



**COUNCIL OF  
THE EUROPEAN UNION**

**Brussels, 12 December 2011**

**18429/11  
ADD 1**

**DEVGEN 341  
ACP 246  
RELEX 1323  
FIN 1040  
NIS 155  
PESC 1640  
CADREFIN 192  
COHOM 292  
CODEC 2391  
PARLNAT 307**

**COVER NOTE**

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from: Secretary-General of the European Commission,  
signed by Mr Jordi AYET PUIGARNAU, Director

date of receipt: 9 December 2011

to: Mr Uwe CORSEPIUS, Secretary-General of the Council of the European  
Union

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No Cion doc.: SEC(2011) 1469 final

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Subject: Commission Staff Working Paper - Impact Assessment accompanying the  
document Regulation of the European Parliament and of the Council  
establishing a financing instrument for development cooperation

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Delegations will find attached Commission document SEC (2011) 1469 final.

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Encl.: SEC (2011) 1469 final



EUROPEAN COMMISSION

Brussels, 7.12.2011  
SEC(2011) 1469 final

**COMMISSION STAFF WORKING PAPER**

**IMPACT ASSESSMENT**

*Accompanying the document*

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

**establishing a financing instrument for development cooperation**

{COM(2011) 840 final}

{SEC(2011) 1470 final}

## TABLE OF CONTENTS

1.	Procedural issues and consultation of interested parties .....	6
1.1.	Organisation and timing .....	6
1.2.	Public consultation .....	6
1.3.	Impact Assessment Board .....	7
2.	Problem definition.....	7
2.1.	The problem requiring action and the scope of the instrument regulation .....	7
2.1.1.	Problems requiring action .....	7
2.1.2.	Scope of the present Development Cooperation Instrument ("DCI").....	8
2.1.3.	Areas for improvement linked to the scope of the DCI .....	10
2.2.	Mid-term reviews and lessons learnt.....	11
2.2.1.	Results of the mid term review of the financial instruments for external actions.....	11
2.2.2.	Review of the lessons learnt.....	12
2.3.	The underlying drivers of the problem.....	14
2.3.1.	Driver 1 - DCI objectives are not fully aligned to the latest policy development trends .....	14
2.3.2.	Driver 2 - The DCI does not contain strong mechanisms to ensure significant differentiation amongst partner countries. ....	15
2.3.3.	Driver 3 - Good governance, democracy, human rights and the rule of law are not sufficiently embedded in the cooperation mechanisms of the DCI. ....	15
2.3.4.	Driver 4 - The current architecture of EU external action instruments does not provide the appropriate framework to support strategic cooperation with Africa as a whole .....	15
2.3.5.	Driver 5 - Thematic programmes are too fragmented to tackle global issues in a comprehensive and global manner .....	15
2.3.6.	Driver 6 - The specificities of crisis, post-crisis and states in situation of fragility are insufficiently taken into account in the current DCI.....	16
2.3.7.	Driver 7 - Insufficient flexibility with regards to fund-allocation .....	16
2.3.8.	Driver 8 - A complex and rigid programming process and stringent implementation rules .....	16
2.4.	Legal base for EU action.....	17
2.5.	EU Value Added .....	17
2.5.1.	Global Challenges, Global Response & Global Leadership .....	17

2.5.2.	The critical mass of the EU .....	18
2.5.3.	The EU is best placed to coordinate.....	18
2.5.4.	Acting as one makes financial sense.....	19
2.5.5.	Greater accountability .....	19
3.	Objectives.....	20
3.1.	Policy framework and objectives.....	20
3.1.1.	Policy framework.....	20
3.1.2.	Objectives.....	20
3.1.2.1.	Global objectives of the development policy under the instrument.....	20
3.1.2.2.	Objectives related to the review of the instrument itself.....	20
3.2.	Consistency with external action priorities.....	22
3.3.	Consistency with other EU policies .....	22
3.4.	Geographical/thematic coverage.....	24
4.	Policy options.....	24
4.1.	Option 1:"No change": cooperation with the countries concerned remains strictly in the framework of the existing DCI Regulation.....	24
4.1.1.	Align the objectives of the DCI with the new trends in EU development policy (Objective 1).....	24
4.1.2.	Establish strong mechanisms to ensure significant differentiation amongst partner countries (Objective 2).....	25
4.1.3.	Strengthen the inclusion of good governance, democracy, human rights, and the rule of law in the EU fund-allocation and programming mechanisms (Objective 3) .....	25
4.1.4.	Ensure support for the implementation of the Joint Africa-EU Strategy (JAES) (Objective 4).....	25
4.1.5.	Reduce the fragmentation of and enhance the focus of thematic programmes (Objective 5).....	25
4.1.6.	Better address the specific needs of countries in crisis, post crisis and fragile situation (Objective 6).....	25
4.1.7.	Flexibility of fund allocation (Objective 7) .....	26
4.1.8.	Simplified programming and flexibility in implementation, in consistency with the principles of aid effectiveness (Objective 8).....	26
4.2.	Option 2: Amend the DCI Regulation .....	26
4.2.1.	Align the objectives of the DCI with the new trends in EU development policy (Objective 1).....	26

4.2.2.	Establish strong mechanisms to ensure significant differentiation amongst partner countries (Objective 2).....	27
4.2.3.	Strengthen the inclusion of good governance, democracy, human rights, and the rule of law in the EU fund-allocation and programming mechanisms (Objective 3) .....	28
4.2.4.	Ensure support for the implementation of the Joint Africa-EU Strategy (JAES) (Objective 4).....	28
4.2.5.	Reduce the fragmentation of and enhance the focus of thematic programmes (Objective 5).....	29
4.2.6.	Better address the specific needs of countries in crisis, post crisis and fragile situation (Objective 6).....	29
4.2.7.	Flexibility of fund allocation (Objective 7) .....	30
4.2.8.	Simplified programming and flexibility in implementation, in consistency with the principles of aid effectiveness (Objective 8).....	30
5.	Analysis of impacts .....	31
5.1.	Option 1: No Change .....	31
5.2.	Option 2: Amend the DCI Regulation .....	32
5.2.1.	Align the objectives of the DCI with the new trends in EU development policy (Objective 1).....	32
5.2.2.	Establish strong mechanisms to ensure significant differentiation amongst partner countries (Objective 2).....	33
5.2.3.	Strengthen the inclusion of good governance, democracy, human rights, and the rule of law in the EU fund-allocation and programming mechanisms (Objective 3) .....	34
5.2.4.	Ensure support for the implementation of the Joint Africa-EU Strategy (JAES) (Objective 4).....	34
5.2.5.	Reduce the fragmentation of and enhance the focus of thematic programmes (Objective 5).....	35
5.2.6.	Better address the specific needs of countries in crisis, post crisis and fragile situation (Objective 6).....	36
5.2.7.	Flexibility of fund allocation (Objective 7) .....	36
5.2.8.	Simplified programming and flexibility in implementation, in consistency with the principles of aid effectiveness (Objective 8).....	37
6.	Comparing the options .....	38
6.1.	Weighing-up of positive and negative impacts per option.....	38
6.2.	Preferred option.....	39
7.	Monitoring and evaluation .....	40
7.1.	Core indicators of progress towards objectives .....	40

7.2. Outline for monitoring and evaluation arrangements ..... 40

## 1. PROCEDURAL ISSUES AND CONSULTATION OF INTERESTED PARTIES

### 1.1. Organisation and timing

The drafting of the Impact Assessment for the EU external action instruments<sup>1</sup> for the period 2014-2020, including this document, has been coordinated by a Task Force composed of services in charge of EU external action and the Legal Service. The drafting teams, appointed on 7 June 2011, have duly taken into consideration the consultations, reviews and studies mentioned in Section 2.2 and have liaised with other Commission services to ensure consistency with other EU policies. The Task Force met with the drafting team in charge of this Impact Assessment on 7 June, 1 July, 14 July and 4 August 2011 for organisational and quality-check purposes.

An Impact Assessment Steering Group, composed of the members of the Task Force and representatives of interested Directorates General and the Secretariat General, was launched on 22 June 2011. It has met twice, on 13 and 26 July 2011.

The review of this Impact Assessment by the Impact Assessment Board took place on 14 September 2011.

In line with article 27 of the Financial Regulation (Council Regulation (EC, Euratom) No 1605/2002) and article 21 of the Implementing rules of the Financial Regulation (Commission Regulation (EC, Euratom) No 2342/2002), the present impact assessment is the ex-ante evaluation of the Development Cooperation Instrument (DCI).

### 1.2. 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?'. The consultation covered all instruments for external action, but many issues have been directly relevant to the DCI and are detailed below.

A majority of the respondents (around 70%) confirmed that EU financial intervention provided a substantial added value in the main policy areas supported by EU financial instruments for external action<sup>2</sup>. Many respondents confirmed 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

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<sup>1</sup> The instruments are the following: 11<sup>th</sup> European Development Fund, Development Cooperation Instrument, Instrument for Pre-Accession Assistance, European Neighbourhood Instrument, Instrument for Stability, Instrument for Nuclear Safety Cooperation, European Instrument for Democracy and Human Rights, Partnership Instrument and the instruments for the EU-Greenland Partnership. The Macro-Financial Assistance Instrument, the Common Foreign and Security Policy, the Humanitarian Aid Instrument and the Civil Protection Mechanism are not part of this joint exercise.

<sup>2</sup> i.e. peace and security, poverty reduction, humanitarian aid, investing in stability and growth in enlargement and neighbourhood countries, tackling global challenges, promoting EU and international standards and values, and supporting growth and competitiveness abroad.

instruments.

Over two thirds of respondents believed that EU interests are sufficiently taken into account in its external action, and that the latter should be based on EU values and principles, and on development objectives of the partner countries. A number of contributions underscored that development cooperation should be based on a mutual partnership.

A majority of respondents agreed that joint programming and co-financing with Member States could increase the impact and the coherence of EU external action, simplify the delivery of aid and reduce overall transaction costs.

A vast majority of respondents supported stronger monitoring and evaluation systems in future instruments and in the implementation of projects/programmes.

A majority of stakeholders supported increasing information and communication activities to enhance the visibility of EU external funding, in particular in the beneficiary countries; however EU visibility is regarded as being better served by effective policies, strategies and active presence in third countries, than by additional spending for communication.

### **1.3. Impact Assessment Board**

Following the comments of the Impact Assessment Board meeting held on 14 September 2011, the present Impact Assessment report was improved as followed:

- An explanation of the legal and policy framework determining the content of the next development cooperation instrument is introduced (cf. section 2.1.2).
- The explanation of problems identified and drivers is improved, with concrete cases and examples (cf. sections 2.3, 2.2 and 2.3).
- The options are redefined to i) exclude the options already predetermined by the legal framework, ii) reinforce the "baseline-scenario" option and introduce the sub-options considered for a possible change in the current development cooperation instrument and iii) introduce more details on how the options would work in practise (cf. section 4).
- The comparison between pros and cons and assessment of the impacts are improved (cf. section 5 and 6).

## **2. PROBLEM DEFINITION**

### **2.1. The problem requiring action and the scope of the instrument regulation**

#### *2.1.1. Problems requiring action*

The EU Treaty explicitly states that the Union shall define and pursue common policies and actions and shall work for a high degree of cooperation in all fields of international relations, in order to "*foster the sustainable economic, social and environmental development of developing countries, with the primary aim of eradicating poverty*".

Poverty remains a major problem in developing countries. Most of them are off-track towards



the achievement of the Millennium Development Goals ("MDGs")<sup>3</sup> and they are not enjoying a sustainable development. While significant advances towards the MDGs have been made, there is still a long way to go in several areas, and strong commitment is required on the part of developing countries and donors to achieve the MDGs and eradicate poverty. The EU is committed to helping developing countries address these problems. In fact, the EU is a key actor helping developing countries to achieve the mentioned goals. The EU is currently <sup>the third</sup> largest donor worldwide, and together with its Member States counts for 50% of global Official Development Aid. Given this significant share in development financing, it is therefore necessary for the EU to continue to support developing countries' efforts to reduce and eventually eradicate poverty while attaining the objectives of sustainable development and gradual integration into the world economy<sup>4</sup>.

The definition of the MDGs, progress towards targets and shortcomings are presented in Annex I.

In addition, global challenges continue to be prominent and developing countries were hit hard by the succession of recent crises (financial and economic crises, food price rises, fuel price volatility) resulting in social and economic instability, forced migration, food insecurity and in general a state of increased vulnerability to external shocks. The continued unsustainable exploitation of natural resources on which the poor depend (land, water, forests, etc...) and loss of biodiversity are other global challenges which need urgent attention if development is to become sustainable. The environment and natural resources are increasingly being recognized as vital for sustainable economic growth and poverty reduction meaning that sustainable development requires good environmental management. Ecosystems and natural resources are a significant part of the national income and wealth of less developed economies, making them a strategic resource for development. Furthermore, climate change and energy issues, including access to energy, exacerbate an already fragile and difficult situation and risk to undoing some development achievements if they are not properly addressed.

Against the above-mentioned background and as the world's population continues to grow, it is clear that more action is needed to increase developing countries' resilience to external challenges particularly in the case of the most disadvantaged countries.

### *2.1.2. Scope of the present Development Cooperation Instrument ("DCI")*

The EU has the competence to carry out activities under its own common development policy; this does not prevent however EU Member States from exercising their own national development policy (cf. Article 4(5) of the Treaty on the Functioning of the European Union (TFEU)). This is why coordination amongst EU and its Member State is particularly important in this policy area (see "How does the DCI work in practise?" below) in line with Article 210 TFEU.

In the current 2007-2013 period, the DCI has a budget (reference amount) of €16.9 billion

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<sup>3</sup> The development objectives were defined by donors in the UN's Millennium Development Goals ("MDGs") in 2000.

<sup>4</sup> Last year, the EU strongly reaffirmed its commitment to contribute to the achievement of the MDGs, including the reaffirmation of the collective target of devoting 0.7% of its GNI to ODA by 2015. Even beyond 2015 and even when some or all of the MDGs have been achieved, continued efforts will be needed to eliminate poverty.

representing 32% of Heading IV.

The DCI was established with the primary and overarching objective of eradicating poverty in partner countries and regions in the context of sustainable development, including the pursuit of the MDGs as well as the promotion of democracy, good governance and respect for human rights and the rule of law. The DCI is one of the EU's key instruments for providing development assistance to non-European countries alongside the European Development Fund ("EDF"), covering the African, Caribbean and Pacific ("ACP") countries and the European Neighbourhood Partnership Instrument ("ENPI"). All these instruments cover different geographic areas. The DCI is structured into three categories of programmes (see Annex II for the envelopes per programme).

