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**COMMISSION STAFF WORKING PAPER**

**IMPACT ASSESSMENT**

*Accompanying the document*

**COMMUNICATION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL**

**Preparation of the multiannual financial framework regarding the financing of  
EU cooperation for African, Caribbean and Pacific States and Overseas Countries and  
Territories for the 2014-2020 period (11th European Development Fund) and  
covering the subsequent implementing and financial regulations of the 11th European  
Development Fund (EDF)**

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## 1. PROCEDURAL ISSUES AND CONSULTATION OF INTERESTED PARTIES

### 1.1. Organisation and timing

The preparation of the 11th European Development Fund (EDF) entails specificities compared to the preparation of the EU regulations for the other EU financial instruments for external action, because it is linked to the Cotonou Agreement, a legally binding Treaty between the EU and ACP (African, Caribbean and Pacific) countries on the one hand and the Lisbon Treaty and a specific Overseas Association Decision with OCTs (Overseas Countries and Territories) on the other hand. Moreover, the EDF is outside the EU budget. Therefore for the EDF the following legal texts are covered by the impact assessment: the internal agreement between Representatives of the Governments of the Member States, the implementing regulations and the financial regulations.

The drafting of the Impact Assessment for the EU external action instruments for the period 2014-2020, including this document<sup>1</sup>, has been coordinated by a Task Force composed by services in charge of EU external action and the Legal Service. The drafting teams have duly taken into consideration the consultations, reviews and studies mentioned in Section 2 and have liaised with other Commission services to ensure consistency with other EU policies. The European Investment Bank (EIB) was also consulted. The Task Force has met with the drafting team in charge of this Impact Assessment on 7 June, 1 July, 15 July and 2 August 2011 for organisational and quality-check purposes.

An Impact Assessment Steering Group, composed by 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 is scheduled for 14 September 2011.

### 1.2. Consultation and expertise (public and internal)

The Commission held a **public consultation on future funding for EU external action** between 26 November 2010 and 31 January 2011, based on a questionnaire accompanied by a background paper 'What funding for EU external action after 2013?' prepared with EEAS services. The 220 contributions received reflect the broad range and the variety of structures, views and traditions characterising the external action community. The main lessons learnt from this consultation are:

Around 70% of the respondents underlined that EU financial intervention provides a **substantial added value** in the main policy areas supported through EU financial instruments for external action and that the EU should exploit its comparative advantage linked to its global field presence, its wide-ranging expertise, its supranational nature, its role as facilitator of coordination, and to the economies of scale.

92% supported a **more differentiated approach**, tailored to the situation of the beneficiary country, based on sound criteria and efficient data collection, as a way to increase the impact of EU financial instruments.

A large majority supported an **increased conditionality** based on the beneficiary country's respect for human rights, minorities, good governance and diversity of cultural expressions

(78%), or on the quality of its policies and of its ability and willingness to implement sound policies (63%).

A majority of respondents agreed that **joint programming\***(*for asterisks see glossary in annex II*) 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. Many stressed, however, that it should not imply heavier administrative requirements. A majority approved the idea of anchoring joint programming\* and division of labour in a piece of EU legislation.

A majority of respondents supported the reinforcement of **cooperation with European Member States as well as with European and international financial institutions**, while a significant number of respondents called for caution regarding the objectives and expected impact of blending, the implementation modalities and the threat of loss of control and visibility for the EU.

Many respondents proposed **increased flexibility margins** within EU external action as a whole, to facilitate resource mobilisation to tackle disasters or global crises. Increased flexibility of the geographic limits of EU instruments was supported by a significant majority as a way to respond to interregional challenges. An explicit role for humanitarian aid actors and interventions in transition situations was supported by a large majority. A high number of stakeholders also stressed that the EU should improve the inter-linkages between humanitarian and development policy areas and close the gap between the related programmes.

In addition, the Commission launched a **Green Paper 'EU development policy in support of inclusive growth\* and sustainable development'** with a public consultation from 15 November 2010 to 17 January 2011. Many respondents underlined that **ODA\* constitutes only a fraction of funding for development**, to be seen as a complement to domestically mobilised resources, foreign investments, loan financing, trade and remittances. At the same time, in low-income and/or fragile countries, ODA could provide up to half of development resources available. These respondents therefore called for traditional ODA development programmes to be primarily reserved for the Least Developed Countries (LDCs). A demand was also made for greater coherence in EU development policy especially with regards to middle-income countries. Many answers endorsed the notion of **more focused aid** and a consolidation of the more than 45 000 projects currently funded by EU donors, combined with further cross-country and in-country division of labour. While **joint programming** of assistance was endorsed in principle, it should be introduced gradually starting with countries where it would yield demonstrable added value. Several contributions underscored that development cooperation should be a **reciprocal partnership**. In exchange for long-term EU commitments, partner countries needed to commit themselves to allocating a sufficient part of their budgets to priority areas such as social sector reform, health and education.

As far as financial assistance to **Overseas Countries and Territories (OCTs)** is concerned, a public consultation was organised in the context of a Green Paper (COM/2008/383) dated 25 June 2008. Stakeholders were further consulted in the context of the OCT/EU Forums in 2008, 2010 and March 2011. The different contributions converged with several ideas expressed in the consultation on external funding, notably **differentiation, flexibility, reciprocal partnerships and more focused aid**.

### 1.3. Impact Assessment Board

The impact assessment was modified to take into account the comments made by the Impact Assessment Board (IAB) on September 14<sup>th</sup> 2011. The IAB requested to better distinguish the

scope and the limitations of the measures proposed; therefore the legal and political boundaries for the choice of the options are now highlighted in chapters 2.4. and in chapter 4 in the introductory part and at the end of the proposed options. The IAB asked to reinforce the assessment of the overall strengths and weaknesses of EU development cooperation; to this end examples of how the identified problems have affected results are introduced in chapter 2.2, to explain the underlying drivers summarized in chapter 2.3. To take into account comments from IAB to consider alternative ways by which the objectives could be achieved, additional possible options are included and examined under chapters 4 to 6. The assessment of the impacts in chapters 5 and 6 is also improved to better explain the choice of the preferred option; in particular chapter 5 reflects the trade offs between the various options and the risks they entail. New elements regarding monitoring and evaluation are included in chapter 7.

## 2. PROBLEM DEFINITION

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

#### 2.1.1. *The problem*

Poverty remains a major problem in African, Caribbean and Pacific (ACP) States. Most of them are off-track towards the achievement of the Millennium Development Goals (MDGs)\* and they do not enjoy a sustainable development. The EU is committed to helping ACP countries to address these problems. It is therefore necessary for the EU to continue to support ACP countries' efforts towards reducing and eventually eradicating poverty, while attaining the objectives of sustainable development and achieving their gradual integration into the world economy.

The economic ties between the OCTs and the EU need to be further reinforced. OCTs continue to face specific economic and social development problems which can also have serious implications on their unique and fragile environments.

#### 2.1.2. *The current instrument (EDF)*

The European Union maintains privileged relations with the ACP group of developing countries under the ACP-EU Partnership Agreement, signed in Cotonou on 23 June 2000 for a period of 20 years. 25 OCTs with constitutional links to Member States are associated to the EU through a regime based on the provisions of Part IV of the Treaty on the Functioning of the EU (TFEU) and the detailed rules and procedures laid down at present in the Overseas Association Decision (OAD) of 27 November 2001<sup>2</sup>.

The **European Development Fund (EDF)** is the main instrument for providing EU assistance for development cooperation under the Cotonou Agreement with ACP countries and for cooperation with OCTs under the Overseas Association Decision (OAD). The EDF is funded outside the EU budget by the EU Member States on the basis of specific contribution keys. Each EDF is concluded for a multi-annual period. The 10th EDF Internal Agreement<sup>3</sup> establishes the total resources and the broad sub-categories for the period 2008-2013 and entails provisions regarding its implementation and financial monitoring.

The **resources of the 10th EDF** (€2 682 million at current prices) comprise €21 966 million for ACP countries, €286 million for OCTs and €430 million for support expenditure.

