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Proposal for a

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**establishing a financing instrument for development cooperation**

{SEC(2011) 1469 final}

{SEC(2011) 1470 final}

## **EXPLANATORY MEMORANDUM**

### **1. CONTEXT OF THE PROPOSAL**

The number of people living in poverty continues to be a major problem in developing countries. While significant progress has been achieved, most developing countries remain off-track for the achievement of the Millennium Development Goals (MDGs) and are not able to successfully embark on the path of sustainable development in all its senses, economic, social and environmental, the latter including climate change mitigation and adaptation.

To aggravate the situation, global challenges continue to be prominent and developing countries were hit hard by the succession of recent crises resulting inter alia in social and economic instability, increased migration, food insecurity and an increased vulnerability to external shocks, among other effects. It is increasingly recognised that environmental and natural resources, vital for sustainable socio-economic growth, are increasingly at risk from climate change and rapid population growth. This may exacerbate an already fragile situation in many developing countries and risk undoing certain development achievements.

The EU remains committed to helping developing countries to reduce and ultimately eradicate poverty. To achieve this objective, the Development Cooperation Instrument (DCI) Regulation was established for the 2007-2013 period with the primary and overarching objective of eradicating poverty in partner countries and regions. It consists of three categories of programmes: (i) bilateral and regional geographic programmes covering cooperation with Asia, Latin America, Central Asia, the Middle East and South Africa; (ii) thematic programmes covering the following issues: investing in people, environment and sustainable management of natural resources including energy, non-State actors and local authorities, food security, and migration and asylum; and (iii) accompanying measures for sugar-producing countries.

The current DCI regulation expires on 31 December 2013. The various reviews undertaken of the DCI have acknowledged its overall added value and its contribution to the achievement of the MDGs, but have also highlighted certain shortcomings. New challenges, together with the priorities set out in the Europe 2020 Strategy and the latest EU development policy, have prompted the Commission to make a proposal to review and adapt the DCI Regulation in line with the communication "A Budget For Europe 2020" of 29 June 2011 and with the communication "Increasing the Impact of EU Development Policy: An Agenda for Change" of 13 October 2011.

### **2. RESULTS OF CONSULTATIONS WITH THE INTERESTED PARTIES AND IMPACT ASSESSMENTS**

#### **Public Consultation**

The Commission held a public consultation on future funding for EU external action between 26 November 2010 and 31 January 2011. This process was based on an online questionnaire accompanied by a background paper 'What funding for EU external action after 2013?'. In general, the replies did not suggest the need for a substantial change in the current structure of the existing instruments. Nevertheless, several issues were identified and were accordingly taken into account in the drafting of the new DCI Regulation:

- A majority of the respondents (around 70%) stated that EU financial intervention provided a substantial added value. Respondents stated that the EU should make good use of its comparative advantage linked to its global field presence, its wide-ranging expertise, its supranational nature and its role as a facilitator of coordination.
- Nearly all respondents (92%) supported a more differentiated approach, tailored to the situation of the beneficiary country, in order to increase the impact of EU financial instruments. In line with this, differentiation between the beneficiary countries is strengthened.
- There was wide support among respondents for exploring conditionality based on the beneficiary country's respect for human rights, minorities, good governance and diversity of cultural expressions (78%), and on the quality of its policies and of its ability and willingness to implement sound policies (63%). The proposed Regulation recognises the importance of national development plans as well as jointly developed EU strategies as the basis for cooperation. It also emphasises the basic EU values and principles and thus strengthens the conditionality and mutual accountability.
- A significant majority of respondents support increased flexibility in implementation, in particular for tackling transregional challenges, which is seen as being hampered by the 'geographical limitation' of individual instruments (EDF being limited to ACP countries, the DCI to Latin America, Asia, Central Asia, Middle East and South Africa, and the ENPI to neighbourhood countries). The proposed Regulation provides for implementing activities of trans-regional importance and groups the different thematic axes to increase flexibility and simplify the implementation.
- A majority of respondents agreed that joint programming and co-financing with Member States (and possibly with the beneficiary countries) could increase the impact and coherence of EU external action, simplify the delivery of aid and reduce overall transaction costs. This is duly addressed in the proposed Regulation.

### Collection and use of Expertise

The Commission performed an internal review of different reports (evaluations, audits, studies, mid-term reviews). The review looked at what worked and what did not work, and drew lessons for the drafting of the financial instruments.

The review showed that the current DCI contributed to progress towards the MDGs in developing countries. The DCI's implementation modalities, such as budget support and the "sector-wide approach", have allowed deeper cooperation with partner countries and more efficient division of labour through co-financing between donors.

Nevertheless, the review identified several shortcomings.

- Different internal EU policies are increasingly becoming part of the EU's external action. In line with the "Europe 2020 Strategy" and the Lisbon Treaty, mutual reinforcement of internal and external actions was needed. The existing architecture was inadequate to allow the Commission to intervene effectively on a sufficient scale. Grouping different thematic axes under one heading will significantly improve the situation.

- In some cases the thematic programmes were too fragmented to respond to global crises (e.g. the food price crisis, avian flu) or to international commitments made at the highest political level (e.g. biodiversity and climate change). The use of the thematic envelope therefore needed more flexibility through grouping the different thematic programmes and allow for a more coherent and comprehensive long-term engagement with global public goods and challenges, and to react to the various shocks affecting the poorest.
- The current DCI Regulation covers a wide range of developing countries, from the Least Developed Countries to Upper Middle Income Countries. The recent increase of economic and social disparities amongst partner countries and the development of new objectives call for improved differentiation. The proposed new Regulation provides further guidance on differentiation by allowing the EU to concentrate grant aid where it is needed most and where it will have greatest impact. To complete the policy mix, the Commission proposes creating a new instrument (Partnership Instrument) to address the objectives that go beyond pure development assistance.
- Supporting cross-regional initiatives has proved difficult given the current architecture of external assistance instruments. This was particularly the case in implementing the Joint Africa-EU Strategy. The new DCI regulation provides a better legal basis for the implementation of the Joint-Africa EU Strategy.
- In the present DCI Regulation, the provisions on fragile states and countries in post-crisis situations are insufficient: they underestimate the need to support political processes that strengthen the rule of law and governance. Addressing transition challenges requires a set of responses at country level, based on specific needs and related to a common strategy (a holistic approach). The new Regulation takes better account of these challenges and tackles the rigidity of the decision-making process in fund allocation, programming and implementation.
- The current DCI Regulation contains indicative allocations for each region, without any unallocated funds. This reduces the scope for mobilising resources to respond to unforeseen needs (new political priorities, natural or man-made disasters, etc.). The new Regulation proposes leaving some funds unallocated to be used as a response to unforeseen events.
- Finally, the current programming and implementation process for the DCI was assessed as too complex. It does not allow the EU programming cycle to be aligned to those of its partners, it does not facilitate joint programming with Member States and it does not allow swift adjustments if required. All these shortcomings have been directly addressed in the new DCI Regulation.

### Impact Assessment

The Commission carried out an Impact Assessment (IA) that considered 3 basic policy alternatives: maintaining the DCI Regulation without any amendment (option 1) and two alternatives for amending the DCI on each problem identified in the current DCI (Options 2A and 2B).

Option 1 was not accepted because it would not solve the problems identified. Sub-options A and B under Option 2 solve the identified problems to different extents, each having particular political and other implications. The IA concluded that sub-options B is better as it:

- brings the DCI objectives into line with the latest trends in EU development policy;
- differentiates clearly amongst partner countries;
- enshrines good governance, democracy, human rights and the rule of law in EU assistance;
- facilitates the implementation of the Joint Africa-EU Strategy;
- streamlines the thematic programmes to provide the necessary flexibility;
- ensures flexible mechanisms to facilitate a more effective EU response to rapidly evolving situations in crisis, post-crisis and fragile states;
- enhances the flexibility of fund allocations; and
- improves the effectiveness of EU aid by simplifying and making programming and implementation procedures more flexible, facilitating joint programming and aligning EU assistance with partner countries' programming cycles.

### **3. LEGAL ELEMENTS OF THE PROPOSAL**

Part Five, Title III, Chapter 1 of the Treaty of the Functioning of the European Union, provides the legal framework for cooperation with partner countries and regions. The proposed DCI Regulation is based in particular on Article 209(1) of the Treaty, and is presented by the Commission in accordance with the procedure laid down in Article 294. The Joint Statement by the Council and the Representatives of the Governments of the Member States meeting within the Council, the European Parliament and the Commission on European Union Development Policy: 'The European Consensus', of 20 December 2005, the communication of 13 October 2011 "Increasing the impact of EU development Policy - An Agenda for Change" as well as any future communication establishing basic orientations and principles for the Union's development policy, and any subsequent conclusions or modifications thereto, will provide the general framework, orientations and focus for the implementation of this Regulation.

The EU is in a uniquely impartial position to deliver part of the EU's external assistance on behalf of and with Member States, giving it enhanced credibility in the countries where it operates. Many Member States do not have the capacity and/or the willingness to develop global external instruments. Intervention at EU level is therefore the best way of promoting EU overall interests and values globally and ensuring a worldwide EU presence. With 27 Member States acting with common policies and strategies, the EU has the critical mass to respond to global challenges, in particular in relation to achieving the MDGs. Since the objectives of the proposed Regulation cannot be sufficiently achieved by the Member States alone and can therefore, by reason of the scale and coverage of the action, be better achieved at EU level, the EU may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty.

The proposed new Regulation also strengthens the coordination capacity and facilitates joint programming with the Member States, ensuring efficient division of labour and effective aid delivery. The EU's development policy and that of the Member States must complement and reinforce each other. To that end, EU assistance should focus where it can have greatest impact, having regard to its capacity to act at a global scale and respond to global challenges. In accordance with the principle of proportionality, as set out in Article 5 of the Treaty, the proposed new Regulation does not go beyond what is necessary to achieve its objectives.

The proposed new Regulation will operate taking into consideration the external dimension of EU sectoral policy priorities, ensuring coordination and enhancing synergies, in line with the objectives laid down in the Regulation, and in compliance with the aforementioned legal and policy framework.

#### 4. BUDGETARY IMPLICATION

The Commission proposes to allocate €6 billion for the 2014-2020 period for the external instruments<sup>1</sup>. The allocation proposed for DCI is €23 294.7 million. The indicative yearly budget commitments for the DCI are given in the table below. The indicative financial allocations per individual DCI programme are given in Annex VII of the Regulation. It is planned that no less than 50% of the programme for Global Public Goods and Challenges will be spent on climate change and environmental objectives<sup>2</sup> and at least 20% on social inclusion and human development. Globally, in line with the Communication "Increasing the impact of EU Development Policy: an Agenda for Change", a continued support for social inclusion and human development is foreseen through at least 20% of the Union's development aid. Finally, this Regulation intends to contribute to addressing at least 20% of the Union's budget to creating low carbon and climate resilient societies, as provided for in the Commission communication "A Budget for Europe 2020".

To ensure its predictability, funding for higher education activities in third countries in the context of "Erasmus for All" programme will be made available, in line with EU external action objectives, through 2 multi annual allocations only covering the first 4 years and the remaining 3 years respectively. This funding will be reflected in the multiannual indicative programming of the DCI, in line with the identified needs and priorities of the countries concerned. The allocations can be revised in case of major unforeseen circumstances or important political changes in line with the EU external priorities. The provisions of the "Erasmus for All" Regulation (EU) No [-] of the European Parliament and of the Council establishing "Erasmus for All"<sup>3</sup> will apply to the use of those funds.

Development Cooperation Instrument*	2014	2015	2016	2017	2018	2019	2020	2014-2020
	2 716,7	2 903.1	3 100.3	3 308.7	3 525.3	3 751.7	3 989	23 294.7

\*Current prices in million €

<sup>1</sup> EDF, Global Climate and Biodiversity Fund and Emergency Aid Reserve are additional to this and remain outside the EU budget..

<sup>2</sup> Sustainable energy-related activities will be one of the key areas for climate change expenditure. Likewise, in view of a key role of healthy ecosystem services for food production, biodiversity, especially when also contributing to climate resilience, will be one of the key areas under food security and sustainable agriculture.

<sup>3</sup> OJ L ...

## 5. MAIN ELEMENTS

### Simplification

A priority for the Commission in this new Regulation, as in other programmes within the context of the Multiannual Financial Framework (MFF), is to simplify the regulatory environment and facilitate the access of Union assistance to partner countries and regions, civil society organisations, SMEs, etc to the extent that they contribute to the objectives of the Regulation.

External instruments will be simplified by delineating them more clearly and reducing overlaps between them, so they are individually identified with clearly defined policy objectives.

Simplification and reduction of transactional costs for partner countries and regions will also be achieved through flexible programming procedures allowing for the application of the principles of Aid Effectiveness. For instance, the Union may align to the national development plans of partner countries, thus eliminating the need for partner countries to negotiate EU-specific strategy papers to be adopted by the Commission and enabling a more focused analysis which could be included in the multi-annual programming document. Likewise, donor coordination and division of labour may be reinforced through joint programming with Member States.

The implementation rules are contained in the Regulation (EU) No [--] of the European Parliament and of the Council of [--] establishing the common rules and procedures for the implementation of the Union's instruments for external action.

### Differentiation

The differentiated approach set out in the communication "Increasing the Impact of EU Development Policy: An Agenda for Change" intends to enhance the impact of EU development cooperation by targeting its resources where they are needed most to address poverty reduction and where they could have the greatest impact. This should be implemented first in terms of eligibility to bilateral development cooperation programmes; and secondly in terms of aid allocation.

In principle, high income, upper middle income and other large middle income countries, which are on a sustainable development path and/or have access to large domestic and external resources to finance their own development strategies, would graduate out of bilateral aid programmes. The world is developing: the OECD/DAC list of ODA recipients (revised in 2011) shows that more than 20 countries have graduated from low-income to middle-income or from lower-middle income to upper-middle income categories, based on GNI per capita. Obviously this is only one indicator among others and application of the differentiation principle must also take account of human development, aid dependency and other aspects, including the dynamics of the development process.

In particular, many middle income countries are playing a new and growing role at regional and/or global levels. The EU should therefore adapt the nature of our relations with them, including our cooperation priorities and instruments. This should not lead to a weakening of our relationships, but rather to a more modern set of instruments. The EU should engage in new partnerships with countries that graduate from bilateral aid programmes, notably on the

basis of regional and thematic programmes under the new DCI, thematic financial instruments for EU external action and the new Partnership Instrument.

