<b>2 003</b>	<b>15</b>	<b>25</b>	
Tunisia	136	227	2		Ethiopia	260	281	3		Serbia	292	298	2		
South Africa	121	199	2		Egypt	230	260	2		Sudan	255	261	2		
Egypt	118	196	2		Sudan	223	246	2		Morocco	253	258	2		
West Bank & Gaza Strip	110	178	2		Congo, Dem. Rep.	214	242	2		Ethiopia	220	225	2		
Ethiopia	108	176	2		Mozambique	181	202	2		Mozambique	199	203	2		
<b>Top 10 recipients</b>	<b>1 556</b>	<b>2 591</b>	<b>28</b>	<b>40</b>	<b>Top 10 recipients</b>	<b>2 757</b>	<b>3 055</b>	<b>27</b>	<b>44</b>	<b>Top 10 recipients</b>	<b>3 185</b>	<b>3 247</b>	<b>25</b>	<b>38</b>	
Tanzania	97	155	2		Tanzania	179	201	2		Haiti	193	200	2		
Mozambique	95	157	2		South Africa	152	171	1		Egypt	171	174	1		
Mauritania	92	156	2		Uganda	151	165	1		Tanzania	166	170	1		
Afghanistan	86	133	2		India	150	171	1		Ukraine	165	168	1		
India	76	127	1		Madagascar	150	168	1		Burkina Faso	165	168	1		
<b>Top 15 recipients</b>	<b>2 003</b>	<b>3 319</b>	<b>36</b>	<b>50</b>	<b>Top 15 recipients</b>	<b>3 539</b>	<b>3 931</b>	<b>34</b>	<b>52</b>	<b>Top 15 recipients</b>	<b>4 045</b>	<b>4 127</b>	<b>32</b>	<b>47</b>	
Zambia	74	119	1		Mali	141	157	1		Georgia	161	165	1		
Malawi	70	115	1		Burkina Faso	136	151	1		Bangladesh	160	164	1		
Macedonia, FYR	69	116	1		Zambia	123	139	1		South Africa	153	157	1		
Albania	66	112	1		Tunisia	119	134	1		Malawi	146	151	1		
Algeria	66	112	1		Ukraine	116	125	1		Ghana	136	139	1		
<b>Top 20 recipients</b>	<b>2 349</b>	<b>3 892</b>	<b>42</b>	<b>57</b>	<b>Top 20 recipients</b>	<b>4 174</b>	<b>4 636</b>	<b>40</b>	<b>59</b>	<b>Top 20 recipients</b>	<b>4 802</b>	<b>4 902</b>	<b>38</b>	<b>52</b>	
<b>Total (114 recipients)</b>	<b>4 614</b>	<b>7 605</b>	<b>82</b>		<b>Total (145 recipients)</b>	<b>8 290</b>	<b>9 196</b>	<b>80</b>		<b>Total (130 recipients)</b>	<b>10 045</b>	<b>10 258</b>	<b>78</b>		
Unallocated	999	1 620	18	22	Unallocated	2 068	2 300	20	24	Unallocated	2 752	2 810	22	31	
<b>Total bilateral gross</b>	<b>5 614</b>	<b>9 224</b>	<b>100</b>	<b>100</b>	<b>Total bilateral gross</b>	<b>10 358</b>	<b>11 496</b>	<b>100</b>	<b>100</b>	<b>Total bilateral gross</b>	<b>12 797</b>	<b>13 068</b>	<b>100</b>	<b>100</b>	

1. 2009 only.

Table B.5 Bilateral ODA by major purposes

at current prices and exchange rates

EU Institutions	Commitments - Two-year averages						
	1999-2003 average		2004-08 average		2009-10 average		2009 Total DAC per cent
	2009 USD million	Per cent	2009 USD million	Per cent	2009 USD million	Per cent	
<b>Social infrastructure &amp; services</b>	<b>2 774</b>	<b>31</b>	<b>5 338</b>	<b>38</b>	<b>5 531</b>	<b>37</b>	<b>44</b>
Education	468	5	748	5	1 078	7	9
of which: basic education	174	2	210	2	183	1	2
Health	384	4	504	4	605	4	5
of which: basic health	230	3	389	3	413	3	4
Population & reproductive health	116	1	144	1	134	1	7
Water supply & sanitation	282	3	573	4	618	4	6
Government & civil society	928	11	2 545	18	2 386	16	13
of which: Conflict, peace & security	-	-	338	2	629	4	3
Other social infrastructure & services	596	7	824	6	710	5	4
<b>Economic infrastructure &amp; services</b>	<b>1 350</b>	<b>15</b>	<b>2 006</b>	<b>14</b>	<b>1 529</b>	<b>10</b>	<b>15</b>
Transport & storage	642	7	1 308	9	1 113	7	7
Communications	102	1	43	0	28	0	0
Energy	307	3	436	3	283	2	4
Banking & financial services	104	1	29	0	17	0	3
Business & other services	195	2	190	1	88	1	1
<b>Production sectors</b>	<b>934</b>	<b>11</b>	<b>1 188</b>	<b>9</b>	<b>2 070</b>	<b>14</b>	<b>6</b>
Agriculture, forestry & fishing	497	6	437	3	1 507	10	5
Industry, mining & construction	274	3	440	3	216	1	1
Trade & tourism	163	2	311	2	347	2	1
<b>Multisector</b>	<b>1 053</b>	<b>12</b>	<b>1 198</b>	<b>9</b>	<b>2 092</b>	<b>14</b>	<b>9</b>
<b>Commodity and programme aid</b>	<b>1 424</b>	<b>16</b>	<b>1 805</b>	<b>13</b>	<b>1 478</b>	<b>10</b>	<b>5</b>
Action relating to debt	9	0	25	0	11	0	3
<b>Humanitarian aid</b>	<b>930</b>	<b>11</b>	<b>1 519</b>	<b>11</b>	<b>1 664</b>	<b>11</b>	<b>9</b>
Administrative costs of donors	326	4	814	6	660	4	5
Aid to NGOs (core support) <sup>1</sup>	37	0	2	0	1	0	1
Refugees in donor countries	2	0	-	-	-	-	3
<b>Total bilateral allocable</b>	<b>8 839</b>	<b>100</b>	<b>13 894</b>	<b>100</b>	<b>15 036</b>	<b>100</b>	<b>100</b>
<i>For reference:</i>							
Total bilateral	9 031	91	13 973	96	15 138	98	73
of which: Unallocated	192	2	78	1	102	1	1
Total multilateral	887	9	606	4	324	2	27
<b>Total ODA</b>	<b>9 918</b>	<b>100</b>	<b>14 579</b>	<b>100</b>	<b>15 462</b>	<b>100</b>	<b>100</b>