#### *Bilateral and regional geographic programmes*

The DCI geographic programmes encompass cooperation with partner countries and regions selected on a geographical basis over five regions, namely: Latin America, Asia, Central Asia, the Middle East and South Africa. These five regions in the world still contained 70% of the world's people living on less than \$1.25 per day<sup>5</sup> and over 68% of the world's hungry people in 2010<sup>6</sup>. The range of countries supported by DCI bilateral cooperation is highly diversified (see annex II).

Cooperation with partner countries and regions encompasses a wide range of objectives, apart from supporting the MDGs and the promotion of democracy, good governance, the rule of law and human rights including gender equality. It fosters sustainable development, including political, economic, social and environmental aspects. It encourages the integration of the partner countries in the world economy, but also supports measures to preserve and improve the quality of the environment and the sustainable management of natural resources. It serves to strengthen the relations between the EU and partner countries and regions. The scope of possible areas of action is very comprehensive, though there are priorities defined per region. The geographic measures shall fulfil the criteria for Official Development Assistance (ODA) established by OECD/DAC.

#### *Thematic programmes*

The instrument has five thematic programmes: i) investing in people, ii) the environment and the sustainable management of natural resources including energy (which includes climate change), iii) Non-State Actors (NSA) and Local Authorities, iv) food security, and v) migration and asylum. They complement the geographic programmes by covering specific areas which are of interest to a group of partner countries not determined by geography. They encompass not only the countries eligible for geographic cooperation under the DCI, but also the ACP and EU neighbouring countries.

Thematic programmes play a major role in supporting the external dimension of the EU's policies. They are critical for addressing challenges in countries where geographic assistance is, for whatever reason (security, fragility, political), not programmable.

#### *Sugar accompanying measures*

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<sup>5</sup> 2005 - WB 2008 report - last global data available.

<sup>6</sup> FAO – 2010.

The temporary Accompanying Measures for former Sugar Protocol countries within the DCI cover an appropriate period for adjustment of ACP countries following the 2006 EU Sugar Reform. No further funds are foreseen for the next financial perspectives.

### How does the DCI work in practise?

As all the regulations for EU external action, the DCI is an enabling and not prescriptive instrument for EU development cooperation. This means that the DCI provides the general framework for EU intervention in third countries (general policy objectives, general principles, possible areas of intervention, conditions and decision-making mechanisms), but *they do not define in detail the exact sector/area or type of intervention in each of the partner countries or regions concerned*. Such level of detail is contained in the multiannual programming documents.

Multiannual programming documents detail per country/region (geographic programmes) or per theme (thematic programmes), the sectors/areas of intervention, the type of assistance, the specific objectives, the expected results, the performance indicators, the amounts involved, etc. Before their adoption by the Commission, these documents are subject to a political dialogue with the relevant partner countries, civil society, donors (including EU Member States) and other stakeholders. This is in line with the principles of ownership and alignment to the development policies of partner countries and with division of labour and coordination amongst donors. After these documents have been adopted, the Commission may decide on the implementation of *specific projects or programmes*. The concrete projects or programmes that the EU intends to initiate in a given year are grouped per country, region or theme in action programmes adopted every year by the Commission. Both the multiannual programming documents and the annual action programmes are discussed with Members States (through the so-called "comitology" process).

Generally, the revision of the DCI would mainly imply reviewing the enabling framework provided by this instrument in order to increase the efficiency and effectiveness of EU assistance.

#### *2.1.3. Areas for improvement linked to the scope of the DCI*

In 2008 the Lisbon Treaty entered into force. Article 21 of the Treaty of the European Union confirms poverty eradication as one of the main objectives of EU external action and Article 208 of the Treaty on the Functioning of the European Union places it as the primary objective of development policy. The Commission's Communication "A Budget for Europe 2020"<sup>7</sup> has further confirmed the need for the European Union to have a specific development cooperation instrument during the next Multiannual Financial Framework (MFF), with a proposed budget of €20.6 billion in 2011 prices.

New challenges, together with the priorities set in the Europe 2020 Strategy, have prompted the Commission to make proposals to review and adapt the EU's development policy given the urgent need to speed up progress towards the MDGs and to achieve inclusive and sustainable growth globally. Following the public consultation on the Green Paper published in November 2010, a Communication on EU development policy entitled "Increasing the Impact of EU Development Policy: An Agenda for Change" will be adopted by the

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<sup>7</sup> COM(2011)500, adopted on 29 June 2011.

Commission in 2011. While this Communication will not propose a change in the overarching objective of the EU's development cooperation, which will remain the fight against poverty, an adaptation of EU development policy is proposed in order to meet the challenges of the coming decade, mainly:

(i) the need to focus more on helping to strengthen governance and inclusive and sustainable growth in developing countries, while continuing to support basic social services. Those objectives should be translated into specific objectives of the DCI.

(ii) to take into consideration the increasing differentiation of beneficiary countries: Apart from Least Developed Countries and Low Income Countries which get 50% of funds for bilateral cooperation, the DCI provides assistance to several middle income countries, including OECD members – Chile and Mexico. The list of beneficiaries includes emerging world powers: China, Brazil and India, as well as other G20 countries, namely South Africa and Indonesia. Some of the emerging powers have in recent years become significant donors themselves and are not aid dependent even though they still acknowledge high social disparities. The DCI may ensure sufficient and adequate differentiation amongst partner countries taking into account economic and social disparities amongst and inside partner countries and the development of new objectives beyond pure development assistance.

(iii) to ensure a strong link between EU development assistance and partner countries' commitment to key reforms. It could take better into account the partner countries' progress on democratisation and respect for basic human rights.

Finally, in a number of regions covered by different EU instruments, it has been difficult to support cross-regional or continent-wide initiatives because of the different nature, scope and objectives of the external assistance instruments. This applies to all regions but concerns in particular the implementation of the Joint Africa-EU Strategy ("JAES"), adopted in 2007. The expected mainstreaming of the support to the JAES in existing EU (EDF, ENPI and DCI) and Member State instruments has largely failed to materialise despite the recent reconfirmation of the JAES at the 2010 Africa-EU Summit. The Commission's Communication "A Budget for Europe 2020" specifically states that the DCI will support the JAES.

## **2.2. Mid-term reviews and lessons learnt**

### *2.2.1. Results of the mid term review of the financial instruments for external actions*

A mid-term review has been conducted for each of the EU external action financial instruments for the period 2007-2013, including the DCI. It has been agreed that the general structure of these instruments are adapted to their purpose and that no major change should be introduced at that stage. Nevertheless, an enlargement of the scope of the Industrialised Countries Instrument (ICI) has been proposed in order to support programmes of mutual interest with developing countries that could not be funded under the DCI. For the new MFF the Commission proposes establishing a new instrument, the Partnership Instrument ("PI"), as a successor to the ICI. The proposed DCI together with the PI will enable the EU to develop a comprehensive strategy for developing countries that will take into account the development needs of the beneficiary countries, as well as wider EU interests and objectives.

### 2.2.2. Review of the lessons learnt

In the preparation process of the new MFF, an internal review of the different reports (evaluations, audits, studies, mid-term reviews,) has been undertaken, looking at what worked and what did not work, and drawing lessons to be taken into account when designing the instruments for the next MFF (see Annex III for a more detailed account of lessons learnt and Annex IV for a list of reports reviewed).

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, as one of the most important financial instruments in the world supporting these objectives<sup>8</sup>. 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 DCI allows for a more strategic approach in planning and implementing EU aid, through a clear definition of sectors, objectives and expected results (set out in Strategy Papers, Multiannual Indicative Programmes and Annual Action Programmes as opposed to the previous variety of self-standing actions adopted individually) leading to an agreement with the beneficiary country. The DCI puts the beneficiary countries in the driving seat, and requires EU/donors to support the beneficiary's development strategy, policies and reforms.

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. New financial instruments foreseen in the DCI, such as blending mechanisms, could be used further where appropriate.<sup>9</sup>

Thematic programmes provided the Commission some additional flexibility in dealing with specific challenges and also provided a useful instrument to complement the geographic programmes in areas such as:

- *investing in people* allowing responses to emerging priorities in line with the Europe 2020 Strategy, e.g. social inclusion of disabled persons and increasing the number of persons treated, tested and counselled for AIDS, malaria and other diseases;
- *addressing environment and sustainable management of natural resources including energy*, allowing the EU to support key EU and international policy initiatives in the area of environment and development, including climate change, such as the Global Climate Change Alliance (GCCA) and the REDD+ piloting and Forest Law Enforcement, Governance and Trade (FLEGT);
- *improving food security* for the poorest and most vulnerable, this programme being recognised for the relevance of its interventions;

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<sup>8</sup> As mentioned before, the EU is the third largest donor worldwide, and together with its Member States counting for 50% of global ODA which is primarily delivered through DCI and EDF. Hence, it can be concluded that DCI supports the progress on MDG.

<sup>9</sup> Final report of the Working Group on the additionality of grants in the framework of blending mechanisms of 18 December 2009: [http://www.dev-practitioners.eu/fileadmin/Redaktion/GroupsFolders/Division\\_of\\_Labour/Loans\\_and\\_grants/WGBBlending\\_FINAL\\_complete\\_report\\_181209.pdf](http://www.dev-practitioners.eu/fileadmin/Redaktion/GroupsFolders/Division_of_Labour/Loans_and_grants/WGBBlending_FINAL_complete_report_181209.pdf).

- supporting third countries in their efforts to ensure a *better management of migratory flows* : this programme enjoys significant flexibility and scope of action and allows for an increased integration of migration and asylum issues in development policies.

Notwithstanding the above, a number of factors were identified as areas for improvement to increase the effectiveness and efficiency of the DCI.

In a globalised environment, different internal EU policies (such as climate change, environment, energy, water, justice and security, research, information society, immigration, fisheries, etc) 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 word. However, the existing fragmented architecture of the DCI with several thematic programmes was not adequate 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. A global thematic envelope would enhance flexibility, timeliness, effectiveness, and sustainability of EU response to such crises.

#### **The food crisis**

*To respond to the food crisis in the second half of the last decade, the Commission had to adopt a specific Regulation to tackle the food crisis in 2008 since the existing thematic programmes of the existing DCI were excessively pigeonholed to provide for a comprehensive coverage for such global challenge.*

#### **The avian flu' crisis**

*Avian Flu is a development issue as it disproportionately affects less developed countries, which have often limited resources to fight the disease and who suffer more from trade restrictions due to H5N1. The spread of avian flu is facilitated by traditional husbandry methods of small poultry breeders, whose livelihoods are particularly affected by poultry losses. It is also in developing countries that promiscuity with poultry, lower hygiene and education favour the contamination of humans. The risk of an evolution to pandemic forms of influenza (mutation/recombination), resulting in very high numbers of human illness and deaths, remains. Other human diseases are emerging of animal (zoonotic) origin and have also the potential for crises as they would spread rapidly across the world in a globalised context. So far the Commission has been contributing large amounts to the fight against avian flu in third countries, however through various separate external assistance instruments (DCI-Asia, ENPI, EDF) and different mechanisms: for example, through a Multi Donor Trust Fund with the World Bank (AHIF), the programme Highly Pathogenic and Emerging Disease (HPED) in Asia, a programme implemented by the African Union and through national envelopes in some countries in Africa, etc. Therefore EU response has been fragmented in geographical coverage, scope, and duration, and entailing constraints in coordination and reporting.*

Development cooperation still remains too fragmented and over-ambitious. The resources, if too thinly spread, do not always reach the required critical mass and do not allow for the necessary leverage to reach all the expected results. The recent increase of economic and social disparities amongst partner countries and the development of new objectives beyond pure development assistance calls for further differentiation amongst such countries. The

application of geographical differentiation becomes of key important to ensure that EU financing is concentrated in countries that need it the most (such as least developed countries, fragile states/countries in crisis, etc) thus increasing the impact of EU assistance.

The review of lessons learnt also shows that, under the present DCI the specific provisions on fragile states / countries in post-crisis situation are not sufficient, underestimating the need to support political processes, strengthening 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 (holistic approach). 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, like new political priorities and natural or man-made disasters. No un-programmed envelope was left to be used as a reserve. With very limited possibility to mobilise resources from outside the DCI instrument (except humanitarian assistance and IfS to respond to crises), the only way to ensure funding in response to unforeseen needs is to review and cut some country allocations.

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 facilitate joint programming with Member States. Furthermore, it does not allow swift adaptation where so required, due to political or factual (e.g. crisis, fragility) requirements.

#### **Example of lack of flexibility of fund allocation and decision-making: The "Arab spring"**

*Current situation in Yemen (as well as those of several other countries in the region) demonstrated the need for more flexibility in the implementation of cooperation in countries in crisis, as well as the need for having at disposal a reserve for unforeseen needs. Before the political crisis erupted in Yemen, the adopted annual action programme included concrete cooperation activities that were to be implemented through the government. Given the popular uprising and the repression by the authorities it has been later decided that EU cooperation would need to be refocused to other areas of intervention that would not include the government. In this specific case it is planned to focus on social welfare through a programme implemented by the World Bank. Nevertheless, given the long and cumbersome procedures to modify the action Programme the EU is missing the opportunity to act where it is most needed at this important moment in Yemen, as well as it risks losing the funding due to annuality of the budget. Unallocated reserve and flexible procedures to adjust the multiannual programming would further increase the EU capacity to act immediately when an opportunity to strengthen the long term development process would arise, as it did not in Yemen.*

### **2.3. The underlying drivers of the problem**

On the basis of the above analysis and aforementioned reports, the following drivers have been identified as hindering the objectives or limiting the impact of the DCI:

#### *2.3.1. Driver 1 - DCI objectives are not fully aligned to the latest policy development trends*

The evolution of development policy, as reflected namely in the upcoming Commission Communication "Increasing the impact of EU Development Policy: An agenda for change",

are not adequately reflected in the existing DCI. In particular, EU development policy should give sufficient recognition to inclusive and sustainable growth in partner countries, as identified in the EU 2020 strategy, while assisting in reducing partner countries' vulnerability and exposure to global shocks by addressing problems related to global public goods.

2.3.2. *Driver 2 - The DCI does not contain strong mechanisms to ensure significant differentiation amongst partner countries.*

The DCI covers a wide range of countries falling under the OECD/DAC definition of developing countries, from the Least Developed Countries to Upper Middle Income Countries. Each category has very different development needs, capacities, performance level and interests. Although the DCI refers to the differentiation principle and the need to give priority to the Least Developed Countries and Low-Income Countries, it provides no further guidance on how to do so. Such guidance would allow the EU to concentrate funds where the EU would have more impact and to apply an adequate policy/aid methodology mix depending on the needs, capacities and specific circumstances of each partner country.