### Delegated Acts

It is proposed that flexibility be reinforced by using delegated acts in accordance with Article 290 of the Treaty to make it possible to amend certain non-essential elements of the Regulation that affects the subsequent programming (e.g. annexes on eligible countries, areas for cooperation and indicative financial allocation per programme for 2014-2020).

### Detailed explanation

This section provides a detailed commentary, explaining the main ideas of the new DCI Regulation under each of the proposed articles.

#### **(0) Subject matter and Scope (Article 1 Title I)**

The only proposed change in Article 1 is to include the Pan-African Programme in the scope of the Regulation.

The Regulation thus covers all the developing countries, territories and regions except: the countries eligible for the Pre-Accession Instrument.

#### **(1) Objectives and General Principles (Title II) – Articles 2 and 3**

**Article 2 (Objectives and eligibility criteria)** sets out the primary and overarching objectives of the Regulation and the characteristics of the Union's geographic and thematic development cooperation. The objectives are in line with Article 208 of the Treaty, the aforementioned Commission's communications "A Budget For Europe 2020 and "Increasing the Impact of EU Development Policy: An Agenda for Change".

The Article provides for support for all forms of cooperation with developing countries. It requires fulfilling the criteria for Official Development Assistance (ODA) established by the OECD/DAC, subject to possible exceptions for the thematic and Pan-African programmes. For these programmes a 10% flexibility for non-ODA activities is foreseen to cover for expenditure which; although not strictly speaking ODA-compliant, may be required for the adequate implementation of actions under these programmes.

**Article 3 (General Principles)** sets out the main principles governing the implementation of the Regulation, which are democracy, respect for human rights and fundamental freedoms and the rule of law; differentiated approach towards the partner countries, taking into account their needs, capacities, commitments and performance, and potential EU impact; key cross-cutting issues (such as gender equality and women empowerment); strengthened coherence of EU external action; improved coordination with the Member States and other bilateral or multilateral donors; and a partner country-led and region-led development process with mutual accountability, through an inclusive and participatory approach to development, using effective and innovative cooperation modalities in line with OECD/DAC best practices and thus improving the impact of aid and reducing overlap and duplication.

#### **(2) Geographic and Thematic Programmes (Title III) – Articles 4 to 9**



**Article 4 (Implementation of Union's Assistance)** describes that the type of programmes under which EU assistance will be delivered.

**Article 5 (Geographic Programmes)** covers the possible areas for cooperation and distinguishes between regional and bilateral cooperation. The principle of differentiation laid down in Article 3 will be applied. As a consequence, bilateral development assistance would be provided to those partner countries which need it the most, and lack the required financial capacities for their own development. Also, the differentiation principle takes into account the potential impact of the Union assistance in partner countries. Partner countries that shall benefit from bilateral development assistance are listed in Annex III. This Annex does not include countries "graduated" according to the following criteria: partner countries representing more than 1% of the world's GDP and/or upper middle income countries according to the list of recipients of Official Development Aid (ODA) of the OECD/DAC are in principle excluded; however, additional criteria relating to their need and capacity is used, such as Human Development Index, the Economic Vulnerability Index and aid dependency, as well as economic growth and foreign direct investment. Also the reliability of the available data is taken into consideration.

All partner countries included in Annex I, however, would still benefit from regional and thematic programmes.

The Regulation does not restrict the areas of EU cooperation or intervention. Any listing of such areas is purely illustrative. Areas may be chosen because they are pertinent to achieving the aims laid down in the Treaty, to the EU's international obligations and commitments or to the specific objectives provided for in the agreements with partner countries and regions. They should nevertheless be proposed with reference to the EU's objective of concentrating assistance, with a view to ensuring that the EU's policy and the policies of the Member States complement each other as required under Article 208 of the Treaty<sup>4</sup> and in the light of the Commission's communications (in particular the Commission communication *An Agenda for Change*) and the appropriate Council and Parliament resolutions.

**Article 6 (Thematic Programmes)** covers the thematic programmes, whose general objectives and reach will be coherent with the overall purpose and scope of this Regulation, and the conditions under which the thematic programmes will be implemented.

**Article 7 (Global Public Goods and Challenges)** describes the Global Public Goods and Challenges thematic programme, which will target the main global goods and challenges in a flexible and cross cutting manner. The main fields of activities that will be pursued by this programme are further outlined in Annex V, and include, inter alia, environment and climate change, sustainable energy<sup>5</sup>, human development (including health, education, gender equality, employment, skills, social protection and social inclusion as well as economic development-related aspects such as growth, jobs, trade and private sector engagement), food security and migration and asylum. This thematic programme will enable swift response in view of unforeseen events and global crises (e.g. the food price crisis, avian flu). It will reduce the fragmentation of the EU development cooperation and will allow for appropriate reinforcement and consistency of internal and external actions.

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<sup>4</sup> "The Union's development cooperation policy and that of the Member States complement and reinforce each other" (Article 208).

<sup>5</sup> On security of energy supply and international co-operation, see Communication of 7.09.2011 "The EU Energy Policy: Engaging with Partners beyond our borders" - COM(2011) 539.

**Article 8 (Civil Society Organisations and Local Authorities)** describes the Civil Society Organisations (CSOs) and Local Authorities (LAs) thematic programme, which bases itself on the former Non-State Actors and Local Authorities programme. The focus of this programme has been sharpened with more attention given to capacity development of CSOs and LAs. The programme will promote an inclusive and empowered civil society and local authorities, increase awareness and mobilisation on development issues, and strengthen the capacity for policy dialogue on development.

**Article 9 (Pan-African Programme)** describes the Pan-African Programme that is being set up to implement the Joint Africa-EU Strategy (JAES). The programme will be complementary and coherent with other financial instruments, notably the ENI, the EDF and the thematic programmes under DCI. While ENI and EDF focus on interventions at the regional or national level in Africa, the Pan-African programme shall be used to provide specific support for the objectives of the JAES, supporting in particular activities of trans-regional, continental and trans-continental nature, as well as relevant JAES initiatives in the global arena. The Pan-African Programme will work in close cooperation/concertation with other instruments, and will concentrate on specific initiatives agreed in the framework of JAES and its Action Plans for which no alternative source of funding can be mobilised, thus ensuring the necessary coherence and synergy and preventing duplications and overlappings.

### **(3) Programming and Allocation of Funds (Title IV) – Articles 10 to 14**

**Article 10 (General Framework for Programming and Allocating Funds)** lays down the general framework for geographical and thematic programming, as well as for the allocation of the funds under this Regulation. In doing so, the allocation criteria identified in article 3(2) will be used. To ensure synergies and complementarity of the Union's measures and those of the Member States, the Member States will be fully involved in the programming process. Consultation process will also include other donors and development actors as well as civil society and regional and local authorities.

Paragraph 4 foresees leaving a certain amount of funds unallocated in order to increase the flexibility of the instrument and the possibility of reacting to unforeseen events (new political priorities, natural or man-made disasters, etc.).

**Article 11 (Programming documents for geographic programmes)** outlines the requirement and principles for preparing strategy papers for the countries and regions receiving an indicative allocation under this Regulation and, based on these, multiannual indicative programmes. The article also lists exceptions for when a strategy paper would not need to be prepared in order to simplify the programming process as well as to favour joint programming with Member States and alignment to the national programmes of development countries.

To ensure country ownership and principles of aid effectiveness, the strategy papers will be drafted in dialogue with the partner countries and regions, with relevant involvement of the civil society and regional and local authorities. Member States, as well as other donors, will be involved in line with Article 10(3).

The article also introduces the possibility of having a Joint Framework Document that would lay down a comprehensive Union strategy, of which development policy would be part of.

The prepared Multiannual Indicative Programmes (MIP) could be based on any programming documents identified in this article, except when the total allocation would not exceed 30

million EUR. MIPs can be adjusted through a mid term or ad hoc review, in view of achieved objectives as well as in light of newly identified needs, such as those resulting from crisis, post-crisis or fragility situations.

**Article 12 (Programming for countries in crisis, post-crisis or fragility situation)** emphasises the special needs and circumstances of countries in crisis, post-crisis or fragility situation, which ought to be considered at the time of drafting of all programming documents. Paragraph 2 of the Article 12 highlights the potential need for a swift response in such countries and foresees a special procedure (ex post comitology, Article 14(3)) for an ad hoc review of the strategy paper and of the multiannual indicative programme.

**Article 13 (Programming documents for thematic programmes)** describes the requirements and procedure for drafting the thematic programming documents. The Article also foresees a possibility of a mid term or ad hoc review, as necessary.

**Article 14 (Approval of Strategy Papers and adoption of Multiannual Indicative Programmes)** provides that multiannual programming documents (i.e. strategy papers, multiannual indicative programmes for partner countries and regions, and thematic strategy papers) will be adopted by the Commission after obtaining the opinion of a committee made up of representatives of the Member States and chaired by a Commission representative (the committee being established under Article 24 of this Regulation).

The Article also provides flexibility and simplification for cases in which there can be a derogation from the standard comitology procedures (e.g. no comitology used in case of technical adjustments or minor alterations of the overall allocations) and for cases where the comitology procedures could be applied after the adoption and implementation of Commission's amendments (e.g. cases of crisis, post-crisis and fragility or in the cases of threats to democracy and human rights).

#### **(4) Final provision (Title V) – Articles 15 to 22**

To make Union assistance more coherent and effective, and in particular to avoid programmes being split up among several different instruments, **Article 15 (Participation by a third country not eligible under this Regulation)** lays out the possibility to extend the eligibility of this Regulation to include all third countries, territories and regions, insofar as this contributes to the general objectives of the Regulation.

**Article 16 (Suspension of assistance)** lays down the procedure to be applied in the event of non-compliance with the principles set out in Title II and eventual suspension of assistance under this Regulation.

**Articles 17 and 18 (Delegation of powers to the Commission)** introduce the possibility of empowering the Commission to adopt delegated acts to amend or supplement the annexes I to VI(I) to this Regulation. Article 28 describes the characteristics and procedures of this delegation of power. The European Parliament and the Council will be notified simultaneously and instantly when the Commission adopts such a delegated act, and the act shall enter into force only if no objection has been expressed by the two institution within the period of 2 months (extendable by additional 2 months) from the notification.

**Article 19 (Committee)** establishes the relevant committee assisting the Commission in the implementation of this Regulation<sup>6</sup>.

**Article 20 (Financial provisions)** sets the financial reference amount for the implementation of the Regulation.

**Article 21 (European External Action Service)** highlights that this Regulation is to be applied in accordance with the Council Decision establishing the organisation and functioning of the European External Action Service<sup>7</sup>, in particular Article 9 thereof.

**Article 22 (Entry into force)** provides for the entry into force of the Regulation and its application from 1 January 2014, without setting an expiration date.

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<sup>6</sup> Regulation (EU) No 182/2011  
<sup>7</sup> Council Decision (EU) 2010/427

Proposal for a

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**establishing a financing instrument for development cooperation**

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 209(1) thereof,

Having regard to the proposal from the Commission,

After transmission of the draft legislative act to the national Parliaments,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) This Regulation constitutes one of the instruments providing direct support for the European Union's external policies. It will replace the Regulation of the European Parliament and of the Council No 1605/2006 of 18 December 2006 establishing a financing instrument for development cooperation<sup>8</sup> which expires on 31 December 2013.
- (2) The fight against poverty remains the primary objective of the development policy of the European Union, as laid down in Title V, Chapter 1 of the Treaty on European Union and Title III, Chapter 1 of Part Five of the Treaty on the Functioning of the European Union, in line with the Millennium Development Goals (MDGs)<sup>9</sup>, or other objectives accepted by the Union and its Member States.).
- (3) The European Consensus on Development<sup>10</sup> and Commission communications "Increasing the impact of EU development Policy - An Agenda for Change"<sup>11</sup>, and "The future approach of EU budget support to third countries"<sup>12</sup>, as well as any future communication establishing basic orientations and principles for the Union's development policy, and their subsequent conclusions, provide the general policy

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<sup>8</sup> OJ L 378, 27.12.2006, p. 41-71

<sup>9</sup> United Nations' Millennium Declaration, Resolution adopted by the General Assembly, 18 September 2000.

<sup>10</sup> Joint declaration by the Council and the representatives of the governments of the Member States meeting within the Council, the European Parliament and the Commission on the development policy of the European Union entitled "The European Consensus", OJ C 46, 24.2.2006, p. 1.

<sup>11</sup> Communication of 13 October 2011, not yet published in the OJ.

<sup>12</sup> Communication of 13 October 2011, not yet published in the OJ.

framework, the orientations and the focus to guide the implementation of this Regulation.

- (4) The Union is founded on the values of democracy, the rule of law, the universality and indivisibility of and respect for human rights and fundamental freedoms, respect for human dignity, the principles of equality and solidarity and respect for the principles of the UN Charter and international law. It seeks to develop and consolidate commitment to these values in partner countries and regions through dialogue and cooperation.
- (5) The Union also aims to ensure coherence with other areas of its external action. This should be ensured when formulating the Union's development cooperation policy and its strategic planning programming and implementation of measures.
- (6) More effective aid, greater complementarity and better harmonisation, alignment with partner countries, and coordination of procedures, both between the Union and its Member States and in relations with other donors and development actors, are essential for ensuring the consistency and relevance of aid whilst at the same time reducing the costs borne by partner countries. Through its development policy, the Union is committed to implementing those conclusions of the Declaration on Aid Effectiveness adopted by the High Level Forum on Aid Effectiveness, held in Paris, on 2 March 2005, the Accra Agenda for Action adopted on 4 September 2008 and their follow-up Declaration adopted in Busan on 1st December 2011. The objective of achieving a joint programming amongst the Union and its Member States should be reinforced. These commitments have led to a number of conclusions of the Council and of the Representatives of the Governments of the Member States meeting with the Council such as the EU Code of Conduct on Complementarity and Division of Labour in Development Policy<sup>13</sup>, and the Operational Framework on Aid Effectiveness<sup>14</sup>.
- (7) Union assistance should support the Joint Africa-EU Strategy<sup>15</sup> and its successive Actions Plans which forms the framework for broad and mutually beneficial cooperation within a Strategic Partnership characterised by the pursuit of common objectives on an equal footing.
- (8) The Union and the Member States should improve the consistency and the complementarity of their respective policies on development cooperation, in particular by responding to partner countries' and regions' priorities at country and regional level. To ensure that the Union's development cooperation policy and that of the Member States complement and reinforce each other, it is appropriate to provide for joint programming procedures which should be implemented whenever possible and relevant.
- (9) The Union's policy and international action for development cooperation are guided by the MDGs, such as the eradication of extreme poverty and hunger, including any

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<sup>13</sup> Council Conclusions of 15 May 2007 on "EU Code of Conduct on Complementarity and Division of Labour in Development Policy" (doc. 9558/07).