EDF 9/EDF 10 breakdown into envelopes

	<b>EDF 9 final (M€)*</b>	<b>EDF 10 (M€)</b>
<b>1. National and regional cooperation</b>	<b>12 146</b>	<b>17 766</b>
1.1 National indicative programmes (NIP)		
A envelopes* (programmable funds)	9 632	<b>13 500</b>
B envelopes* (unforeseen needs)	1 585	<b>1 800</b>
1.2 Regional indicative programmes (RIP)	929	<b>1 783</b>
1.3 Reserve for programmable NIP/RIP allocations		<b>683</b>
<b>2. Intra-ACP cooperation</b>	<b>3 059</b>	<b>2 700</b>
<b>Sub-total managed by the Commission</b>	<b>15 205</b>	<b>20 466</b>
<b>3. Investment Facility (managed by the EIB)</b>	<b>2 220</b>	<b>1 500</b>
<b>Sub-total for ACP operational credits</b>	<b>17 425</b>	<b>21 966</b>
OCT	329	286
Support expenditure	331	430
<b>Total ACP + OCT + support</b>	<b>18 086</b>	<b>22 682</b>

*\*including transfers from previous EDFs*

EDF resources allocated to ACPs are channelled via non-reimbursable assistance, broken down into three ‘envelopes’: national (including current B-envelopes\* for unforeseen needs for crisis/transition response including 'Linking Relief, Rehabilitation and Development' approaches), regional and intra-ACP\*, and via the ACP Investment Facility\* which the European Investment bank (EIB) manages as a revolving fund, providing loans, risk capital, and guarantees, with a view to supporting development of the private sector and of a commercially run public sector, alongside its own resources<sup>4</sup>. The EU also created innovative instruments\* to work with development banks and generate more synergies to speed up regional infrastructure delivery, such as the EU-Africa Infrastructure Trust Fund\* (see glossary under Blending mechanisms).

The €286 million allocated for OCTs under the 10th EDF take the following forms, i.e. non-reimbursable aid for specific territorial (€195 million) and regional cooperation (€40 million), loans, risk capitals and guarantees in the form of the OCT Investment Facility managed by the EIB (€30 million), alongside its own resources (up to €30 million), non-programmed emergency aid and compensation payments (€15 million), and a technical cooperation facility managed by the Commission (€6 million).

### *2.1.3. Main challenges for the future*

As acknowledged by world leaders at the UN High Level Plenary Meeting in September 2010, while significant progress has been made towards achieving some of the MDGs\*, a great deal remains to be done, particularly in fragile states and transition situations. Around 1.4 billion people are still living in extreme poverty (51% of them in Sub-Saharan Africa) and one sixth of the world's population is undernourished.

Recent threats and new challenges are complicating an already difficult situation. Developing countries were hard hit by the succession of recent crises (financial and economic crises, food price rises, fuel price volatility). New challenges include climate change<sup>5</sup>, energy<sup>6</sup> including access to sustainable energy, biodiversity loss, security and fragility\*, instability and poor



resilience to shocks, food insecurity, scarcity of natural resources entailing risk of aggravating ongoing challenges by unsustainable exploitation of these resources such as overfishing, transition towards knowledge-based societies\*, or population pressure<sup>7</sup>. Good environmental management is also a condition for sustainable development. These challenges are particularly sensitive for Small Island Developing States (SIDS).

These, together with the priorities set in the Europe 2020 Strategy, have prompted the Commission to review whether the EU's development policy is fit for purpose or whether more could be done to add to its impact, especially given the urgent need to speed up progress towards the MDGs\* (see chapter 2.4.2).

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 Gross National Income to ODA\* by 2015. There is no doubt that accelerated action is needed if all the MDGs are to be achieved in five years time. Even beyond 2015 and even when some or all of the MDGs have been achieved, continued efforts will be needed to eliminate poverty. Development assistance will therefore continue to require long-term financial commitment.

Since the establishment of the OCT/EU Association with the 1958 Treaty of Rome, relations between the OCTs and the EU have considerably changed. Most of the OCTs cannot be considered as developing territories anymore, even though their micro-economies remain extremely vulnerable to external shocks including climate change and environmental vulnerabilities. Consequently, continuous financial assistance to OCTs is needed to maintain them on the path to sustainable development and to help them to develop policies and strategies on new priorities of OCT/EU relations.

## 2.2. Lessons learnt: review of consultations, studies and evaluation reports<sup>8</sup>

### *10<sup>th</sup> EDF Performance review*

The Cotonou agreement called for a Performance review of the 10<sup>th</sup> EDF to assess financial performance as well as quantitative and qualitative performance, in particular results and impact, measured in terms of progress towards achieving the MDGs\*.

The review highlighted the value added of the 10th EDF thanks to its programming, its responsiveness and results. In the programming, the EU clearly identified areas where it could offer the best added value and focused its funds strongly on budget support, governance and infrastructure. The first years of implementation have shown how the balance and hierarchy between national, regional and intra-ACP were relevant.

The performance review also highlighted some lessons learnt and room for progress, in particular the following:

- Regarding programming, experience showed that effective, high-quality delivery to provide the greatest long-term impact needs a particular effort in terms of coordination arrangements; the assessment of the 10th EDF programming exercise showed that the EU could significantly **improve the synergies between its aid flows. EU aid remains very fragmented, causing inefficiencies with financial, developmental and political consequences.** For instance aid fragmentation can be observed in Uganda (see annex VI) where European aid accounts for 43% of total aid (2008 figure), but proliferation has led to these 43% being given by at least 8 individual donors; clear gains could be made here. The assessment showed aid fragmentation\* (i)

between EU instruments (the EDF and the budget), (ii) between levels of action in the EU (national, regional and, thematic/horizontal), and (iii) between EU Member States' bilateral programmes and European Commission and European Investment Bank interventions.

- Regarding EU response capacity, it appeared that the EU, with its global reach in ACP States and its objective method of allocation of resources, is present in all difficult situations and, thanks to its unallocated funds, flexible procedures, the support in situations of fluctuating export earnings (FLEX\*) and ad hoc instruments, had been able to respond to unforeseen events and to situations of fragility. Nevertheless, the review highlighted that EU's responsiveness could be improved, especially in relation to (1) aid programming in crisis and fragile situation, (2) a structural approach to build up the resilience of recipient countries to both natural hazards and economic shocks, and (3) broad and generic exogenous shocks mechanism. For example, in relation to responsiveness for countries in fragility and in crisis, the Performance Review underlined that the EDF programming cycle was not sufficiently flexible to respond quickly to new crises and unforeseen events like floods or earthquakes. Ad-hoc reviews that are possible take too much time, this was in particular illustrated by the Haiti case. For countries that are vulnerable to external shocks such as financial crisis, food or fuel prices increases, a more structural approach was needed which means that their vulnerability should be taken into account in the design of EU strategies so that those countries can better react to these events when they occur.

#### *Study in support of the shaping of development cooperation after 2013*

In view of reshaping the EU external actions framework, the European Union financed a general study to provide analytical elements regarding EDF interventions. The analysis highlighted strengths and weaknesses in the implementation concerning three main topics:

(i) On the EDF contribution to the MDG process, it concluded that the EDF widely supports the efforts of governments to reduce poverty through an important contribution to macro-economic stability while partly covering budget deficits, and a support to selected country strategy priorities.

(ii) On the division of labour, the study identified challenges, and in particular in relation to the large number of projects and programmes implemented outside agreed focal sectors which **increases fragmentation and goes against agreed principles on division of labour and concentration**. The study recommended delegated cooperation and joint programming as key elements in future programmes to enhance aid effectiveness. For instance the lack of concentration can be observed in Ethiopia (see graphic in annex VI) where a quick scan of EU-wide interventions learns that even in sectors where some donors do not have a (self-declared) comparative advantage, they sometimes have substantial (colour orange) or modest (colour red) investments. In fact, donors should focus on sectors in which they have both a substantial investment and a comparative advantage (colour green). To complete the picture, the colour yellow means that the respective donor has a relatively small investment but a comparative advantage in that sector.

(iii) On the EDF capacity to leverage funding from other actors in particular through blending mechanisms, the study highlighted the successful Infrastructure Trust Fund mechanism and the model of the recently developed Water and Energy "Pooling mechanisms" for small projects. It recommended to systematically consider the possibility of complementing any grant allocated through these Facilities with a grant from EDF funds managed by the Commission thereby

**increasing the available amount of grant to be leveraged by funding** and ensuring that the Delegations/National Authorising Officers (NAO) are interested in the success of the mechanisms for their country.