2.3.3. *Driver 3 - Good governance, democracy, human rights and the rule of law are not sufficiently embedded in the cooperation mechanisms of the DCI.*

Respect for good governance, democracy, human rights and the rule of law remain issues of concern, as achieving the MDGs is often hampered by the fact that in a number of countries the democratic institutions are still weak, or the power is in the hands of undemocratic or corrupt regimes. In some cases this was further exacerbated by a weak security situation in partner countries.

2.3.4. *Driver 4 - The current architecture of EU external action instruments does not provide the appropriate framework to support strategic cooperation with Africa as a whole*

The geographically and thematically fragmented coverage of the existing instruments (EDF, ENPI, DCI) does not allow a African-wide response to challenges of continental scope, as required by the Joint Africa-EU Strategy (JAES). It has proven difficult to mobilize ENPI contributions, despite the fact that North-African countries play a key role in the thematic partnerships. EDF-resources have been inadequate to cover innovative activities through pre-established national and regional programming. Due to the lack of alternatives, intra-ACP funds have *de facto* become the main source of financing for the JAES'. However, they do not allow the Commission to cover all thematic priorities, they are insufficient to fund the broad range of Action Plan activities, and they do not cover Northern Africa. This failure to live-up to the joint Summit commitments has negatively affected relations with Africa, and has been detrimental to the EU's own interests to cooperate more effectively with African partners in tackling global challenges.

2.3.5. *Driver 5 - Thematic programmes are too fragmented to tackle global issues in a comprehensive and global manner*

The current structure of the DCI, with strictly separated thematic programmes, hampers the EU's capacity to react promptly and substantially to achieve the required impact, as was the case for instance during both the recent food crisis and the avian flu outbreak. Implementation is difficult since the scope of each thematic programme is often too narrow.



2.3.6. *Driver 6 - The specificities of crisis, post-crisis and states in situation of fragility<sup>10</sup> are insufficiently taken into account in the current DCI*

Countries in crisis, post-crisis and fragile states have specific *long-term, development* needs and requirements such as supporting state-building, peace processes, the rule of law, security sector reform and governance (short-term and immediate needs are covered by humanitarian aid and the Instrument for Stability). These are by nature fast-evolving situations requiring appropriate flexibility to respond to these countries' needs in a timely manner. The current lack of flexibility within the DCI significantly impacts EU intervention in those situations.

Additional flexibility in programming for countries in crisis, post-crisis and fragile situations would allow for a quick adaptation of the EU response to the changing environment and needs, without going through lengthy and cumbersome programming review procedures. Some flexibility exists in the current DCI in this regard, as it is possible to finance ad hoc measures outside the programming documents in exceptional and unforeseen circumstances. The application of this flexibility is limited, however, because of the lack of un-programmed envelopes of funds which could be used to respond to such unforeseen needs (see driver 7).

2.3.7. *Driver 7 - Insufficient flexibility with regards to fund-allocation*

The DCI does not contain any unallocated envelopes, thus leaving limited possibility to mobilise resources to respond to unforeseen needs, such as new political priorities and natural or man-made disasters.

At the programming of the Multiannual Indicative Programme for 2011-2013, no un-programmed envelope was left to be used as a reserve. The only way to ensure funding in response to unforeseen needs is to review and cut country allocations. However, taking into account that the DCI requires the EU to agree on the focal areas, objectives and allocations with the beneficiary countries, cutting country allocations after completion of the programming stage, proved to be politically difficult.

Flexibility is also important for thematic programmes. During the last few years, several shocks have hit developing countries. The “food price crisis” required funding superior to the overall envelope devoted to thematic programmes under the DCI and led to a complex and lengthy process that was in contradiction to the urgency of the situation.

2.3.8. *Driver 8 - A complex and rigid programming process and stringent implementation rules*

The DCI rules on programming and implementation with regards to the adoption and amendment of decisions such as annual action programmes are rather rigid (e.g. extensive use of ex ante "comitology" process). Moreover, they systematically require the adoption of specific EU programming in the form of Country Strategy Papers and Multiannual Indicative Programmes per country/region. This may be difficult to conciliate with a number of objectives agreed by the Commission under international and European commitments on Aid Effectiveness (OECD's Paris Declaration, European Consensus for Development), requiring i)

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<sup>10</sup> The notion of crisis, as well as that of post-crisis and fragility are defined *inter alia* in article 168(2) of the Implementing Rules of the EU Financial Regulation and in the Commission Communication of 25 October 2007 – Towards an EU response to situations of fragility – engaging in difficult environments for sustainable development, stability and peace.

better division of labour and coordination amongst donors, which includes the possibility for joint programming between the EU and its Member States, and ii) alignment with development strategies/programmes elaborated by partner countries (e.g. Action Plans). Such programming modalities, not facilitated under the current DCI as it imposes specific programming rules and documents, are already practiced by donors including the EU in some countries (e.g. joint donors response strategies, defining division of labour among donors, EU Action Plan partially covering the national development strategy). By acting as one, the EU and its Member States would have more weight and leverage in policy dialogue with the partner countries and in the donor community.

The role of the private sector and financial institutions within development strategies is not sufficiently encouraged to support public and private investments within partner countries as well as sustainable, inclusive and smart growth and the insertion of developing countries into the global economy.

#### **2.4. Legal base for EU action**

The specific legal bases for EU action in the development field are articles 208 to 210 of the Treaty on the functioning of the EU. In particular article 209, which establishes the need for the European Parliament and the Council to adopt measures necessary for the implementation of development cooperation policy, serves as the legal basis for an instrument to replace or amend the existing DCI.

#### **2.5. EU Value Added**

##### *2.5.1. Global Challenges, Global Response & Global Leadership*

As the world's largest donor, the EU and Member States provide more than half (56%) of global aid to developing countries. The EU provides aid to the poorest people on the planet in more than 150 countries worldwide and is committed to achieving the MDGs on time by the end of 2015. The European Commission's official development aid alone<sup>11</sup> represents 20% of total EU aid. In view of increasingly complex challenges, none of the EU's internal priorities – security, smart, inclusive and sustainable growth and job creation, climate change, access to energy, resource efficiency, including the protection of biodiversity, safe management of chemicals and waste, health and pandemics, education and migration - will be achieved in isolation from the wider world.

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. It is best placed to take on the role of global leader on behalf of its citizens, for instance in its contribution to the achievement of the MDGs.

Another example for the EU's leading role on the international scene is its effort to combat climate change. In order to help other parts of the world to step up their efforts to combat climate change, the Commission intends to increase the proportion of climate related expenditure across the EU budget to at least 20%, with contribution from different policies.<sup>12</sup> EU Heads of State have also agreed 'stepping up the EU contributions to averting global

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<sup>11</sup> Including EDF.

<sup>12</sup> COM (500) 2011.

biodiversity loss. In particular the Commission and member states will contribute their fair share to international efforts to significantly increase resources for global biodiversity, and will improve the effectiveness of EU funding for global biodiversity<sup>13</sup>. Preserving and enhancing biodiversity and ecosystem services will contribute to poverty alleviation and boost the green economy. Coherence with the Europe 2020 strategy should be sought as far as its smart growth priority is concerned, promoting support to S&T, innovation and information and communication technologies (ICT) capacities as catalysts for socio-economic development.

### *2.5.2. The critical mass of the EU*

With 27 Member States acting within common policies and strategies, the EU alone has the critical mass to respond to global challenges, such as poverty reduction and climate change. The action of individual Member States can be limited and fragmented, with projects which can be too small to make a sustainable difference in the field.

This critical mass also puts the EU in a better position to conduct policy dialogue with partner governments. In a recent Green Paper consultation carried out to find out views from stakeholders on our development policy, all those who responded agreed on the role that the EU played in supporting good governance (including the participation of civil society), the rule of law, security, human rights and gender equality. The responses also showed that the people believe that the EU has a comparative advantage in the areas of energy, infrastructure, including ICT, agriculture and aid for trade. Similarly, in the UK's Department for International Development's recent Multilateral Aid Review, EU work in fragile states was commended.

Thanks to the large scale of the EU, it can deliver help to the poor in some of the world's most remote areas, where most of the Member States have no strategic interest and their presence is limited.

### *2.5.3. The EU is best placed to coordinate*

The EU has a network of international agreements all over the world, not matched by individual Member States, which gives them influence in almost all fields of international relations. The EU plays a multi-faceted role in development: as an implementing agent of EU aid and as an EU coordinator and policy-maker in the development field, as an economic and trade partner, through security policy and political dialogue, as well as through other EU sector policies – such as migration and asylum, climate, information and communication technologies, environment or energy. The EU can do more than other international organisations, because of its holistic approach to development and external relations, in addition to instruments for the promotion of democracy, and mechanisms to respond to a crisis. This horizontal approach, especially in areas like trade, where the EU can negotiate trade agreements on behalf of the entire EU, puts the EU in a better position than Member States to make the most of the development budget.

The EU also has a long standing reputation and role as a promoter of inclusiveness and multilateralism. Its efforts in pursuing a comprehensive international climate regime in the context of the international UN climate negotiations and through bilateral dialogues, as well

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<sup>13</sup> COM (2011) 244 final.

as its leadership in multilateral environment agreements, have reflected positively on the EU external identity. The EU has also constructed arguably the most sophisticated set of policies, incentives and standard to facilitate its economy's transition to low carbon and is working to achieve resource efficiency by 2020. These experiences and lessons should be made available to developing partners to advance their integration in global markets.

Division of labour through the EU is a crucial component of its added value. With its network of international agreements, the EU is a natural coordinator, and can influence almost all fields of international relations, which individual Member States, acting within common policies and strategies, cannot do alone.

#### *2.5.4. Acting as one makes financial sense*

Acting as one, EU can have greater impact and more leverage in policy dialogue and donor cooperation. At a time of budgetary restrictions, when several Member States are compelled to exit entire sectors and countries, the EU is able to play an active role in promoting democracy, peace, solidarity, stability, prosperity and poverty reduction worldwide. In this context, it makes more sense than ever from a purely economic perspective to invest money at EU level where a real difference can be made. Certain aid effectiveness reforms, especially in terms of division of labour, could add up to potential savings of between 3 and 6 billion a year, according to a recent independent study<sup>14</sup>.

Working with the EU is also more cost effective. Commission administrative costs – estimated at 5.4% on the basis of 2009 data - are lower than the average administrative costs of the principal bilateral aid donors. Furthermore, thanks to development cooperation, some issues can be tackled in advance and save money. By investing in developing countries, migration and asylum, climate change, ecosystem degradation, food security, piracy, security, sexual violence and many other issues are addressed. It is often far cheaper to eliminate the root causes of insecurity and poverty than deal with its symptoms further down the line.

#### *2.5.5. Greater accountability*

Every euro spent on development is scrutinised by the European Parliament and the Court of Auditors, and also by every Member State. In addition, the European Commission is one of the most transparent aid donors in the world. Transparency is in itself an important tool for ensuring effectiveness and value for money. This has been recognised by the UK organisation "Publish what you Fund" which ranked the European Commission in 4th position (out of 30) in its first Aid Transparency Assessment of donors in February 2011.

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<sup>14</sup> See The Benefits of a European Approach, by HTSPE.

### 3. OBJECTIVES

#### 3.1. Policy framework and objectives

##### 3.1.1. Policy framework

The 'European Consensus'<sup>15</sup> adopted in 2005 together with the Code of Conduct<sup>16</sup> provides the general framework, orientations and focus to steer the implementation of EU cooperation with partner countries and regions. The communication on EU development policy ('Agenda for change') is expected to be adopted by the Commission during the autumn 2011, whereby the revised policy objectives of EU development policy will be further specified. This policy framework, together with the EU Treaty, determines the objectives of EU development policy, applicable also to the successor of the DCI.

##### 3.1.2. Objectives

###### 3.1.2.1. Global objectives of the development policy under the instrument

The overarching objective of the EU development policy should be reducing and, in the long term, eradicating poverty in partner countries and regions, with a special emphasis on:

- promoting democracy, the rule of law, human rights and good governance;
- supporting inclusive and sustainable growth-oriented development, including inter alia environmental and climate smart sustainability.

On that basis, the EU will continue supporting the MDGs, which provides well-established performance indicators, while ensuring consistency with the upcoming Commission Communication on the EU development policy "Increasing the impact of EU Development Policy: An agenda for change".

###### 3.1.2.2. Objectives related to the review of the instrument itself

- Objective 1- Align the objectives of the DCI with the new trends in EU development policy (cf. driver 1)

In addition to the overarching objective of the current DCI, the revised instrument should be able to properly project the EU's internal policies into its external dimension by elevating sustainable and inclusive growth to the level of driver for achieving the primary objective of poverty alleviation, in order to increase its response capacity to global challenges and the protection of public goods that would properly take into account EU internal policy objectives.

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<sup>15</sup> Joint statement by the Council and the representatives of the governments of the Member States meeting with the Council, the European Parliament and the Commission on EU development policy of 20 December 2005.

<sup>16</sup> The Code of Conduct was agreed in 2007 (COM/2007/72) and presents operational principles for EU donors regarding complementarity in development cooperation. Their aim is to enhance effectiveness by improving overall development results and impact for poverty reduction and reducing the transaction costs, through a division of labour between donors. For instance, it was agreed each donor will work in 3 sectors only, plus General Budget Support if applicable and support to civil society organisations.

- Objective 2 - Establish strong mechanisms to ensure significant differentiation amongst partner countries (cf. driver 2)

The revised instrument should allow a more differentiated approach amongst partner countries in order to respond to the specific situation of each country, taking into account their needs, capacities and performance, and the potential impact of EU aid.

- Objective 3 - Strengthen the inclusion of good governance, democracy, human rights, and the rule of law in the EU fund-allocation and programming mechanisms (cf. driver 3)

The revised instrument should foresee an increased degree of linkage between the fund allocation/programming and respect for EU values, namely good governance, democracy, human rights and the rule of law, providing incentives to concerned partner countries to improve governance. The revised instrument should have the necessary flexibility to engage and support such processes in the concerned partner countries.

- Objective 4 – Ensure support for the implementation of the Joint Africa-EU Strategy (JAES) (cf. driver 4)

The revised instrument should provide an adequate legal basis and coverage for the implementation of the JAES.