1. Included up to 2009. In 2010 aid to NGOs is reportable by sector.

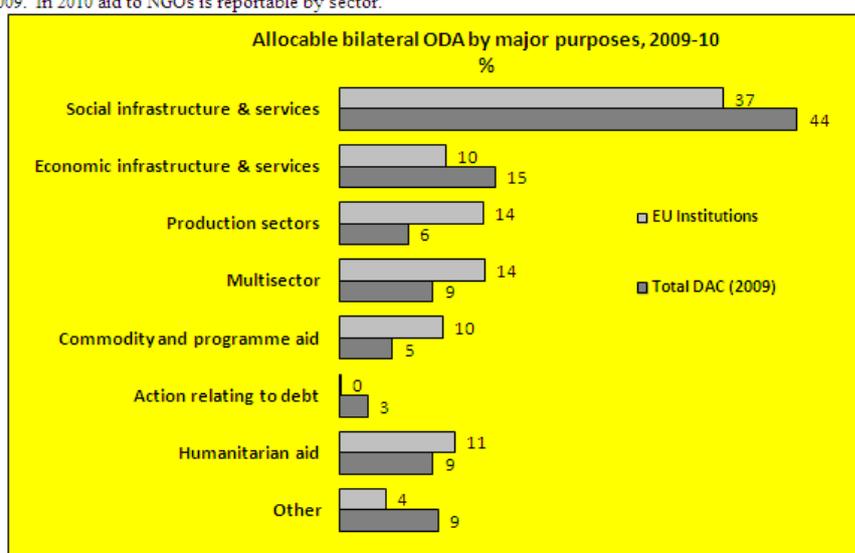


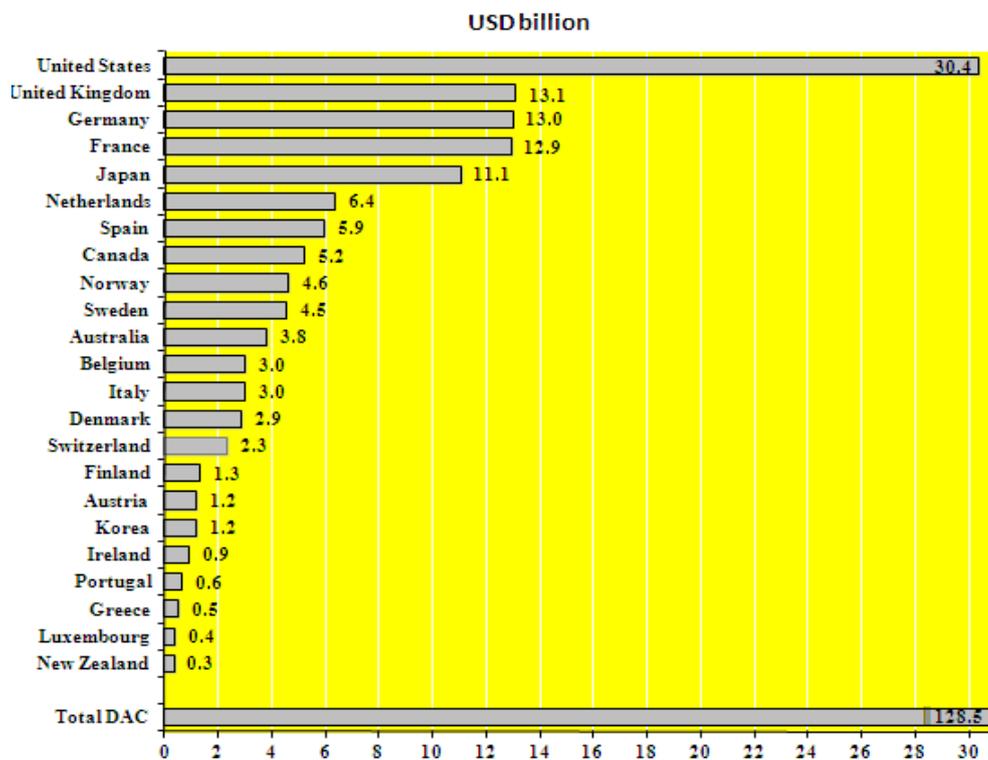
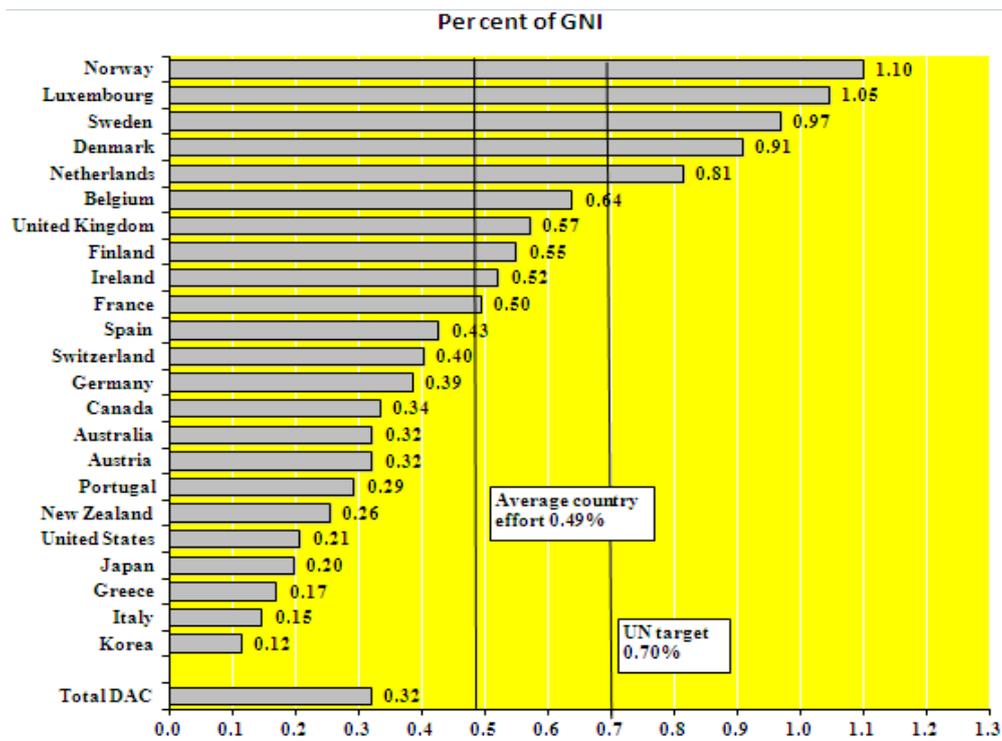
Table B.6 Comparative aid performance

	Official development assistance			Grant element of ODA (commitments) 2009	Share of multilateral aid				<i>Net disbursements</i> ODA to LDCs Bilateral and through multilateral agencies 2009	
	2009		2003-04 to 08-09 Average annual % change in real terms		2009				% of ODA	% of GNI
	USD million	% of GNI		% (a)	% of ODA (b)	% of GNI (c)	% of ODA (b)	% of GNI (c)		
Australia	2 762	0.29	8.2	99.0	16.3		0.05		26.4	0.08
Austria	1 142	0.30	13.2	100.0	55.6	26.9	0.17	0.08	30.4	0.09
Belgium	2 610	0.55	2.4	99.8	39.3	16.6	0.22	0.09	36.7	0.20
Canada	4 000	0.30	6.4	100.0	21.5		0.07		37.0	0.11
Denmark	2 810	0.88	2.1	100.0	32.2	22.6	0.28	0.20	39.1	0.34
Finland	1 290	0.54	9.2	99.9	38.7	22.0	0.21	0.12	34.9	0.19
France	12 602	0.47	2.5	88.8	43.0	20.0	0.20	0.09	26.0	0.12
Germany	12 079	0.35	7.7	93.3	41.2	17.3	0.15	0.06	28.1	0.10
Greece	607	0.19	6.7	100.0	51.1	4.0	0.10	0.01	19.2	0.04
Ireland	1 006	0.54	10.8	100.0	31.1	14.9	0.17	0.08	50.9	0.28
Italy	3 297	0.16	4.4	98.6	73.5	17.0	0.12	0.03	34.5	0.05
Japan	9 457	0.18	-0.3	86.5	34.8		0.06		34.0	0.06
Korea	816	0.10	14.0	93.3	28.8		0.03		30.7	0.03
Luxembourg	415	1.04	5.9	100.0	35.9	26.1	0.37	0.27	36.9	0.39
Netherlands	6 426	0.82	4.7	100.0	25.3	16.4	0.21	0.13	25.3	0.21
New Zealand	309	0.28	7.3	100.0	26.9		0.07		33.5	0.09
Norway	4 081	1.06	4.4	100.0	22.5		0.24		30.8	0.33
Portugal	513	0.23	-8.4	94.3	46.1	9.3	0.11	0.02	41.2	0.10
Spain	6 584	0.46	16.9	96.4	32.1	13.3	0.15	0.06	25.9	0.12
Sweden	4 548	1.12	8.8	99.9	33.8	27.30	0.38	0.31	30.7	0.34
Switzerland	2 310	0.45	3.7	100.0	24.2		0.11		30.2	0.14
United Kingdom	11 283	0.51	8.0	100.0	34.5	17.26	0.18	0.09	34.8	0.18
United States	28 831	0.21	6.1	100.0	12.7		0.03		32.6	0.07
<b>Total DAC</b>	<b>119 778</b>	<b>0.31</b>	<b>5.6</b>	<b>96.3</b>	<b>30.1</b>	<b>0.09</b>			<b>31.3</b>	<b>0.10</b>
Memo: Average country effort		0.48								

Notes:

- a. Excluding debt reorganisation.
- b. Including EU institutions.
- c. Excluding EU institutions.
- .. Data not available.

Figure B.1 Net ODA from DAC countries in 2010





## *Annex C*

### **Field visits to Chad and Peru**

The peer review team, including examiners from Japan and Norway and members of the OECD DAC secretariat, visited Chad in October 2011 and Peru in November 2011. The team held meetings with:

- EU Delegation staff.
- Officials from the Chadian and Peruvian governments, including various ministries and special units working with the EU.
- Civil society organisations and parliamentarians.
- Other development partners, including both bilateral and multilateral organisations.
- In Chad, the team took a special interest in humanitarian and transition issues and met with ECHO and a selection of its key partners.

Information gathered during these field visits is used throughout this report. This annex gives further detail, basic information on the country contexts and an overview of international development co-operation in Chad and Peru. It looks at the aid co-ordination structure, progress in applying the aid effectiveness and fragile states principles; the specific challenges development partners face in the two very different contexts; and the specific role of EU co-operation.

#### **Country contexts**

These two partner countries were chosen for field visits because they reflect very different challenges, while demonstrating the two biggest financial instruments in EU development co-operation – the EDF and the DCI – in action. Chad is a low income fragile state, with enormous development challenges. This is despite an increase in income due to oil exploitation. Peru is an upper middle income country, with an increasingly diversified economy but persistently high levels of inequality. The relevance and role of development co-operation in each case is therefore very different. Table C.1 provides statistics on selected other development indicators.