#### *Study on shock absorbing schemes<sup>9</sup>*

One of the general problems identified of the existing facilities was that they supported both low income (LICs) and middle income (MICs) countries with quite a large share of resources going to MICs. One of the challenges for the future is how to **redesign these facilities so as to focus more on the most vulnerable countries** including, in particular, low income countries. Regarding the type of financing, the study suggested that grant resources should continue to be relevant for low income countries. As in the Vulnerability Flex\*, resources could continue to be paid through budget support for eligible countries and in co-ordination with other development institutions.

#### *Study on results-based programming and financing*

A study was commissioned by the Commission on results-based programming and financing in view of a stronger results-focus in the future programming and financing of support, to look into cash-on-delivery types of financing\* or other incentive-based modalities, some of which have been used by the Commission in its budget support programmes.

The main results from the study were that, so far, there was no uncontested evidence that results-based modalities like cash-on-delivery work better than others. Researchers found that to be successful, results based approaches should be embedded in a "package" of other interventions, of which an important one is capacity building. Another finding was that there is no evidence that results based financing leads to a leveraging of additional funds, be they private or public. Lastly, consultants found that **more results focus could be brought into EU programmes, but that some rules and regulations needed to be adapted to make it possible.**

#### *Mid-term evaluation of the ACP Investment Facility*

The Commission undertook in 2010 a Mid-Term Evaluation of the ACP Investment Facility including European Investment Bank (EIB) Own-Resources operations in the ACP States. In the assessment, the value-added of EIB operations were measured against three elements: the support of EU policy and Cotonou objectives respectively, the quality of the projects themselves and the financial and non-financial advantages brought in by the EIB operations compared to potential alternatives sources of financing.

While recognizing the difficult challenge represented by the Bank's mandate under the Cotonou Agreement, the **Investment Facility was described as having a comparative advantage in its high risk bearing capacity**, stemming notably from its prudent project selection, its careful analysis of the creditworthiness of operators as well as its technical rigour, whilst it was acknowledged that EIB was exercising due care in intervening without distorting the markets and that specific improvements had been observed in the financial viability and governance practices of the enterprises supported by the Bank, as well as positive trends recorded in terms of employment generation at operation level. **Several factors had limited the ability of EIB to maximise its work**, including notably the EIB's low visibility, its insufficient monitoring of the impact of its operations, as well as limited catalytic effect of the Investment Facility and own resources.

The evaluation overall acknowledged that EIB had thus far fulfilled the mandate given under the Cotonou Agreement and made recommendations on ways to enhance its impact and visibility. Ways to address the issues raised have been identified jointly by the Commission and the EIB and concern mainly the need to secure supplemental grant resources for technical assistance and other blending mechanisms combined with EIB loans and equity investments, the need to **reinforce the coordination between the two institutions** including notably the definition of common operational guidelines to their respective staff, the need to ensure greater coherence between the EIB operations and the country and regional strategies led by the Commission to **fully exploit synergies at operational and strategic/sector level**, and the need to enhance joint EU visibility and communication.

*Results of internal assessment on what works and what doesn't (2007-2013)*

An internal assessment highlighted that the **procedure for preparing and revising the A envelope of the National Indicative Programme (NIP) had proved more rigid than expected**. While the process was useful to address long term goals, it did not seem to allow for a prompt reaction to a change in the political context or to a substantial change in demand. The **potential for Joint programming had barely been exploited**. It has been limited to a handful of pilot countries, faced serious constraints and had not delivered substantial results in terms of efficiency.

Regarding the B envelopes\*, used for unforeseen needs, this flexible allocation mechanism had shown positive results, notably in its use for crisis/transition response, and in terms of flexibility and speed, in the context of the Vulnerability Flex\* and the Food Price Crisis Regulation. However **the support in situations of fluctuating export earnings (FLEX\*) had not been sufficiently countercyclical**, in spite of successive simplifications. This is due to the fact that the system functions on the basis of an ex-post analysis (trade statistics) rather than a real-time mechanism, as well as heavy implementation procedures.

*Assessments and evaluations about OCTs*

Internal and external assessments and evaluations of the EU's past and future cooperation with OCTs took place or are in the process of being finalised within the context of the Overseas Association Decision. Conclusions and recommendations of the different assessments seemed to agree that the next EDF would have to allow for a **differentiated approach** for OCTs, with a focus on sustainable development, be **flexible** and adapted to the low aid volumes and the limited administrative capacity of OCTs. The EDF should also be conducive to regional cooperation between OCTs, Outermost Regions of the EU and ACP States. Budget support as preferred aid modality and the corresponding policy dialogue including public finance management as well as the principle of **concentration** were deemed to have had a positive impact. Nevertheless, **responsiveness** of EU interventions could be improved and sufficient resources for technical assistance, capacity building and for private sector investments and co-financing operations needed to be foreseen.

2.3. The underlying drivers of the problem:

In a context of financial crisis and of tight budgetary constraints within EU Member States, the volume of EU resources for development cooperation with ACP States and OCTs remains

limited. The effectiveness of EU spending could be improved to ensure that it delivers the best possible results and to increase its impact.

The underlying drivers of the problem identified in chapter 2.2 can be summarized as follows:

- A growing **disparity of the profiles of partner countries, territories and regions** benefitting from the EDF can be observed, regarding their needs, capacities and performance<sup>10</sup> and the potential impact of EU aid. In addition the modalities for the implementation of EU support to these countries or territories are not always appropriate to take into account each country's specificities.
- **Fragmentation of aid remains a major concern.** The EU as a whole loses out on impact and visibility by not concentrating and coordinating its work sufficiently.
- **Coordination with and between EU Member States** is not sufficient, thus contributing to fragmentation and discarding potential economies of scale<sup>11</sup>.
- **The role of the private sector and financial institutions within development strategies is not sufficiently encouraged** to support public and private investments within ACP States as well as sustainable, inclusive and smart growth and the insertion of ACP States into the global economy.
- ACP States are confronted with a number of **challenges such as external shocks and unforeseen needs. This also includes crisis management and tackling transition and fragility situations.** While the 10<sup>th</sup> EDF already entails elements allowing flexibility, EU instruments are not always sufficiently responsive and flexible to tackle these evolving situations and to take **positive account of progress made by ACP States and OCTs** regarding domestic reforms and sound policies.
- Regarding **OCTs, the EU approach has not been differentiated and flexible enough** to take into account the specific challenges faced by OCTs, their limited administrative capacities linked to their size, as well as the different type of relations they entertain with the EU. In addition, it has not been supportive enough of **regional cooperation** between OCTs, ACP States and Outermost Regions.

## 2.4. Legal basis for EU action and policy framework

### 2.4.1. *Legal basis*

The main policy objectives of EU external action are described in the Lisbon Treaty (art. 21 TEU). In addition, the main objective of EU development cooperation (art. 208 TFEU) is the reduction and, in the long term, the eradication of poverty. In this context the EU will comply with the commitments and take account of the objectives they have approved in the context of the United Nations and other international organisations.

**Regarding cooperation with ACP States,** this legal framework is complemented by the Cotonou Agreement concluded between the members of the ACP Group of States of the one part and the European Union and its Member States of the other part. It was concluded for a twenty-year period from March 2000 to February 2020, and entered into force in April 2003. It is designed to establish a comprehensive partnership, based on three complementary pillars: development cooperation, economic and trade cooperation, and the political dimension. The ACP-EU Partnership is centred on the objective of reducing and eventually eradicating poverty consistent with the objectives of sustainable development and the gradual integration of the ACP States into the world economy (Art. 1 of Cotonou Agreement). The partnership principles of the Cotonou Agreement include the equality of the partners and the ownership of the development

strategies, the pivotal role of dialogue with governments of the partners and the fulfilment of mutual obligations.

The Cotonou Agreement provides for a revision every five years. The second revision of the Cotonou Agreement was adopted by the ACP-EU Council of Ministers in June 2010 and has been applied on a provisional basis since November 2010; the decision concluding the amending agreement should be adopted during 2011.