- Objective 5 - Reduce the fragmentation of and enhance the focus of thematic programmes (cf. driver 5)

The added value of a thematic programme is its ability to project EU core values (gender, social inclusion, etc) and to allow the EU to intervene more efficiently on global public goods such as research, biodiversity and global crises (e.g. avian flu) where the action of the Commission should also benefit countries without bilateral co-operation. The flexibility of the instrument should be sufficient to mobilise significant resources to address these issues whenever needed (e.g. food price crises, climate change).

- Objective 6 - Better address the specific needs of countries in crisis, post crisis and fragile situation (cf. driver 6)

The revised instrument should ensure the necessary flexibility in terms of strategies, programming and implementation procedures in countries in crisis, post-crisis and fragile situations to allow for the quick adaptation of the EU response to their changing environment.

- Objective 7 - Increase flexibility of fund allocation (cf. driver 7)

The allocation of funds between regions/countries/themes should be flexible enough to allow a swift re-attribution of funds in case of unexpected needs requiring a rapid reaction (e.g. crisis/post-crisis/fragile states, new political priorities, the need to apply the differentiation and mutual accountability principles as well as the conditionality for good governance, etc).

- Objective 8 - Simplify programming and increase flexibility of implementation, in consistency with the principles of aid effectiveness (cf. driver 8)

The programming and decision-making process should be simplified and flexible, making it possible for the EU to make use of joint programming and alignment with the programming cycle of partner countries.

Finally, the new instrument should provide the legal basis to allow the EU to use/increase innovative instruments allowing the involvement of the private sector and financial institutions in the implementation of EU assistance in partner countries.

### **3.2. Consistency with external action priorities**

In the context of the principles, objectives and the new institutional framework set by the Lisbon Treaty development cooperation must be mutually coherent with other initiatives for external action. The revised instrument will be 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 envelopes which 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.

The programming principles and approaches of the DCI shall be adjusted to better respond to the dynamic developmental challenges of the 21<sup>st</sup> century, such as scarcity of natural resources, ecosystem degradation, population pressures and climate change. The omnipresence of these phenomena and the risks they pose to development progress will undermine efforts to reduce poverty and reach the MDGs if they are not comprehensively incorporated into the development cooperation programmes and approaches.<sup>17</sup>

### **3.3. Consistency with other EU policies**

As laid out under chapter 2.2.2 the integration of different internal EU policies is a 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.

In order to ensure the coherence and consistency of the EU's overall policy, there are important arguments in favour of continuing the current approach of financing such aspects of

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<sup>17</sup> The onus for more robust and climate resilient development planning rests on the national governments. However, the EU, as the strongest proponent of international and inclusive climate action, can promote policies in this respect and ensure its own country programming incorporates climate action. Similarly, support for natural capital assessments to show the value of supposedly free ecosystem services and for measuring the health effects of pollution to show the costs of inaction will help our partners pay more attention to the environmental base for sustainable development which in turn should lead to cooperation on environmental protection.

internal EU policies mainly under Heading 4 of the EU budget through the geographical external programmes (i.e. mainstreaming) or through thematic programmes (environment, climate change, energy).

By mainstreaming internal EU policies through geographical programmes, the external dimensions of internal policies can be included in the agreements concluded with third countries and become part of the policy dialogue with them. These aspects are at the centre of EU country and regional programming in areas such as standards setting, infrastructure networks, including ICT, trade, business frameworks, energy, education and research, justice and home affairs activities etc. The MFF Communication<sup>18</sup> specifically suggests to commit the EU to mainstreaming climate change and biodiversity throughout the budget.<sup>19</sup> Mainstreaming ensures coherence, fosters ownership and ultimately enhances effectiveness and impact.

While the "mainstreaming approach" was already followed for the current MFF, it can be further improved. At the level of country programming, internal policy priorities should be taken into account more explicitly in the process of designing geographic programmes, while also respecting the country ownership principle and alignment on development strategies. For example Ministries in partner countries responsible for environment and climate are often left out of discussions on development strategies and aid allocation even though these issues have cross-cutting implications for all sectors as well as being important development issues in their own right.

Furthermore, this highlights the EU commitment to advancing on Policy Coherence for Development ("PCD"). This requires that the objectives of development cooperation be considered in all EU policies which are likely to affect developing countries.<sup>20</sup> The PCD strategy was adopted to overcome potential negative impacts of internal policies on developing partners but needs to become a mechanism for the mutual reinforcement and integration of policies. It requires that the design of every EU sectoral policy avoid incoherence with the EU development policy.

Finally, aid alone cannot bring the necessary change on a scale sufficient to pull countries out of poverty. Private sector development through the development of trade and investment is essential. Aid in general should facilitate reform to foster services to the population but also support private sector development and trade integration. Economic activity is affected by the institutional, legal and political conditions prevalent in third countries, including development ones, such as the existence of functioning market institutions and a sound economic governance. The EU actively encourages its trading partners to establish competition regimes and this objective also includes developing countries. Along with other policy objectives such

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<sup>18</sup> COM (500) 2011.

<sup>19</sup> The Lisbon Treaty made combating climate change at international level a specific EU objective. The EU is determined to deliver on its international climate finance commitments. Already today, a proportion of the EU budget is related to climate mainstreaming and thus contributes to Europe's transition to a low carbon and climate resilient society. The Commission intends to increase the proportion to at least 20%, with contribution from different policies, including from the external instruments. Equally EU Heads of State have to step up the EU contribution to averting global biodiversity loss and improve the effectiveness of such EU funding, commitments that will be further defined in the preparations for the next Conference of the Parties of the Biodiversity Convention in 2012 which is due to agree on mobilising resources to implement the global biodiversity strategy adopted in Nagoya.

<sup>20</sup> May 2005 Council Conclusions confirm the EU is committed to the implementation of the objectives contained in the Commission's Communication on PCD dealing with the areas of trade, environment, climate change, security, agriculture, fisheries, social dimension of globalisation, employment and decent work, migration, research and innovation, information society, transport and energy.



as a well-functioning public administration and an independent judiciary safeguarding the enforceability of contracts, an effective competition policy creates a business environment facilitating economic growth in developing countries (set of transparent rules, competition authorities as arbiters on anti-competitive behaviour, reduced policy risk and stimulated foreign investments due to clear rules of the game).

### **3.4. Geographical/thematic coverage**

The legal base should allow for all policy areas and activities of external action to be promoted in third countries with the appropriate mix of sectors and modalities determined specifically per country, on the basis of an analysis of needs, capacities, interests, commitments and potential EU impact.

Geographic cooperation will focus on poverty reduction in the context of inclusive and sustainable development but also on promoting the principles of good governance, the rule of law and respect for human rights, including protection of minorities and other vulnerable groups and will cover the developing countries outside those covered by the ENPI, EDF and Instrument for Pre-Accession (IPA). In the current DCI, the European Parliament requested at least 20% of funding to be spent on health and education. The draft Communication on EU development policy ('Agenda for Change') indicates that a similar funding target for social and human development will be maintained by the Commission.

The thematic envelope under DCI will focus on (i) the support for civil society and local authorities and (ii) global public goods and challenges notably environment especially biodiversity, climate change, energy, water, human and social development (especially education, health, social protection, employment and gender equality), food security and migration and will seek in particular to mainstream EU policies into development cooperation while increasing flexibility across themes to promote a "holistic approach". In order to live up to its international commitments under the UNFCCC and UNCBD namely to increase substantially the mobilisation of financial resources for climate change and for global biodiversity by 2020, the EU should aim to spend no less than 25% of the programme for "Global Public Goods" on climate change and environmental objectives. The thematic envelope encompasses not only the countries eligible for geographic cooperation under the DCI, but also the ACP and EU neighbouring countries. Furthermore, thematic programmes should be in coherence with the overall approach to partner countries and regions.

The instrument will also support the implementation of the Joint Africa-EU Strategy.

## **4. POLICY OPTIONS**

### **4.1. Option 1:"No change": cooperation with the countries concerned remains strictly in the framework of the existing DCI Regulation**

DCI would be extended for the 2014-2020 period with no further amendments. Each of the identified objectives is assessed against this backdrop.

#### *4.1.1. Align the objectives of the DCI with the new trends in EU development policy (Objective 1)*

The overarching principle of eradicating poverty in the context of sustainable development and consolidating and supporting democracy, good governance, human rights, equal

opportunities and the rule of law would continue. No reference to the objectives related to the evolved EU development policy as defined in the Communication "Agenda for Change" would be included, in particular to sufficiently address global challenges.

Not changing the objectives would ensure the familiar focus with which stakeholders are already acquainted and comfortable. Nevertheless, this would not allow the EU to sufficiently tackle the newly arising EU and global priorities and commitments in the area of development aid.

#### *4.1.2. Establish strong mechanisms to ensure significant differentiation amongst partner countries (Objective 2)*

The current DCI includes differentiation as a general principle (art. 3.2). This principle is also reflected in the programming, as the multiannual indicative allocations are based on needs and performance of the partner country (art. 18).

While the basic principles for differentiation would continue to play a role in the DCI, status quo would not reinforce it by sending a clearer message of intention, nor would it be coupled with a clear, strong mechanism for its implementation. In addition, many developing countries wish to move beyond pure development assistance and are thus becoming less interested in DCI funding.

#### *4.1.3. Strengthen the inclusion of good governance, democracy, human rights, and the rule of law in the EU fund-allocation and programming mechanisms (Objective 3)*

The current DCI includes these principles as part of the objectives of the instrument. Nevertheless, status quo would mean that programming and allocation would be carried out without having a clear mechanism for supporting and rewarding progress towards better governance and the reinforcement of democracy, human rights and the rule of law.

#### *4.1.4. Ensure support for the implementation of the Joint Africa-EU Strategy (JAES) (Objective 4)*

The financing of the Pan-African strategy would need to be funded through three different instruments: the European Development Fund for Sub-Saharan countries, the European Neighbourhood Instrument for North Africa and the DCI for South Africa. Until now this proved to be extremely difficult and keeping the same structure would endanger a coherent and comprehensive implementation of the commitments in the Joint Strategy.

#### *4.1.5. Reduce the fragmentation of and enhance the focus of thematic programmes (Objective 5)*

Under this option the five thematic programmes would remain. The problem of implementing programmes with elements from the different thematic programmes would remain, causing EU assistance to be fragmented, less coherent and less efficient

#### *4.1.6. Better address the specific needs of countries in crisis, post crisis and fragile situation (Objective 6)*

In case of no change of the DCI, EU would not be able to take into account the full extent of the changes taking place in countries in crisis, post crisis and fragile situation beyond initial planning. EU would be severely limited to adapt and react to any developments that would

take place in such vulnerable countries during the time that the DCI would be in force.

#### *4.1.7. Flexibility of fund allocation (Objective 7)*

The current situation would be maintained, meaning that the share of un-programmed funds would be extremely limited. Funding outside programmable funds would remain possible only through the adoption of special measures in the event of unforeseen and duly justified needs related to natural disasters, civil strife or crisis. In many cases the lack of reserves implies that indicative amounts need to be reduced to some countries and regions, bring about important political implications (example – the Arab Spring and the need for identifying additional funds for this region at the expense of some other regions).

#### *4.1.8. Simplified programming and flexibility in implementation, in consistency with the principles of aid effectiveness (Objective 8)*

The current complex and stringent programming procedure, which systematically requires the adoption of EU-specific Country Strategy Papers and Multiannual Indicative Programmes in all cases and following the EU's programming cycle would remain. The instrument would not foresee the possibility to move away from the EU specific programming documents, continuing the duplication of development strategy formulation with the member states.

While not preventing other modalities, the status quo would rely on the usual and tested modes of implementation of the EU assistance. Not introducing or promoting new modalities could be perceived as simpler for the implementation of EU aid. However, it would not take account of the need to seek more innovative approaches in the programming (e.g. joint programming with the Member States) and in the implementation stage (e.g. twinning), which could ensure higher added value for the delivered aid.

## **4.2. Option 2: Amend the DCI Regulation**

### *4.2.1. Align the objectives of the DCI with the new trends in EU development policy (Objective 1)*

- Sub-option 1A – Align the objectives of the instrument with the EU Treaties

The objectives would reflect the latest evolution of EU legislation, in particular the Lisbon Treaty –arts 21(2) TUE and 208(1) TFEU. While this would put the instrument in line with the wide objectives of the Lisbon Treaty, it would lack the necessary focus that an instrument for development needs. This would also imply that the priorities could change with each additional interpretation of the Treaty or seem as ‘cast in stone’. Neither would ensure the required mix of flexibility and predictability.

- Sub-option 1B – Align the objectives of the instrument with the latest trends of development policy

The objectives would be updated to reflect the latest evolution of EU legislation and policy, in particular with regards to inclusive and sustainable development which would become a general objective of the instrument, in particular the Lisbon Treaty –arts 21(2) TUE and 208(1) TFEU but also i) the Europe 2020 strategy; ii) the Communication "A Budget for Europe 2020" and iii) the future Communication "Increasing the impact of EU Development Policy: an Agenda for Change"). This option would ensure a transparent interpretation of the objectives of the EU development policy and signal a clear framework for their identification

and formulation of potential changes.

4.2.2. *Establish strong mechanisms to ensure significant differentiation amongst partner countries (Objective 2)*

- Sub-option 2A - Focusing EU cooperation on a limited number of countries by using objective statistical data on their development level

This option would enable establishing a clear cut and criteria that would determine on which countries EU development assistance would be focused. Nevertheless, in many cases statistical data do not paint the entire picture of the situation in a country. Indeed, many countries' statistics are done on different premises and are thus not fully comparable. In addition many wealthier countries face challenges and constraints similar to those of the poorest and least developed countries.

- Sub-option 2B - Focusing EU cooperation on a limited number of countries by using a combination of objective quantitative and qualitative data

The criteria for a differentiated EU approach would be based on the criteria identified in the Communication "An agenda for change". Under this option, the Commission may decide not to allocate funds to a number of countries. These criteria are:

- (a) Country needs
- (b) Capacities
- (c) Country commitments and performance
- (d) Potential EU impact on policy reform and on leverage of EU Aid

This type of focus should enable to concentrate funds in those countries where they are needed most, yet still provide a framework for development aid around specific cooperation areas and modalities that are necessary in all developing countries.

In principle, grant-based aid should not feature as the primary vehicle in cooperation with more advanced developing countries already on sustained growth paths and/or able to generate enough of their own resources. However, they should benefit from grant-based aid under thematic and/or regional programmes, in particular under the new investment facilities. Grant funds should be secured so that activities such as the transfer of know-how under the new blending schemes can be implemented in the more advanced developing countries.

