

**DEPUTY DIRECTOR**

DEVELOPMENT CO-OPERATION DIRECTORATE

Director's Office

DCD/ME(2022)17

19 July 2022

To: DAC Delegates and Observers

**European Union Mid-term Review, 8-10 February 2022, Brussels – Paris**

Dear Colleagues,

On behalf of the Development Assistance Committee's (DAC) Secretariat, I conducted the mid-term review of the European Union (EU) virtually, together with former Director Jorge Moreira da Silva, Rahul Malhotra and Renwick Irvine. We would like to thank Félix Fernández-Shaw, Director (Sustainable Development Policy and Co-ordination) in the Directorate-General for International Partnerships (INTPA) as well as officials from the Directorate-General for Neighbourhood and Enlargement Negotiations (DG NEAR) and the European External Action Service (EEAS) and all staff for the very constructive meetings and close co-operation in the review. Between 8 and 10 February, we had rich discussions with senior officials from the various Directorates-General as well as a Member of the Committee on Development of the European Parliament and representatives of civil society organisations (CSOs). We were unable to meet the European Investment Bank (EIB).

The mid-term review focused on implementation of the recommendations of the OECD DAC 2018 peer review in the context of developments that have taken place since. The EU development system has undergone deep reform of governance, instruments and clear policy drive. The Multiannual Financial Framework 2021-27 (MFF) has established new instruments including the Neighbourhood, Development and International Cooperation Instrument (NDICI) – Global Europe, which has earmarked EUR 79.46 billion for co-operation for 2021-27. Other instruments have also been established such as the Instrument for Pre-Accession Assistance III (IPA III) which incentivises reform. The Humanitarian Aid Instrument and Common Foreign and Security Policy (CFSP) are ensuring that the EU remains committed to humanitarian principles. The mid-term review focussed on three broad areas: the global impact of the EU's development approach; the policies and instruments through which it delivers; and the organisational mechanisms that enable it to be effective.

**Maximising the EU's global role including with EU Member States (MS)**

**The EU led in the response to the COVID pandemic, enabling a significant package of support to be delivered.** The new Team Europe approach forged a new way for MS to act coherently and visibly at scale, bringing together EU institutions, MS and European Development Finance Institutions (DFIs). It disbursed EUR 34 billion (as of April 2021) in support to partner countries in addressing the acute and longer-term consequences of the pandemic and support a sustainable recovery aligned with the SDGs. The EU played a leading role in setting up the COVAX Facility with Team Europe's contribution of approximately EUR 5 billion. Flexibility in the EU budget enabled it to respond to the COVID crisis at the end of a budgetary cycle, with substantial contributions from MS, EIB, EBRD and European DFIs. The EU has undertaken an evaluation of its COVID response. Findings from the evaluation provide an invaluable opportunity to learn lessons and prepare better future international responses to crises and we encouraged the EU to continue to engage in the COVID-19 Global Evaluation Coalition.

**The EU's influence is articulated through its “policy first” approach and emphasis on geographic partnerships.** The “policy first” approach means that the EU, including INTPA and NEAR, will pursue its strategic interests and thematic priorities in the way it engages with partner countries through all its tools and instruments, including EFSD+. Consistent with broader trends, the EU is using its international co-operation and partnerships in a more strategic way and embedding development co-operation in its wider political objectives and better connecting its internal agenda with external action (e.g. Green Deal, Digital Agenda, Migration). The Global Gateway, which aims to mobilise up to EUR 300 billion to support a new EU strategy to boost sustainable links around the world is one example of its geopolitical ambition. By making partnerships a cornerstone of the EU's development approach the EU underlines its commitment to modernise its relations with different regions, building on shared commitments such as the SDGs. In negotiating new, inclusive partnerships, such as at the 2022 EU - African Union Summit, the EU will need to carefully calibrate its own priorities with those of others.