**The Cotonou Agreement as amended by its first and second revisions is the defined political and legal framework for the preparation of the 11th EDF, with regard to ACP States. Therefore the legal requirements and constraints entailed in the Cotonou agreement, and in particular its annex IV defining the implementation and management procedures as well as the principle of partnership with the ACP States, form the boundaries for the scope of this impact assessment and for the choice of the options. They must be taken into account and do limit the number of possible options.**

**The OCT/EU Association** rests on several legal bases. In the EU's primary law, it is based on Part IV of the Treaty (TFEU). The purpose of the Association is to promote the social and economic development of the OCTs and to establish close economic relations between the OCTs and the EU as a whole. The detailed rules and procedures of the Association have been laid down in consecutive Council Decisions on the association of the overseas countries and territories with the European Community (Overseas Association Decision), the last of which is Council Decision 2001/822/EC. The Decision applies to all OCTs listed in Annex II to the Treaty, except for Bermuda, which has requested not to fall under the Decision<sup>12</sup>. This Decision expires on 31 December 2013 and the Commission is preparing a legislative proposal for a new Council Decision that should enter into force as of 1 January 2014. This legislative proposal will be accompanied by a separate Impact Assessment.

#### *2.4.2. Policy framework*

The Commission adopted in June 2011 a Communication 'A Budget for Europe 2020'<sup>13</sup>. For the post 2013 period, in view of the tight budgetary situations in Member States, and of the experience of former proposals by the Commission in the previous multiannual financial frameworks to integrate the EDF into the EU budget ('EDF budgetisation'), **it was decided that the situation was not appropriate this time to propose 'EDF budgetisation'**, and that the 11<sup>th</sup> EDF would remain outside the EU budget and thus would not be an integral part of the overall architecture of external action financial instruments. This was announced in the above mentioned Communication 'A Budget for Europe 2020' together with the proposed amount for the 11<sup>th</sup> EDF. **The integration of EU development cooperation with ACP countries into the EU budget is foreseen for post 2020 at the end of the next multiannual financial framework, coinciding with the expiry of the Cotonou agreement.**

**This proposal defines the architecture of the 11<sup>th</sup> EDF and therefore sets the limitations regarding the scope of this impact assessment where EDF budgetisation is not considered as an option.**

The 'European Consensus'<sup>14</sup> together with the Code of Conduct\* provides the general framework, orientations and focus to steer the implementation of EU cooperation with partner countries and regions.

Following the public consultation on the Green Paper published in November 2010 (see section 1.2), a **Communication on EU development policy ('Increasing the impact of EU development policy: an Agenda for Change')** is expected to be adopted by the Commission during 2011. In parallel, the Commission is also expected to publish a communication on EU Budget Support\* to third countries.

**Therefore the 'Agenda for Change' will define the scope of this impact assessment and the choice of the options, as the 11<sup>th</sup> EDF internal agreement, with its implementing and financial regulations and the next programming guidelines will be the enabling framework to implement the policy orientations defined in the 'Agenda for Change'.**

**Regarding OCTs**, the EU wishes to use the revision of the Overseas Association Decision (OAD) as an opportunity to redesign and modernise the association arrangements, so as to bring them more in line with OCT needs and realities. Over the last ten years discussions about this revision have taken a central place in the OCT/EU policy dialogue. In its conclusions (16710/09) adopted on 22 December 2009, the Council endorsed the proposals of the Commission put forward in its earlier Communication (COM/2009/623) which identifies three general objectives for the future OCT/EU partnership: to enhance OCT competitiveness, to reduce OCT vulnerability and to stimulate regional cooperation and integration. As regards the EU's financial assistance to OCTs as of 2014, the Communication suggests strengthening the financial instrument's strategic approach and favours thematic and financial concentration. The Commission also suggested that co-financing by OCTs and Member States as well as moving away from development aid could be considered. The revision of the OAD is ongoing and, as mentioned, a separate impact assessment of the legislative proposal is conducted in parallel.

**This constitutes a limitation for the scope of this impact assessment and for the level of details of the possible options regarding OCTs, which should not pre-empt the on-going revision of the OAD. The possible options will be examined in the separate impact assessment to be published at a later stage. Therefore the general objectives defined in the December 2009 Council conclusions constitute the framework for the scope of the impact assessment.**

## 2.5. EU Value Added

### *Global issues, global response and global leadership*

As the world's largest donor, the EU and Member States provide more than half of global aid to developing countries. The EU provides aid to the poorest people in more than 150 countries and is committed to achieving the MDG by the end of 2015. The funding for aid handled by the Commission alone represents 20% of total EU aid.

**Over the last ten years, the EU has improved its performance in development cooperation**, rallying Member States around shared policy approaches and the aid effectiveness agenda, modernising its partnerships, cooperation agreements and financial instruments and putting in place mechanisms to ensure policy coherence for development. The EU has started to move away from a donor-beneficiary type of relation to a partnership involving contractual approaches, based on policy dialogue and linking results to specific cooperation programmes or instruments.

In line with the European Consensus on Development, the Paris Declaration\* and the Accra Agenda for Action\*, **the EU has clearly identified the areas where it can offer added value in the EDF and has focused its funds strongly on budget support, governance and infrastructure.**

**The 10th EDF has also demonstrated its added value in the form of strong responsiveness.** By keeping unallocated funds in the EDF to cover unforeseen needs and by means of innovative instruments such as FLEX\* and V-FLEX\*, the EU has been able to play a key role vis-à-vis ACP States facing disasters or food, economic and financial crises.

*The critical weight of the EU*

For EU Member States, the ACP-EU partnership and the EDF offer a global reach and a means to implement a consistent set of objectives across 77 ACP States. **In terms of presence, scale and focus, EDF operations offer significant benefits over national action.** The EU's role in ACP States gives Member States a strong voice on key issues such as governance, budget support, regional cooperation, economic development and infrastructure. This critical mass also puts the EU in a better position to conduct political dialogue with partner governments. The EU also has a long standing reputation and role as a promoter of inclusiveness and multilateralism.

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. Thanks to the network of EU delegations in the Pacific region for example, development aid reaches the people who need it most, and the EU adapts its response to the smallest partners.

*The EU is best placed to coordinate*

**The EU plays a multi-faceted role:** as implementing agent of EU aid and as EU coordinator and policy-maker in the development field, as economic and trade partner, through security policy and political dialogue, as well as through other EU sector policies – such as migration, climate, biodiversity, fisheries or energy.

The EU can do more than other international organisations, because of its holistic approach to development and external relations through its various instruments, including promotion of democracy and mechanisms to respond to a crisis. The EU established a framework of analysis for ensuring Policy Coherence for Development\* to 'development-proof' non-development policy initiatives and make sure that EU development policy objectives are taken into account in other policy areas.

**Division of labour through the EU is a crucial component of its added value.** In the work on the ground in partner countries, acting as one is crucial in order to bring about more added value, increased strength and legitimacy, and more impact and effectiveness for EU aid.

*A few examples regarding EU development cooperation under the EDF:*

Through the **EU's MDG initiative**, announced last year at the MDG Summit, the EU will increase its support to make progress on the most off-track of the eight Millennium Development Goals.

The **African Peace Facility** is a prime example of how the EU can take the initiative on a major issue in the field of conflict resolution, thanks to its size and budget as well as the specificities allowed by the Cotonou agreement. Since 2004, the EU has provided €740 million to this end, helping to prevent conflicts and promote stability after they have taken place.

When the global economic crisis occurred in 2009, the EU was able to step in and create the **Vulnerability FLEX\***, set up to protect developing countries from its impact, again showing that



the EU is uniquely placed to respond flexibly where needed. €434 million out of the €500 million allocated under the mechanism in 2009 and 2010 have been disbursed. 23 of the most affected countries across the ACPs have benefited.

#### *Positive Impact of EU Cooperation with OCTs*

EU interventions in the OCTs have added value because in many cases, **it is the only other donor apart from the Member States to which the OCTs are constitutionally linked.** Cooperation and coordination with Member States has been high. The non-programmed funds have positively contributed to mitigating the impact of disasters such as hurricanes.

Inclusion of EU financial assistance to OCTs in the EDFs has **ensured that sufficient funds were available and that OCT/EU cooperation remained coherent with the evolution of EU development policy and cooperation with ACP countries**, of which most OCTs are direct neighbours.