The above mentioned criteria would also be applied to define the level of allocations from which each country would benefit under bilateral cooperation. This includes inter alia favouring countries with governments which take a strong lead and which assume responsibility for the development of their country<sup>21</sup>, apply sound policies and are accountable to their people through the democratic process. The policy mix would thus allow for a greater country-based approach, looking at needs, capacities, interests and commitments.

Foreseeing an envelope of funds for performance-based incentive distribution would allow the necessary flexibility, improve value for money and strengthen the role of policy dialogue.

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<sup>21</sup> In particular in areas of public finance management including the income side, public administration reform and institutional development, strengthening their social policies and improving framework for private sector development.

4.2.3. *Strengthen the inclusion of good governance, democracy, human rights, and the rule of law in the EU fund-allocation and programming mechanisms (Objective 3)*

- Sub-option 3A – Good governance, democracy, human rights and the rule of law as key parameters in the fund allocation mechanisms

This sub-option would imply that any country that would not follow these principles would be completely excluded from EU development assistance. This could be assessed together with relevant international organisations and institutions (e.g. UN). While this would send a clear signal on the importance the EU attaches to these issues, it could prove counterproductive when trying to engage with some of these countries, with the final price being paid by the populations.

- Sub-option 3B – Strengthening the inclusion of good governance, democracy, human rights and the rule of law in the fund allocation mechanisms

Recognising that aid alone cannot bring the necessary change on a scale sufficient to pull countries out of poverty, EU cooperation would further integrate such development drivers as the rule of law, good governance, democracy and human rights. There would be some degree of linkage between fund allocation and the respect of universal values, namely good governance, democracy, human rights and the rule of law, yet this would not be the only parameter in defining the available funds. Insufficient progress would not prevent the EU from continuing cooperation, but in such cases strategy would be adapted (e.g. cooperating exclusively with the civil society, limiting cooperation to the social sectors).

4.2.4. *Ensure support for the implementation of the Joint Africa-EU Strategy (JAES) (Objective 4)*

- Sub-Option 4A: Pan-African programme established in the DCI that would cover all activities of the JAES

Ensuring a complete coverage of the JAES through one single instrument would add to the coherence and flexibility of the financed activities, as well as add to their overall efficiency. Nevertheless, an important problem of potential duplication with the EDF would arise. In addition the financial reality of DCI is such that it would not be possible to finance the complete JAES in a comprehensive manner only through DCI.

- Sub-Option 4B: Pan-African programme established in the DCI that would cover only continental activities of the JAES

An amount would be allocated under the new DCI to only support the implementation of the continental activities of the Joint Africa-EU Strategy and its successive Action Plans, as well as other relevant African-wide initiatives. This does not prevent supporting the implementation of the Strategy through other components of the DCI or through other instruments such as the EDF or the European Neighbourhood Instrument. Indeed, the Pan-African Programme would be complementary to activities financed through these other instruments, in order to ensure a comprehensive and efficient implementation of JAES commitments.

4.2.5. *Reduce the fragmentation of and enhance the focus of thematic programmes (Objective 5)*

- Sub-Option 5A: Increase flexibility and reduce the number of thematic programmes to one

This sub-option would offer significant flexibility in the implementation as it would cover all types of thematic activities under one umbrella. This would prevent fragmentation of EU assistance in cases where the programme would contain elements of different thematic priorities (e.g. the case of avian flu and food crisis in 2008). The danger of this approach would be to lose visibility and effectiveness of some important elements of the current thematic programmes, in particular the Non-State Actors and local authorities programme.

- Sub-Option 5B: Increased flexibility and reduced number of thematic programmes

This sub-option, like the previous one, would reduce the fragmentation of the thematic programmes and increase the flexibility of the DCI in responding to unforeseen events. Nevertheless, in order to take into account in particular the needs of the Non-State Actors and local authorities programme, different themes should be brought together under no more than two main thematic programmes covering: (i) civil society organisations<sup>22</sup> and local authorities and (ii) global public goods and challenges.

#### 4.2.6. *Reduce the fragmentation of and enhance the focus of thematic programmes (Objective 5)*

- Sub-Option 5A: Increase flexibility and reduce the number of thematic programmes to one

This sub-option would offer significant flexibility in the implementation as it would cover all types of thematic activities under one umbrella. This would prevent fragmentation of EU assistance in cases where the programme would contain elements of different thematic priorities (e.g. the case of avian flu and food crisis in 2008). The danger of this approach would be to lose visibility and effectiveness of some important elements of the current thematic programmes, in particular the Non-State Actors and local authorities programme.

- Sub-Option 5B: Increased flexibility and reduced number of thematic programmes

This sub-option, like the previous one, would reduce the fragmentation of the thematic programmes and increase the flexibility of the DCI in responding to unforeseen events. Nevertheless, in order to take into account in particular the needs of the Non-State Actors and local authorities programme, different themes should be brought together under no more than two main thematic programmes covering: (i) civil society organisations<sup>23</sup> and local authorities and (ii) global public goods and challenges.

#### 4.2.7. *Better address the specific needs of countries in crisis, post crisis and fragile situation (Objective 6)*

- Sub-Option 6A: Introduction of complete flexibility for countries in crisis, post crisis and fragile situation

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<sup>22</sup> Civil society organisations better describes the targeted groups than non-state actors.

<sup>23</sup> Civil society organisations better describes the targeted groups than non-state actors.

This sub-option would imply that for countries that would be characterised as in crisis, post-crisis or in fragile situation, no annual programming would be required, and all proposed activities would be proposed outside of any existing programming document. While this would allow important flexibility and swift reaction in the implementation phase, it would not provide the necessary level of accountability and quality control.

- Sub-Option 6B: Increased flexibility in programming and in implementation procedures

Provisions allowing a more flexible and rapid (re)programming for fragile states, states in crisis and post-crisis situations through quicker programming procedures, tailor made ad-hoc reviews as well as specific implementation procedures would be introduced in the regulation. Such provisions would ensure the EU to act swiftly and with sufficient flexibility in cases such as the Arab Spring, while not compromising on the accountability and quality, as the procedures would keep the regular comitology and democratic scrutiny as the rule, even if introducing a type of ex post control.

#### 4.2.8. *Flexibility of fund allocation (Objective 7)*

- Sub-Option 7A: Introducing further flexibility through an un-programmed reserve at the country level

A reserve of un-programmed funds would be foreseen at the level of each country strategy and indicative programme. This would increase the capacity to act in cases of unforeseen events and opportunities (positive conditionality) in these countries. There could be potential difficulties in cases of major national or regional disasters (the 2004 tsunami in South East Asia) or global crisis (food crisis in 2008) where the availability of funds could prove as too limited for the scale of the disaster. In addition, the reserve would be set to each individual country, potentially exhausting it too early in some, while not benefiting from it in other countries.

- Sub-Option 7B – Introducing further flexibility through an un-programmed reserve at the level of the instrument

A reserve of un-programmed funds would be foreseen at the level of the instrument in order to allow a swift re-allocation of funds in case of unexpected needs and opportunities requiring a rapid reaction. While this sub-option would clearly increase the flexibility at the level of the instrument, the decision to leave certain amount of funds unallocated would consequently somewhat reduce predictability as less of the total DCI envelope would be long term programmed.

#### 4.2.9. *Simplified programming and flexibility in implementation, in consistency with the principles of aid effectiveness (Objective 8)*

- Sub-Option 8A: Introduction of simplification and flexibility in the programming and implementation rules by introducing obligatory Joint Programming and Alignment

Joint Programming with Member States and alignment with the beneficiary countries would significantly improve the coherence and effectiveness of total EU development assistance, putting in practice the principles of aid effectiveness. Making these elements obligatory would ensure that these principles are fully respected in all EU development cooperation assistance.

At the same time, making these arrangements obligatory for the delivery of EU development cooperation aid could significantly complicate the programming and implementation process, in particular for cases where it would be difficult to find a common language between the EU and various Member States, where it would not be effective to align to the national development plan or where quick re-programming decisions would need to be taken. In these cases we would even risk failing to implement planned cooperation.

- Sub-Option 8B: Introduction of simplification and flexibility in the programming and implementation rules to enable Joint Programming and Alignment

To simplify the decision-making process and improve aid effectiveness, the DCI would integrate two elements which would facilitate a better Division of Labour between the EU and its Member States as well as joint programming namely:

- simplification of programming by not requiring Country Strategy Papers when other valid strategic documents exist (e.g. EU documents, joint programmes agreed with EU Member States, partner country's own development strategy);
- alignment of EU assistance with the development cycle of partner countries.

By introducing provisions of the aid effectiveness agenda, the coherence and effectiveness of the total EU development aid could significantly be improved.

## **5. ANALYSIS OF IMPACTS**

This chapter analyses the global impact of the options and sub-options in terms of their likely economic, social and environmental impacts as well as the achievement of policy objectives of the instrument and the likely impact on efficiency and management. The different options have been qualitatively assessed based on the Commission Services' qualitative appreciations of the likely impact.

### **5.1. Option 1: No Change**

In general, this option would not address any of the other aforementioned objectives and consequently would not address any of the lessons learnt and areas for improvements mentioned in Section 2. For instance, EU assistance is currently thinly spread throughout almost all countries eligible for ODA assistance leading, in part, to limited result and impact, and high fragmentation of development assistance. With no additional changes, the DCI would not live up to the evolved EU development policy, as defined in the Communication "Agenda for Change", nor would it be fit to sufficiently address global challenges. It would increase management risks as the EU would continue to try to do "everything everywhere". It would continue to promote predictability sometimes at the cost of flexibility, and in particular, it would be difficult to change and adapt policy to current political priorities. Introducing more flexibility for all countries, especially when dealing with states in situation of crises or fragility, and facing unforeseen needs require amendments to the DCI.



Strengths	Weaknesses
Pertinent framework for development aid in numerous countries	<p>Does not address the identified lessons learnt and areas of improvement</p> <p>Increase management risks as the EU would continue to try to do "everything everywhere"</p> <p>Continue to promote predictability sometimes at the cost of flexibility which is necessary for tackling crisis, unforeseen needs and new global challenges</p> <p>Not in line with current political development priorities (Agenda for Change)</p>

## 5.2. Option 2: Amend the DCI Regulation

### 5.2.1. *Align the objectives of the DCI with the new trends in EU development policy (Objective 1)*

In addition to the overarching principle of eradicating poverty and consolidating and supporting democracy, good governance, human rights, equal opportunities and the rule of law, a reference to global public goods and resources would allow inclusive and environmentally sustainable growth as a primary objective for development. In this manner, development policy could properly project the EU's internal policies and values into its external dimension, in terms of volume of aid as well as in geographical coverage in order to increase its response capacity to global challenges and the protection of public goods.

- Sub-option 1A – Align the objectives of the instrument with the EU Treaties

Strengths	Weaknesses
The objectives would reflect the latest evolution of EU legislation, in particular the Lisbon Treaty –arts 21(2) TUE and 208(1) TFEU	Does not sufficiently take into account the specificities of the development cooperation instruments

- Sub-option 1B – Align the objectives of the instrument with the latest trends of development policy

Strengths	Weaknesses
<p>Incorporate latest evolution of EU legislation and policy, in particular with regards to inclusive and sustainable development, but as well regarding the Lisbon Treaty and the EU 2020 Strategy</p> <p>Clearer interpretation of the objectives of EU development policy</p> <p>Clear framework for the identification and formulation of potential changes of the objectives of EU development policy</p>	With time, changes in development policy might no longer be reflected in the DCI Objectives and will need to be adapted

5.2.2. *Establish strong mechanisms to ensure significant differentiation amongst partner countries (Objective 2)*

Differentiation would have a clear positive impact both for the beneficiary countries in need (focus on poverty), EU Policy Coherence (aid assistance to emerging countries in particular in view of European economic difficulties) and on human resource management in Headquarters and Delegations (high administrative costs due to fragmentation of aid). Focusing EU aid on a limited number of countries will allow the EU to reach a critical mass to achieve change, expected results and impact, leading to a reduction of poverty, an improvement of access to and the quality of social services and an improvement – where relevant – of the environmental sustainability of development. It will give the EU sufficient leverage in policy dialogue with partner countries.

While differentiation (and consequent concentration of EU aid) may be welcomed by countries that would benefit from it, it may cause some political uneasiness in countries that would no longer benefit from bilateral grant-based assistance as mentioned in the description of this option. Also, one can claim the EU will lose leverage in relations with the emerging countries and other wealthy countries. However, cooperation with such countries should be based more on partnership than development, which may be particularly welcomed by these countries which want to be treated by the EU as partners on an equal footing rather than recipients of EU aid. Furthermore, these countries would still benefit from regional and thematic programmes. The transition from grants to other aid modalities could be gradual in order to smoothen the political impact of the new orientations. Non-grant based instruments, such as blending of grant and loans, may still be used with such countries and would also prove to be particularly adapted in such cases.

Finally, concentration of aid shall allow for the improvement of the quality of management and further strengthening of the EU comparative advantage in a number of areas.

- Sub-option 2A - Focusing EU cooperation on a limited number of countries by using objective statistical data

Strengths	Weaknesses
Clear cut criteria that determine on which countries we would focus EU development assistance	Using solely statistical data does not reflect the entire picture of the situation in a country

- Sub-option 2B - Focusing EU cooperation on a limited number of countries by using a combination of objective quantitative and qualitative data

Strengths	Weaknesses
<p>Concentrate funds in those countries where they are most in need: focus on poorest countries and away from emerging powers</p> <p>Adapt aid modalities to countries (grant aid not primary modality for more advanced developing countries)</p> <p>Allows for funds for performance-based incentive distribution</p> <p>Concentration of aid can lead to strengthen EU comparative advantage and leverage in a number of areas</p>	<p>Impact on bilateral relations with some countries who would no longer benefit from development aid, particularly for developing countries with large population of poor</p> <p>Reduced global EU reach</p>

5.2.3. *Strengthen the inclusion of good governance, democracy, human rights, and the rule of law in the EU fund-allocation and programming mechanisms (Objective 3)*

Promoting good governance shall lead to an improvement for EU cooperation results and impact in economic, social and environmental areas. It shall promote good performance, while not neglecting countries in crisis or post-crisis situations.

On the other hand, the use of such mechanism would be perceived as a political tool by which the EU may lose its neutrality, which is often an important asset for EU cooperation. The risks of partially losing credibility as a neutral actor in some countries would be largely compensated by the improved coherence of EU policy with EU values, which needs to be promoted in the world as underlined by the Lisbon Treaty. It also would enhance the overall credibility and legitimacy of the EU development policy vis-à-vis EU external partners as well as European citizens.