<sup>14</sup> Council Conclusions of 17 November 2009 on an Operational Framework on Aid Effectiveness (doc. 15912/09), enlarged and consolidated 11 January 2011 (doc. 18239/10).

<sup>15</sup> THE AFRICA-EU STRATEGIC PARTNERSHIP A Joint Africa-EU Strategy, adopted at the Lisbon Summit, 9 December 2007.

subsequent modifications thereto, and by the development objectives and principles approved by the Union and its Member States, including in the context of their cooperation within the United Nations (UN) and other competent international organisations in the field of development cooperation.

- (10) The Union should promote a comprehensive approach in response to crisis and disaster and to conflict-affected and fragile situations, including those of transition. This should in particular build on the Council conclusions on Security and Development<sup>16</sup> on an EU response to situations of fragility<sup>17</sup> on conflict prevention<sup>18</sup> as well as any relevant subsequent conclusions. This should provide the necessary mix of approaches, responses and instruments in particular by ensuring an appropriate balance between the security-oriented, development and humanitarian approaches, and by linking short-term reaction with the long term support.
- (11) Union assistance should focus where it has more impact, having regard to its capacity to act on a global scale and respond to global challenges such as poverty eradication, sustainable and inclusive development and worldwide promotion of democracy, good governance, human rights and the rule of law, its long-term and predictable commitment to development assistance and its role in coordinating with its Member States. To ensure such impact, the principle of differentiation should be applied not only at the level of funds allocation, but also at the level of programming, to ensure that bilateral development cooperation targets partner countries most in need, including fragile states and states with high vulnerability, and with limited capacity to have access to other sources of financing for supporting their own development, having regard to the potential impact of the Union assistance in partner countries. As a consequence, bilateral programming would target such countries, pursuant to the application of objective criteria based on the needs and capacities of these countries, as well as the impact of EU assistance.
- (12) This Regulation should provide an enabling framework for programming, allowing enhanced consistency between Union policies by using a joint framework document as a basis for programming. It should enable full alignment with partner countries and regions by relying, where appropriate, on national development plans or similar comprehensive development documents; and pursue a better coordination amongst donors, in particular between the Union and its Member States, through joint programming.
- (13) Since the objectives of this Regulation cannot be sufficiently achieved by the Member States and can therefore, by reason of the scale of the action, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity and proportionality as set out in Article 5 of the Treaty of the European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary to achieve those objectives.

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<sup>16</sup> Security and Development - Conclusions of the Council and the Representatives of the Governments of the Member States meeting within the Council of 20 November 2007 (doc.15097/07).

<sup>17</sup> An EU response to situations of fragility - Conclusions of the Council and the Representatives of the Governments of the Member States meeting within the Council of 20 November 2007 (doc. 11518/07).

<sup>18</sup> Council conclusions on conflict prevention, 3101st Foreign Affairs Council meeting, Luxembourg, 20 June 2011.

- (14) In a globalised world, different internal EU policies such as environment, climate change, employment (including decent work for all), gender equality, energy, water, transport, health, education, justice and security, research and innovation, information society, migration, agriculture and fisheries, are increasingly becoming part of the EU's external action. Commission Communication 'Europe 2020: A strategy for smart, sustainable and inclusive growth'<sup>19</sup> underlines the commitment of the Union to promote in its internal and external policies smart, inclusive and sustainable growth bringing together three pillars: economic, social and environmental.
- (15) Fighting climate change and protecting the environment are among the great challenges which face the Union and where the need for international action is urgent. In accordance with the intent stated in Commission Communication "A budget for Europe 2020" of 29 June 2011<sup>20</sup>, this Regulation should contribute to the objective of addressing at least 20% of the EU budget to low carbon and climate resilient society, and the global public goods and challenges programme should use at least 25% of its funds to cover climate change and environment. Actions in these two areas should, wherever possible, be mutually supportive in order to reinforce their impacts.
- (16) Commission communication "Increasing the impact of EU Development Policy: an Agenda for Change"<sup>21</sup> envisages continued support for social inclusion and human development through at least 20% of the Union's development aid. To contribute to that end, at least 20% of the global public goods and challenges programme should support that area of development.
- (17) The lists of partner countries under this Regulation should be adapted on the basis of possible changes to their status as established by the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD/DAC), as well as important changes in human development, aid dependency, crisis situations, vulnerability and other aspects including the dynamics of the development process. Such updates, reviews of the partner countries eligible for bilateral development cooperation and modifications in the definitions of detailed areas of cooperation and activities, and adjustments of the indicative financial allocation per programme, constitute non-essential elements of this Regulation. Consequently, in order to adapt its scope to the rapidly evolving reality in third countries, the power to adopt acts in accordance with Article 290 of the Treaty of the Functioning of the European Union should be delegated to the Commission for updating the Annexes of this Regulation which includes the list of partner countries and regions eligible for Union financing, the definition of detailed areas of cooperation under geographic and thematic programmes and the indicative allocations per programme. It is of particular importance that the Commission should carry out appropriate consultations during its preparatory work, including at expert level. The Commission, when preparing and drawing up delegated acts, should further ensure a simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and Council.

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<sup>19</sup> COM(2010) 2020 final

<sup>20</sup> COM(2011) 500 final

<sup>21</sup> COM(2011) 637 final



- (18) In order to ensure uniform conditions for the implementation of this Regulation, implementing powers should be conferred on the Commission.
- (19) The implementing powers relating to strategy papers and multiannual indicative programmes laid down in Articles 11 to 14 of this Regulation should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers<sup>22</sup>. Taking into account the nature of those implementing acts, in particular their policy orientation nature or their budgetary implications, the examination procedure should in general be used for their adoption, except for measures of a small financial scale. The Commission should adopt immediately applicable implementing acts where, in duly justified cases relating to the need for a swift response from the Union, imperative grounds of urgency so requires.
- (20) Common rules and procedures for the implementation of the Union's instruments for external action are laid down in Regulation (EU) No .../...of the European Parliament and of the Council of ....<sup>23</sup>, hereinafter 'the Common Implementing Regulation'.
- (21) The organisation and functioning of the European External Action Service are described in Council Decision 2010/427/EU<sup>24</sup>,

HAVE ADOPTED THIS REGULATION:

## **TITLE I**

### ***INTRODUCTION***

#### *Article 1*

#### **Subject matter and scope**

1. Under this Regulation, the Union may finance:
  - (a) geographic programmes aimed at supporting cooperation with developing countries, territories and regions set out in Annex I (hereinafter referred to as 'partner countries and regions'), which are included in the list of recipients of Official Development Assistance (ODA) of the OECD/DAC set out in Annex II. Partner countries that shall benefit from bilateral development assistance are set out in Annex III.
  - (b) thematic programmes to address global public goods and challenges and support civil society organisations and local authorities in countries, territories and regions eligible for Union funding under geographic programmes, in accordance with Annex I of this Regulation, Regulation (EU) No [.../...] of the European Parliament and the Council establishing a European Neighbourhood

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<sup>22</sup> OJ L 55, 28.2.2011, p. 13

<sup>23</sup> OJ L....

<sup>24</sup> OJ L 201, 3.8.2010, p. 30

Instrument<sup>25</sup>, and Council Decision [2001/822/EC of 27 November 2001 on the association of the overseas countries and territories<sup>26</sup>], and in African, Caribbean and Pacific (ACP) countries signatories to the ACP-EU Partnership Agreement signed in Cotonou on 23 June 2000.

- (c) a Pan-African programme to support the Joint Africa-EU Strategy in the countries, territories and regions covered by that Strategy.
2. For the purposes of this Regulation, a region is defined as a geographical entity comprising more than one developing country.

## **TITLE II**

### **OBJECTIVES AND GENERAL PRINCIPLES**

#### *Article 2*

##### **Objectives and eligibility criteria**

1. Within the framework of the principles and objectives of the Union's external action.
  - (a) the primary objective of cooperation under this Regulation shall be the reduction and, in the long term, the eradication of poverty;
  - (b) cooperation under this Regulation will also contribute to the achievement of other objectives of EU external action, in particular:
    - (i) fostering sustainable economic, social and environmental development, and
    - (ii) promoting democracy, the rule of law, good governance and respect for human rights.

The achievement of these objectives shall be measured using relevant indicators, in particular MDG 1 for subparagraph (a) and MDGs 1 to 8 for subparagraph (b), and other indicators agreed by the Union and its Member States.

2. Actions under geographic programmes shall be designed so as to fulfil the criteria for ODA established by the OECD/DAC.

Actions under the Pan-African and thematic programmes shall be designed so as to fulfil the criteria for ODA established by the OECD/DAC, unless:

- (a) the characteristics of the beneficiary require otherwise, or
- (b) the action implements a global initiative, a Union policy priority or an international obligation or commitment of the Union, as referred to in Article 6, and the action does not have the characteristics to fulfil the criteria for ODA.

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<sup>25</sup> OJ L ...

<sup>26</sup> OJ L 314 of 30.11.2001, p. 1.

Without prejudice to point (a), at least 90 % of the expenditure foreseen under the Pan-African and thematic programmes shall fulfil the criteria for ODA established by the OECD/DAC.

3. Actions covered by Council Regulation (EC) No 1257/96 of 20 June 1996 concerning humanitarian aid<sup>27</sup> and eligible for funding under that Regulation shall not, in principle, be funded under this Regulation, except where there is a need to ensure continuity of cooperation from crisis to stable conditions for development.

### *Article 3*

#### **General principles**

1. The Union seeks to promote, develop and consolidate the principles of democracy, the rule of law and respect for human rights and fundamental freedoms on which it is founded, through dialogue and cooperation with partner countries and regions.
2. In the implementation of this Regulation and with the purpose to ensure high impact of Union assistance, a differentiated approach amongst partner countries shall be pursued, in order to ensure that they are provided with specific, tailor-made cooperation based on their:
  - (a) needs;
  - (b) capacities to generate and access financial resources and absorption capacities; and
  - (c) commitments and performance.

The differentiated approach shall also be pursued having regard to the potential impact of the Union assistance in partner countries.

The countries most in need, in particular the least developed countries, low income countries and countries in crisis, post-crisis, fragile and vulnerable situation, shall be given priority in the resource allocation process.

3. The following cross-cutting issues shall be mainstreamed in all programmes: the promotion of human rights, gender equality, women empowerment, non-discrimination, democracy, good governance, the rights of the child and indigenous peoples' rights, social inclusion and the rights of persons with disabilities, environmental sustainability including addressing climate change and combating HIV/AIDS.
4. Particular attention shall be given to strengthening the rule of law, improving access to justice and supporting civil society, trade and sustainable development, access to ICTs, health and food security, as well as promoting dialogue, participation and reconciliation, and institution-building.

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<sup>27</sup> OJ L 163, 2.7.1996, p. 1.

5. In implementing this Regulation, consistency shall be ensured with other areas of Union external action and with other relevant Union policies. To this end, measures financed under this Regulation, including those managed by the EIB, shall be based on the cooperation policies set out in instruments such as agreements, declarations and action plans between the Union and the third countries and regions concerned, and on the Union's decisions, specific interests, policy priorities and strategies.
6. The Commission and the Member States shall seek regular and frequent exchanges of information, including with other donors, and promote better donor coordination and complementarity by working towards joint multiannual programming, based on partner countries' poverty reduction or equivalent strategies, by common implementation mechanisms including shared analysis, by joint donor-wide missions and by the use of co-financing and delegated cooperation arrangements.
7. Within their respective spheres of competence, the Union and the Member States shall promote a multilateral approach to global challenges and, where appropriate, foster cooperation with international organisations and bodies and other bilateral donors.
8. The Union shall promote effective cooperation with partner countries and regions in line with international best practice. It shall increasingly align its support with partners' national or regional development strategies, reform policies and procedures. It shall contribute to strengthening the process of mutual accountability between partner governments and institutions and donors and promote local expertise and local employment. To that end, it shall promote:
  - (a) a development process that is partner country or region led and owned;
  - (b) inclusive and participatory approaches to development and a broad involvement of all segments of society in the development process and in national and regional dialogue, including political dialogue;
  - (c) effective and innovative cooperation modalities and instruments as set out in Article 4 of the Common Implementing Regulation , such as blending grants and loans and other risk-sharing mechanisms in selected sectors and countries and private-sector engagement, in line with OECD/DAC best practices. These modalities and instruments shall be adapted to the particular circumstances of each partner country or region, with a focus on programme-based approaches, on delivery of predictable aid funding, on the mobilisation of private resources, on the development and use of country systems and on results-based approaches to development including, where appropriate, internationally agreed targets and indicators such as those of the MDGs; and
  - (d) improved impact of policies and programming through coordination and harmonisation between donors to reduce overlap and duplication, to improve complementarity and to support donor-wide initiatives.
  - (e) Coordination shall take place in partner countries and regions using agreed guidelines and best practice principles on coordination and aid effectiveness.

9. The Union will support *inter alia* the implementation of bilateral, regional and multilateral cooperation and dialogue, partnership agreements and triangular cooperation.
10. The Commission shall seek regular exchanges of information with civil society.

### **TITLE III**

## **GEOGRAPHIC AND THEMATIC PROGRAMMES**

### *Article 4*

#### **Implementation of Union assistance**

Consistently with the overall purpose and scope, objectives and general principles of this Regulation, Union assistance shall be implemented through geographic, thematic and the Pan-African programmes and in accordance with the Common Implementing Regulation.

### *Article 5*

#### **Geographic programmes**

1. Union cooperation activities under this Article will be implemented for activities of national, regional, trans-regional and continental nature.
2. Without prejudice to Article 1(1)(a), a geographic programme shall encompass cooperation in appropriate areas of activity,
  - (a) regionally with partner countries set out in Annex I, and
  - (b) bilaterally with partner countries set out in Annex III.
3. Geographic programmes may be drawn from the areas of cooperation contained in the "European Consensus", amongst others, in order to attain the objectives provided for in Article 2(1).

Common areas of cooperation and specific areas of cooperation for each region are set out in Annex IV.