OCT arrangements in the successive EDFs have seen a move towards **putting the OCTs' sustainable development as well as their priorities and strategies at the heart of OCT/EU cooperation.**

### **3. OBJECTIVES**

#### 3.1. Objectives

##### *3.1.1. General objectives of the 11th EDF*

The **general objectives of the 11<sup>th</sup> EDF** are those defined in the Cotonou agreement (article 1) and in Part IV of the Treaty on the Functioning of the European Union (article 198):

- for ACPs: reducing and eventually eradicating poverty, while attaining the objectives of sustainable development and achieving their gradual integration into the world economy;
- for OCTs: attaining sustainable development, by strengthening their resilience and competitiveness and promoting regional cooperation.

##### *3.1.2. Specific objectives for the revision of the instrument*

The **specific objectives for the revision of the instrument**, in line with the revised policy objectives of EU development policy and EU cooperation with OCTs, are the following:

- The 11th EDF should allow for a more differentiated approach between beneficiaries, to respond to the specific situation of each country, taking into account their needs, capacities and performance, and potential impact of EU aid.
- To tackle aid fragmentation, EU development cooperation should be more concentrated on fewer sectors where it can have the greatest impact.
- In the same perspective, coordination with EU Member States should be reinforced to improve aid effectiveness.
- The EU should reinforce financial leveraging of its grant resources through the use of innovative financial instruments such as loans-grants blending mechanisms and reinforced partnership with EIB and other financial institutions.
- The flexibility elements of the EDF should be reinforced, to make the 11th EDF even more responsive and flexible to tackle the evolving situations of beneficiaries, including response to external shocks, crisis or transition and fragility situations.

- Regarding OCTs specifically, the 11th EDF should also allow for a more differentiated and more flexible approach to take into account their specificities, the specific challenges they face, their limited administrative capacities as well as the different type of relations they entertain with the EU, while at the same time promoting regional cooperation between OCTs, ACP States and Outermost Regions.

### 3.2. Consistency with external action priorities

The current structure of the existing EU financial instruments in the policy area 'development' comprises the following elements: (i) the main part of EU development cooperation is channelled through 'policy-driven' geographical instruments, with the 'Development Cooperation Instrument' (DCI) addressing developing countries except for the neighbourhood and ACP States<sup>15</sup>, and with the 10<sup>th</sup> EDF outside the EU budget covering ACP States and OCTs; (ii) in addition, within the DCI there are also thematic programmes to support actions at global and regional level and to contribute to the financing of international organisations and funds<sup>16</sup>.

The **general objective of poverty eradication** remains the primary aim of EU development cooperation. In addition, despite the different funding sources of EU development cooperation (i.e. mainly the EDF and the DCI), the **specific objectives and modalities of the updated EU development policy will be applied equally to all developing countries through the various financial instruments**. This includes, in particular, applying a more differentiated approach, strengthening concentration in certain areas, coordination with Member States and increasing use of innovative financial instruments, and flexible mechanisms to tackle unforeseen events and evolving situations.

In addition, as set by the Lisbon Treaty, **development cooperation objectives under the EDF will be mutually coherent with other initiatives for external action**, in particular with geographic and thematic cooperation under the DCI, but also with activities financed under the instrument for promoting human rights and democracy (EIDHR) and the instrument for nuclear safety (INSC), humanitarian assistance and/or civil protection, crises reaction through the Instrument for Stability or macro-financial assistance, and with civilian or military interventions under the Common Foreign and Security Policy (CFSP) / Common Security and Defense Policy (CSDP)<sup>17</sup>. Moreover for every country, development cooperation will be coherent with the new 'Partnership Instrument' for cooperation on EU and mutual interests on a global scale, thus including ACPs.

The links between the different external action instruments lay in particular :

- (i) with cross-cutting, humanitarian or crisis issues: the **specific objective of increasing flexibility** within the EDF to tackle unforeseen needs or situations of crisis, fragility or transition would also reinforce the coherence with the set of instruments deployed. Addressing transition challenges requires a mixture of approaches and responses articulated in the framework of a transition strategy; this strategy will allow for balancing possible tensions between humanitarian, development ad security-oriented approaches, and also between short term reaction and long term support.
- (ii) with multi-countries/regional issues overcoming the limits of the different geographic instruments:

Most pan-african initiatives will, in the post 2013 financial perspectives, be supported through a new pan-African mechanism within the DCI. The implementation of the Joint Africa-EU Strategy (JAES) and its successive Action Plans may still be funded under the EDF and the principle of

'treating Africa as one' requires the coherent management of the DCI, the future neighbourhood instrument (ENPI) and the EDF and the appropriate wording in the related legal bases.

Regional cooperation in the wider Caribbean and in the Pacific would involve the DCI, the EDF, including the cooperation with OCTs and the EU internal cohesion instrument with regard to outermost regions of the EU.

### 3.3. Consistency with other EU policies

**The objectives of the 11<sup>th</sup> EDF will be implemented in line with the EU 2020 agenda, including through a mutual reinforcement of internal and external actions.**

In a globalised environment, several internal EU policies (such as climate change, environment, energy - including access to sustainable energy, biodiversity, immigration, fisheries, agriculture, health, higher education, research and innovation for smart growth,...) are increasingly becoming part of the EU's external action. In this regard, integration, and not duplication, must be the key word, to ensure the coherence of EU external action, increase aid effectiveness, notably the commitment to reduce the number of actors and programmes, and maximise synergies between policy objectives.

Through mainstreaming, the external dimensions of internal EU policies can become part of policy dialogue with third countries. These aspects are at the centre of EU country and regional programming in areas such as standards setting including sanitary and phytosanitary issues, capacity building, climate action, infrastructure networks, information and communication technologies, trade and business environment, education and research, justice and home affairs activities etc. For OCTs, this is of particular importance as they are eligible for funding from internal programmes and budget lines. The strengthened involvement of line DGs of the Commission in the programming process will be welcomed and should be improved to ensure an appropriate use of the technical expertise within the Commission services.

Regarding coherence between external and internal policy objectives, the EU's commitment to advancing **Policy Coherence for Development (PCD)\*** can also be highlighted, requiring the objectives of development cooperation to be taken into account in all EU policies which are likely to affect developing countries. The PCD strategy was adopted to overcome potential negative impacts of internal policies on developing partners and to encourage, where possible, the search for synergies between the objectives of internal policies and EU development objectives.

## 4. POLICY OPTIONS

As the EU assistance for ACP and OCTs remains outside the budget under the multiannual financial framework for the period 2014 to 2020, **the Member States will be invited to set up an eleventh European Development Fund (11<sup>th</sup> EDF) in a new internal agreement** on the financing of EU aid for ACP States and the allocation of financial assistance for the OCTs. On the basis of this agreement, implementing and financial regulations will be adopted. In the light of the final choices made regarding ACPs, the necessity to modify annex IV of the Cotonou agreement will also be examined in agreement with the ACP partners. These final choices would also be reflected in the Commission proposal for the revision of the Overseas Association Decision (OAD).

As stated in the Lisbon Treaty, supporting developing countries' efforts to eradicate poverty is a

priority for the EU's action in the world and the primary objective of development policy. In this context, together with the priorities set in the Europe 2020 Strategy, **the European Commission is expected to propose an ambitious 'Agenda for Change' to refocus EU development spending and policies and to increase the concrete impact of programmes on the achievement of the MDGs\***. This package, after an intense elaboration and consultation process, should confirm the relevance of most of the existing policy framework and especially the ACP-EU partnership and the EDF, while agreeing on the need for more impact, to speed up progress towards the MDGs.

The EU will make these changes progressively in its next programming cycle, but the proposed internal agreement, with its implementing regulation, its financial regulation and the next programming guidelines, will constitute the enabling framework to allow the implementation of this Agenda for Change.

**For each specific objective identified under chapter 3.1, this chapter analyses options to make these policy changes possible.**

#### 4.1. Differentiation

##### 4.1.1. *Status quo option*

**The aid allocation\* and implementation processes do not change from the approach followed under the 10<sup>th</sup> EDF.**

Under this option, the main objective of EU cooperation with ACPs and OCTs would remain poverty reduction - and ultimately poverty eradication, with the MDGs as the main benchmark against which to measure progress, but geographical differentiation would not be implemented at its utmost in view of a higher impact of EU aid. In more advanced countries, where EU funding would in certain cases not represent a significant critical mass for beneficiaries, the impact of EU grants would not be optimized. Regarding OCTs, resources would continue to be allocated mainly to territorial programmes and projects in the OCTs eligible under the Overseas Association Decision (OAD).