In the case of countries with deteriorating human rights situation, directing aid through civil society, non state actors and international organisations unavoidably leads to an increase of management costs, which in such specific cases is justified.

- Sub-option 3A – Good governance, democracy, human rights and the rule of law as key parameters in the fund allocation mechanisms

Strengths	Weaknesses
Clear message on the paramount importance of respect for human rights, rule of law and promotion of good governance	Restrictive and possibly static approach: this might be counterproductive when engaging countries showing progress (countries in crisis, post-crisis and fragile situation)

- Sub-option 3B – Strengthening the inclusion of good governance, democracy, human rights and the rule of law in the fund allocation mechanisms

Strengths	Weaknesses
<p>Fund allocation and continued cooperation would reflect the importance of those values</p> <p>Does not neglect countries in crisis, post-crisis and fragile situation</p> <p>Improved coherence of EU policy with EU values</p> <p>Enhance overall credibility and legitimacy of the EU development policy vis-à-vis EU external partners as well as European citizens</p>	<p>Development cooperation, on its own, cannot bring the necessary change on a scale sufficient to pull countries out of poverty</p> <p>Development cooperation might be perceived as a political tool: loss of credibility as a neutral actor</p>

5.2.4. *Ensure support for the implementation of the Joint Africa-EU Strategy (JAES) (Objective 4)*

Establishing a Pan African programme within the DCI will have a positive economic, social and environmental impact, both for African beneficiaries and for the EU. It will increase the policy impact and the operational results in the Joint Strategy's successive Action Plans, in particular in the relevant thematic partnerships such as Trade and Regional Integration, Climate Change and Environment, Energy, Migration, Mobility and Employment, but also Democratic Governance, MDGs, and Science and Information and Communication Technologies. The mechanism is politically feasible, based on the relevant conclusions of the 2007 and 2010 Africa-EU Summits. It will contribute to greater policy coherence at the EU level and will lead to better coordination and complementarity of action between EU

institutions, Member States and IFIs. Finally, it will have a positive impact on management and implementation issues, as it will reduce overlap and competition with other instruments.

- Sub-Option 4A: Pan-African programme established in the DCI that would cover all activities of the JAES

Strengths	Weaknesses
Coherence and flexibility of the financed activities, as well as add to their overall efficiency	Risk of duplication with other instruments such as the EDF or the ENI New area with possible impact on fund allocation for other DCI priorities

- Sub-Option 4B: Pan-African programme established in the DCI that would cover only continental activities of the JAES

Strengths	Weaknesses
Coherence and flexibility of the financed activities, as well as add to their overall efficiency	Complex follow up to ensure good complementarity between EDF, ENI and DCI

5.2.5. *Reduce the fragmentation of and enhance the focus of thematic programmes (Objective 5)*

Designing flexible mechanisms able to respond quickly and substantially will be of crucial importance for the EU to have sufficient impact in its response to these challenges and in support of the poorest segment of the population. The sub-options would allow reducing the fragmentation of thematic programmes and increasing their flexibility in responding to unforeseen events. Aid cooperation needs to be dynamic: recent events and scientific evidence call for maximum response flexibility: the role of civil society continues to grow; while some countries evolve out of poverty others continue to struggle with their recurrent fragile state; climate change is resulting in unpredictable weather patterns as shown by the increasing number of extreme weather events; biodiversity is declining, affecting the natural adaptation capacity of eco-systems; the world population continues to grow putting heavy pressure on scarce natural resources already deficient in certain parts of the world, which results in humanitarian crises; there are waves of migration resulting from multiple causes; food prices continue to be the source of instability; risks of pandemics are real, etc. Designing flexible mechanisms capable of responding quickly will be of crucial importance in order for the EU to have sufficient impact in its response to these challenges and in support of the poorest segment of the population. Reducing the number of and adjusting the areas (concentration on a reduced number of areas) will lead to further a focus on clear value added interventions. In this context, placing higher emphasis on public knowledge goods is a pragmatic way to enhance cost-effectiveness. It will also allow focusing on political priorities, increasing responsiveness, enhancing subsidiarity of thematic programmes to geographic programmes, building in synergies within programmes and ensuring more coherent support to sectoral policies at global/transnational level.

- Sub-Option 5A: Increase flexibility and reduce the number of thematic programmes to one

Strengths	Weaknesses
Increased flexibility and possibly reduced fragmentation	Potential loss of visibility for stakeholders

- Sub-Option 5B: Increased flexibility and reduced number of thematic programmes

Strengths	Weaknesses
<p>Increased flexibility and possibly reduced fragmentation</p> <p>Two comprehensive thematic programmes allows the coverage of current and future challenges</p> <p>Higher flexibility will strengthen reduced fragmentation: although enhanced flexibility will allow for swift responses to new global challenges, the programme for global public goods and challenges will be complementary to geographic programmes and target mainly at addressing climate change, environment, energy, human development, food security, and migration while ensuring coherence with the poverty reduction objective.</p>	<p>Potential loss of visibility for stakeholders</p>

#### 5.2.6. *Better address the specific needs of countries in crisis, post crisis and fragile situation (Objective 6)*

Increased Flexibility for countries in crisis, post crisis and fragile situation would allow for a quicker adaptation of the EU response and an improved EU capacity to ensure an appropriate response to the specific needs of countries in crisis, post-crisis and fragile situation through increased flexibility as regards programming, re-programming and implementation.

- Sub-Option 6A: Introduction of complete flexibility for countries in crisis, post crisis and fragile situation

Strengths	Weaknesses
<p>Swift reaction to crisis, post crisis and fragile situations</p>	<p>Accountability and control</p>

- Sub-Option 6B: Increased flexibility in programming and in implementation procedures

Strengths	Weaknesses
<p>Balanced approach between a swifter reaction to crisis, post crisis and fragile situations and accountability and control</p>	<p>Procedure slightly longer than with full flexibility</p>

#### 5.2.7. *Flexibility of fund allocation (Objective 7)*

Measures to increase flexibility of fund allocation such as a reserve of un-programmed funds would facilitate swift response to unexpected, unplanned needs, whether of a political nature or due to man-made or natural disasters. As a result the beneficiary countries would receive assistance in a timely manner tackling the needs at hand. It would also allow for the provision of financial incentives taking into account the performance and commitment of partner countries.

However, care should be taken that these responses to unexpected events are without detriment to long term issues such as climate change and environment (and the political commitments of the Commission and the European Council in this regard).

- Sub-Option 7A: Introducing further flexibility through an un-programmed reserve at the country level

Strengths	Weaknesses
Increased flexibility and capacity to address unforeseen needs in a timely manner	Funds might be "trapped" in a country while other country, regions could efficiently use the funds
Use of positive conditionality for well performing countries	Unprogrammed funds might decrease predictability of funds

- Sub-Option 7B – Introducing further flexibility through an un-programmed reserve at the level of the instrument

Strengths	Weaknesses
Increased flexibility and capacity to tackle unforeseen needs in a timely manner	Management rules to be established to avoid possible loss of funding at end of programming cycle
Use of incentive based-allocations for well performing countries	Risk of competition for accessing funds in the reserve
A larger overall reserve can enable improved handling of major crisis and unforeseen needs	

5.2.8. *Simplified programming and flexibility in implementation, in consistency with the principles of aid effectiveness (Objective 8)*

Simplifying the programming process would significantly improve EU added value through an improved division of labour and a faster response. Where appropriate, no extensive analytical work would be required for partner countries that have their own coherent development policy/strategy (national development plan, PRSP or similar). A simplification of the multi-annual programming cycle would facilitate joint programming with EU Member States and possibly with like-minded donors. Alignment with the partner country's programming cycle would also become possible and would be in line with the ownership and aid effectiveness principles. For the beneficiary country, the advantages would be both economic (lower economic costs, efficient resources used with donors cooperation) and social (donors will focus better on a limited number of sectors). Simplification in programming would have a positive balance in terms of human resources and time consumption. Joint programming could however lead to complex situations for coordination with Member States both at local and capital level.

Finally, the introduction of innovative instrument such as blending and Private Public Partnerships, which could attract private sector and financial institutions, may increase the critical mass of EU assistance to address larger-scale and innovative projects. Such instruments, usually applied through regional or thematic instruments, could also benefit those DCI partner countries which, as a result of the application of the differentiation principle, would no longer receive bilateral grant-based EU assistance.

Finally, this sub-option also permits to better take into account the specificities of countries in crisis, post crisis and fragile situation.

- Sub-Option 8A: Introduction of simplification and flexibility in the programming and implementation rules by introducing obligatory Joint Programming and Alignment

Strengths	Weaknesses

Compulsory nature would ensure the principles of aid effectiveness: improved coherence and effectiveness of total EU development assistance	<p>Reciprocity on Joint Programming necessary from Member States providing bilateral aid</p> <p>Complex and lengthy programming and implementation process</p> <p>Negotiation process with Members States for each partner country required</p> <p>Risk on timely implementation of assistance</p>
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- **Sub-Option 8B: Introduction of simplification and flexibility in the programming and implementation rules to enable Joint Programming and Alignment**

<b>Strengths</b>	<b>Weaknesses</b>
Gradual and enabling approach by simplifying programming and aligning EU assistance to the development cycle of the partner countries	Full Joint Programming with Members States will require political agreement and time

## 6. COMPARING THE OPTIONS

### 6.1. Weighing-up of positive and negative impacts per option

<u>Objective</u>	<u>Option 1</u>	<u>Option 2</u> <u>Sub-Option A</u>	<u>Option 2</u> <u>Sub-Option B</u>
1 Align the objectives of the DCI with the new trends in EU development policy	No Change (= Status quo) (-)	EU Treaty (+)	Latest trends of development policy (++)
2 Establish strong mechanisms to ensure significant differentiation amongst partner countries	No Change (= Status quo) (-)	Based on statistical data (-)	Based on a combination of objective quantitative and qualitative data (++)
3 Strengthen the inclusion of good governance, democracy, human rights, and the rule of law	No Change (= Status quo) (-)	Key parameter of fund allocation (--)	Driver of fund allocation (++)
4 Ensure support for the implementation of the Joint Africa-EU Strategy	No Change (= Status quo) (-)	Cover all activities (+)	Cover continental activities (++)
5 Reduce the fragmentation of and enhance the focus of thematic programmes	No Change (= Status quo) (-)	One thematic programme (+)	Two thematic programmes (++)
6 Better address the specific needs of countries in crisis, post crisis and fragile situation	No Change (= Status quo) (-)	Complete flexibility (+)	Increased flexibility (++)

7 Flexibility of fund allocation	No Change (= Status quo) (-)	Un-programmed reserve at country level (+)	Un-programmed reserve at instrument level (+++)
8 Simplified programming and flexibility in implementation, in consistency with the principles of aid effectiveness	No Change (= Status quo) (-)	Obligatory Joint Programming (--)	Simplification and flexibility to enable Joint Programming (++)

## 6.2. Preferred option

On the basis of the analysis of underlying drivers of the problems, the policy options developed and their impacts, all **sub-options B of Option 2 appear to be the optimal choice:**

- The DCI Objectives need to be aligned with current trend in development policy (**sub-option 1B**).
- On differentiation, using a combination of objective quantitative and qualitative data will enable to reduce the scope of countries and improve the means to concentrate on EU added value aid assistance in a comprehensive manner (**sub-option 2B**)
- Good governance, democracy, human rights and the rule of law can best be taken into account with **sub-option 3B**.
- **Sub-option 4B**, the Pan-African programme focused on continental activities is the response for the implementation of the Joint Africa-EU Strategy given the complexity of procedures and to avoid potential duplication of funds
- Regarding fragmentation of aid assistance, **sub-option 5B** would enable an increased flexibility within the thematic envelopes (in particular Global Public Goods) for a better EU response to political priorities and better complementarity to geographic programmes for an increased leverage, while leaving the possibility to particularly address civil society organisations and local authorities.
- Situations of fragility, crisis and post-crisis will be better addressed with **sub-option 6B**: a set of specific rules and objectives, mainly on flexible (re-)programming while keeping an effective level of accountability and control.
- The reserve at the instrument level in **sub-option 7B** enables the EU to better cope with unforeseen needs and to promote mutual accountability with partner countries (incentive based-allocations) and avoids "trapping" funds in a specific country.
- On simplification and flexibility of programming and implementation, **sub-option 8B** would provide the elements to simplify procedures and provide the required flexibility for allowing Joint Programming and Alignment, which would enable a better Division of Labour with Member States (and possible like-minded donors) and improved complementarity with partner countries. Such enhanced aid effectiveness may be achieved through the use of innovative instruments.



## 7. MONITORING AND EVALUATION

### 7.1. Core indicators of progress towards objectives

The DCI is an enabling Regulation establishing 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 objectives pursued by the actions in question and the expected results. 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<sup>24</sup> 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.

For the objective of reducing and, in the long term, eradicating poverty in partner countries and regions, the MDG indicators for Goal 1 may be used, along with other indicators Internationally agreed by all donors:

- Target 1a: Reduce by half the proportion of people living on less than a dollar a day: (i.e. proportion of population below \$1 (PPP) per day; poverty gap ratio and share of poorest quintile in national consumption).
- Target 1c: Reduce by half the proportion of people who suffer from hunger (i.e. prevalence of underweight children under-five years of age and proportion of population below minimum level of dietary energy consumption).

The EU has committed itself to mainstreaming action on climate<sup>25</sup> and biodiversity and for this to be meaningful it needs to be accompanied by an obligation to identify relevant programmes so that the EU is able to set out clearly how much of its spending relates to these global challenges. Clear benchmarks, monitoring and reporting rules need to be established. Expenditure that promotes climate action or energy efficiency as well as the protection and sustainable management of biodiversity and ecosystems, will be tracked based on the established OECD methodology ('Rio markers').

### 7.2. Outline for monitoring and evaluation arrangements

The European Commission's Monitoring and Evaluation systems are increasingly focused 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.

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<sup>24</sup> <http://unstats.un.org/unsd/mdg/Host.aspx?Content=Indicators/OfficialList.htm>

<sup>25</sup> Regarding instruments under the EU budget, in order to reach the Europe 2020 objectives and to help other parts of the world to step up their efforts to combat climate change, the Commission stated in the June 2011 Communication on "A Budget for Europe 2020" that it intends to increase the proportion of climate related expenditure across the EU budget to at least 20%, with contribution from different policies, subject to impact assessment evidence.

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.