**Table C.1 Key development indicators for Chad and Peru**

<b>Chad</b>	<b>2000</b>	<b>2005</b>	<b>2010</b>
GNI per capita USD (atlas method)	180	430	620
Life expectancy at birth, total (years)	48	48	..
Mortality rate, under-5 (per 1 000)	190	181	173
Primary completion rate, total (%)	23	32	33
<b>Peru</b>	<b>2000</b>	<b>2005</b>	<b>2010</b>
GNI per capita USD (atlas method)	2 060	2 680	4 700
Life expectancy at birth, total (years)	70	72	..
Mortality rate, under-5 (per 1 000)	41	28	19
Primary completion rate, total (%)	103	101	..

*Source:* World Bank statistics

### The co-operation context: the importance of partner leadership

Both Chad and Peru have aid co-ordination mechanisms, but in neither case are they yet well established. The co-ordination structures in the two countries result from a donor-led interest in improving how they co-ordinate their work. For example, recent donor mapping exercises led by key donors have taken place in both countries, and the information garnered is also used by partners. In both cases there is only limited interest by the partner government in taking the lead role in co-ordinating donors. Table C.2 summarises major issues relating to the aid co-ordination contexts in the two countries.

**Table C.2 Differing aid co-ordination contexts**

	<b>Chad</b>	<b>Peru</b>
<b>Importance of aid to the economy and government</b>	Chad received USD 561 million in ODA in 2009. This accounted for nearly 10% of its GNI and a higher share of government social expenditure. Nevertheless, limited government capacity affects its ability to co-ordinate donors.	Official development assistance to Peru, at USD 444 million in 2009, accounted for only 0.4% of its GNI that year. Development co-operation is therefore not as high on the government's agenda as other sources of finance.
<b>Partner development strategies</b>	Chad's second national poverty reduction strategy paper was agreed in 2008. It retains the same broad priorities as its predecessor (good governance, sustainable growth, human capital, living conditions for vulnerable groups and, ecosystems). But it increases emphasis on agriculture and rural development as well as on implementation and monitoring.	Peru has a 2011 national development plan, developed through a participatory process. The government also agreed a national policy for international co-operation in 2006. This policy, which relates to grant based co-operation, identifies four strategic areas: (i) human security, water and inclusion (ii) governance, justice and decentralisation; (iii) human development, education and nutrition; and (iv) sustainable competitiveness, employment and resource use.
<b>Partner-donor relations</b>	Donors interact with the Ministry of Planning, Economy and International Development but also with a range of line ministries. The EU has also established a separate cell attached to the Ministry of Planning to implement EU funded projects. The official interlocutor remains the minister, since he is the national authorising officer.	Until 2011 the main interlocutor for donors had been a government agency. In order to increase co-ordination, the Ministry of Foreign Affairs has now established a department focused on external co-operation. Development partner are hopeful that this department will be able to take a leadership role in aid co-ordination in the future.
<b>Aid co-ordination mechanisms</b>	There are only a few bilateral donors active in Chad – the biggest players are the EU, France, Germany (although its programme is being reduced), the US and the African Development Bank. Despite the limited number, efforts to co-ordinate aid were relatively underdeveloped until recently. A committee for technical and financial partners was recently set up, that has conducted a donor mapping exercise to help identify major gaps in support. Co-ordination is mainly based on information sharing.	In Peru, only five donors provide the bulk of official development assistance: Japan, Germany, Spain, the US and the EU. These countries have a history of working in different areas and efforts to co-ordinate have related to specific projects. However, information sharing has significantly increased between donors in the last few years. Some specific sector level working groups are very active.

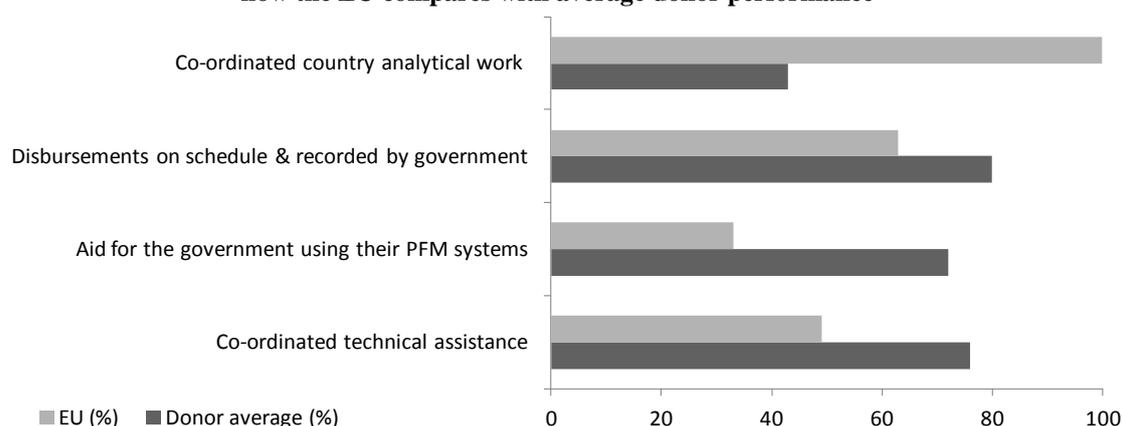
## Aid effectiveness and applying the fragile states principles

The donors' collective efforts to improve how they deliver support to these two partner countries have had mixed results when viewed in light of the Paris Declaration on Aid Effectiveness (OECD, 2005) and the OECD principles for engaging in fragile states (OECD, 2007b):

- Results from the surveys monitoring the Paris Declaration show notable progress on key indicators in Peru, particularly in co-ordinating technical assistance, using Peruvian government systems and disbursements made on schedule and recorded in the national budget. Use of programme-based aid is still limited and donor co-ordinated mission and analyses are still below target. Figure C.1 illustrates how the EU's results compare to the donor average in the 2011 survey. The figures for some indicators show significant fluctuation over time which may relate to the start/end of specific projects/programmes (OECD 2011a).
- A survey of the principles for good international engagement in fragile states (OECD, 2011c) also indicates that Chadian partners see mixed progress. There are some clear challenges for donors in applying the principles there (Table C.3).

Both the Paris principles and the fragile states principles emphasise the importance of donor co-ordination. There are signs that the EU Delegations are starting to play a stronger role in co-ordination, though in both contexts this appears to be in the early stages. The new EU ambassadors are trying to make use of their mandate under the Lisbon Treaty to increase co-ordination and also to encourage partner countries to use the EU Delegation to help them to take a stronger leadership role in co-ordinating external partners.

**Figure C.1 Applying the Paris principles in Peru:  
how the EU compares with average donor performance**



Note: 2011 survey, based on 2010 data.

Source: OECD (2011a), *Aid Effectiveness 2005-10: Progress in Implementing the Paris Declaration*, OECD, Paris.

**Table C.3 Applying the fragile states principles in Chad**

<b>Principle</b>	<b>Key findings from responses to the 2011 survey</b>
1. Take context as the starting point	The survey respondents say that, while aligned to national priorities, Chad's complex context is not sufficiently factored in and that social and political analysis is weak. The links between analysis, policy and implementation is not always evident.
2. Ensure all activities do no harm	Harm caused by international co-operation, particularly humanitarian aid, in Chad is described in the survey as significant. It calls for a less compartmentalised approach (currently operations in different sectors with different communities are not connected).
3. Focus on state building as the central objective	While noting a clear increase in international support to statebuilding, the survey suggests limited results in key areas linked to lack of capacity and limited options for using weak country systems.
4. Prioritise prevention	International assistance is credited with preventing a recurrence of conflict and food crises, because of support to security issues, peacebuilding and early warning systems. These systems are dependent on outside support.
5. Recognise the links between political, security and development objectives	While noting some positive linkages, the survey response suggests that integrated (political, security, development) approaches are rare. Especially lamented are the limited links between development and humanitarian approaches.
6. Promote non-discrimination as a basis for inclusive and stable societies	Respondents noted clear efforts made by international partners to integrate concerns relating to women and children in planning, implementation and monitoring. However, there was limited ability to understand the results because of poor data. The report does not mention different regional groups.
7. Align with local priorities in different ways in different contexts	All major partners say they are broadly aligned to the priorities of the national poverty reduction strategy. While few are able to rely on country systems, there has been a decrease in new parallel implementation units.
8. Agree on practical co-ordination mechanisms between international actors	Aid co-ordination is considered to be poor. However, the informal co-ordination mechanisms that donors established on the development side and the UN led cluster system used by humanitarian players have improved the "anarchic" situation of 2007. The establishment of the Committee for technical and financial partners in 2011 formalised partner co-ordination in several domains and provides a solid platform for dialogue with the government.
9. Act fast.... but stay engaged long enough to give success a chance	The survey highlights the problems of predictability, and transitioning between short-term relief activities and longer-term development.
10. Avoid pockets of exclusion	Survey respondents note the limited average per capita ODA in Chad. In addition the geographical distribution of support within the country is uneven, in particular because of the geographically focused nature of humanitarian assistance.