##### 4.1.2. *Alternative option: allow more differentiation between ACP States and OCTs*

- *Sub-option A – Allow focusing EU cooperation on a limited number of partners by using statistical data*

**The EU allocates grants only to its least developed partners and no development grant aid in the more advanced. This differentiation would be made using statistical data.**

This sub-option would enable establishing clear cut and easily defensible criteria that would determine on which partners EU cooperation would be focused. Nevertheless, in many cases statistical data do not paint the entire picture of the situation in a partner. Indeed, many partners' statistics are done on different premises and are thus not fully comparable and/or are not readily available. In addition many wealthier partners face challenges and constraints similar to those of the poorest and least developed ones.

Some partners would be excluded from eligibility to EU grants on this statistical basis. However, regarding ACPs, these countries remain signatories to the Cotonou agreement. In this sub-option, the partnership principles of the Cotonou agreement, including policy dialogue, would not be

fully respected. The same holds true for the OCT/EU association, which is also founded on the partnership principle.

**This differentiation would be implemented through the implementing regulation(s), the aid allocation system and during the programming phase. It would not require a specific provision in the internal agreement.**

- *Sub-option B – Allow focusing EU cooperation on a limited number of countries by using quantitative and qualitative data*

**The EU allocates proportionally more grants to its least developed partners and less or no development grant aid in the more advanced, while allowing in the more advanced the pursuit of an alternative development relationship, including potentially through blending grants and loans to support investment and the private sector.**

To target its limited resources where they are needed most and where they have greatest impact and value for money, the Agenda for Change is expected to propose to review the EU aid portfolio. Under this sub-option, the EU would therefore differentiate its action among partner countries and regions to ensure that resources are allocated according to needs, capacities, country commitments and performance, and potential EU impact on policy reform and on leverage of EU Aid. To ensure adequate financing for development, the EU would achieve more variation in grant money among countries.

Through comprehensive political and policy dialogue, the EU would define, in the programming phase, the most appropriate form of cooperation, leading to informed and objective decisions on the most effective policy mix, financial instruments and aid arrangements, including the use of new blending mechanisms. EU development cooperation would be more country-specific, tailor-made to each partner and be based on their own needs, strategies, priorities and assets.

Cooperation with OCTs would follow similar principles. Only the least developed would be guaranteed to receive a territorial allocation. The concept of least developed territories would be adapted so as to take into account problems and challenges of OCTs such as fragility, isolation and structural problems. OCTs other than the least developed ones would have to rely on other types of financing, such as loans to the private sector. The more developed OCTs could be granted a territorial allocation in case of external shocks, to be mobilised from a reserve of non-programmed aid and implemented through budget support.

According to the provisions of the Cotonou agreement, specific forms of support would also be defined for ACP countries in situation of crisis including long-term structural instability or fragility (see chapter 4.5).

**This differentiation would be implemented through the implementing regulation(s), the aid allocation system and during the programming phase, taking into account the partnership principles of the Cotonou agreement, including policy dialogue. It would not require a specific provision in the internal agreement.**

## 4.2. Concentration of EU development cooperation activities

### 4.2.1. Status quo option

## **The Commission continues to allocate aid and intervene in a great variety of sectors.**

Under this option, Commission-managed development aid programmes would continue to cover globally a wide array of sectors (e.g. health, education and higher education, training and scientific research, climate change, energy, environment, agriculture, food security, infrastructure, etc.). The selection would continue to be done at country level through a transparent and in-depth dialogue with partner countries on the basis of a joint analysis, without a deep reflection on areas where Commission aid has the strongest added value compared to other donors and Member States. OCT/EU cooperation would remain concentrated at territorial level on one sector per OCT; however for technical assistance directly managed by the Commission, the number of areas covered would remain wide.

### *4.2.2. Alternative option: allow more concentration of EU cooperation activities*

- *Sub-option A – Allow focusing EU cooperation on a single sector*

#### **EU aid is focused on a single sector in each partner to maximise impact.**

Under this sub-option, a single sector in each ACP country would have to be selected to maximise critical mass and impact. For OCTs, this sub-option would mean that technical assistance resources would be used for support in a very limited set of sectors of the Commission's choice. While this type of concentration could be relevant in certain partners where many donors are present, this sub-option would not allow tackling the situation of donor orphans. In addition, it could be difficult to agree with the beneficiary partners on the choice of sector. For OCTs, this sub-option may run counter to the principle of diversification between OCTs and would not be congruent to the principle of partnership. The absorption capacity according in the sector chosen would also have to be taken into account, as it could lead to a waste of EU funding instead of increased impact.

**This concentration of funds on a single sector in each partner would be implemented during the programming phase. For OCTs, provisions could also be inserted in the implementing regulation. This sub-option would not require a specific provision in the internal agreement.**

- *Sub-option B – Allow focusing EU cooperation on a limited number of sectors*

#### **EU aid is focused on a limited number of sectors where it can have the greatest impact.**

This sub-option would mean selecting a limited number of areas for action when EU aid is being programmed in ACPs, instead of spreading efforts too thinly over too many sectors, in order to reinforce the Commission role as a delivery agent in areas where size and critical mass are of special importance, avoiding fragmentation. This would include sectors where EU aid can have the greatest impact and which are of greatest importance to the beneficiary State, in line with the Communication 'Agenda for Change' to be adopted.

For OCTs, this sub-option would foresee a further concentration of EU funds by limiting the technical assistance directly managed by the Commission to a selected number of areas in line with OCT and EU priorities and objectives.

**More concentration of funds in a strictly limited number of areas in ACPs would be implemented at country level during the programming phase while taking into account the specific situation of fragile countries. For OCTs, this would be implemented during the programming phase and provisions could be inserted in the implementing regulation. This sub-option would not require a specific provision in the internal agreement.**

#### 4.3. Coordination with EU Member States

##### 4.3.1. *Status quo option*

#### **Division of labour continues to be implemented as under the 10th EDF.**

Under this option, the process of joint programming in ACPs would remain limited to selected pilot countries, on the basis of the various commitments taken in Council conclusions to Joint programming, most prominently the 2006 Common Framework for Country Strategy Papers\*. In other countries, each donor would continue to prepare its own country strategy documents, including for Commission-managed aid, comprehensive Country Strategy Papers (CSP) as defined in the Cotonou agreement. For OCTs, coordination of EU and Member States' interventions would continue to consist in parallel programmes defined independently from one another.

##### 4.3.2. *Alternative option: allow more coordination with EU Member States*

- *Sub-option A – Joint programming with EU Member States becomes a binding modality*

#### **Joint programming is a compulsory modality enshrined in the 11th EDF legislative and regulatory framework.**

Under this sub-option, a programming document would be prepared jointly by the EU and the Member States for each partner. This document would entail all financial commitments by all EU actors, by sector. This would ensure effective division of labour and a high level of predictability and visibility of EU action, avoiding overlaps. However applying joint programming systematically in all cases is not yet feasible and therefore a legal obligation is not politically acceptable.

#### **This sub-option would be implemented through binding provisions in the implementing regulations.**

- *Sub-option B – Allow reinforcing Joint programming with EU Member States*

#### **Joint programming and division of labour are implemented through the 11th EDF legislative and regulatory framework.**

Under this sub-option, Joint Programming of EU and Member States' cooperation activities would be reinforced in order to achieve better division of labour. Where appropriate, the European Investment Bank (EIB) could be associated with this process.

This joint programming process could result for ACPs in a single, joint programming document for each partner country as a preferred option, or as a minimum option an effective agreement on division of labour. Indicative financial commitments by all EU actors, per sector, would be part of the agreements on division of labour. To start with, the new proposal would be 'EU + Member

States' only present in the country concerned. Other EU donors not present at country level would significantly gain in possibilities for contributing inside an EU scheme, which would certainly foster opportunities for delegated cooperation.

For OCTs, this sub-option would seek – where possible – a better alignment of the EU and Member States' programmes. Trilateral dialogues between the OCTs, their Member States and the Commission could be instrumental to defining a division of labour between the different partners in the programming phase.