4. Within each country programme, the Union will in principle concentrate its assistance on three sectors.

### *Article 6*

#### **Thematic programmes**

Consistent with the overall purpose and scope, objectives and general principles of this Regulation, actions undertaken through thematic programmes shall add value to and, be complementary to, actions funded under geographic programmes.

The following conditions shall apply to the programming of thematic actions:

- (a) Union policy objectives under this Regulation cannot be achieved in an appropriate or effective manner through geographic programmes;
- (b) the actions address global initiatives supporting internationally agreed goals, or global public goods and challenges, in which case, by way of derogation from Article 9 of the Common Implementing Regulation, they may include actions in Member States, candidate countries and potential candidates and other third countries, as envisaged in the relevant thematic programme;

and/or

- (c) the actions are of the following nature:
  - multi-regional and/or cross-cutting;
  - innovative policies and/or initiatives with the objective of informing future actions;
  - actions in cases where there is no agreement on the action with the partner government(s);
  - actions which reflect a Union policy priority or an international obligation or commitment of the Union; and
  - where appropriate, actions in cases where there is no geographic programme or where it has been suspended.

#### *Article 7*

### **Global public goods and challenges**

1. The objective of Union assistance under the programme ‘Global public goods and challenges’ shall be to support actions in areas such as the environment and climate change, sustainable energy, human development, food security, and migration and asylum.
2. Detailed areas of activities to be pursued by the Union assistance under this Article are set out in Annex V.

#### *Article 8*

### **Civil society organisations and local authorities**

1. The objective of the programme on civil society organisations and local authorities in development shall be to finance initiatives in the area of development by or for civil society organisations and local authorities originating from partner countries, the Union, candidate countries and potential candidates.

2. Detailed areas of activities to be pursued by the Union assistance under this Article, as well as an indicative list of categories of civil society organisations and local authorities, are set out in Annex V.

#### *Article 9*

### **Pan-African programme**

1. Union assistance shall support the implementation of the Joint Africa-EU Strategy, and in particular its successive Action plans, to cover activities of a trans-regional, continental or global nature.

The Pan-African programme will further promote complementarity and consistency with other financial instruments of the Union's external action, notably the European Development Fund and the European Neighbourhood Instrument.

2. Detailed areas of cooperation to be pursued by Union assistance under this Article are set out in Annex VI.
3. The multiannual indicative programme for the Pan-African programme shall be drawn up on the basis of the Joint Africa-EU Strategy and its Action plans.

## **TITLE IV**

### **PROGRAMMING AND ALLOCATION OF FUNDS**

#### *Article 10*

### **General framework for programming and allocating funds**

1. For geographic programmes, multiannual indicative programmes for partner countries and regions shall be drawn up on the basis of a strategy document, as provided for in Article 11.

For thematic programmes, multiannual indicative programmes shall be drawn up as provided for in Article 13.

The Commission shall adopt the implementing measures laid down in Article 2 of the Common Implementing Regulation on the basis of the programming documents referred to in Articles 11 and 13. In particular circumstances, however, Union support may also take the form of measures not covered in these documents, as provided for in the Common Implementing Regulation..

2. The Union and its Member States shall consult each other, and other donors and development actors including representatives of civil society and regional and local authorities, at an early stage of the programming process in order to promote complementarity and consistency among their cooperation activities. This consultation may lead to joint programming between the Union and its Member States.

3. The Commission shall determine the multiannual indicative allocations within each geographic programme in accordance with the general principles of this Regulation, based on the criteria laid down in Article 3(2), and taking into account, alongside the specificity of the different programmes, the particular difficulties faced by countries or regions that are in crisis, vulnerable, fragile, in conflict or disaster prone.
4. Funds may be left unallocated. Subject to their subsequent allocation or re-allocation as provided for in Articles 11(5) and 13, the use of these funds shall be decided later in accordance with the Common Implementing Regulation.

### *Article 11*

#### **Programming documents for geographic programmes**

1. Strategy papers are documents drawn up by the Union to provide a coherent framework for development cooperation between the Union and the partner country or region concerned, consistent with the overall purpose and scope, objectives, principles and policy of the Union.

The preparation and implementation of strategy papers shall comply with the principles of aid effectiveness: national ownership, partnership, coordination, harmonisation, alignment with recipient country or regional systems, mutual accountability and results orientation as laid down in Article 3(5) to (8).

To that end, strategy papers shall, in principle, be based on a dialogue between the Union and the partner country or region, involving where appropriate, the relevant Member States, and the partner country or region, involving civil society and regional and local authorities, so as to ensure that the country or region concerned takes sufficient ownership of the process and to encourage support for national development strategies, particularly those for reducing poverty.

2. Strategy papers may be reviewed at their mid-term, or ad hoc if necessary, in accordance, as appropriate, with the principles and procedures laid down in the partnership and cooperation agreements concluded with the partner countries and regions.
3. Strategy papers shall be drawn up for the relevant partner countries or regions, unless a joint framework document laying down a comprehensive Union strategy, including development policy, has been drawn up for the partner country or region concerned.

No strategy paper will be required for:

- (a) countries having a national development strategy in the form of a national development plan or a similar development document accepted by the Commission as a basis for the corresponding multiannual indicative programme, when adopting of the latter document;
- (b) countries or regions for which a joint multiannual programming document between the Union and Member States has been agreed;
- (c) regions having a jointly agreed strategy with the EU.



4. Strategy papers shall not be required for the countries or regions receiving an allocation of Union funds under this Regulation not exceeding EUR 50 million for the 2014-2020 period.
5. Multiannual indicative programmes shall be drawn up for each of the countries or regions receiving an indicative allocation of Union funds under this Regulation. Except for countries or regions mentioned in paragraph 4, these documents shall be drawn up on the basis of the strategy papers or similar documents referred to in this Article.

For the purpose of this Regulation, where it complies with the principles and conditions established in this paragraph, including an indicative allocation of funds, and with the procedures provided for in Article 14, the joint multiannual programming document provided for in paragraph 3(b) may be considered as the multiannual indicative programme.

Multiannual indicative programmes shall set out the priority areas selected for Union financing, the specific objectives, the expected results, the performance indicators and the indicative financial allocation, both overall and per priority area. Where appropriate, this allocation may be given in the form of a range and/or some funds may be left unallocated.

The multiannual indicative programmes should be adjusted where necessary, taking into account any mid-term or ad hoc reviews of the strategy document on which they are based.

Pursuant to the principle of mutual accountability in the pursuit and fulfilment of agreed objectives, including those referring to good governance, democracy and respect for human rights and to the rule of law, indicative allocations may be increased or decreased as a result of reviews, particularly in the light of special needs such as those resulting from a crisis, post-crisis or fragility situation, or where performance has been exceptional or unsatisfactory.

## *Article 12*

### **Programming for countries in crisis, post-crisis or fragility situations**

1. When drawing up the programming documents for countries in crisis, post-crisis, or fragility situations, due account shall be taken of the vulnerability, special needs and circumstances of the countries or regions concerned.

Proper attention should be given to conflict prevention, state and peace building, post-conflict reconciliation and reconstruction measures.

Where partner countries or groups of partner countries are directly involved in, or affected by, a crisis, post-crisis or fragility situation, special emphasis shall be placed on stepping up coordination between relief, rehabilitation and development to help them make the transition from an emergency situation to the development phase. Programmes for countries and regions in fragility or regularly subject to natural disasters shall provide for disaster preparedness and prevention and for managing the consequences of such disasters.

2. In cases of crises, post crisis and fragility situations or threats to democracy, the rule of law, human rights or fundamental freedoms requiring a swift response by the Union, the urgency procedure provided for in Article 15(4) of the Common Implementing Regulation may be used to modify the document referred to in Article 11 following an ad hoc review of the country's or region's cooperation strategy.

Such reviews may propose a specific and adapted strategy to ensure the transition to long-term cooperation and development, promoting a better coordination and transition between the humanitarian and development policy instruments.

### *Article 13*

#### **Programming documents for thematic programmes**

1. Multiannual indicative programmes for thematic programmes shall set out the Union's strategy for the theme concerned, the priorities selected for financing by the Union, the specific objectives, the expected results, the performance indicators, the international situation and the activities of the main partners. Where applicable, resources and intervention priorities shall be laid down for participation in global initiatives. Multiannual indicative programmes shall be consistent with the documents referred to in Article 11(3).
2. The multiannual indicative programmes shall give the indicative financial allocation, both overall and by priority area. Where appropriate, this allocation may, be given in the form of a range, and/or some funds may be left unallocated. Multiannual indicative programmes should be adjusted where necessary for an effective policy implementation, taking into account any mid-term or ad hoc reviews.
3. The Commission and the Member States shall consult each other, as well as other donors and development actors including representatives of civil society and local authorities, at an early stage of the programming process in order to promote complementarity among their cooperation activities.

### *Article 14*

#### **Approval of strategy papers and adoption of multiannual indicative programmes**

1. Strategy papers shall be approved and multiannual indicative programmes shall be adopted by the Commission in accordance with the examination procedure referred to in Article 15(3) of the Common Implementing Regulation. This procedure shall also apply to substantial reviews which have the effect of significantly modifying the strategy or its programming.
2. The procedure referred to in paragraph 1 shall not apply to non-substantial modifications to strategy papers and multiannual indicative programmes, making technical adjustments, reassigning funds within the indicative allocations per priority area, or increasing or decreasing the size of the initial indicative allocation by less than 20%, provided that these modifications do not affect the priority areas and objectives set out in these documents. In such case, adjustments shall be communicated to the European Parliament and to the Council within one month.

3. On duly justified imperative grounds of urgency relating *inter alia* to the circumstances referred to in Article 12(2), the Commission may modify strategy papers and multiannual indicative programmes in accordance with the urgency procedure referred in Article 15(4) of the Common Implementing Regulation.

## **TITLE V**

### **FINAL PROVISIONS**

#### *Article 15*

##### **Participation by a third country non eligible under this Regulation**

In duly justified circumstances and in order to ensure the coherence and effectiveness of Union financing or to foster regional or trans-regional cooperation, the Commission may decide, without prejudice to Article 2(3), to extend the eligibility of actions to countries, territories and regions which otherwise would not be eligible for financing pursuant to Article 1, where the action to be implemented is of a global, regional, trans-regional or cross border nature. Notwithstanding the provisions of Article 8(1) of the Common Implementing Regulation, natural and legal persons from countries, territories and regions concerned may participate in the procedures implementing such actions.

#### *Article 16*

##### **Suspension of assistance**

Without prejudice to the provisions on suspension of aid in partnership and cooperation agreements with partner countries and regions, where a partner country fails to observe the principles referred to in Article 3(1), the Union shall invite the partner country to hold consultations in view of finding a solution acceptable to both parties, except in cases of special urgency. Where consultations with the partner country do not lead to a solution acceptable to both parties, or if consultations are refused or in cases of special urgency, the Council may take appropriate measures in accordance with Article 215(1) of the Treaty on the Functioning of the European Union, which may include full or partial suspension of Union assistance.

#### *Article 17*

##### **Delegation of powers to the Commission**

The Commission shall be empowered to adopt delegated acts in accordance with Article 18 to amend or supplement the Annexes I to VII to this Regulation.

#### *Article 18*

##### **Exercise of the delegation**

1. The delegation of powers referred to in Article 17 shall be conferred for the period of validity of this Regulation.

2. The delegation of powers may be revoked at any time by the European Parliament or by the Council. A decision of revocation shall put an end to the delegation of power specified in that decision. It shall take effect the day following the publication of the decision in the *Official Journal of the European Union* or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.
3. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and the Council.
4. Except for the cases mentioned in paragraph 5, a delegated act adopted shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of 2 months of notification of the act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by 2 months at the initiative of the European Parliament or the Council.
5. The non-objection period for aligning Annex I, II and III to the decisions of the OECD/DAC reviewing the list of recipients laid down in Article 1(a) shall be one week.

#### *Article 19*

#### **Committee**

The Commission shall be assisted by the DCI committee. That committee shall be a committee within the meaning of Regulation (EU) No 182/2011.

#### *Article 20*

#### **Financial reference amount**

1. The financial reference amount for the implementation of this Regulation over the period 2014-2020 is EUR 23 294 700 000.
2. The indicative minimum amounts allocated to each programme referred to in Articles 5 to 9 for the period 2014-2020 are laid down in Annex VII. The amounts may be reallocated between programmes by a delegated act in accordance with Article 18. The amounts within the global public goods and challenges programme may be reallocated between subheadings by Commission decision which shall be communicated to the European Parliament and to the Council within one month of its adoption.
3. As referred to in Article 13, paragraph 2 of the "Erasmus for All" Regulation, in order to promote the international dimension of higher education, an indicative amount of EUR 1 812 100 000 from the different external instruments (Development Cooperation Instrument, European Neighbourhood Instrument, Instrument for Pre-accession Assistance, Partnership Instrument and the European Development Fund), will be allocated to actions of learning mobility to or from non EU countries and to cooperation and policy dialogue with authorities/institutions/organisations from these

countries. The provisions of the "Erasmus for All" Regulation will apply to the use of those funds.

The funding will be made available through 2 multiannual allocations only covering the first 4 years and the remaining 3 years respectively. This funding will be reflected in the multiannual indicative programming of these instruments, in line with the identified needs and priorities of the countries concerned. The allocations can be revised in case of major unforeseen circumstances or important political changes in line with the EU external priorities.

#### *Article 21*

### **European External Action Service**

The application of this Regulation shall be in accordance with Council Decision 2010/427/EU, establishing the organisation and functioning of the European External Action Service.

#### *Article 22*

### **Entry into force**

This Regulation shall enter into force on the third day following that of its publication in the Official Journal of the European Union.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

It shall apply from 1 January 2014.