Source: OECD (2011c), *Rapport 2011 sur l'engagement international dans les états fragile: République du Tchad*, OECD, Paris.

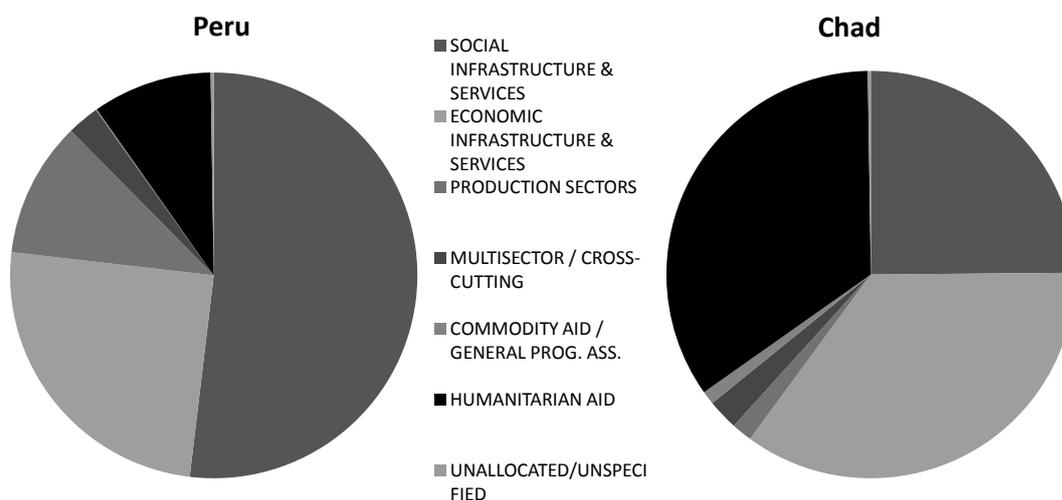
## The EU institutions' programmes

### *What are the EU institutions focusing on?*

The programmes in Chad and Peru are extremely different, although in both contexts the EU plays a significant but not dominant role amongst development partners. Figure C.2 illustrates how the EU has allocated its support. In addition to a different development portfolio, in Chad a large share of ODA is humanitarian assistance, which has played a crucial role over recent years.

**Figure C.2 EU institutions' sectoral allocations in Chad and Peru, 2008/09 average**

2009 constant USD



Source: OECD ADC CRS data

In each partner country the EC has set out its priority issues in country strategy papers; in both cases the issues identified are broad. For Chad, the priorities are good governance and sustainable development, though within this some areas of concentration are identified (COM, 2007d). As the 2009 evaluation of the country programme identified, the areas are relevant but the approach was not tailored to the fragile context (COM, 2009j). The EU Delegation is considering how to better tailor its programme in future, while also looking at how to support the development of human capital, which is identified as a major constraint to progress by all stakeholders. For Peru the two priorities are modernisation of the state and good governance, alongside integrated social development and strengthening social cohesion (COM, 2007c). The Delegation acknowledges that the strategy is particularly broad. While this provides flexibility to adjust to evolving situations, it does not appear to provide a substantive framework for guiding how they work. However, the mid-term review of the national indicative programme for Peru suggested these two areas remain relevant.

### ***How do the EU institutions work?***

In both Chad and Peru the project is the EU institutions' dominant approach, although it was clear they were interested in using programme support:

- The Commission has tried to use programme support in Chad in the past and hopes to return to it in the future. However, for the time being the EU institutions, like most other donors, view the Chadian systems as not yet ready for programmatic support. Nevertheless, the large number of major and smaller projects also imposes significant administrative burdens on both the EU Delegation and its partners, particularly in the areas of contracting and overseeing compliance with EU procedures.

- In Peru, the project has long been the dominant approach, but there is now a clear switch of attention towards more programmatic approaches. This builds on the early indications of success with the EUROPAN project in providing additional support (as budget support) to a government nutrition programme (see Box 5.1).

A principal difference between the two country programmes is the use of different financial instruments. The programme in Peru is funded through the DCI, while in Chad most funding comes from the EDF. Both draw on various thematic and regional funds. However, both DCI and EDF have extensive approval processes. In Chad, as in all EDF partner countries, the authorising officer is a partner government official and he is supported by a specific cell or unit of people. There is also greater use of joint reporting under the EDF. In Peru the EU's thematic funding lines are supporting a particularly large number of projects. Although these funding lines are managed from Brussels, this has implications for the Delegation in Peru and some staff are assigned to work solely on these thematic lines. The EU's Delegation in Peru is also responsible for the regional Andean programme.

The peer review team saw in both countries that the EU has made efforts to increase consultation and contact with local civil society groups. The new structured dialogue mechanism had touched both countries, and civil society organisations were aware of this. In Chad, however, some civil society organisations thought the EU Delegation could open up much more to more strategic dialogue, particularly as it starts to identify its priorities for the 11<sup>th</sup> EDF.

### ***The organisation and management of EU institutions' co-operation***

In both Chad and Peru, the organisational changes seen across the system were starting to have an impact when the peer review team visited. In both countries the ambassadors were relatively new to the post, but had come from other development-related Commission posts. They were actively engaged in maximising their EU ambassador status and saw the opportunity available to them to use development assistance as leverage in political dialogue and vice versa. At the more administrative level the impact was also starting to be felt, along with some teething problems relating to having two separate budget lines and staffing regulations (for the EEAS and EuropeAid). In contrast, ECHO staff have not yet seen much impact of the changes; since ECHO in headquarters has been little involved in the major organisational shifts.

The structures of the Delegations reflect the nature of the EU institutions' engagement. While both have development, political and administrative sections, in Chad the political section is small. The main focus of the Delegation's work is development, even though there are political dimensions. In Peru there is a more even balance between the political and co-operation sections. In addition, there is another team responsible for regional co-operation with the Andean Community. The Delegation in Peru also has a well-staffed administrative section to deal with contracts and tenders. In general, while development co-operation staff are usually employed by EuropeAid, political and administration or finance staff are employed by the EEAS. The Ambassador is an EEAS staff member, but is able to oversee the whole Delegation's activities because he/she is personally delegated the authority by EuropeAid. In Peru, a EuropeAid official is also employed as head of co-operation and another as head of regional co-operation.

The Delegation in Chad faced some problems that were not evident in Peru, and which relate to the context in which the team works. A particular challenge is filling posts

in this unpopular location. The EU does provide additional financial benefits and extra leave allowances for staff to work in countries such as Chad; this has helped to fill some key posts. However, the post of head of co-operation does not exist in the organigramme, which makes the challenges related to the workload even greater. There are also challenges related to the use of local staff. For example, the terms for staff recruited locally by the Delegation and those for ECHO staff are different, which has caused some frustration.

Both cases indicate that devolution to the field has worked well, but has the potential to go further. While much of the administration for contracting can now take place in the field, most of the decision making still takes place in Brussels. Partners in the field see Brussels as a regular blockage or cause of delays. Delegations see the potential for greater devolution of authority, but only when accompanied by an increase in their capacity. Support from EuropeAid headquarters on thematic issues or for the use of particular modalities is also appreciated by both teams, though there are concerns that the new organisational structure has undermined access to the right expertise, as people have moved posts and the thematic support roles have moved from the quality support department to other areas.

Co-operation staff in both Chad and Peru have limited time to go to the field and monitor projects. They therefore appreciate the results orientated monitoring (ROM) system (Chapter 4) as it ensures more projects are visited. However, views are mixed on the usefulness of findings from these visits, compared to the benefits of having the time to take part in monitoring directly.

### **The big challenges for the EU and other development partners**

#### ***Chad: linking relief and development***

Chad's humanitarian issues stem from recent internal conflict, compounded by a food and nutrition crisis linked to drought; recurrent cross-border cholera; and the spill-over from conflicts in neighbouring states. Without tangible improvements in neighbouring countries, the 267 000 Sudanese refugees (from Darfur) and the 64 000 Central African Republic refugees are likely to remain in Chad, at least in the short term. Some of the people displaced away from the Darfur border are returning home, but a significant number remain in camps. Access to basic services and livelihood strategies are key for these populations – as is avoiding conflict with host communities. Malnutrition rates remain above emergency thresholds in half of the Sahelian regions, where food insecurity affects over 1.6 million people. The situation was complicated by the 2011 Libyan crisis, with over 80 000 returning migrants and the interruption of remittance payments and trade. In this fragile context the need is to link relief with development (Box C.1).