**This sub-option concerns the programming phase and would not require a provision in the internal agreement, but specific provisions including possibly details of the joint programming process for ACPs could be integrated in the implementing regulation.**

In addition to joint programming at country level, the EU and Member States could increase their collective impact by making use of aid modalities that facilitate joint actions. In its proposal for a revision of the Financial Regulation for the EU budget, the Commission inserted a provision allowing the creation of EU Trust Funds<sup>18</sup>. Under this sub-option, the possibility to create EU Trust Funds managed by the Commission for ACPs would also be foreseen for the 11th EDF framework.

**To allow the establishment of EU Trust funds managed by the Commission for ACP Countries, a provision could be introduced in the 11th EDF Financial Regulation.**

#### 4.4. Innovative financial instruments

##### 4.4.1. *Status quo option*

**The existing mechanisms for blending grants with loans are maintained.**

Under this option, no modification would be foreseen regarding the use of existing instruments (see chapter 2.2). The balance between grants and loans would not allow for further differentiation and concentration of EU grants on partners which need it most.

##### 4.4.2. *Alternative option: allow an increased use of innovative financial instruments*

- Sub-option A – *Compulsory use of blending mechanisms*

**Blending mechanisms\* are used systematically in EU cooperation funding.**

In all ACP countries and OCTs, all EU grants would be coupled with loans from Financing Institutions (EIB, multilateral, regional and bilateral development banks) in order to leverage further resources and thus increase impact of EU funding.

However this sub-option would not take sufficiently into account the disparity of situations. In particular, it would entail the risk of further increasing the level of indebtedness of those partners who cannot afford it. In addition, this sub-option could be appropriate in a number of sectors, notably in the area of infrastructure development or the promotion of a competitive local private sector. However, it could be inefficient and irrelevant in other areas such as promoting regulatory frameworks to be established by partner countries governments or for a range of typical public sector activities, often linked to social sectors, like for instance improvement of education or health systems. Therefore this sub-option would not be applicable always but should rather be applied gradually (see sub-option B).



**The systematic use of EU grants to blend with loans from European Finance Institutions would not require a specific provision in the Internal Agreement as this would be defined during the programming phase. Specific provisions could be included in the implementing and financial regulations.**

- *Sub-option B – Increased use of blending mechanisms*

**Blending mechanisms\* are reinforced to boost financial resources for development.**

In certain ACP countries or regions, an increasing percentage of EU development resources could be used through existing or new financial instruments, such as blending grants with loans or other risk-sharing mechanisms, in order to leverage further resources and thus increase impact. Country or regional strategic programming documents could be used to specify this. In doing so, sustainability criteria such as indebtedness capacity and local situations and risks would be duly taken into account.

For OCTs, an increased percentage of resources could also be used for blending mechanisms involving EDF resources including resources managed by the European Investment Bank (EIB), and other financial institutions such as regional development banks and/or the private sector.

This sub-option would imply the reinforcement of partnerships and coordination with the Financing Institutions (EIB, multilateral, regional and bilateral development banks). In particular, regarding the ACP and OCT Investment Facilities managed by the EIB, it would entail a further alignment between Commission, other relevant EU actors and EIB during the programming phase and when identifying projects, to ensure greater coherence with the national strategies, as well as the adaptation of the monitoring and reporting framework of the EIB operations putting more emphasis on results and outcome.

The process of reinforcing the use of blending mechanisms should be supported by an EU platform incorporating notably the Commission, Member States and European financial institutions. This platform could provide a relevant forum to optimise financing and blending instruments.

**The increased use of EU grants to blend with loans from European Finance Institutions would not require a specific provision in the Internal Agreement as this would be defined during the programming phase. Specific provisions could be included in the implementing and financial regulations.**

#### 4.5. Flexibility

##### 4.5.1. *Status quo option*

**The elements of flexibility of the 11th EDF remain limited to those of the 10th EDF.**

Compared to other external action instruments under the EU budget, the EDF already entails important elements of flexibility in the implementation of aid to swiftly respond to changing priorities and needs, such as the use of reserves, of the so called B-envelopes\* or articles 72 and 73 of the Cotonou agreement (for ACPs). Under this option, those would remain in the 11th EDF but no additional elements of flexibility would be foreseen. This would not allow a sufficiently quick response to crisis and situations of fragility. For the OCTs, the option would entail that the

revised Overseas Association Decision would integrate the relevant elements of flexibility already entailed in the Cotonou agreement.

#### *4.5.2. Alternative option: increase flexibility within the EDF*

Flexibility elements will be reinforced in the 11th EDF compared to the 10th EDF. Under this option, the possible modalities will be analysed under three pillars representing different aspects of EDF flexibilities.

##### First pillar: EDF Reserves

- Sub-option A – Large amount of funds kept unallocated

**The large majority of funds are kept in reserves for top-ups of country allocations or special allocations for specific sectors or initiatives.**

Under this sub-option, only a small amount of funds would be programmed in initial allocations and the large majority of funds would remain unallocated to ensure maximal flexibility in the use of EDF funding. However this would not ensure predictability of funding for ACP partners and it would therefore act as a deterrent to structural reforms and long term development.

**This sub-option would not require a specific provision in the 11th EDF internal agreement, but it would be reflected through programming and implementing procedures.**

- Sub-option B – Increased funding kept aside for topping-ups

**Compared to the 10<sup>th</sup> EDF, initial allocations upfront are limited and more funds are kept in reserves for top-ups of country allocations or special allocations for specific sectors or initiatives.**

Under this sub-option, a greater margin of flexibility would be possible in the 11th EDF, to improve EU capacity to ensure an appropriate and rapid response to evolving situations, external shocks and unforeseen needs faced by ACP partners<sup>19</sup>, without deteriorating predictability of funds for the partners. This should be done through a holistic approach agreed at country level to ensure coherence between short term responses and long term development.

For OCTs, non programmed funds would be kept aside for rapid response to external shocks such as natural calamities or deep economic crises.

It should also be proposed to look for greater reciprocal engagement with partner countries and mutual accountability for results, through aid allocations taking positive account of commitments, but also through results based financing, in the spirit of moving further from a donor-recipient relationship to one of partnership. Therefore, this sub-option would also allow the EU to take into account the progresses of ACP countries regarding domestic reforms and sound policies, in order to implement a more incentive-based approach.

**This sub-option would not require a specific provision in the 11th EDF internal agreement, but it would be reflected through programming and implementing procedures. It would be taken into account in the aid allocation and implemented during the programming phase.**

##### Second pillar: Countries in crisis or in situation of fragility

- *Sub-option A – No programming for countries in crisis or in situation of fragility*

**No programming mechanisms are required for countries in situation of crisis including those in long-term structural instability or fragility**

Under this sub-option, no programming would be required for countries or territories in crisis or in situation of fragility, to ensure a complete flexibility for the EU to prepare its response to tackle the situations of these countries. This would however be detrimental for predictability of funding for the partners and make donor coordination very difficult. In addition, circumventing programming would be a missed opportunity to undertake dialogue with the government of the partner country whenever possible, which is particularly important for countries or territories in situation of crisis or fragility.

**This sub-option would not require a specific provision in the 11th EDF internal agreement, but it would be reflected through programming and implementing procedures.**

- *Sub-option B – Specific forms of support for countries in crisis or in situation of fragility*

**Specific forms of support are defined for countries in situation of crisis including long-term structural instability or fragility**

These forms of support, to be defined according to the provisions of the Cotonou agreement, could include a more flexible programming mechanism (response mechanism) and possibly unilateral implementation procedures permitting operations that are rapid, flexible and effective, in close coordination with the international community.

This sub-option would answer the need to improve the efficiency of the answers provided by the different tools and to build a common approach, based on a common analysis and definition of priorities, with all the stakeholders involved in the process of fragility, transition or crisis management, and to make possible a faster and more flexible response mechanism (programming) in such situations. Procedures would reflect the need for urgent and focused actions, while taking into account the variety of situations and objectives, starting after the first emergency assistance of ECHO to state building and sustainable development. No specific instrument would be dedicated to fragile states but the response mechanism process would have to be adapted for those countries. For those transition situations, linking relief, rehabilitation/reconstruction and development, the modalities for programming and implementation of the EDF would promote and advocate a better coordination between the humanitarian and development instruments.

For OCTs, the notion of fragility could also be taken into account under certain conditions and more flexible programming and implementation procedures could be used.