**The EU has structural challenges in increasing resources to least developed countries (LDCs) but could play a stronger role in encouraging MS to implement the Consensus in meeting official development assistance (ODA) targets.** In 2019, LDCs received 23.1% of the EU institutions' gross bilateral ODA (USD 4.1 billion), reflecting a slight decrease compared to the 24.4% (2016) assessed during the 2018 peer review. The top three bilateral recipients in 2018-19 were Türkiye, Serbia and Egypt with upper middle income countries receiving 23.9% of gross bilateral ODA. Whilst INTPA rightly focuses on LDCs, with the provisional allocations 2020-24 for bilateral envelopes representing 71% of the total, the European Fund for Sustainable Development (EFSD+) and the EIB in particular will face challenges in shifting focus. Setting the incentives for these new instruments will be critical, as discussed below. Whilst we recognise the division of competencies, the role that the EU plays in encouraging MS to make progress on meeting the EU's commitment of 2015 to achieve 0.7% of ODA as a share of GNI by 2030 consistent with the European Consensus on Development, remains important. To support this, the Commission and Council could highlight the recent examples of MSs with roadmaps towards 0.7 %.

**To maximise their potential, Team Europe Initiatives (TEI) will require continued stakeholder management and outreach.** Team Europe has evolved from a political response to the COVID crisis to a more holistic approach. Team Europe is not a funding mechanism but a framing mechanism bundling together all actions in a country by the EU, EU MS and their DFIs under one banner in order to achieve transformational impact. The inclusion of TEIs into the programming of the NDICI demonstrates flexibility within the programming process. The [open-access tracker](#) which provides information on Joint Programming processes and TEIs across the world and the dissemination of methodological guidelines on TEIs to Team Europe members are a step in the right direction of clarifying the Team Europe approach, which has become the main delivery mode for the Global Gateway– although we expect that this will continue to evolve. The Commission will need to continue to manage carefully the expectations of different stakeholders in this regard. The actual implementation of TEIs and growing role of delegated co-operation to MS are issues that we will look at more fundamentally in the next peer review.

**The EU is a leader in policy coherence for sustainable development (PCSD) and plays an important role to support coherence across MS.** We welcome the 2019 evaluation of its policy coherence mechanisms. There has been clear progress through the 2021 Better Regulation initiative, which requires impact assessments to analyse, when relevant, the specific impacts of internal EU policies on developing countries, enhance coherence between internal and external action, and in general to identify how EU actions contribute to the Sustainable Development Goals (SDGs) at home and abroad. The EU could seek to influence MS, in terms of both building capacity on policy coherence and garnering the political will to act on it, with the levers at its disposal. The Carbon Border Adjustment Mechanism is one opportunity to demonstrate a coherent approach in a priority area of the Green Deal. The next Joint Synthesis Report and EU Policy Coherence for Development reporting, planned for 2023, is critical for accountability and needs to be based on robust evidence and indicators. We welcome the EU's engagement with the OECD in this area.

**The EU's approach to multilaterals has the potential to become more strategic but should ensure support enables multilateral organisations to deliver on their mandates and increase effectiveness.** The 2021 Joint Communication on strengthening the EU's contribution to rules-based multilateralism clearly sets out the EU's expectations of and ambitions for the multilateral system. As a political statement it provides strategic orientation for the EU and MS. However, it will take some time to implement it across the EU's significant earmarked funding for multilateral organisations – 21.4% of total ODA disbursements in 2019. Ensuring alignment between priorities

and means of delivery is work in progress, requiring strong central directives (that are currently being developed) for it to be translated into programming decisions. The planned dialogues with United Nations organisations (in which a reinvigorated UN Resident Coordinator (RC) system with independent and empowered RCs at its centre is a welcome feature) and Bretton-Woods institutions are positive developments. However, the wish to strengthen the multilateral system on the one hand and a “policy first” approach resulting in increasingly tightly earmarked multilateral funding on the other – which we understand is unlikely to change – needs careful attention. Becoming an observer of the Multilateral Organisation Performance Assessment Network (MOPAN), systematising feedback from delegations and using evaluations of the EU’s multilateral engagement could help evidence-based decision-making.