#### ***Peru: moving beyond aid to partnership***

The situation in Peru is starkly different. There, the challenge for the EU institutions and for other donors is to provide support that adds value in a country whose own resources are increasing in volume. This means creating non-aid partnerships, such as in trade, and providing expertise alongside financial support. Peru is a prime example of a country where the proposed new partnership instrument would be relevant (chapter 3). However, the Delegation has not yet had a chance to examine how it could use it or how in practice it can switch to broader partnerships, beyond aid. It has the opportunity to do so as it develops its indicative programme for 2014-20. The EU Delegation is now

starting to consider how it can better tailor its response to Peru's middle income country status, and particularly how it can link its ODA with other types of assistance.

One notable achievement that can be built upon is the trade agreement negotiated between Peru and the EU in May 2010. As well as setting out specific areas for tariff elimination, the agreement also links capacity building initiatives (within the framework of the EU's traditional co-operation channels) to support to competitiveness and innovation, looking at modernising production processes, facilitating trade and allowing transfer of technology between the parties. In this way, the trade agreement has been supplemented with aid for trade. Reaching this agreement involved bringing together the trade and development units in both the EU Delegation and headquarters.

### **Box C.1 Supporting links between relief and development in Chad, despite ongoing challenges**

In Chad, the EU institutions (including ECHO) are working within a fragile context where providing timely results is key for addressing the underlying vulnerability of at-risk communities, and strengthening the country's human capital. However the Chad EU team lacks the right tools and resources – especially flexible financial tools – to enable them to maximise effectiveness. To try and overcome this, ECHO and the EU Delegation travel together to the field (joint missions) to develop responses to issues that fall between traditional humanitarian and development mandates.

One joint mission, to review relief-development links in southern Chad, resulted in the Delegation topping up an existing DCI food security programme and issuing a call for proposals. Eventually, the majority of these funds were given to UNHCR to pass on to NGOs. This was the best solution possible under current DCI procedures – topping up an existing project is easier than creating a new one, as DCI strategies are locked in for six years, and thus very inflexible. NGOs currently working in the area were unable to meet the DCI's requirements under the call for proposals, especially given the scale of the response required and the requirement for co-financing.

Another mission looked at harmonising their support approaches in the health sector. ECHO – under emergency response protocols – was supporting the provision of free healthcare to internally displaced persons, while the EDF programme was working to build the sustainability of the wider health system through cost recovery.

ECHO and the Delegation also tried to design a joint approach to support the sudden return of Chadian migrants during the Libya crisis. ECHO's procedures allow for more rapid disbursement, while the Delegation must use standard EDF procedures, even in emergency cases. As ECHO's response was under its humanitarian mandate, it could only fund programmes supporting the migrants during their return home. In February 2012, an allocation of the EDF B envelope was decided to address needs of the migrants with a mid/long term perspective through a top-up of the local development programmes funded by the EDF.

## Annex D

### Organisation structures (as of February 2012)

Figure D.1 DG Development and Co-operation – “EuropeAid”