A study on legal instruments and lessons learnt from the evaluations managed by the joint evaluation unit of the external relations services was undertaken. The findings of this study provided some valuable insight into the functioning of the current DCI and have been reflected in the preparation of its successor. It is possible to do a similar exercise sufficiently in time for the preparation of the MFF post-2020.

The current system of monitoring and evaluation covering various levels can generate ample information. However, it should be kept in mind that the instrument covers a wide variety of countries and situations. Indicators which are regularly used to measure the efficiency and effectiveness of aid delivery and financial management could support the measuring of the objectives related to the review of the instrument itself.

**Detailed analysis of Millennium Development Goals (MDG)**

In the year 2000 the UN General Assembly agreed on eight specific development goals to be achieved by 2015. These MDG are:

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development

The UN MDG progress report of 7 July 2011 acknowledges significant progress made towards some MDGs, namely fighting poverty and hunger, ensuring universal education, child and maternal health as well as combating HIV/AIDS, malaria and other diseases due to the continued economic growth of some developing countries, targeted interventions in critical areas and increased funding from many sources. The report alerts however that in several areas there is still a long way to go, and the achievement of the MDGs is at risk. This concerns in particular access to quality education, educating and empowering women and girls, promoting sustainable development and protecting the most vulnerable groups.

Despite significant setbacks after the 2008-9 economic downturn and food and energy crisis, developing countries are on track to reach and even exceed the poverty reduction target of 23% as the global poverty rate is expected to fall to 15% by 2015. Asia, Central Asia, the Middle East, South Africa and Latin America covered by the DCI together still contain around 70%<sup>26</sup> of all poor people worldwide. Despite the reduction in poverty, the number and proportion of hungry people stagnated at 16% worldwide, with South Asia scoring the highest rate of undernourished children under 5 (43%), almost double in the rate Sub-Saharan Africa. Due to rising food prices and economic crisis, it will be difficult to meet the hunger reduction target in many regions of the world.

In general, the UN MDG progress report acknowledges that “progress tends to bypass those who are lowest on the economic ladder or are otherwise disadvantaged because of sex, disability or ethnicity”. In most of the developing countries, economic growth has not benefited all parts of society and was indeed achieved at the cost of rising social disparities. Low labour and production costs remain the key factor in developing countries' investment policies. The inequality GINI index<sup>27</sup> has not dramatically changed for most DCI countries in the period 2006-2009, presenting slight improvement in 16 countries and deterioration in 11 countries.

There are huge disparities between the urban and rural areas, the latter disadvantaged as regards access to public services such as health and education, sanitation and access to safe drinking water. On the other hand, despite a decrease of the proportion of the urban population in developing countries living in slums to 32,7% in 2010, due to a global increase in the number of

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<sup>26</sup> The Millennium Development Goals Report 2010, UN; Achieving the Millennium Development Goals in an Era of Global Uncertainty: Asia Pacific Regional Report, 2009/2010, ESCAP.

<sup>27</sup> World Data Bank.

urban dwellers the global number of urban residents living in slum conditions continues to grow (828 m in 2010 as compared to 767 m in 2000 and 657 m in 1990). Improving their living conditions remains a tremendous challenge and will require redoubled efforts.

While MDGs are a useful instrument to measure progress in development, they do not provide the full picture and set objectives only for a part of the most affected populations. Notably they do not measure progress on key aspects of development such as good governance and respect for human rights, the rule of law and institutional development. While measuring progress in access to education or health, they do not measure progress in quality. Relying only on statistical data does not give the complete picture of the development problems of a country: looking at the baseline values, the dynamics of change and the underlying reasons for slow or lack of progress has proved to be of key importance for the success of EU development cooperation.

Moreover, insufficient attention to strengthening the capacity to do and use research has been shown to be associated with low development performance in meeting basic needs in health, food, and the protection of the environment and the public goods and services it provides and on which poor people depend disproportionately.

The report of the 7 July 2011 is based on better statistical information than in the past but there is still a long way to go for many countries to develop a stable statistical system capable of providing reliable statistical information for MDG measurement purposes.

#### **- MDG1 – End poverty and hunger**

In 2005, Sub-Saharan Africa had the highest rate of poor people (51%), followed by South Asia (39%), South-East Asia and Central Asia (19%) and East Asia (16%). Asia, Central Asia, the Middle East, South Africa and Latin America together still regroup around 70% of all poor people worldwide. The prevalence of vulnerable employment (usually without formal working arrangements, without adequate social protection and bad working conditions) is linked to the poverty situation.

In 2009, nearly 25% of children in the developing world were underweight, with the poorest children most affected. The proportion of undernourished children under 5 is highest in South Asia (43%), almost double the rate in Sub-Saharan Africa (22%), which is followed by South-East Asia (18%). Such a high rate of malnourished children is due to a combination of factors: shortage of quality food, poor feeding practices and inadequate sanitation. Trends in South East Asia, East Asia and Latin America indicate they are likely to meet the hunger reduction target, the former due to the performance of China, Indonesia and the Philippines.

#### **- MDG2 - Universal Education**

Many of the poorest countries have made significant progress in education, but progress has slowed since 2004, dimming the prospect of reaching that MDG. The quality of education in developing countries is often poor, which is not reflected in the MDGs but what undermines people's chances for employment and social advancement. According to a UN report, nearly 90% of all illiterate people are concentrated in 2 regions – South Asia (65 m) and Sub-Saharan Africa (47 m).

#### **- MDG3 - Gender equality**

While girls are gaining ground as regards access to education, the progress is unequal with South Asia, West Asia and Sub-Saharan Africa lagging behind. The progress in girls' access to

education does not however translate into improvement in women's access to full and productive employment.

In at least half of all regions, following significant job losses in 2008-9, the growth of employment in 2010 was lower for women than for men.

#### **- MDG4 – Child health**

Child mortality has been diminished due to immunisation, improved access to health services and the level of education of women. Nevertheless the level of mortality of children under five is still unacceptably high, the highest in South Asia (69 per 1000) after Sub-Saharan Africa although both regions have made the greatest progress. Most affected are poor rural areas. In number of DCI countries with the highest children mortality rates (exceeding 40 per 1000 live births), namely Bangladesh, Laos and Nepal, these rates have been reduced by more than half. Afghanistan remains the only country outside Sub-Saharan Africa, with more than 100 deaths per 1000 births. UN estimates the MDG targets can still be achieved, provided that substantial and accelerated action is taken to eliminate the leading killers of children.

#### **- MDG5 - Maternal health**

Major progress has been made in North Africa and Asia, but South Asia still remains the region with the highest number of maternal deaths (280) after Sub-Saharan Africa (640), which is linked with the lowest ration of deliveries attended by skilled health personnel, access to health services during pregnancy, adolescent fertility and access to family planning aid, and generally weak public health services.

#### **- MDG6 - Combat HIV/AIDS, malaria and other diseases**

Good progress has been made on MDG6. Targeted interventions allowed for a 20% cut in deaths from malaria since 2000, the largest in Africa. As far as HIV/AIDS is concerned, thanks to the expansion of major programmes which increased the number of people receiving anti-retroviral therapy, a 19% decline in deaths was recorded from 2004 to 2009 and the number of new infections in 2009 was 21% lower than in the peak year of 1997. Finally, the number of deaths due to tuberculosis was brought down by one third during the 1990-2009 period.

#### **- MDG 7 - Environmental sustainability**

The progress towards environmental sustainability is mixed. Despite the world economic crisis, global greenhouse gas emissions continue to grow, with the most rapid growth taking place in East Asia and South Asia even though the industrialised countries continue to be the biggest greenhouse gases producers per capita. Furthermore, the depletion of global marine resources continues. Climate change, while affecting all regions, is a particular threat for the Arctic, small islands and big deltas in Asia and all of Africa, since the populations there have the least capacity to adapt. The rate of deforestation is slowing down, though it remains alarmingly high. Net gains in forest cover have been recorded in Asia, due to China, while the deforestation of South America and Africa continues. Between 12% and 55% of selected vertebrate, invertebrate and plant groups are threatened with extinction. Some 20% of tropical coral reefs have already been lost and an additional 50% are at risk. Only 0.7% of the oceans are protected and the depletion of global marine resources continues. The 2011 UN MDG report states there is a need to take more decisive steps to protect the ecosystems which support economic growth, sustain life on earth and are of particular importance to the livelihood of the poor. The UN Conference on Sustainable Development in 2012, “Rio + 20” will provide a good opportunity to tackle these challenges.

Inter alia it will seek to reach agreement on promoting green growth and encouraging resource efficiency which are essential means of avoiding future food and energy shocks.

**- MDG 8 – Global partnership for development**

As far as MDG8 is concerned, Information and Communication Technology (ICTs) penetration had enjoyed a breathtaking growth in developing countries since the adoption of the MDGs in 2000; there were at that time 740 million mobile subscribers and nearly 400 million internet users worldwide; we are now at 5 billion mobile users and around 2 billion internet users worldwide, and developing countries had by far the highest penetration growth rates.

A first wave of policy reforms triggering private investments are at the origin of such growth, making those technologies more accessible and affordable. In just 10 years, the situation has dramatically changed, and the growing access to the internet and the near ubiquity of mobile phones have opened radically new ways to anticipate, support and leapfrog development objectives. In this context, further support is needed to expand access to ICTs and as well as to expand the availability of ICT infrastructures and services, as these are an essential prerequisite in these countries for the provision of services such as health, education or banking, to name just a few sectors.

For more detailed information on these trends, see the 2011 Development Goals Report published by the UN, on the following website:

<http://mdgs.un.org/unsd/mdg/Resources/Static/Data/2011%20Stat%20Annex.pdf>

**1. Financial breakdown of the DCI**

<b>Instrument for Development Cooperation (DCI)</b>	<b>16.9</b>
Of which:	
<b><i>Geographic programmes:</i></b>	<b><i>10.057</i></b>
<i>Latin America</i>	<i>2.690</i>
<i>Asia</i>	<i>5.187</i>
<i>Central Asia</i>	<i>0.719</i>
<i>Middle East</i>	<i>0.481</i>
<i>South Africa</i>	<i>0.980</i>
<b><i>Thematic programmes<sup>28</sup>:</i></b>	<b><i>5.596</i></b>
<i>Investing in people</i>	<i>1.060</i>
<i>Environment and sustainable management of natural resources, including energy</i>	<i>0.804</i>
<i>Non-State actors and local authorities in development</i>	<i>1.639</i>
<i>Food security</i>	<i>1.709</i>
<i>Migration and asylum</i>	<i>0.384</i>
<b><i>ACP Sugar Protocol countries:</i></b>	<b><i>1.244</i></b>

**2. Countries eligible under the DCI geographic programmes****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

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<sup>28</sup> An indicative amount of € 465 million is earmarked to finance activities benefiting ENPI countries (art. 38 of DCI).

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. Oman

46. Saudi Arabia

47. Yemen

**South Africa**

48. South Africa

**2. OECD-DAC List of Official Development Recipients**

**(Effective for reporting on 2009 and 2010 flows)**

<http://www.oecd.org/dataoecd/32/40/43540882.pdf>



## **Review of lessons learnt**

### **A) The success of the DCI instrument:**

#### **The geographical programmes**

Geographical programmes supported the pursuit of national development objectives and sector strategies. The progress towards the MDGs in several sectors in developing countries was achieved with EU support (for example, in Asia, child and maternal mortality in Afghanistan, Bangladesh and Philippines, access to education in Pakistan, India, Nepal, Bangladesh, Burma/Myanmar and Indonesia, improved food security in Bangladesh, Nepal, Pakistan, Afghanistan, Burma/Myanmar). In several countries EU assistance helped to lay solid foundations for key sector policies, namely health in Tajikistan, Vietnam and Philippines.

Under the DCI, there was an incentive to take a strategic approach in implementation. This is because it is expected that an agreement will be reached with the beneficiary government on the focal areas of cooperation as defined in the Strategy Paper and the Multiannual Indicative Programme.

Another advantage is that the DCI regulation puts the beneficiary countries in the driving seat, and requires EU/donors to support the beneficiary's development strategy, policies and reforms. This has led to a gradual change in the way programming documents and actions are prepared. In the past, the choice of sectors and the preparation of actions had often been done by the Commission.

The DCI combined with new implementation modalities, such as Budget Support and sector-wide approaches, have allowed for a higher 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. In countries where Sector Budget Support is provided, the policy dialogue has been upgraded and this has allowed the Commission to work more strategically.

The DCI regulation allows the Commission to accept funds from EU Member States and other donors for management, and to entrust EU Member States or other donors with implementation of EU assistance. This allows the Commission to receive funds, especially from smaller donors that do not have the capacity to manage themselves and this can enhance the profile of the EU as a donor. This also allows the Commission to be less dependant on International Organisations and to draw more on the experience of EU Member States.

#### **The thematic programmes**

The thematic programmes provided the Commission with additional flexibility in dealing with specific problems and were a useful means to complement the geographic programmes.

##### **(1) Investing in people**

The objective of this programme is to assist EU partner countries where they most need support in achieving the MDGs in the following human and social development fields: (i) health; (ii) education; (iii) gender equality and women empowerment; (iv) social inclusion, employment and decent work; (v) children and youth; (vi) cultural diversity. The array of delivery methods and potential activities ensure that the targeted groups are reached by the variety of objectives, either

through competitive global/regional calls for proposals or by co-funding international initiatives.

This programme has allowed responses to emerging priorities in line with the 2020 Strategy, e.g. social inclusion of disabled persons. The evaluations of the global initiatives co-funded under the programme, such as the Global Fund to Fight AIDS, Tuberculosis and Malaria, as well as the Education for All Fast Track Initiative, have returned positive results in terms of the number of persons treated, tested and counselled, the increasing number of children enrolled in schools, and gender parity. The programme mainly channels its support through International Organisations in global partnerships and through NSA, whose role in policy dialogue, implementation monitoring, and governance improvements in those specific areas is crucial. Moreover, they reach vulnerable populations in varied political and development aid contexts. The programme even 'fills the gap' when no bilateral programming is available, as was the case for Cuba in 2009 and 2010.