Done at Brussels,

*For the European Parliament*  
*The President*

*For the Council*  
*The President*

*ANNEX I*

**PARTNER COUNTRIES AND REGIONS ELIGIBLE UNDER ARTICLE 1(1)(a)**

**Latin America**

1. Argentina
2. Bolivia
3. Brazil
4. Chile
5. Colombia
6. Costa Rica
7. Cuba
8. Ecuador
9. El Salvador
10. Guatemala
11. Honduras
12. Mexico
13. Nicaragua
14. Panama
15. Paraguay
16. Peru
17. Uruguay
18. Venezuela

**Asia**

19. Afghanistan
20. Bangladesh
21. Bhutan
22. Cambodia

23. China
24. India
25. Indonesia
26. Democratic People's Republic of Korea
27. Laos
28. Malaysia
29. Maldives
30. Mongolia
31. Myanmar/Burma
32. Nepal
33. Pakistan
34. Philippines
35. Sri Lanka
36. Thailand
37. Viet Nam

#### **Central Asia**

38. Kazakhstan
39. Kyrgyz Republic
40. Tajikistan
41. Turkmenistan
42. Uzbekistan

#### **Middle East**

43. Iran
44. Iraq
45. Yemen

#### **SouthAfrica**

46. South Africa



ANNEX II

OECD/DAC LIST OF ODA RECIPIENTS

Effective for reporting on 2011, 2012 and 2013 flows

Least Developed Countries	Other Low Income Countries (per capita GNI <= \$1 005 in 2010)	Lower Middle Income Countries and Territories (per capita GNI \$1 006-\$3 975 in 2010)	Upper Middle Income Countries and Territories (per capita GNI \$3 976-\$12 275 in 2010)
Afghanistan	Kenya	Armenia	Albania
Angola	Korea, Dem. Rep.	Belize	Algeria
Bangladesh	Kyrgyz Rep.	Bolivia	*Anguilla
Benin	South Sudan	Cameroon	Antigua and Barbuda
Bhutan	Tajikistan	Cape Verde	Argentina
Burkina Faso	Zimbabwe	Congo, Rep.	Azerbaijan
Burundi		Côte d'Ivoire	Belarus
Cambodia		Egypt	Bosnia and Herzegovina
Central African Rep.		El Salvador	Botswana
Chad		Fiji	Brazil
Comoros		Georgia	Chile
Congo, Dem. Rep.		Ghana	China
Djibouti		Guatemala	Colombia
Equatorial Guinea		Guyana	Cook Islands
Eritrea		Honduras	Costa Rica
Ethiopia		India	Cuba
Gambia		Indonesia	Dominica
Guinea		Iraq	Dominican Republic
Guinea-Bissau		Kosovo <sup>1</sup>	Ecuador
Haiti		Marshall Islands	Former Yugoslav Republic of Macedonia
Kiribati		Micronesia, Federated States	Gabon
Laos		Moldova	Grenada
Lesotho		Mongolia	Iran
Liberia		Morocco	Jamaica
Madagascar		Nicaragua	Jordan
Malawi		Nigeria	Kazakhstan
Mali		Pakistan	Lebanon
Mauritania		Papua New Guinea	Libya
Mozambique		Paraguay	Malaysia
Myanmar		Philippines	Maldives
Nepal		Sri Lanka	Mauritius
Niger		Swaziland	Mexico
Rwanda		Syria	Montenegro
Samoa		*Tokelau	*Montserrat
São Tomé and Príncipe		Tonga	Namibia
Senegal		Turkmenistan	Nauru
Sierra Leone		Ukraine	Niue
Solomon Islands		Uzbekistan	Palau
Somalia		Vietnam	Panama
Sudan		West Bank and Gaza Strip	Peru
Tanzania			Serbia
Timor-Leste			Seychelles
Togo			South Africa
Tuvalu			*St. Helena
Uganda			St. Kitts-Nevis
Vanuatu			St. Lucia
Yemen			St. Vincent and Grenadines
Zambia			Suriname
			Thailand
			Tunisia
			Turkey
			Uruguay
			Venezuela
			*Wallis and Futuna

\*Territory.

(1) This is without prejudice to the status of Kosovo under international law.

### *ANNEX III*

#### **PARTNER COUNTRIES AND REGIONS WITH A BILATERAL COOPERATION ACCORDING TO ARTICLE 5(2)**

The following partner countries benefit from bilateral development assistance under this Regulation pursuant to Article 5(2):

1. Bolivia
2. Cuba
3. El Salvador
4. Guatemala
5. Honduras
6. Nicaragua
7. Paraguay
8. Afghanistan
9. Bangladesh
10. Bhutan
11. Cambodia
12. Democratic People's Republic of Korea
13. Laos
14. Mongolia
15. Myanmar/Burma
16. Nepal
17. Pakistan
18. Philippines
19. Sri Lanka
20. Viet Nam
21. Kyrgyz Republic
22. Tajikistan

23. Turkmenistan

24. Uzbekistan

25. Iraq

26. Yemen.

27. South Africa

## AREAS OF COOPERATION UNDER GEOGRAPHIC PROGRAMMES

### A. COMMON AREAS OF COOPERATION UNDER GEOGRAPHIC PROGRAMMES

Geographic programmes may be drawn, *inter alia*, from the areas of cooperation identified hereafter, which should not be read to equate with sectors. Priorities will be established in accordance with the Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee and the Committee of the Regions "Increasing the impact of EU Development Policy: an Agenda for Change" and with the subsequent conclusions from the Council institutions.

#### **I. Human rights, democracy and other key elements of good governance**

- (a) Democracy, human rights and the rule of law;
- (b) Gender equality and the empowerment of women;
- (c) Public sector management;
- (d) Tax policy and administration;
- (e) Corruption;
- (f) Civil society and local authorities;
- (g) Natural resources; and
- (h) Development-security nexus.

#### **II. Inclusive and sustainable growth for human development**

- (a) Social protection, health, education and jobs;
- (b) Business environment, regional integration and world markets; and
- (c) Sustainable agriculture and energy.

#### **III. Other areas of significance for Policy Coherence for Development**

- (a) Climate change and environment;
- (b) Migration and asylum; and
- (c) Transition from humanitarian aid and crisis response to long-term development cooperation.

## **B. SPECIFIC AREAS OF COOPERATION PER REGION**

European Union assistance shall support actions and sectoral dialogues consistent with Article 5 and with the overall purpose and scope, objective and general principles of this Regulation. Appropriate consideration shall be given to the areas described below, reflecting jointly-agreed strategies, partnership, cooperation and trade agreements. Priorities will be established in accordance with the Communication "An Agenda for Change" and with the subsequent conclusions of the Council.

### **Latin America**

- (a) encouraging social cohesion, in particular social inclusion, decent work and equity, gender equality and women empowerment;
- (b) addressing governance issues and supporting policy reforms, in particular in the areas of social policies, public finance management and taxation, security (including drugs, criminality and corruption), reinforcement of good governance and public institutions (including through innovative mechanisms for the provision of technical cooperation, e.g. TAIEX and twinning), protection of human rights, including the indigenous peoples' and afro-descendants' rights, environment, fight against discrimination, and fight against production, consumption and trafficking of drugs;
- (c) supporting various processes of regional integration and interconnection of network infrastructures, while ensuring complementarity with activities supported by European Investment Bank (EIB) and other institutions;
- (d) addressing the security-development nexus;
- (e) supporting policies in the area of education and the development of a common Latin American higher education area;
- (f) addressing economic vulnerability and contributing to structural transformation by establishing a strong partnerships around trade, investments, know-how and research, innovation and technology, and promoting sustainable and inclusive growth in all its dimensions, with particular attention to the challenges of migratory flows, food security (including sustainable agriculture and fisheries), climate change, sustainable energies and the protection and enhancement of biodiversity and ecosystem services, including water and forests, as well as on productive investment for more and better jobs in the green economy;
- (g) ensuring an appropriate follow up to short term emergency measures addressing post-disaster or post-crisis recovery implemented through other financial instruments.

### **Asia**

- (a) encouraging social cohesion, in particular social inclusion, decent work and equity and gender equality;
- (b) establishing inclusive partnerships around trade, investment, aid, migration, research, innovation and technology;

- (c) building and strengthening legitimate, effective and accountable public institutions and bodies, through promotion of institutional reforms (including on good governance and anti-corruption, public financial management, taxation and public administration reform) and legislative, administrative and regulatory reforms in line with international standards, in particular in fragile states and countries in conflict and post-conflict situations;
- (d) supporting an active and organised civil society for development and fostering public private partnerships;
- (e) supporting climate change mitigation and adaptation, the promotion of sustainable consumption and production as well as investments in clean technologies, sustainable energies, transport, sustainable agriculture and fisheries, the protection of and enhancement of biodiversity and ecosystem services, including water and forests, and decent job creation in the green economy;
- (f) encouraging greater regional integration and cooperation in a result-oriented way through support to different processes of regional integration and dialogue;
- (g) contributing to preventing and responding to health risks, including those originating at the interface between animals, humans and their various environments;
- (h) in the context of the security and development nexus, fighting against corruption and organised crime, production, consumption and trafficking of drugs and against other forms of trafficking, and supporting efficient border management and cross-border co-operation;
- (i) supporting disaster preparedness and post disaster long term recovery, including in the field of food and nutrition security and assistance to uprooted people.

### **Central Asia**

In line with the common objectives set out in the EU Central Asia Strategy for a New Partnership adopted in 2007:

- (a) promoting constitutional reform and legislative, regulatory and administrative approximation with the Union, including further democratisation and organised civil society, support for the rule of law, good governance, taxation and strengthening of national institutions and bodies, such as election bodies, parliaments, public administration reform and public financial management;
- (b) promoting inclusive and sustainable economic growth, addressing social and regional inequalities, and supporting policies in areas such as education, research, innovation and technology, health, decent work, sustainable energy, agriculture and rural development, fostering SMEs, while stimulating the development of a market economy, trade and investment, including regulatory reforms and the support for integration into the WTO;
- (c) supporting efficient border management and cross-border cooperation to promote sustainable economic, social and environmental development in border regions; in the context of the security and development nexus, fighting organized crime and all forms of trafficking, including the fight against production and consumption of drugs as well as negative effects thereof, including HIV/AIDS;

- (d) promoting bilateral and regional cooperation, dialogue and integration including with countries covered by the European Neighbourhood Instrument and other Union instruments to support policy reforms, including through public capacity building through institution building, technical assistance (e.g. TAIEX) , information exchange and twinning, and by key investments through appropriate mechanisms to mobilise EU financial resources in the education, environment and energy sectors, water/sanitation, low emissions development/resilience to climate change impacts, as well as improving the security and safety of international energy supply and transport operations, interconnections, networks and their operators, including through activities supported by the EIB.

### **Middle East**

- (a) addressing governance (including in tax area), human rights and political equality issues in particular in fragile states so as to help build legitimate, democratic, effective and accountable public institutions and an active and organised civil society;
- (b) encouraging social cohesion, in particular social inclusion, decent work and equity and gender equality;
- (c) promoting sustainable economic reform and diversification, trade, the development of a market economy, productive and sustainable investment in the main sectors (such as energy, including renewable energy), public private partnerships, and partner countries' integration in the WTO;
- (d) promoting regional cooperation, dialogue and integration, including with countries covered by the European Neighbourhood Instrument and the Gulf States covered by the Partnership Instrument and other EU instruments *inter alia* by supporting integration efforts within the region, indicatively on economy, energy, water, transportation and refugees;
- (e) complementing resources deployed under this instrument by coherent work and support through other EU instruments, which may focus on wider regional integration, promoting the EU's interests in fields such as economy, energy, research, innovation and technology, fighting against production, consumption and trafficking of drugs in the context of the security and development nexus, as well as managing migration and helping displaced persons and refugees in the context of the development and migration nexus.

### **South Africa**

- (a) supporting the consolidation of a democratic society, good governance and a state governed by the rule of law and contributing to regional and continental stability and integration;
- (b) providing support to the adjustment efforts triggered by the establishment of various free-trade areas;
- (c) promoting decent work, supporting the fight against poverty, inequality and exclusion, including by addressing the basic needs of the previously disadvantaged communities;
- (d) overcoming economic vulnerability and achieving structural transformation with emphasis on decent employment through sustained and inclusive economic growth, a low carbon green

economy and sustainable development in all its dimensions (including sustainable agriculture and fisheries) and enhancement of biodiversity and ecosystem services;

- (e) addressing sexual and gender based violence and health issues; including HIV/AIDS and its impacts on society.



## AREAS OF ACTIVITY UNDER THEMATIC PROGRAMMES

### A. PROGRAMME ON GLOBAL PUBLIC GOODS AND CHALLENGES

In compliance with the conditions laid down in Article 6, the Global public goods and challenges programme aims at strengthening cooperation, exchange of knowledge and experience and partner countries' capacities. The programme may be drawn *inter alia* from the following areas of cooperation, ensuring a maximum synergy amongst them in light of their strong interconnection:

#### **Environment and climate change**

- (a) to contribute to the implementation of the international environmental and climate dimension of the EU's 2020 vision;
- (b) working upstream in assisting developing countries to achieve the MDGs related to the sustainable use of natural resources and environmental sustainability;
- (c) promoting implementation of Union initiatives and agreed commitments at international and regional level and/or of a transboundary character particularly in the areas of climate change through the promotion of climate resilient strategies especially adaption strategies with biodiversity co-benefits, biodiversity and ecosystems services, forests including FLEGT, desertification, integrated water resource management, natural resource management, sound chemical and waste management, resource efficiency and the green economy;
- (c) contributing to increasing the integration and mainstreaming of climate change and environmental objectives in EU aid cooperation through support for methodological and research work including monitoring, reporting and verification mechanisms, ecosystem mapping, assessment and valuation, enhancing environmental expertise and promoting innovative actions and policy coherence;
- (d) strengthening environmental governance and supporting international policy development, including also by working for coherence between the environmental and the other pillars of international governance for sustainable development, by assisting regional and international environmental monitoring and assessment, and by promoting effective compliance and enforcement measures for multilateral environmental agreements.

#### **Sustainable Energy**

- (a) promoting access to secure, affordable, clean and sustainable energy services as a key driver for poverty eradication and inclusive growth, with a special emphasis on the use of local energy sources;
- (b) fostering greater use of renewable energy technologies, energy efficiency and promoting low emission development strategies;

- (c) promoting energy security through e.g. diversification of sources and routes, considering price volatility issues, emission reduction potential, improving markets and fostering energy interconnections and trade.

## **Human development**

### (a) Growth, jobs and private sector engagement

Promoting actions aiming at creating more and better jobs, in areas such as developing the competitiveness and resilience of local MSMEs and their integration into the global economy, assisting developing countries to integrate into the multilateral trading system, developing the private sector and improving the business environment, supporting the definition and implementation of industrial innovation and technology policies and of trade policies and agreements, supporting regional integration efforts, promoting investment relations between the EU and partner countries and regions and leveraging private and public investment and cooperation through innovative financial instruments. Promoting the green economy, resource efficiency and sustainable consumption and production processes. Promoting the use of electronic communications as a tool to support growth across all sectors in order to bridge the digital divide, to achieve an adequate policy and regulatory framework in this area and promoting the development of necessary infrastructure and the use of services and applications based on ICT.