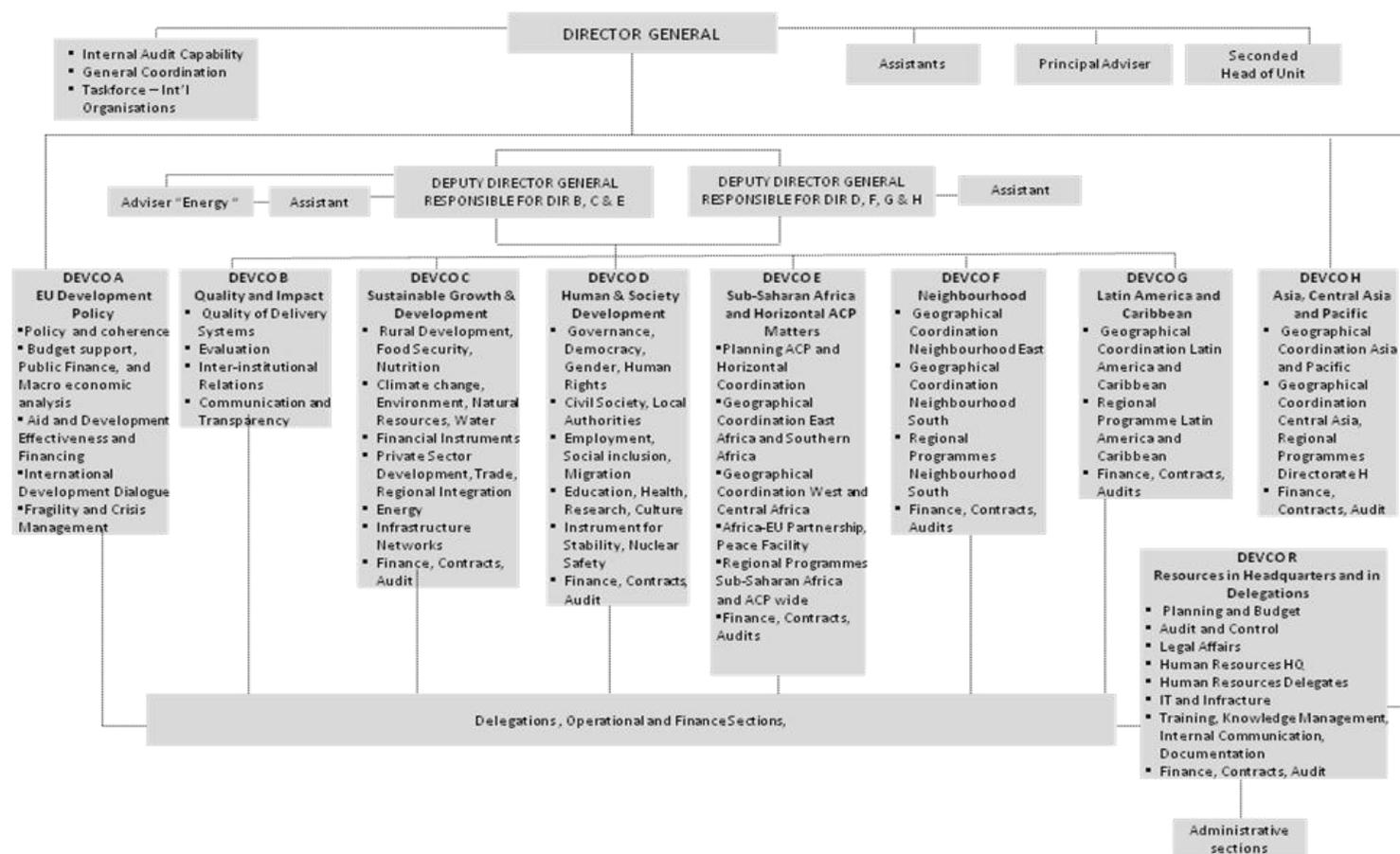


Figure D.2 The European External Action Service

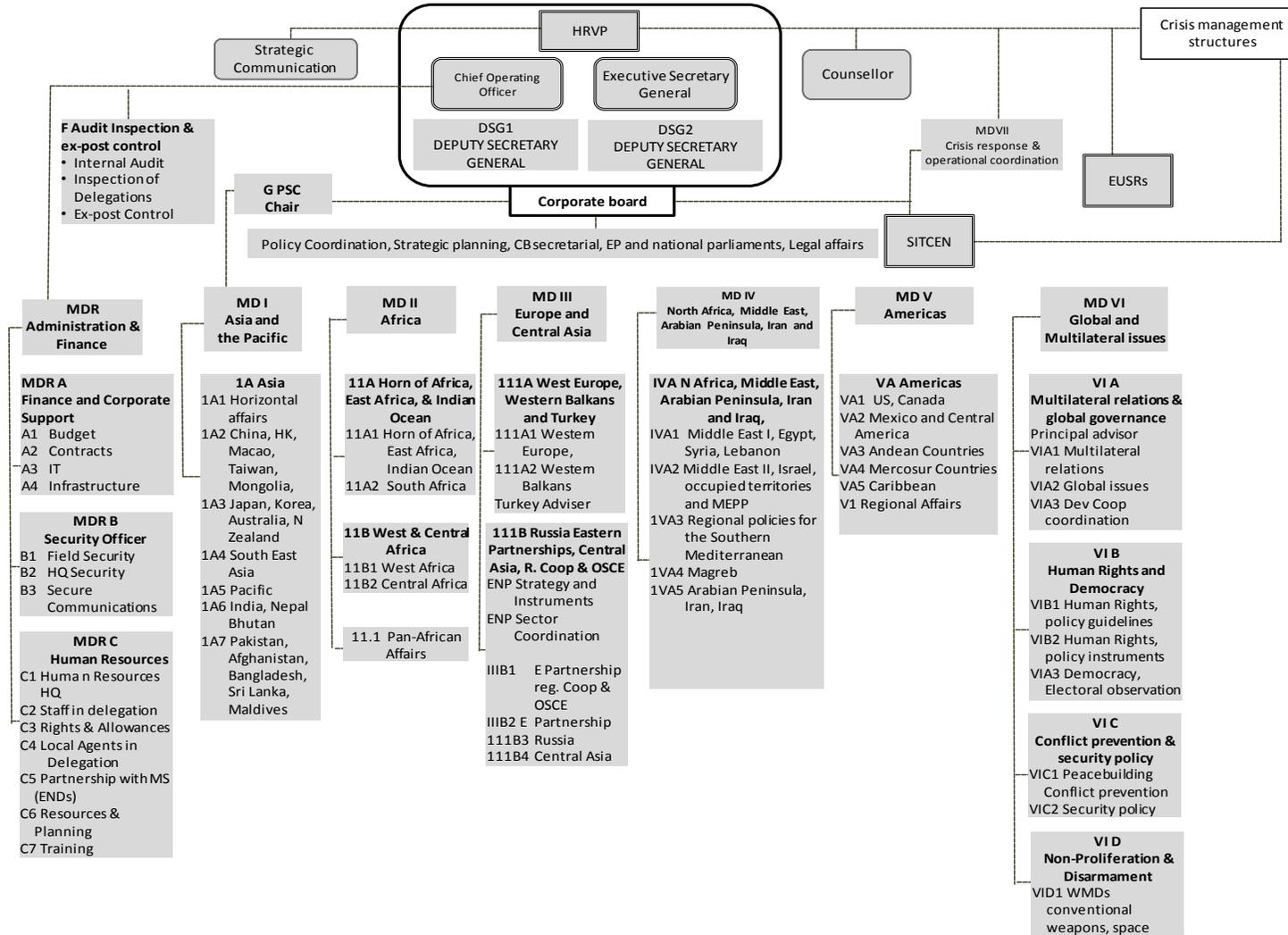


Figure D.3 DG Enlargement

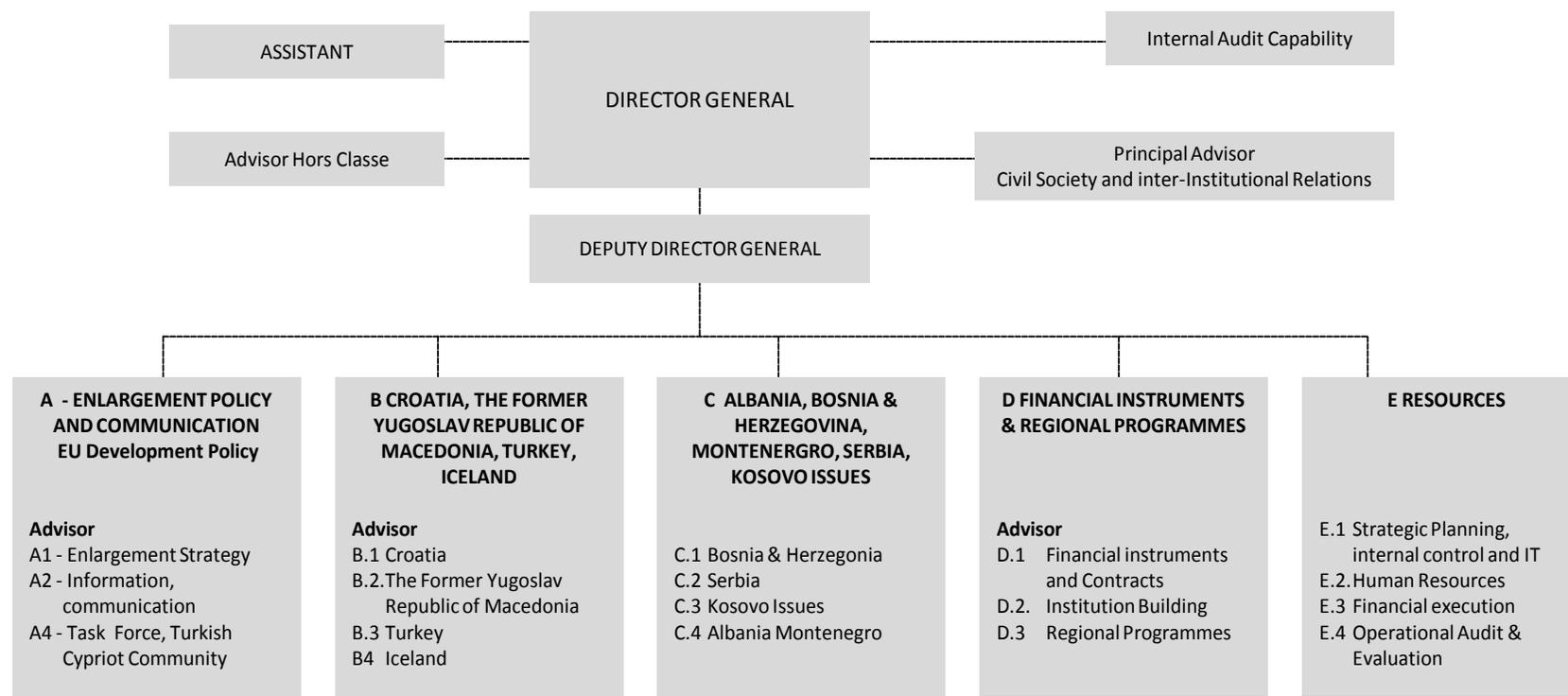
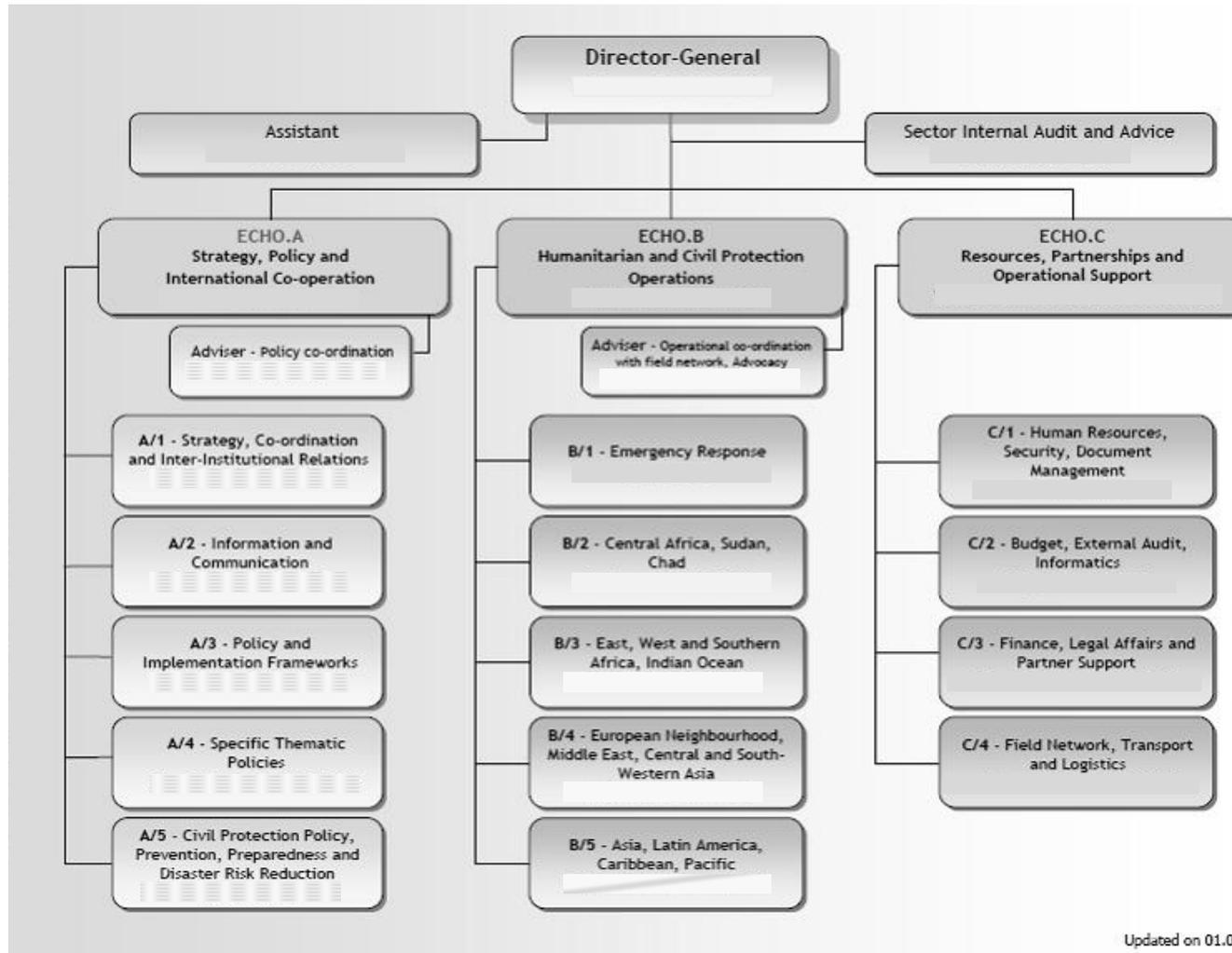