### **The policy orientation and the new instruments provide a robust framework to deliver the EU’s ambitions**

**In spite of a clear vision for development, the EU will need to manage multiple priorities to ensure effective delivery of its development co-operation.** The EU’s priorities for development, building on the new European Consensus on Development of 2017, provides a robust framework for action. Geographic prioritisation is a strong feature of the EU’s approach with the allocation to regions (EUR 60.38 billion), reflecting the EU’s priorities: Africa takes almost 50% (EUR 29.18 billion) followed by the Neighbourhood region (EUR 19.32 billion), with Asia and the Pacific and Americas and the Caribbean having reduced shares. NDICI – Global Europe provides the EU, including INTPA, NEAR and FPI, with a consolidated approach, a unified process and the ability to act at scale. The priorities reflect various interests in negotiating the budgets. Some of these – for example climate change (30% spending target), human development (minimum 20% spending target) and migration (10% indicative spending target) – have been baked into both the NDICI and IPA III Regulations with horizontal targets whilst others have emerged more recently as priorities – such as education as a result of political interest. At least 93% of NDICI-Global Europe funds are required to comply with the ODA criteria.

**At the same time as setting top-down priorities, the development model for the EU remains strongly country-based.** The bottom-up programming process of the new NDICI-GE instrument through Multi-annual Indicative Programmes (MIPs) – which included MS through the TEIs – has been finalised earlier this year, setting out priority areas, objectives, expected results and indicative financial allocations for each country, and regional (and thematic) programme. We note potential challenges in managing competing priorities of input targets, geographic and policy targets, local needs and the priorities of MS in this process.

**The poverty, inequality and green focus of NDICI is clear.** The human development spending target of at least 20% is important in this regard. The increased focus on inequality with an institutional leadership within INTPA is positive. We also welcomed its leadership in the OECD’s Community of Practice on Poverty and Inequalities. The Green Deal is impressive in that it is at the heart of EU policy and action. Whilst we welcome the maximalist approach to mainstreaming, we note that there is only a 30% spending target (with an additional EUR 4 billion) for climate change and a doubling of the EU’s external funding for biodiversity. The Commission intends to revise its toolbox on “Greening EU cooperation” in 2022 in order to match its increased climate and environment ambition.

**Gender equality is an area of real progress.** The simultaneous launch of the Gender Action Plan (GAP) III (which commits both the EU and MS) and the new instruments facilitate the mechanisms to deliver on the ambitious target of 85% of all actions having gender equality as a principal or significant objective. Adequate human resources as well as the development of country level implementation plans for the GAP III or tools such as country gender profiles and analysis, staff capacity development and internal incentives provide the springboard for such progress. The evaluation of the EU’s external action support in the area of gender equality and women’s and girls’ empowerment (that included GAP II) provided a strong evidence base for action and a good demonstration of evaluation findings influencing policy making. The EU will need to ensure that the quality of programming is maintained through the steep increase in ODA for gender equality.

**The Investment Framework is an area that needs to mature and provide evidence of impact.** There is high ambition to take a whole-of-EU approach to attract private investment for development. EFSD+ and the External Action Guarantee will provide EUR 53.46 billion. The guarantee of investments (up to EUR 10 billion) is potentially an innovative tool to complement others at the EU’s disposal – budget support or technical assistance – but it is not yet clear how it will work or what the demand will be at country level. Ensuring the complementarity (and not

duplication) of the guarantee with MSS' DFIs will be critical. Furthermore it is clear that the Commission's internal capacity in this policy area, including playing a convening role at delegation level, needs further attention. Finally it will be important for the Commission to purposefully build the evidence base around the impact of the new private sector instruments and keep a watchful eye on the poverty focus. The results measurement framework (RMF) has the potential to support this. It is noted that the call for proposals planned for March 2022 will establish relevant guidelines and standards.