### (b) Employment, skills, social protection and social inclusion:

(i) Supporting high levels of productive and decent employment notably with support for sound employment policies and strategies, vocational training for employability relevant to labour market needs and perspectives, working conditions including in the informal economy, promotion of decent work, including fight against child labour, and social dialogue as well as facilitation of labour mobility while respecting migrants' rights;

(ii) strengthening social cohesion in particular with the setting-up/strengthening of sustainable social protection systems including related fiscal reform;

(iii) strengthening social inclusion with cooperation on equitable access to basic services, employment for all, empowerment and respect of rights of specific groups, notably youth, persons with disabilities, women and minority groups to let all population participate and benefit from wealth creation and cultural diversity.

### (c) Gender equality and women empowerment:

(i) Supporting country level programmes to promote women's economic and social empowerment and political participation;

(ii) supporting national, regional and global initiatives to promote the integration of this issue in the aid effectiveness agenda.

### (d) Health

(i) Improving the health and well-being of people in developing countries through increasing access to, and equitable provision of, good quality essential public health services and more specifically:

(ii) supporting and shaping the policy agenda of global initiatives of direct significant benefit to partner countries, considering result orientation, aid effectiveness and effects on health systems, including supporting partner countries to better engage with these initiatives;

(iii) supporting specific initiatives especially at regional and global level, which strengthen health systems and help countries develop and implement sound, evidence-based national health policies, and in priority areas (e.g., maternal health and sexual and reproductive health and rights, access to family planning; global public goods and response to global health threats).

(e) Education, knowledge and skills:

(i) Supporting the achievement of internationally agreed goals in education through global initiatives and partnerships, with special emphasis on promoting knowledge, skills and values for sustainable and inclusive development;

(ii) promoting exchange of experience, good practice and innovation, based on a balanced approach to the development of education systems;

(iii) improving equal access and quality of education, including for vulnerable groups, women and girls, and countries furthest from achieving global targets.

**Food security and sustainable agriculture**

The programme will strengthen cooperation, exchange of knowledge and experience and partner countries' capacities on the four pillars of food security: food availability (production), access (including markets, safety nets and gender awareness), utilisation (nutrition interventions in socially aware ways) and stability, while prioritising four dimensions: smallholder agriculture, governance, regional integration and assistance mechanisms for vulnerable populations.

(a) Promoting the development of sustainable smallholder agriculture through ecosystem-based, low carbon and climate-resilient secure access to technology (including information and communication technologies), and through extension and technical services, rural development schemes, productive investment measures, land and natural resource management, protection of genetic diversity, in an enabling economic environment;

(b) supporting environmentally and socially aware policy making and governance of the relevant sectors, the role of the public and non-public actors in its regulation and the use of public goods, its organisational capacity, professional organisations and institutions;

(c) strengthening food and nutrition security through adequate policies, including the protection of biodiversity and ecosystem services, climate adaptation policies, information systems, crisis prevention and management, and nutrition strategies directed to vulnerable populations;

(d) fostering safe and sustainable practices throughout the food and feed supply chain.

## **Migration and Asylum**

- (a) Promoting migration governance at all levels;
- (b) ensuring better management of migratory flows in all their dimensions;
- (c) maximising the development impact of the increased regional and global mobility of people, while promoting and protecting the rights of migrants, through support to the formulation and implementation of sound regional and national migration and asylum policies and through integration of the migration dimension into other regional and national policies;
- (d) improving a common understanding of the migration and development nexus, including social and economic consequences of government policies be they in migration/asylum or in other sectors.

## **B. PROGRAMME ON CIVIL SOCIETY ORGANISATIONS AND LOCAL AUTHORITIES**

In line with the reaffirmed support of the EU to democracy, human rights and good governance, the Programme on civil society organisations and local authorities in development will strengthen cooperation, exchange of knowledge and experience and capacities of civil society organisations and local authorities in partner countries in support of internationally agreed development goals.

In compliance with the conditions laid down in Article 6, the programme shall contribute to:

- (a) an inclusive and empowered society in partner countries through strengthened civil society organisations and local authorities and basic services delivered to populations in need;
- (b) increased level of awareness of the European citizens regarding development issues and mobilising active public support in the Union, potential candidate and candidate countries for poverty reduction and sustainable development strategies in partner countries;
- (c) increased capacity of European and Southern civil society and local authority networks to ensure a substantive and continued policy dialogue in the field of development.

Activities supported by this programme will encompass:

- (a) interventions in partner countries which support vulnerable and marginalised groups in least developed countries by providing basic services delivered through civil society organisations and local authorities;
- (b) capacity development of the targeted actors complementary to support granted in the framework of the national programme, actions aiming at:
  - (i) strengthen the capacity of civil society organisations to participate effectively in the development process;
  - (ii) facilitate better interaction between civil society organisations, the State and other development actors in the context of development;

- (iii) strengthen the capacity of local authorities to participate effectively in the development process acknowledging their particular role and specificities;
- (c) raising public awareness of development issues and promoting formal and informal education for development in the Union, in candidate and potential candidate countries, to anchor development policy in European societies, to mobilise greater public support for action against poverty and for more equitable relations between developed and developing countries, to raise awareness of the issues and difficulties facing developing countries and their peoples, and to promote the social dimension of globalisation;
- (d) coordination, capacity development and institutional strengthening of civil society and local authority networks, within their organisations and between different types of stakeholders active in the European public debate on development as well as coordination, capacity development and institutional strengthening of Southern networks of civil society organisations and local authorities and umbrella organisations.

**Civil society organisations** are non-State, non-profit making actors operating on an independent and accountable basis which include: non governmental organisations, organisations representing indigenous peoples, organisations representing national and/or ethnic minorities, local traders' associations and citizens' groups, cooperatives, employers associations and trade unions (social partners), organisations representing economic and social interests, organisations fighting corruption and fraud and promoting good governance, civil rights organisations and organisations combating discrimination, local organisations (including networks) involved in decentralised regional cooperation and integration, consumer organisations, women's and youth organisations, environmental, teaching, cultural, research and scientific organisations, universities, churches and religious associations and communities, the media and any non governmental associations and independent foundations, including independent political foundations, likely to contribute to the implementation of the objectives of this Regulation.

**Local authorities** encompass a large variety of sub-national levels and branches of government, i.e. municipalities, communities, districts, counties, provinces, regions etc.

\*\*\*

## *ANNEX VI*

### **AREAS OF ACTIVITY UNDER THE PAN-AFRICAN PROGRAMME**

The Pan-African programme shall support the objectives and general principles of the Joint Africa-EU Strategy, in particular:

- (a) provide support for the objectives, initiatives and activities agreed in the Joint Africa-EU Strategy and its successive action plans, which cover inter alia the areas of: peace and security, democratic governance and human rights, trade, regional integration and infrastructure (including transport), MDGs, energy, climate change and environment, migration, mobility and employment, science, information society and space, as well as its cross-cutting issues.
- (b) provide support to other relevant initiatives and activities agreed through the working arrangements established under the Joint Strategy;
- (c) apply the principle of 'treating Africa as one', and promote coherence between regional and continental levels, focusing in particular on activities of a cross-regional, continental or global nature, and support joint Africa-EU initiatives in the global arena.

ANNEX VII

INDICATIVE FINANCIAL ALLOCATION FOR THE PERIOD 2014-2020

(IN EUR MILLION)

**Geographic programmes 13 991.5 €**

**Global public goods and challenges thematic programme 6 303.2 €**

*Of which:*

– Environment and climate change	31.8% <sup>28</sup>
– Sustainable Energy	12.7%
– Human development	20.0%
– Food security and sustainable agriculture	28.4%
– Migration and asylum	7.1%

*At least 50% of the funds, prior to the use of the markers based on OECD methodology (Rio markers), will serve for climate action and environment-related objectives.*

**Civil Society Organisations and Local Authorities thematic programme 2 000 €**

**Pan African programme 1 000 €**

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<sup>28</sup> In principle, funds would be evenly allocated between environment and climate change.

## **LEGISLATIVE FINANCIAL STATEMENT FOR PROPOSALS**

### **1. FRAMEWORK OF THE PROPOSAL/INITIATIVE**

- 1.1. Title of the proposal/initiative
- 1.2. Policy area(s) concerned in the ABM/ABB structure
- 1.3. Nature of the proposal/initiative
- 1.4. Objective(s)
- 1.5. Grounds for the proposal/initiative
- 1.6. Duration and financial impact
- 1.7. Management method(s) envisaged

### **2. MANAGEMENT MEASURES**

- 2.1. Monitoring and reporting rules
- 2.2. Management and control system
- 2.3. Measures to prevent fraud and irregularities

### **3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE**

- 3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected
- 3.2. Estimated impact on expenditure
  - 3.2.1. *Summary of estimated impact on expenditure*
  - 3.2.2. *Estimated impact on operational appropriations*
  - 3.2.3. *Estimated impact on appropriations of an administrative nature*
  - 3.2.4. *Compatibility with the current multiannual financial framework*
  - 3.2.5. *Third-party participation in financing*
- 3.3. Estimated impact on revenue



## LEGISLATIVE FINANCIAL STATEMENT FOR PROPOSALS

### 1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

#### 1.1. Title of the proposal/initiative

Proposal for a Regulation of the European Parliament and of the Council establishing a financing instrument for development cooperation

#### 1.2. Policy area(s) concerned in the ABM/ABB structure<sup>2930</sup>

Title 19: External relations

19 02: Cooperation with third countries in the area of migration and asylum

19 09: Relations with Latin America

19 10: Relations with Asia, Central Asia and Middle East (Iraq, Iran, Yemen)

Title 21: Development and relations with African, Caribbean and Pacific (ACP) States

21 02: Food security

21 03: Non-State actors in development

21 04: Environment and sustainable management of natural resources, including energy

21 05: Human and social development

#### 1.3. Nature of the proposal/initiative

The proposal/initiative relates to **a new action**

The proposal/initiative relates to **a new action following a pilot project/preparatory action**<sup>31</sup>

The proposal/initiative relates to **the extension of an existing action**

The proposal/initiative relates to **an action redirected towards a new action**

#### 1.4. Objectives

##### 1.4.1. *The Commission's multiannual strategic objective(s) targeted by the proposal/initiative*

The present Regulation aims at fostering sustainable and inclusive development in partner countries and regions, with the primary aim of eradicating poverty, and the promotion of democracy, the rule of law, good governance and respect for human rights, as foreseen in the TEU, in Latin America, Africa and Asia, while ensuring consistence with the Commission Communication on the EU development policy "Increasing the impact of EU Development Policy: An Agenda for Change".

<sup>29</sup>

ABM: Activity-Based Management – ABB: Activity-Based Budgeting.

<sup>30</sup>

DEVCO will request a modification of the Policy Areas in parallel for the 2014 budgetary exercise.

<sup>31</sup>

As referred to in Article 49(6)(a) or (b) of the Financial Regulation.

1.4.2. *Specific objective(s) and ABM/ABB activity(ies) concerned initiative*

This Regulation establishes the essential elements and the basis for EU intervention. The translation of the objectives of the Regulation within the different programmes (**geographic programmes, global public goods and challenges thematic programme, civil society organisations and local authorities thematic programme and the Pan African programme**) into specific objectives are defined through multiannual programming and annual action programmes detailing the activities to be carried out by the EU, including the expected results and impact pursued by the actions in question. Specific objectives are therefore fixed at that moment, having in mind the particularities of the action in question.

The Millennium Development Goals, or the internationally agreed poverty alleviation goals replacing them after 2015, will provide well-established performance indicators:

No. 1: MDG1 – End poverty and hunger

- Halve the proportion of people whose income is less than \$1 a day
- Achieve full and productive employment and decent work for all, including women and young people
- Halve the proportion of people who suffer from hunger

No. 2: MDG2 - Universal Education

Ensure that children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

No. 3: MDG3 – MDG3 - Gender equality

Eliminate gender disparity in primary and secondary education, and in all levels of education.

No. 4: MDG4 – Child health

Reduce by two thirds the mortality rate of children under five.

No. 5- MDG5 - Maternal health

- Reduce by three quarters the maternal mortality ratio
- Achieve, by 2015, universal access to reproductive health

No. 6: MDG6 - Combat HIV/AIDs, malaria and other diseases

- Halt and begin to reverse the spread of HIV/AIDS
- Achieve universal access to treatment for HIV/AIDS for all those who need it
- Halt and begin to reverse the incidence of malaria and other major diseases

No. 7- MDG 7 - Environmental sustainability

- Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources
- Reduce biodiversity loss, achieving a significant reduction in the rate of loss
- Halve the proportion of the population without sustainable access to safe drinking water and basic sanitation
- Achieve, by 2020, a significant improvement in the lives of at least 100 million slum dwellers

No. 8 - MDG 8 – Global partnership for development

- Develop further an open, rule-based, predictable, non-discriminatory trading and financial system
- Address the special needs of least developed countries, landlocked countries and small island developing states
- Deal comprehensively with developing countries' debt
- In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries
- In cooperation with the private sector, make available benefits of new technologies, especially Information and Communications Technologies

ABM/ABB activity(ies) concerned

19 02 : Cooperation with third countries in the area of migration and asylum

19 09 : Relations with Latin America

19 10 : Relations with Asia, Central Asia and Middle East (Iraq, Iran, Yemen)

21 02 : Food security

21 03 : Non-State actors in development

21 04 : Environment and sustainable management of natural resources, including energy

21 05 : Human and social development

1.4.3. *Expected result(s) and impact*

*Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.*

This Regulation establishes the essential elements and the basis for EU intervention. The exact actions are defined through multiannual programming and annual action programmes detailing the activities to be carried out by the EU, including the expected results and impact pursued by the actions in question. Specific indicators are fixed at that moment, having in mind the particularities of the action in question.

#### 1.4.4. *Indicators of results and impact*

*Specify the indicators for monitoring implementation of the proposal/initiative.*

This Regulation establishes the essential elements and the basis for EU intervention. The exact actions are defined through multiannual programming and annual action programmes detailing the activities to be carried out by the EU, including the expected results and impact pursued by the actions in question. Specific indicators are fixed at that moment, having in mind the particularities of the action in question.

Internationally agreed targets and indicators on the MDGs and climate change are already known. Clear benchmarks, monitoring and reporting rules for all relevant EU policy instruments need to be established. The disaggregation of indicators will be important in monitoring the achievement of equitable outcomes for the most vulnerable groups in society for social inclusion.