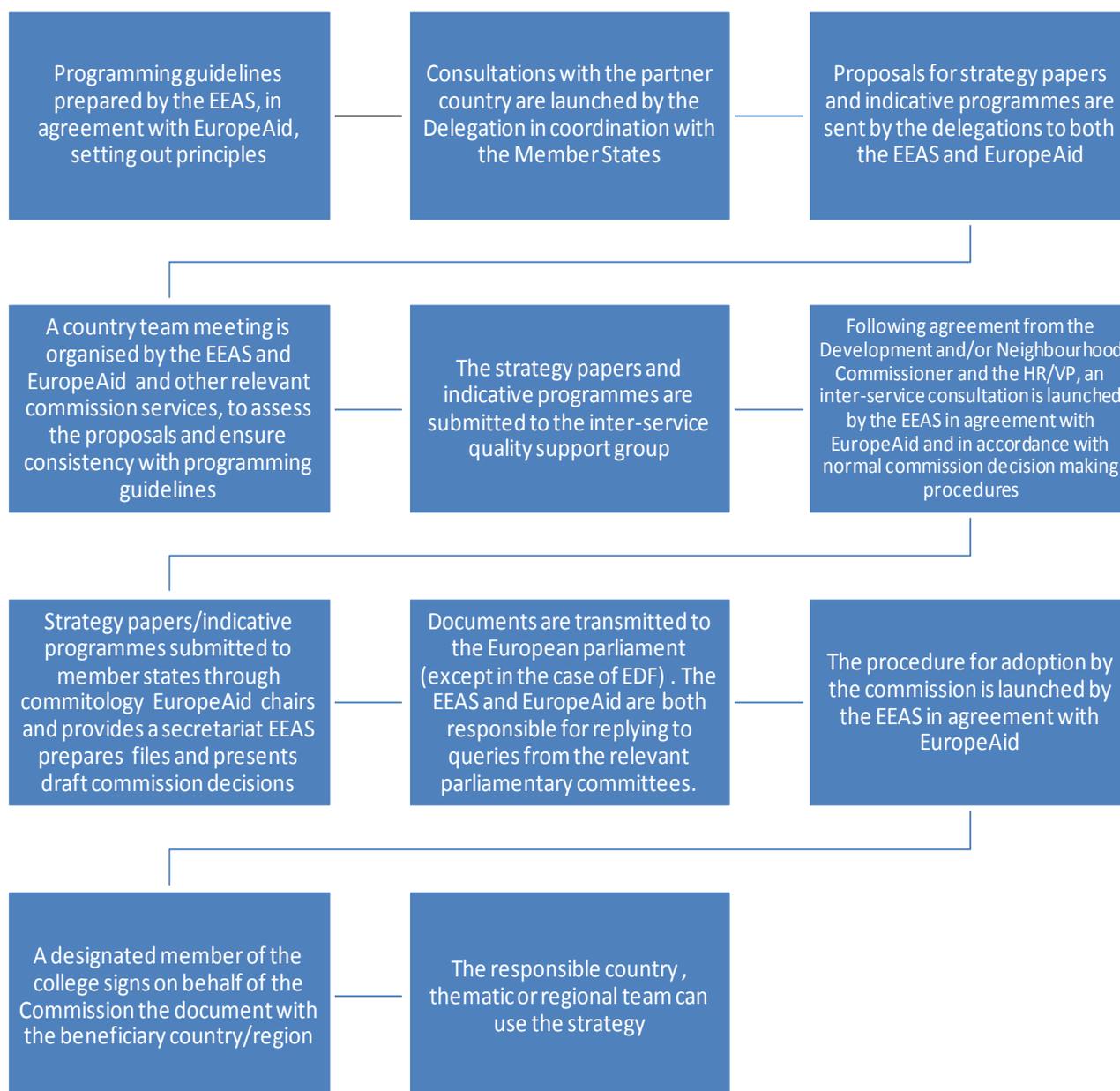
Figure D.4 DG Humanitarian Aid and Civil Protection - ECHO