## (2) ENRTP

This programme contributes to achieving the MDGs and favours innovative approaches and support to policy-oriented initiatives at regional and global level, on environmental and climate change aspect of development, including through close cooperation with the UN system. This allows the EU to support key EU and international policy initiatives in the area of environment and development (including climate change). The programme encompasses complex climate change-environment-energy linkages and offers the Commission an opportunity to make a difference at the international level in cooperation with developing countries. It has been flexible in promoting new initiatives such as the Global Climate change Alliance (GCCA), the Global Energy Efficiency and Renewable Energy Fund (GEEREF) and Forest Law Enforcement, Governance and Trade (FLEGT). EU ability to involve partner countries in ambitious efforts to tackle global challenges such as climate change, biodiversity loss and ecosystem degradation underlines the interdependencies between the EU and its key partners. The programme has also allowed the EU to promote its own environmental and climate change policies externally. This is particularly important in the context of Europe 2020, since without real efforts by key strategic partners, the EU's own strategies for economic recovery and innovation-led green and inclusive growth will be less effective. In addition, to achieve the objectives, increased support for thereof, on research and innovation capacity building is required.

The EU has already irreversibly pegged its economic future to low carbon growth by unilaterally adopting the most ambitious emissions reduction target in the world. Accordingly, the EU2020 Strategy for smart, sustainable and inclusive growth includes climate change and renewable energy targets among its five headline objectives. The EU has confidence in the low carbon growth model and this must be projected externally to ensure meaningful advancement internationally.

## (3) Non state actors and local authorities

This programme is one of the few "actor-oriented" thematic programmes, giving a wide range of civil society actors and local authorities the exclusive opportunity (right of initiative) to propose actions and promoting an inclusive and empowered local society. The actions implemented do not necessarily have the backing of the host country government.

The Mid-Term Review recognises that "a nucleus of high quality projects have been funded under all three programme objectives to date". The Court of Auditors report on NSA and development recognises that "projects implemented by NSAs are relevant and are likely to produce the intended results".

With regard to "Development Education and Awareness Raising in Europe" (the second objective of this programme), it is worth underlining that this programme is unique insofar as it is the only one in Europe that supports actions aimed at convincing Europeans about the purpose of our development efforts.

With regard to local authorities, their particular role in the context of development is recognised in the Communication from the Commission to the Council regarding local authorities.

(4) Food security

The objective of the Food Security Thematic Programme (FSTP) is to improve food security for the poorest and vulnerable, and more broadly, to contribute to achieving MDG1 (on poverty and hunger). Over time, the FSTP and agricultural research for development has been performing better, partners are stronger, governance and networks are being strengthened, and standards and tools are being shared by donors, implementing partners and recipient countries. The enhanced involvement of local civil society organisations has helped to better respond to local needs in Linking Relief Rehabilitation and Development (LRRD) contexts. The programme intervenes successfully in crisis and post-crisis situations, allowing for flexibility in linking humanitarian and development operations. The Mid-Term review of the FSTP recognised the relevance of the interventions financed by the FSTP and recommended maintaining the orientations, while streamlining it in fewer areas.

(5) Migration

The migration and asylum programme's main objective is to support third countries in their efforts to ensure better management of migratory flows. The programme covers the following five major fields of action: (a) fostering the links between migration and development, (b) promoting well-managed labour migration, (c) preventing and curbing irregular immigration and facilitating the readmission of illegal immigrants, (d) protecting migrants against exploitation and exclusion, (e) promoting asylum and international protection.

An external evaluation of the programme was conducted between October 2009 and February 2010. Its assessment was positive and it highlighted the high quality of the technical assistance and capacity building provided through the projects.

This thematic programme enjoys significant flexibility and scope of action. Above all, it allows for an increased integration of migration and asylum issues in development policies, matching the EU's political priorities with third countries' needs. The programme also stimulates the coordination between actions in third countries funded through external instruments and actions funded under Member States' national programmes.

## **B) Areas for improvement**

### **The geographical programmes**

The current DCI objective is to focus on poverty eradication (MDGs) in the context of sustainable development, while also promoting human rights, democracy, good governance and the specific objectives of the region. This objective should be reformulated to highlight a more comprehensive view of poverty, i.e. supporting reform and modernization efforts in developing countries which contribute to building inclusive and cohesive societies and reducing social exclusion and poverty and protecting the natural resource base on which economic growth depends while ensuring that growth respects the environmental limits of the planet.

The DCI covers a wide range of countries falling under the OECD DAC definition of developing countries, from the LDCs to upper middle income countries. Given the very different development needs, performance and interests of each type of country, including in fragile states, the DCI does not allow sufficient differentiation between the partners. The rise of several developing partners, the economic and social disparities amongst the partner countries and the development of new objectives beyond pure development assistance call for an enhanced flexibility in terms of objectives and cooperation modalities within the DCI.

Under the present DCI there is no specific chapter, nor measures on fragile states or countries in crisis, although there is a formal link with the Instrument for Stability (IfS). However, this link has created unjustified expectations that any action supported under the IfS will continue, by default, to be supported under the DCI. Addressing transition challenges requires a set of responses at country level, based on specific needs and related to a common strategy (holistic approach). The EU needs to foster coordination and complementarity between the different instruments and between donors. This effort should be based on a joint framework with a common analysis of the challenges to be addressed. It should aim to improve the links between the various levels of intervention, the different policies involved to be defined and the programming priorities.

The intention to concentrate DCI cooperation strategically has only partially worked. In general, our development cooperation remains fragmented and over-ambitious.

### **The thematic programmes**

For the thematic instruments in general, the following improvements should be considered:

- improving coherence between actions supported by geographical and thematic programmes;
- reducing the number of small actions resulting in ad hoc interventions and in a disproportionate implementation workload;
- some thematic programmes should be treated within the country bilateral envelope of EU assistance.
- more support should be granted in synergy with the other EU policies and internal instruments (e.g. support for research and innovation capacity building to facilitate uptake of the EU research and innovation framework programme Horizon 2020). The same is valid for other policies and their funding instruments to ensure coherence and complementarity.

The issues for improvement more specific for each thematic instrument are:

#### 1. Investing in people:

The area covered by the thematic programme "Investing in people" represents a high number of themes (and budget lines). The difficulty in programming and managing such a large number of possible actions is exacerbated by the implementation modalities chosen. A high number of calls for proposals with relatively small allocations may create frustration among applicants.

The resulting perception that whatever cannot be financed elsewhere can be financed under the "Investing in people" programme, favouring the birth of pilot budget lines, is adding technical

and operational difficulties to the management of the human and social development area. Investment in the capacity to engage in research and innovation and use it, is particularly relevant here.

## 2. ENRTP:

Because of the wide coverage (biodiversity, climate change, desertification, forests, hazardous substances, sustainable consumption and production, energy, environmental governance etc.) it has not always been possible to have clear priorities.

EU visibility is relatively weak as no promotion budget is foreseen.

Actions under the programme are identified through a wide range of channels (calls for proposals EU initiatives, direct discussions with international organisations and partner countries). Implementation modalities are diverse and cover the whole range of possibilities (grant contracts, contribution agreements, financing agreements, contributions to trust and equity funds, delegated cooperation), offering added value to supporting policy-oriented initiatives in areas which are politically exposed and changing rapidly (FLEGT, climate change, in particular). To manage this diversity is a challenge.

In turn, achieving these objectives requires support for research and innovation capacity building.

## 3. Non state actors and local authorities:

The Court of Auditors<sup>76</sup> has noted a potentially disruptive side effect of the call for proposals procedure, contradicting such objectives as (i) “engaging civil society organisations of the South” and (ii) “capacity building”. Indeed, project proposals submitted by "stronger" organisations stand a much higher chance of being selected, while as a result, "weaker" organisations are increasingly left without being able to prove their capabilities.

## 4. Food security:

The programme is fragmented into many sub-components and projects. The Mid-Term review of the FSTP recognised the relevance of the interventions financed by the FSTP and recommended maintaining the orientations, while streamlining it in fewer areas.

The following strategic challenges are being addressed:

- the articulation with food security support funded by geographic instruments must be ensured while some flexibility needs to be maintained for financing as a follow up to crisis situations (linking relief to rehabilitation and development) and in cases where geographical instruments can not operate;
- the ability of the instrument to react to crisis situations is limited by the scope of the programme;
- long term engagement and predictability must be ensured in order to support the provision of international public goods, in particular pro-poor demand driven research and innovation;
- the involvement of civil society (including farmers' organisations) in food security governance;

- coordination, linkages with development (notably tools such as rural micro-finance), and regional approaches could be improved. Nutritional issues have been overlooked and private sector development has been neglected. Similarly, local authorities, a new partner for food security, are not supported sufficiently;
- a "Joint Humanitarian-Development Framework" was designed in the context of the "FSTP" decision C/2010/9263. It will now be tested in about 12 countries. The aim is to improve coordination with humanitarian and geographical instruments, together with other donor assistance. The joint LRRD framework will remain the base for action, and short and medium term activities will be identified to guarantee food security for the poorest and most vulnerable.

## 5. Migration

Because of its flexibility, the programme finances innovative and pilot actions that can serve as examples for further and more elaborate initiatives. Nevertheless, the thematic programme should: (a) better involve governments from third countries as active stakeholders; (b) provide more support to local civil society organisations and local authorities, and (c) ensure that the highest political level both in Europe and third country governments is fully informed of the projects being implemented, so as to increase the Programme's visibility and facilitate political dialogue.

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<b>1.4.</b>	<b>Programme Evaluations</b>	
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	Midterm evaluation of the Alfa III	2010
	Midterm evaluation of the Euro-Solar programme	2010



2.	Court of Audits Special Reports	
	Special report No 6/2006 concerning the environmental aspects of the Commission's development cooperation – OJ C 235	29/09/2006
	Special report No 6/2007 on the effectiveness of technical assistance in the context of capacity development together with the Commission's replies – OJ C 312	21/12/2007
	Special report No 6/2008 concerning European Commission Rehabilitation Aid following the tsunami and hurricane Mitch	2008
	Special report No 4/2009 – The Commission's management of Non-State Actors' involvement in EC development cooperation	2009
	Special report No 15/2009 – EU assistance implemented through United Nations organisations: decision-making and monitoring	2009
	Special report No, 11/2010 - Commission's management of General Budget Support in ACP, Latin American and Asian countries	2010
	Special report No. 12/2010 - EU Development Assistance for Basic Education in Sub-Saharan Africa and South Asia	2010
3	Internal Audit Service Reports	
	IAS-2005-AIDCO/ECHO-001 Implementation of the framework agreement with UN agencies	2005
	IAS-2006-AIDCO-003 Eligibility of Costs under the Financial and Administrative Framework Agreement with the United Nations by DG AIDCO	2006
	AIDCO-2006-AIDCO/DEV-003 Audit on Budget Support – Pool Funds and Trust Funds	2006
	IAS-2007-AIDCO-001 Audit on NGO's funding by DG AIDCO – Fup1	2007
	IAS-2007-AIDCO-002 Financial Management of main programmes within Directorate D	2007
	IAS-2007-AIDCO-003 Financial Management of Regional Programmes	2007
	IAS.B-2008-AIDCO-002 Financial Management of main programmes within Directorate B	2008
	IAS.B-2008-AIDCO/ECHO-001 Follow up of the FAFA implementation with UN in DGs AIDCO and ECHO	2008
	IAS.B5-2009-AIDCO-004 Follow-up of Eligibility of Costs under FAFA with UN	2009
	IAS.B5-2009-AIDCO-003 Second Follow-up of Audit in NGO Funding by DG AIDCO	2009
	IAS.B5-2009-AIDCO-005 Audit on Thematic Budget lines	2009
	IAS.B5-2010-AIDCO-001 Audit on Programmes Estimates financed by EU and EDF Budget	2010
4	Internal Audit Capability Reports	
	Budget Support, pool and trust funds	2007
	Budget Support Conditionality	2008

	Audit Report on Food Facility	2010
	Audit Report on Aid Implementation under Crisis Situation	2010
<b>5</b>	<b>Synthesis based on Result Oriented Monitoring Reports</b>	
	Causes underlying Effectiveness and Impact of EC Development Projects – Qualitative study based on ongoing and ex post ROM reports (2005-2007)	May 2009
	Executive Summary (internal): Towards a better use of ROM and project evaluations	September 2010
<b>6</b>	<b>Mid-Term/End-Term Review of Financial Instruments</b>	
	AIDCO contribution to Mid-Term Review of RELEX financial instruments, collection of status per instrument (note AIDCO/01 Adonis No 13280)	16/06/2008
	Mid-term review of the financial instruments for external actions (COM(2009) 196 - Communication from the Commission to the EP & the Council)	21/04/2009
	Report evaluating the implementation of the financial instruments for external actions (SEC (2009) 530 - Commission Staff working document accompanying the Communication from the Commission to the EP & the Council on the mid-term review of the financial instruments for external actions)	21/04/2009
	Food Facility: Interim report on Measures Taken (SEC 2010(245) - Communication from the Commission to the EP & the Council)	March 2010
	Minutes of the 3 meetings of internal working group (AIDCO, ELARG, ECFIN, DEV and RELEX) in charge of analysing the governance structure of the existing loan-grant blending mechanisms in the external assistance field, held internally and with the main European Finance Institutions	April and May 2010
<b>7</b>	<b>Mid-Term Reviews of Thematic Strategy Papers</b>	
	Food Security Thematic Programme mid-term review (2007-2009)	September 2009
	Mid-Term Review of the thematic programme NSA/LA	December 2009
	Review of the ENRTP (Environment and sustainable management of natural resources, including energy)	December 2009
	Mid-Term Review on the Thematic Programme Migration and Asylum	March 2010
	Investing in people – Mid-term Review of Strategy Paper for Thematic Programme (2007 – 2013)	November 2010
<b>8</b>	<b>Mid-Term Reviews of Country/Region Strategy Papers</b>	
	iQSG Progress Report on second-generation Country Strategy Papers 2007/8-2013 (SEC(2009) 431 - Commission Staff working document)	30/03/2009
	State of play of EU joint programming of external assistance – desk study of recent experiences	09/12/2010
	Strategy Papers – Chapter on Lessons learnt: South Africa Asia: Bangladesh, Bhutan, Cambodia, China, India, Indonesia, Laos, Malaysia,	

	Maldives, Mongolia, Myanmar, Nepal, Pakistan, Philippines, Sri Lanka, Thailand, Vietnam, , Yemen, Regional Central Asian Countries Latin America: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, Venezuela, Regional Latin America, Regional Central America, Regional Comunidad Andina, Regional Mercosur	
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<b>9</b>	<b>External Reviews</b>	
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	IEG Review of World Bank - Engaging with Fragile States - Support to Low-Income Countries Under Stress	2006
	OECD/DAC Peer review of the European Commission	2007
	Multilateral Organisations Performance Assessment Network (MOPAN) Annual MOPAN Survey 2008	2008
	IMF - Emerging from the Global Crisis: Macroeconomic Challenges Facing Low-Income Countries	October 2010