**Building the European financial development architecture to deliver coherently is work in progress.** The relationship between EIB and EBRD has been considered with the 2019 Wise Persons Group report providing clear options to optimise the tools at the EU's disposal. The Roadmap on the Financial Architecture is setting out in more detail how they can work together more effectively and efficiently and to strengthen their co-operation with the European development banks and financial institutions.

### **Substantial reform provides a strong basis for a fit-for-purpose but still complex development system**

**The change to DG INTPA and internal reorganisation to reflect policy priorities have significant advantages** but the institutional complexity, simplified somewhat by having a single instrument, remains. The close co-ordination between DG NEAR and DG INTPA across various policy issues where resources are shared through joint units was an impressive sign of institutional maturity. The principle of *co-creation* with EEAS and INTPA to promote a joined-up approach to development was highlighted as a positive initiative, including through the establishment of a Division within EEAS for international cooperation under the steer of the EEAS Deputy Secretary General with a global mandate covering all regions including the neighbourhood. The governance steering mechanisms established to enhance co-ordination among the EU services aiming to overcome the system complexity and drive a common approach will be assessed in the next peer review. We found that the degree of change is impressive, especially considering the operational challenges over the last two years.

**The EU remains a leader on the results and evaluation agenda.** Hardwiring the new results framework/indicator set into the new instruments and country programmes should provide significant opportunities to feed into programming and for management to guide decision-making as well as for accountability. There is also good evidence of influential evaluations leading to policy change (gender, multilateral), although transparency of decentralised evaluations remains a concern.

**There appears to have been less change in terms of procedures, which remain largely cumbersome, making the EU a challenging partner for civil society.** Partners expressed concerns that both existing and new procedures are administratively burdensome. The new model grant agreement is currently subject to adjustments to make it more suitable to the external action types of grants and partners. We welcome the efforts of DG INTPA and DG NEAR to work closely with their partners to resolve issues. Conversely there have been changes which have increased budgetary authority of delegations. This is a positive step in increasing effectiveness and flexibility by making decisions at the right level. We were unable to explore in detail the incentives in place to encourage and scale innovation across portfolios and systems, although there appears to be a lack of a strategic narrative on innovation, beyond significant efforts on digitalisation.

**New human resource and learning and development strategies have been introduced to align to the reorganisation of INTPA.** Attracting new and retraining existing staff has been an important focus for newer priority areas such as digital and investment, although the EU recognised that this can take some time. Broader career perspectives, rotation and mobility that matches skills to available posts are positive recent changes. There has been less reform for local staff or for contract staff. The recent staff survey demonstrated that INTPA did improve in many areas (compared to 2018) and also reveals areas for further action, i.e. on professional future, innovation and work life balance. There has been substantial investment in tailoring learning – especially e-learning – to support the roll-out of the new instruments. We would encourage the EU to share the impressive [International Partnerships Academy](#) e-learning platform and Green Recovery e-learning package as a good practice for the OECD's [Development Co-operation - Tools Insights Practices \(TIPs\) platform](#) to share the experience widely.

## Conclusion

We are very encouraged by the EU's substantial reform and efforts to address the DAC's 2018 recommendations, which have already led to tangible progress. The mid-term review has in some ways come mid-reform. The next peer review will be an opportunity to discuss if the EU has been successful in its ambitious change process, in particular in ensuring delivery on the ground, with flexibility and responsiveness. The new instruments will be in full flow and the new financial architecture will be settled, which will enable the peer review to look at some of the impact of the changes that have been made, including in fragile contexts.

Yours sincerely,

A handwritten signature in blue ink, consisting of the initials 'P.F.' followed by a stylized, cursive signature.

Mayumi Endoh

CC: Ms. Susanna Moorehead, DAC Chair  
Mr. Rahul Malhotra, DCD  
Mr. Renwick Irvine, DCD