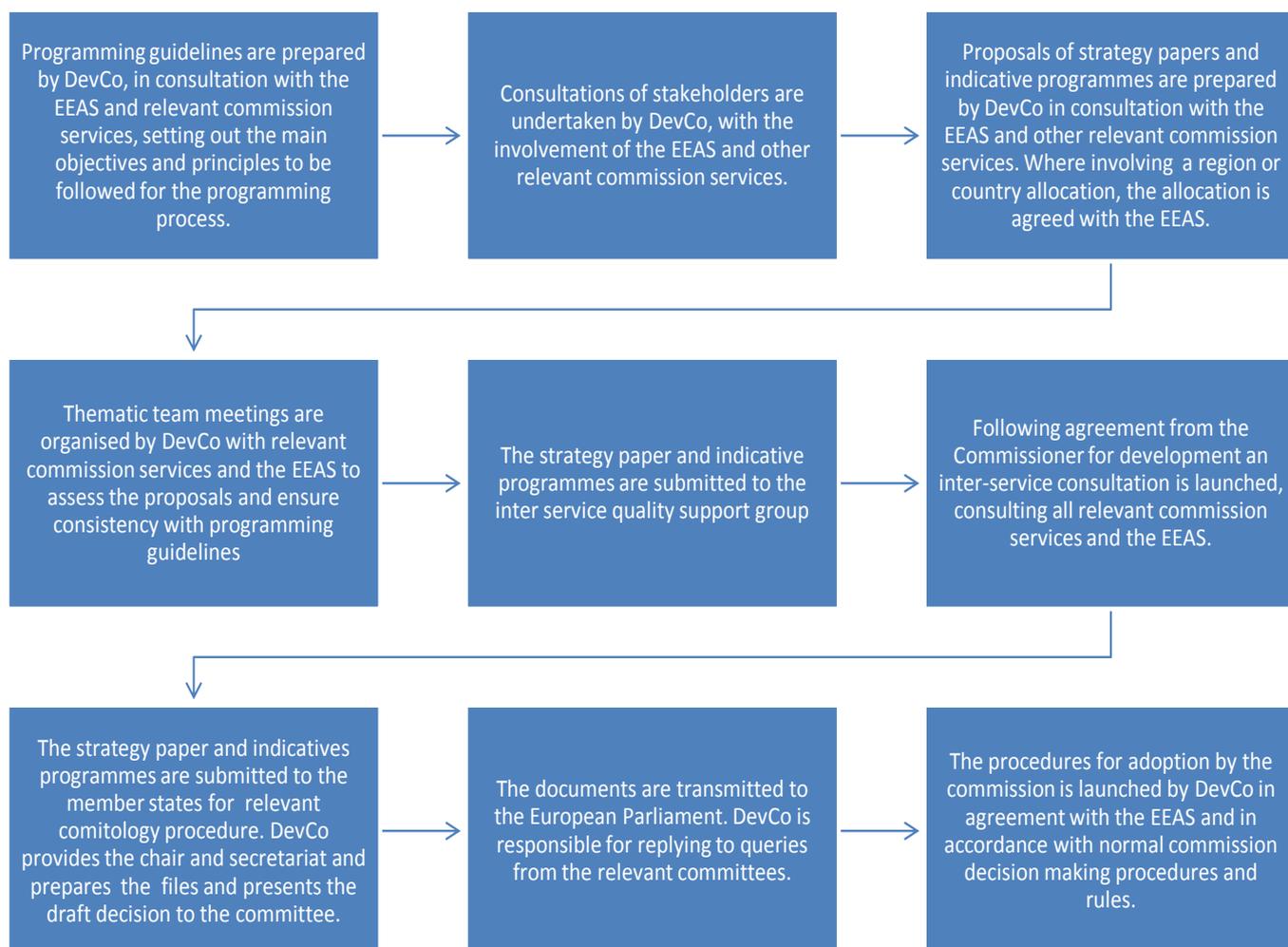


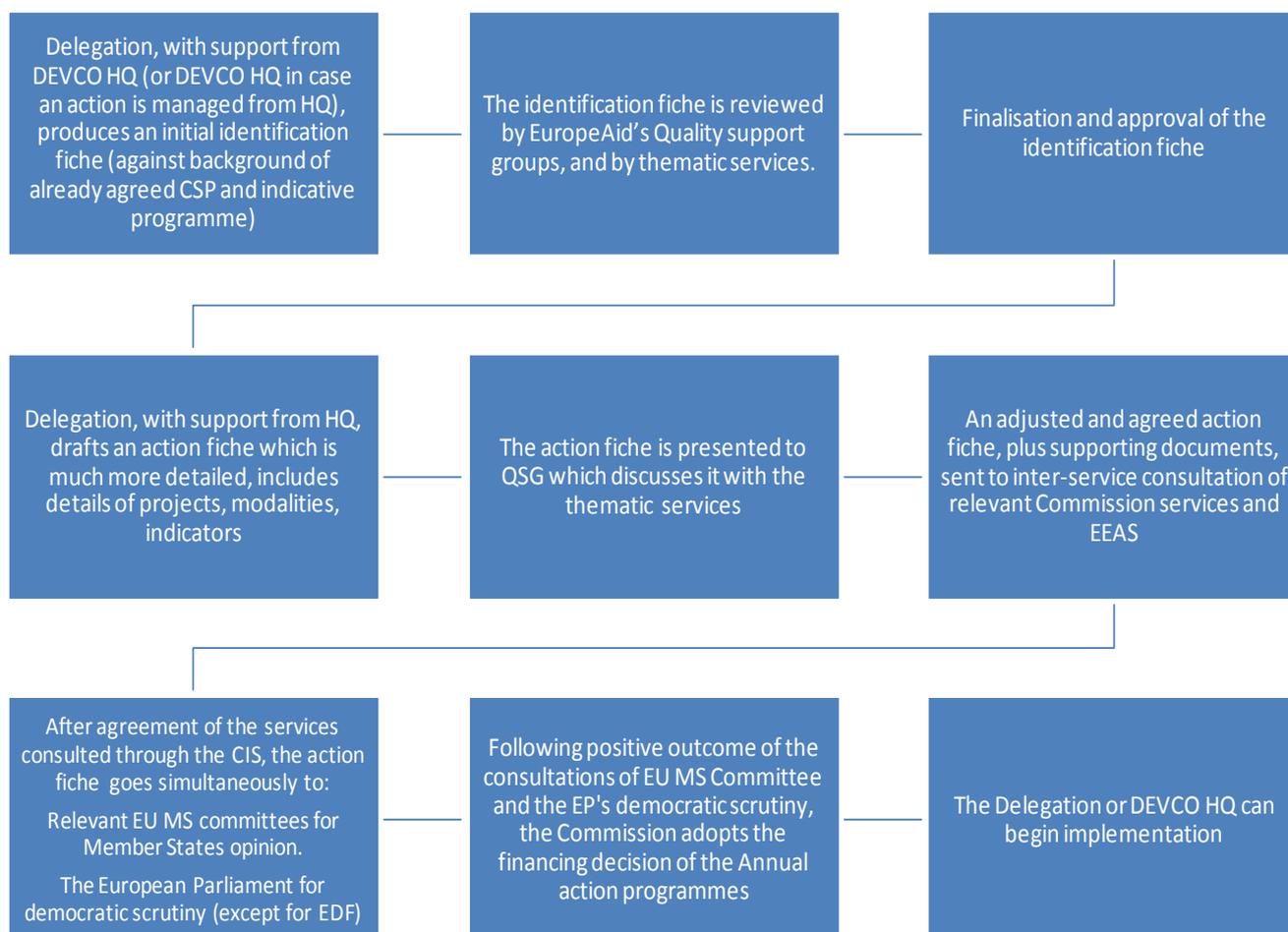
## Annex E

### Approval processes

**Figure E.1 Stages for approval for strategy papers and multi-annual indicative programmes under the Development Co-operation Instrument, the European Development Fund and the European Neighbourhood Partnership Instrument**



**Figure E.2 Approval steps for thematic/regional strategy papers under the DCI**

**Figure E.3 Approval process for annual action programmes**



## Description of key terms

*The following brief descriptions of the main development co-operation terms used in this publication are provided for general background information.<sup>2</sup>*

**ASSOCIATED FINANCING:** The combination of official development assistance, whether grants or loans, with other official or private funds to form finance packages.

**AVERAGE COUNTRY EFFORT:** The unweighted average ODA/GNI ratio of DAC members, *i.e.* the average of the ratios themselves, not the ratio of total ODA to total GNI (cf. ODA/GNI ratio).

**DAC (DEVELOPMENT ASSISTANCE COMMITTEE):** The committee of the OECD which deals with development co-operation matters. A description of its aims and a list of its members are given at the front of the Development Co-operation Report.

**DAC LIST OF ODA RECIPIENTS:** For statistical purposes, the DAC uses a list of ODA recipients which it revises every three years. From 1 January 2007, the list is presented in the following categories (the word "countries" includes territories):

**LDCs:** Least Developed Countries. Group established by the United Nations. To be classified as an LDC, countries must fall below thresholds established for income, economic diversification and social development. The DAC List is updated immediately to reflect any change in the LDC group.

**Other LICs:** Other Low-Income Countries. Includes all non-LDC countries with per capita GNI USD 825 or less in 2004 (World Bank Atlas basis).

**LMICs:** Lower Middle-Income Countries, *i.e.* with GNI per capita (Atlas basis) between USD 826 and USD 3 255 in 2004. LDCs which are also LMICs are only shown as LDCs – not as LMICs.

**UMICs:** Upper Middle-Income Countries, *i.e.* with GNI per capita (Atlas basis) between USD 3 256 and USD 10 065 in 2004.

**DEBT REORGANISATION (also RESTRUCTURING):** Any action officially agreed between creditor and debtor that alters the terms previously established for repayment. This may include forgiveness, or rescheduling or refinancing.

**DIRECT INVESTMENT:** Investment made to acquire or add to a lasting interest in an enterprise in a country on the DAC List of ODA Recipients. In practice it is recorded as the change in the net worth of a subsidiary in a recipient country to the parent company, as shown in the books of the latter.

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2. For a full description of these terms, see the *Development Co-operation Report 2009*, Volume 10, No. 1.

**DISBURSEMENT:** The release of funds to, or the purchase of goods or services for a recipient; by extension, the amount thus spent. Disbursements may be recorded **gross** (the total amount disbursed over a given accounting period) or **net** (the gross amount less any repayments of loan principal or recoveries of grants received during the same period).

**EXPORT CREDITS:** Loans for the purpose of trade and which are not represented by a negotiable instrument. They may be extended by the official or the private sector. If extended by the private sector, they may be supported by official guarantees.

**GRANTS:** Transfers made in cash, goods or services for which no repayment is required.

**GRANT ELEMENT:** Reflects the financial terms of a commitment: interest rate, maturity and grace period (interval to the first repayment of capital). It measures the concessionality of a loan, expressed as the percentage by which the present value of the expected stream of repayments falls short of the repayments that would have been generated at a given reference rate of interest. The reference rate is 10% in DAC statistics. This rate was selected as a proxy for the marginal efficiency of domestic investment, *i.e.* as an indication of the opportunity cost to the donor of making the funds available. Thus, the grant element is nil for a loan carrying an interest rate of 10%; it is 100% for a grant; and it lies between these two limits for a loan at less than 10% interest.

**LOANS:** Transfers for which repayment is required. Data on net loan flows include deductions for repayments of principal (but not payment of interest) on earlier loans.

**OFFICIAL DEVELOPMENT ASSISTANCE (ODA):** Grants or loans to countries and territories on the DAC List of ODA Recipients and multilateral agencies that are undertaken by the official sector; with the promotion of economic development and welfare as the main objective; at concessional financial terms (if a loan, having a grant element of at least 25%).

**ODA/GNI RATIO:** To compare members' ODA efforts, it is useful to show them as a share of gross national income (GNI). "Total DAC" ODA/GNI is the sum of members' ODA divided by the sum of the GNI, *i.e.* the weighted ODA/GNI ratio of DAC members (*cf.* Average country effort).

**OTHER OFFICIAL FLOWS (OOF):** Transactions by the official sector with countries on the DAC List of ODA Recipients which do not meet the conditions for eligibility as official development assistance, either because they are not primarily aimed at development, or because they have a grant element of less than 25%.

**TECHNICAL CO-OPERATION:** Includes both a) grants to nationals of aid recipient countries receiving education or training at home or abroad, and b) payments to consultants, advisers and similar personnel as well as teachers and administrators serving in recipient countries.

**TIED AID:** Official grants or loans where procurement of the goods or services involved is limited to the donor country or to a group of countries which does not include substantially all aid recipient countries.

**VOLUME (real terms):** The flow data are expressed in United States dollars (USD). To give a truer idea of the volume of flows over time, some data are presented in constant prices and exchange rates, with a reference year specified. This means that adjustment has been made to cover both inflation in the donor's currency between the year in question and the reference year, and changes in the exchange rate between that currency and the United States dollar over the same period.





**The Development Assistance Committee welcomes your  
comments and suggestions.**

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