### 1.5. **Grounds for the proposal/initiative**

#### 1.5.1. *Requirement(s) to be met in the short or long term*

See Impact Assessment and Explanatory Memorandum.

The EU remains committed to helping developing countries to reduce and ultimately eradicate poverty in partner countries and regions pursuant to the objectives of development cooperation provided for in the Treaties.

#### 1.5.2. *Added value of EU involvement*

The EU is in a uniquely neutral and impartial position to deliver on external action on behalf of and with Member States, giving enhanced credibility in the countries where it works. The EU alone has the critical mass to respond to global challenges, such as poverty reduction and climate change. Thanks to its large scale and the existing network of international agreements, it can deliver our help to the poor in some of the world's most remote areas, both implementing aid and coordinating.

In its role as a promoter of inclusiveness and multilateralism, the Union can do more than other international organisation.

Acting as one, Union can have greater impact and more leverage in policy dialogue and donor cooperation.

Working with the EU is also more cost effective, with lower administrative costs than the average.

#### 1.5.3. *Lessons learned from similar experiences in the past*

The evaluations, Court of Auditors reports, as well as mid-term reviews of the geographic programmes, show that progress towards several MDGs in the developing DCI countries was achieved with DCI support. However, pursuant to the principle of ownership it is for the

beneficiary governments to adopt and implement the necessary reforms and policies that were the driving force of these achievements.

The new implementation modalities in the DCI, such as budget support and sector-wide approach, have allowed for a deeper level of cooperation with partner countries: there is a clear link between the level of policy dialogue with beneficiary countries and the modality of delivering assistance. Also, the new implementing modalities have rendered possible a more efficient division of labour by allowing co-financing amongst donors.

Thematic programmes provided the Commission additional flexibility in dealing with specific challenges and also provided a useful instrument to complement the geographic programmes.

In a globalised environment, a mutual reinforcement of internal and external actions is needed. The starting point is that integration, and not duplication, must be the key word. The existing architecture was not adequate enough to allow the Commission to intervene swiftly on a sufficient scale even though this was critical to ensuring the effectiveness of internal EU policies.

In some cases the thematic programmes were not sufficiently flexible to respond to recent global crises (e.g. the food price crisis, avian flu) or to international engagements taken at the highest political level (e.g. biodiversity and climate change). The thematic envelope therefore needs more flexibility in order to allow for a more predictable long-term engagement in response to global public goods and challenges, and to react to the various shocks affecting the poorest population.

Development cooperation still remains too fragmented and over-ambitious. Furthermore, complementarity between geographic and thematic programmes should be strengthened.

The specific needs of countries in crisis, post-crisis and fragile situations were not sufficiently taken into account and the rigidity of the decision-making process for fund-allocation, programming and implementation made it difficult for the EU to swiftly respond to a rapidly evolving situation.

The DCI had indicative allocations per region, without keeping any unallocated envelope, thus leaving limited possibility to mobilise resources to respond to unforeseen needs.

Finally, the current programming and implementation process foreseen for the DCI is too complex, does not permit the alignment of the EU programming cycle to those of its partners, and also does not sufficiently facilitates joint programming with Member States. Also, there is no clear legal framework for using innovative instruments being used by other donors, such as blending and use of private-public partnerships.

#### *1.5.4. Coherence and possible synergy with other relevant instruments*

The revised instrument is an integral part of the overall architecture of external action financial instruments which will be organised around four main chapters: a policy-based chapter aiming primarily at cooperation with partner countries within and outside the budget; working on cross-cutting priorities and values; humanitarian assistance and civil protection; and crisis management.

Moreover for every country, development cooperation will be complementary to the new “Partnership Instrument”. Interaction between the DCI, EDF and the ENPI will be particularly strong under the DCI thematic envelope for civil society/local authorities and thematic envelope for global goods and challenges, since these envelopes will cover and/or complement actions in the geographical zones covered by these respective instruments in the field of: support to civil society and local authorities, climate change, energy, food security, human development and migration.

Interaction with the Trade policy, in particular GSP/GSP plus and Everything But Arms schemes, but also trade agreements will remain particularly important with Aid for Trade / Trade Related Assistance actions funded under DCI, both at bilateral and regional level.

In a globalised environment different internal EU policies (such as environment, climate change, employment (including decent work), gender equality, energy, water, transport, justice and security, research, information society, immigration, fisheries) are increasingly becoming part of the EU's external action, and in line with the EU 2020 agenda and the Lisbon Treaty a mutual reinforcement of internal and external actions is needed. The starting point is that integration, and not duplication, must be the key priority. The main arguments are: i) coherence of our external action; ii) aid effectiveness, notably the commitment to reduce the number of actors and programmes; and iii) maximising synergies between policy objectives.

## 1.6. Duration and financial impact

- Proposal/initiative of **limited duration**
  - Proposal/initiative
  - Financial impact from 01/01/2014 to 31/12/2020
  - Proposal/initiative of **unlimited duration** in effect from 01/01/2014
  - Implementation with a start-up period from YYYY to YYYY,
  - followed by full-scale operation.

## 1.7. Management mode(s) envisaged<sup>32</sup>

- Centralised direct management** by the Commission
- Centralised indirect management** with the delegation of implementation tasks to:
  - executive agencies
  - bodies set up by the Communities<sup>33</sup>
  - national public-sector bodies/bodies with public-service mission
  - persons entrusted with the implementation of specific actions pursuant to Title V of the Treaty on European Union and identified in the relevant basic act within the meaning of Article 49 of the Financial Regulation
- Shared management** with the Member States
- Decentralised management** with third countries
- Joint management** with international organisations (*to be specified*)

*If more than one management mode is indicated, please provide details in the "Comments" section.*

### Comments

The actions to be financed under this Regulation will be implemented under direct centralised management by the Commission from Headquarters and/or through the devolved Union Delegations and under any other management method foreseen by the Financial Regulation in order to better achieve the objectives of the Regulation.

<sup>32</sup> Details of management modes and references to the Financial Regulation may be found on the BudgWeb site: [http://www.cc.cec/budg/man/budgmanag/budgmanag\\_en.html](http://www.cc.cec/budg/man/budgmanag/budgmanag_en.html)

<sup>33</sup> As referred to in Article 185 of the Financial Regulation.

Joint management may be foreseen, where appropriate, for specific actions with UN agencies and bodies, European or international financial institutions such as the European Investment Bank, the European Bank for Reconstruction and Development, the World Bank or the African Development Bank, and other international organisations active in the field of development.



## 2. MANAGEMENT MEASURES

### 2.1. Monitoring and reporting rules

*Specify frequency and conditions.*

The European Commission's Monitoring and Evaluation systems are increasingly focussed on results. They involve internal staff as well as external expertise.

Task Managers in Delegations and Headquarters continuously monitor the implementation of projects and programmes in various ways, including wherever possible through field visits. Monitoring provides valuable information on progress; it helps managers to identify actual and potential bottlenecks, and to take corrective action.

External, independent experts are contracted to assess the performance of EU external actions through three different systems. These assessments contribute to accountability, and to the improvement of ongoing interventions; they also draw lessons from past experience to inform future policies and actions. The tools all use the internationally-recognised OECD-DAC evaluation criteria including (potential) impact.

Firstly, at the project level, the Headquarters-managed Results Oriented Monitoring (ROM) system provides a brief, focused snapshot of the quality of a sample of interventions. Using a highly structured, standardised methodology, independent ROM experts attribute grades which highlight the strengths and weaknesses of the project and give recommendations on how to improve effectiveness.

Project-level evaluations, which are managed by the EU Delegation in charge of the project, deliver a more detailed, in depth analysis and help project managers to improve ongoing interventions and prepare future ones. External, independent experts with thematic and geographic expertise are hired to conduct the analysis and gather feedback and evidence from all stakeholders, not least the final beneficiaries.

The Commission also conducts strategic evaluations of its policies, from programming and strategy to the implementation of interventions in a specific sector (such as health, education etc), in a country or region, or of a specific instrument. These evaluations are an important input to the formulation of policies and the design of instruments and projects. These evaluations are all published on the Commission's website and a summary of the findings is included in the Annual Report to the Council and the European Parliament.

### 2.2. Management and control system

#### 2.2.1. Risk(s) identified

##### Risk environment

The operational environment of aid under this instrument is characterised by the following risks of not achieving the instrument's objectives, suboptimal financial management and/or of not complying with the applicable rules (legality and regularity errors):

- economic/political instability and/or natural disaster may lead to difficulties and delays in the design and implementation of interventions, particularly in fragile states;
- a lack of institutional and administrative capacity in partner countries may lead to difficulties and delays in the design and implementation of interventions;

- geographically dispersed projects and programmes (covering approximately many states/territories/regions) may pose logistical/resource challenges to monitoring - particularly any 'on-the-spot' follow-up of activities;
- diversity of potential partners / beneficiaries with their diverse internal control structures and capacities can fragment and therefore reduce the effectiveness and efficiency of the Commission's available resources to support and monitor implementation;
- poor quality and quantity of available data on the outcomes and impact of external aid / national development plan implementation in partner countries may hinder the Commission's ability to report on and be accountable for results;

Expected level of risk of non-compliance with applicable rules

The compliance objective for the instrument is to maintain the historic level of risk of non-compliance (error rate) for EuropeAid portfolio which is a residual 'net' level of error (on a multi-annual basis after all planned controls and corrections have been executed on closed contracts) of less than 2%. This has traditionally implied an estimated error range of 2-5% in terms of an annual randomised sample of transactions undertaken by the European Court of Auditors for the purposes of the annual Statement of Assurance (DAS). EuropeAid considers this to be the lowest risk of non compliance achievable in relation to its high risk environment and taking into account the administrative burden and necessary cost effectiveness of compliance controls.

### 2.2.2. *Control method(s) envisaged*

EuropeAid Internal Control architecture

EuropeAid's internal control / management process is designed to provide reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of its operations, the reliability of its financial reporting and compliance with the relevant legislative and procedural framework.

Effectiveness and efficiency

To ensure the effectiveness and efficiency of its operations (and to mitigate the high level of risk in its external aid environment), in addition to all the elements of the Commission wide Strategic Policy and Planning process, internal audit environment and other requirements of the Commission's Internal Control Standards, EuropeAid will continue to have a tailored aid management framework in operation under all its instruments which will include:

- A devolved management of the majority of external aid by EU delegations in the field.
- Clear and formalised lines of financial accountability (from the Delegated Authorising officer (Director General)) by means of a subdelegation from the Subdelegated Authorising Officer (Director) at HQ to the Head of Delegation;
- Regular reporting from EU Delegations to HQ (External Assistance Management Reports) including an annual Statement of Assurance by the Head of Delegation;

- Provision of a substantial programme of training for staff both at HQ and in delegation,
- Significant HQ/Delegation support and guidance (including via internet);
- Regular 'verification' visits to 'devolved' delegations every 3 to 6 years;
- A project and programme cycle management methodology including:
  - Quality support tools for the design of the intervention, its delivery method, financing mechanism, management system, assessment and selection of any implementing partners, etc.
  - Programme and project management, monitoring and reporting tools for effective implementation including regular external on-the-spot monitoring of projects.
  - Significant evaluation and audit components.

#### Financial Reporting and Accounting

EuropeAid will continue to pursue the highest standards of accounting and financial reporting using the Commission's accruals based accounting system (ABAC) as well as external aid specific tools such as the Common Relex Information System (CRIS).

In relation to compliance with the relevant legislative and procedural framework, compliance control methods are set out in section 2.3 (measures to prevent fraud and irregularities)

### 2.3. **Measures to prevent fraud and irregularities**

*Specify existing or envisaged prevention and protection measures.*

Given the high risk environment in which EuropeAid operates, its systems need to anticipate a significant occurrence of potential compliance errors (irregularities) in transactions and build in a high level of prevention, detection and correction controls as early as possible in the payment process. This means in practice that EuropeAid's compliance controls will place most reliance on significant ex-ante checks on a multi-annual basis by both external auditors and Commission staff in the field before final project payments (while still executing some ex-post audits and checks), going well beyond the financial safeguards required by the Financial Regulation. EuropeAid's compliance framework is made up *inter alia* of the following significant components:

#### Preventative measures

- Compulsory core training covering fraud issues for aid management staff and auditors;
- Provision of guidance (including via internet) including the Practical Guide to Contracts, the EuropeAid Companion and the Financial Management Toolkit (for implementing partners);
- Ex-ante assessment to ensure that appropriate anti-fraud measures to prevent and detect fraud in the management of EU funds are in place in the authorities managing the relevant funds under under joint and decentralised management);

- Ex-ante screening of the anti-fraud mechanisms available in the partner country as part of the assessment of the eligibility criterion of public finance management for receiving budget support (i.e. active commitment to fight fraud and corruption, adequate inspection authorities, sufficient judicial capacity and efficient response and sanction mechanisms);
- The Commission signed the International Aid Transparency Initiative (IATI) in Accra in 2008, agreeing on a standard for aid transparency which ensures more timely, detailed and regular data on aid flows and documents.
- The Commission implements since 14 October 2011 the first phase of the IATI standard for publishing aid information **transparency** before the next High Level Forum on aid effectiveness in Busan in November 2011. In addition, the Commission will work in cooperation with the EU Member States on a joint web-based IT application called TR-AID which transforms the EU aid data provided through the IATI and other sources into user-friendly aid information.

#### Detective and corrective measures

- External audits and verifications (both mandatory and risk based) including the European Court of Auditors;
- Retrospective checks (on a risk basis) and recoveries;
- Suspension of EU funding where there is a serious fraud case, including large scale corruption, until the authorities have taken appropriate action with a view to correcting and preventing such fraud in the future

EuropeAid will further devise its anti-fraud strategy in line with the Commission's new anti-fraud strategy (CAFS) adopted on 24 June 2011 in order to ensure *inter alia* that:

- EuropeAid's internal anti-fraud related controls are fully aligned with the CAFS;
- EuropeAid's fraud risk management approach is geared to identify fraud risk areas and adequate responses;
- The systems used for spending EU funds in third countries enable relevant data to be retrieved with a view to feeding this data into fraud risk management (e.g. double funding);
- Where necessary, networking groups and adequate IT tools dedicated to analysing fraud cases related to the external aid sector could be set up.

## 2.4. Estimate of the costs and benefits of the controls

For the EuropeAid portfolio as a whole, internal control / management costs total an estimated annual average of **€ 658 million** in commitments in the 2014-2020 budget planning. This figure includes the management of the EDF which operates in an integrated way within the management structure of EuropeAid. These 'non operational' costs represent approximately **6,4 %** of the estimated annual average of **€10.2 billion** planned for the overall (operational + administrative) commitments by DEVCO on its expenditure portfolio financed by the General Budget of the EU and the European Development Fund for the period 2014-2020.

These management costs take into account all EuropeAid staff at HQ and in Delegations, infrastructure, travel, training, monitoring, evaluation and audit contracts (including those launched by beneficiaries).

EuropeAid plans to reduce the management / operational activities ratio over time under the improved and simplified arrangements of the new instruments, building on changes likely to come in under the revised Financial Regulation. The key benefits of these management costs are realised in terms of meeting policy objectives, efficient and effective use of resources, and the exercise of robust cost-effective preventative measures and other checks to ensure the legal and regular use of funds.

While improvements in the nature and targeting of management activities and compliance checks in relation to the portfolio will continue to be pursued, these costs are globally necessary to effectively and efficiently achieve the objectives of the instruments at a minimal risk of non compliance (below 2% residual error). They are significantly less than risks involved in removing or scaling back internal controls in this high risk area.

### 3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

#### 3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing expenditure budget lines

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
			DA/NDA <sup>(34)</sup>	from EFTA <sup>35</sup> countries	from candidate countries <sup>36</sup>	from third countries
	<b>Heading IV Global Europe</b>					
19	19 01 04 Administrative expenditure of 'External relations' policy area DCI	DNA	NO	NO	NO	NO
19	19 02: Cooperation with third countries in the area of migration and asylum	DA	NO	NO	NO	NO
19	19 09: Relations with Latin America	DA	NO	NO	NO	NO
19	19 10: Relations with Asia, Central Asia and Middle East (Iraq, Iran, Yemen)	DA	NO	NO	NO	NO
19	19 11: Policy strategy and coordination for the 'External relations' policy area	DA	NO	NO	NO	NO
21	21 01 04 Administrative expenditure of 'Development and relations with ACP States' policy area	DNA	NO	NO	NO	NO
21	21 02: Food security	DA	NO	NO	NO	NO
21	21 03: Non-State actors in development	DA	NO	NO	NO	NO
21	21 04: Environment and sustainable management of natural resources, including energy	DA	NO	NO	NO	NO
21	21 05: Human and social development	DA	NO	NO	NO	NO

- New budget lines requested<sup>37</sup>

In order of multiannual financial framework headings and budget lines.

Heading of	Budget line	Type of	Contribution
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<sup>34</sup>

DA= Differentiated appropriations / DNA= Non-Differentiated Appropriations

<sup>35</sup>

EFTA: European Free Trade Association.

<sup>36</sup>

Candidate countries and, where applicable, potential candidate countries from the Western Balkans.

<sup>37</sup>

To be filled in at a later stage

multiannual financial framework	Number [Heading.....]	expenditure				within the meaning of Article 18(1)(aa) of the Financial Regulation
		Diff./non- diff.	from EFTA countries	From candidate countries	from third countries	
	[XX.YY.YY.YY]		YES/N O	YES/N O	YES/N O	YES/NO

### 3.2. Estimated impact on expenditure

#### 3.2.1. Summary of estimated impact on expenditure

EUR million (to 3 decimal places)

Heading of multiannual financial framework: 4			Number							
DG: DEVCO			Year N <sup>38</sup> 2014	Year N+1 2015	Year N+2 2016	Year N+3 2017	Year N+4 2018	Year N+5 2019	Year N+6 2020	TOTAL
• Operational appropriations										
Development Cooperation Instrument (19.02, 19.09, 19.10, 21.02, 21.03, 21.04, 21.05, 21.06)	Commitments	(1)	2.606,8 15	2.788,1 25	2.980,0 45	3.182,9 77	3.390,1 85	3.614,7 82	3.846,2 74	22.409,105
	Payments	(2)	411,383	579,190	1.206,2 18	1.765,7 60	2.383,4 91	3.257,6 77	12.805, 385	22.409,105
Appropriations of an administrative nature financed from the envelop of specific programs <sup>39</sup>										
Number of budget line 19.0104 01 and 21.010401		(3)	109,885	114,975	120,254	125,723	135,115	136,918	142,726	885,595
<b>TOTAL appropriations for DG DEVCO</b>	Commitments	=1+3	2.716,7 00	2.903,1 00	3.100,3 00	3.308,7 00	3.525,3 00	3.751,7 00	3.989,0 00	23.294,700
	Payments	=2+3	521,268	694,165	1.326,4 72	1.891,4 83	2.518,6 06	3.394,5 95	12.948, 111	23.294,700
• TOTAL operational appropriations	Commitments	(4)	2.606,8 15	2.788,1 25	2.980,0 45	3.182,9 77	3.390,1 85	3.614,7 82	3.846,2 74	22.409,105

<sup>38</sup> Year N is the year in which implementation of the proposal/initiative starts.

<sup>39</sup> Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former "BA" lines), indirect research, direct research.



	Payments	(5)	411,383	579,190	1.206,2 18	1.765,7 60	2.383,4 91	3.257,6 77	12.805, 385	22.409,105
• TOTAL appropriations of an administrative nature financed from the envelop of specific programs		(6)	109,885	114,975	120,254	125,723	135,115	136,918	142,726	885,595
<b>TOTAL appropriations under HEADING &lt;4&gt; of the multiannual financial framework</b>	Commitments	=4+ 6	2.716,7 00	2.903,1 00	3.100,3 00	3.308,7 00	3.525,3 00	3.751,7 00	3.989,0 00	23.294,700
	Payments	=5+ 6	521,268	694,165	1.326,4 72	1.891,4 83	2.518,6 06	3.394,5 95	12.948, 111	23.294,700

<b>Heading of multiannual financial framework:</b>	<b>5</b>	" Administrative expenditure "
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EUR million (to 3 decimal places)

		Year N 2014	Year N+1 2015	Year N+2 2016	Year N+3 2017	Year N+4 2018	Year N+5 2019	Year N+6 2020	TOTAL
DG: DEVCO									
• Human resources		85,041	84,182	83,329	82,480	82,480	82,480	82,480	582,473
• Other administrative expenditure		3,909	3,818	3,781	3,755	3,755	3,755	3,755	26,528
<b>TOTAL DG DEVCO</b>	Appropriations	88,950	88,000	87,110	86,235	86,235	86,235	86,235	609,001

<b>TOTAL appropriations under HEADING 5 of the multiannual financial framework</b>	(Total commitments = Total payments)	88,950	88,000	87,110	86,235	86,235	86,235	86,235	609,001
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EUR million (to 3 decimal places)

		Year N 2014	Year N+1 2015	Year N+2 2016	Year N+3 2017	Year N+4 2018	Year N+5 2019	Year N+6 2020	TOTAL
<b>TOTAL appropriations under HEADINGS 1 to 5 of the multiannual financial framework</b>	Commitments	2.805,650	2.991,100	3.187,410	3.394,935	3.611,535	3.837,935	4.075,235	23.903,701
	Payments	610,218	782,165	1.413,582	1.977,718	2.604,841	3.480,830	13.034,346	23.903,701

### 3.2.2. Estimated impact on operational appropriations

- The proposal/initiative does not require the use of operational appropriations
- The proposal/initiative requires the use of operational appropriations, as explained below:

Commitment appropriations in EUR million (to 3 decimal places)

Indicate objectives and outputs			Year N	Year N+1	Year N+2	Year N+3	Year N+4 to N+7			TOTAL
			OUTPUTS							
↓			Cost	Cost	Cost	Cost	Cost	Cost	Cost	Total cost
Geographic Programmes <sup>40</sup> ...										
Sub-total			1 631,732	1 743,689	1 862,134	1 987,305	2 117,402	2 253,384	2 395,938	13 991,50
Global public goods and challenges thematic programme...										
Sub-total			735,099	785,536	838,895	895,285	953,894	1 015,154	1 079,375	6 303,20
Civil society organisations and local authorities thematic programme...										
Sub-total			233,246	249,250	266,181	284,073	302,670	322,108	342,485	2 000,00
Pan African programme										
Sub-total			116,623	124,625	133,090	142,037	150,335	161,054	171,242	1 000,00
<b>TOTAL COST</b>			<b>2 716,700</b>	<b>2 903,100</b>	<b>3 100,300</b>	<b>3 308,700</b>	<b>3 525,300</b>	<b>3 751,700</b>	<b>3 989,000</b>	<b>23 294.,70</b>

As described in Section 1.4.2. "Specific objective(s) – Only the different programmes of the Regulation are included in the table..."

### 3.2.3. Estimated impact on appropriations of an administrative nature

#### 3.2.3.1. Summary

- The proposal/initiative does not require the use of administrative appropriations
- The proposal/initiative requires the use of administrative appropriations, as explained below:

EUR million (to 3 decimal places)

	Year N <sup>41</sup> 2014	Year N+1 2015	Year N+2 2016	Year N+3 2107	Year N+4 2018	Year N+5 2019	Year N+6 2020	TOTAL
--	------------------------------	------------------	------------------	------------------	------------------	------------------	------------------	-------

<b>HEADING 5 of the multiannual financial framework</b>								
Human resources	85,041	84,182	83,329	82,480	82,480	82,480	82,480	582,473
Other administrative expenditure	3,909	3,818	3,781	3,755	3,755	3,755	3,755	26,528
<b>Subtotal HEADING 5 of the multiannual financial framework</b>	<b>88,950</b>	<b>88,000</b>	<b>87,110</b>	<b>86,235</b>	<b>86,235</b>	<b>86,235</b>	<b>86,235</b>	<b>609,001</b>

<b>Outside HEADING 5<sup>42</sup> of the multiannual financial framework</b>								
Human resources	97,417	101,668	106,059	110,589	115,154	119,788	124,527	775,203
Other expenditure of an administrative nature	12,467	13,307	14,195	15,134	19,961	17,129	18,199	110,392
<b>Subtotal outside HEADING 5 of the multiannual financial framework</b>	<b>109,885</b>	<b>114,975</b>	<b>120,254</b>	<b>125,723</b>	<b>135,115</b>	<b>136,918</b>	<b>142,726</b>	<b>885,595</b>

<b>TOTAL</b>	<b>198,835</b>	<b>202,976</b>	<b>207,364</b>	<b>211,958</b>	<b>221,350</b>	<b>223,152</b>	<b>228,961</b>	<b>1.494,596</b>
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<sup>41</sup> Year N is the year in which implementation of the proposal/initiative starts.

<sup>42</sup> Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former "BA" lines), indirect research, direct research.

### 3.2.3.2. Estimated requirements of human resources

- The proposal/initiative does not require the use of human resources
- The proposal/initiative requires the use of human resources, as explained below:

*Estimate to be expressed in full amounts (or at most to one decimal place)*

	Year N	Year N+1	Year N+2	Year N+3	Year N+4 2018	Year N+5 2019	Year N+6 2020
<b>• Establishment plan posts (officials and temporary agents)</b>							
XX 01 01 01 (Headquarters and Commission's Representation Offices)	357,2	353,6	350,1	346,6	346,6	346,6	346,6
XX 01 01 02 (Delegations)	157,8	156,2	154,6	153,0	153,0	153,0	153,0
XX 01 05 01 (Indirect research)							
10 01 05 01 (Direct research)							
<b>• External personnel (in Full Time Equivalent unit: FTE)<sup>43</sup></b>							
XX 01 02 01 (CA, INT, SNE from the "global envelope")	24,1	23,9	23,6	23,4	23,4	23,4	23,4
XX 01 02 02 (CA, INT, JED, LA and SNE in the delegations)							
<b>XX 01 04 yy<sup>44</sup></b>	- at Headquarters <sup>45</sup>	146,3	143,5	140,6	137,9	135,2	129,9
	- in delegations	985,7	1032,7	1081,2	1131,2	1181,7	1285,3
XX 01 05 02 (CA, INT, SNE - Indirect research)							
10 01 05 02 (CA, INT, SNE - Direct research)							
Other budget lines (specify)							
<b>TOTAL</b>	<b>1.671,1</b>	<b>1.709,8</b>	<b>1.750,1</b>	<b>1.792,1</b>	<b>1.839,8</b>	<b>1.888,4</b>	<b>1.938,1</b>

**XX** is the policy area or budget title concerned.

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary

<sup>43</sup> CA= Contract Agent; INT= agency staff ("*Intérimaire*"); JED= "*Jeune Expert en Délégation*" (Young Experts in Delegations); LA= Local Agent; SNE= Secoded National Expert;

<sup>44</sup> Under the ceiling for external personnel from operational appropriations (former "BA" lines).

<sup>45</sup> Essentially for Structural Funds, European Agricultural Fund for Rural Development (EAFRD) and European Fisheries Fund (EFF).

with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Description of tasks to be carried out:

Officials and temporary agents	
External personnel	

3.2.4. *Compatibility with the multiannual financial framework 2014-2020*

- Proposal/initiative is compatible the multiannual financial framework 2014-2020.
- Proposal/initiative will entail reprogramming of the relevant heading in the multiannual financial framework.

Explain what reprogramming is required, specifying the budget lines concerned and the corresponding amounts.

- Proposal/initiative requires application of the flexibility instrument or revision of the multiannual financial framework<sup>46</sup>.

Explain what is required, specifying the headings and budget lines concerned and the corresponding amounts.

3.2.5. *Third-party contributions*

- The proposal/initiative does not provide for co-financing by third parties
- The proposal/initiative provides for the co-financing estimated below:

Appropriations in EUR million (to 3 decimal places)

	Year N	Year N+1	Year N+2	Year N+3	... enter as many years as necessary to show the duration of the impact (see point 1.6)			Total
<i>Specify the co-financing body</i>								
TOTAL appropriations cofinanced								

<sup>46</sup> See points 19 and 24 of the Interinstitutional Agreement.

### 3.3. Estimated impact on revenue

- Proposal/initiative has no financial impact on revenue.
- Proposal/initiative has the following financial impact:
  - on own resources
  - on miscellaneous revenue

EUR million (to 3 decimal places)

Budget revenue line:	Appropriations available for the ongoing budget exercise	Impact of the proposal/initiative <sup>47</sup>						
		Year N	Year N+1	Year N+2	Year N+3	... insert as many columns as necessary in order to reflect the duration of the impact (see point 1.6)		
Article .....								

For miscellaneous assigned revenue, specify the budget expenditure line(s) affected.

Specify the method for calculating the impact on revenue.

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<sup>47</sup> As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 25% for collection costs.