**This sub-option would not require a specific provision in the 11th EDF internal agreement, but it would be reflected through programming and implementing procedures.**

*Third pillar: Response strategies*

- *Sub-option A – Alignment on strategies of the partners is a compulsory modality*

**Full alignment on strategies of the partners is a compulsory modality enshrined in the 11th EDF legislative and regulatory framework.**

Under this sub-option, the EU would not any more prepare Country Strategy Papers (CSPs) for ACPs or Single Programming Documents for OCTs. It would align itself automatically with the national/territorial strategies defined by the EU partners and concentrate its efforts in the programming phase on preparing response strategies.

However national/territorial strategies defined by the partners, and in particular Poverty Reduction Strategy Papers, do not always encompass all areas of interest for EU intervention, can be of uneven quality or are sometimes lacking. Therefore this sub-option does not seem realistic for all ACP countries and OCTs at this stage unless it is implemented gradually (see sub-option B).

**This sub-option would be implemented through binding provisions in the implementing regulations.**

- *Sub-option B – Alignment on strategies of the partners where possible*

**The EU concentrates on response strategies in the programming phase.**

In line with the objectives of alignment, ownership and aid effectiveness, depending on the level of dialogue with the partner country, on the analysis already undertaken in-country and on the quality of the strategies already put in place by the partner country, the EU could decide to simply align itself with the national/territorial strategies defined by the EU partners and to concentrate its efforts in the programming phase on preparing the response strategy only rather than on drafting a comprehensive Country Strategy Paper (CSP) or Single Programming Document for OCTs.

**Specific provisions could be included in the implementing regulation to foresee a margin of flexibility regarding the preparation of the programming documents, allowing the EU to focus on response strategies.**

4.6. Stimulate regional cooperation with OCTs

4.6.1. *Status quo option*

**Resources available for OCT regional cooperation continue to be used for projects involving all OCTs within a specific region (i.e. the Caribbean, the Indian Ocean and the Pacific) and for cooperation benefitting all OCTs.**

This option would not favour greater interaction and cooperation between OCTs and their ACP neighbours and European Outermost Regions (in the Caribbean and the Indian Ocean).

4.6.2. *Alternative option: Allow stimulating regional cooperation with OCTs*

- *Sub-option A – Regional cooperation as prime objective of OCT/EU cooperation*

**EU programmed aid to OCTs would be solely used at regional level in view of giving maximum impulses to the EU objective of promoting regional cooperation and integration. This would mean that no allocations would be granted to individual territories.**

Under this sub-option, funds would only be allocated to projects and programmes which explicitly inscribe them in a regional perspective and make use of existing cooperation and integration structures.

This sub-option would not take into account the situation of isolated OCTs, which have few to no possibilities to cooperation on a regional level and would exclude them from EU aid; this, while some of these isolated OCTs are among the least developed OCTs. This sub-option is likely to be difficult to implement as it may prove to be difficult for the different actors to agree on the principle, the areas, form and modalities of the cooperation. It would also run counter to the principle of diversification between OCTs, would not be congruent to the principle of partnership and could not guarantee that two of the three objectives of the envisaged OCT/EU association be taken into account, notably strengthen OCT competitiveness and increase their resilience.

**This sub-option would be implemented during the programming phase and specific provisions could be included in the implementing regulation. This would also be reflected in the Commission proposal regarding the revision of the Overseas Association Decision**

- *Sub-option B – Link regional cooperation resources to the use of existing regional cooperation schemes with ACPs and Outermost Regions*

**Use of resources for OCT regional cooperation is conditioned to their added value with regard to furthering regional cooperation with ACPs and outermost regions.**

Under this sub-option, allocations for regional cooperation would only be used for initiatives in the Caribbean, Indian Ocean and Pacific regions which support the insertion of OCTs in existing regional cooperation and integration schemes with ACPs and/or outermost regions, preferably by making use of regional institutions and bodies for their implementation. These resources could be used to allow OCTs to participate in regional programmes or Trust funds of which ACP countries are beneficiaries. They could also be used for co-financing of projects involving Outermost Regions receiving funding from the European Regional Development Fund (ERDF).

**This sub-option would be implemented during the programming phase and specific provisions could be included in the implementing regulation. This would also be reflected in the Commission proposal regarding the revision of the Overseas Association Decision.**

## 5. ANALYSIS OF IMPACTS

The following chapter analyses the impacts of the options for the objectives identified.

This includes the likely socio-economic impacts of the options on ACP countries and OCTs, stemming from the implementation of the general objectives of poverty eradication and improvements towards MDGs\*, sustainable development and integration of countries into the world economy. The environmental impacts on ACP countries are also covered by the implementation of the general objective of sustainable development, including EU commitments taken in the context of the Climate Change and Biodiversity negotiations (Copenhagen, Nagoya).

In order to measure the impact of EU aid funded through the EDF in beneficiary countries in terms of poverty eradication, socio economic progress, progress towards MDGs and integration in world economy, various indicators are used (see indicators and statistics by countries in annex

IV). Indicators and benchmarks are also used to measure the part of EU spending dedicated to environmental sectors at large, to measure environmental impact (see annex IV).

The socio-economic impacts on EU citizens are limited to the analysis of the impacts regarding the efficient use of EU taxpayers' money. The analysis of the environmental impact of the options within the EU is not considered in detail. The Commission will ensure the mainstreaming of environmental issues / objectives during the programming process.

The impacts of the options in terms of management and implementation modalities are also taken into account, as well as the impact on the EU's role and visibility in its external action.

## 5.1. Differentiation

### 5.1.1. *Status quo option*

Strengths	Weaknesses
The overarching objectives of poverty reduction/eradication, sustainable development, integration of ACP countries into the world economy remain at the centre of the EU development cooperation.	EDF does not integrate the new objectives for EU cooperation with OCTs: strengthening OCT competitiveness and resilience and promoting regional cooperation with OCTs.
EU keeps its global presence and global reach (EU added value)	<p>Scarce/limited resources spread too thinly (no critical mass), resulting in low impact</p> <p>Impact of development aid (socio-economic impact) in certain countries remains low (waste of resources + reputational risk)</p> <p>Risks not to progress on MDG targets in poorest countries (socio-economic impact)</p> <p>Insufficiently adapted response to countries' specific situation</p> <p>Inability to do large-scale projects as funds per country are too small</p> <p>Less efficient use of EU taxpayers' money</p> <p>In the long run, EU development aid loses relevance and legitimacy because of lower impact</p>

### 5.1.2. *Alternative option: allow more differentiation between ACP Countries and OCTs*

*Sub-option A: Allow focusing EU cooperation on a limited number of partners by using statistical data*

Strengths	Weaknesses
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<p>The overarching objectives of poverty reduction/eradication, sustainable development, integration of ACP countries into the world economy remain at the centre of the EU development cooperation.</p> <p>EDF integrates the new objectives for EU cooperation with OCTs: strengthening OCT competitiveness and resilience and promoting regional cooperation with OCTs.</p>	<p>Potential reduction of global presence/global reach (EU added value)</p>
<p>Clear cut criteria for differentiation (statistical data)</p> <p>Increased critical mass and impact in certain countries</p> <p>ACP countries supposedly most in needs (on statistical basis) more likely to progress on MDG targets (socio-economic impact)</p> <p>EU more likely to meet its commitments on volumes of funding for Sub-Saharan Africa and LDCs</p> <p>Opportunity for more modern and meaningful relationships with wealthier developing countries and OCTs</p>	<p>Risk of statistical criteria for differentiation not reflecting fully needs, capacities, interests and commitments of individual partners</p> <p>A priori exclusion of certain partners from eligibility to funding on a statistical basis not reflecting fully the differences in situations</p> <p>Partnership principles of Cotonou agreement not fully respected</p> <p>Potential loss of visibility and influence of EU interventions in certain countries and territories</p>

*Sub-option B: Allow focusing EU cooperation on a limited number of countries by using quantitative and qualitative data*

<b>Strengths</b>	<b>Weaknesses</b>
<p>The overarching objectives of poverty reduction/eradication, sustainable development, integration of ACP countries into the world economy remain at the centre of the EU development cooperation.</p> <p>EDF integrates the new objectives for EU cooperation with OCTs: strengthening OCT competitiveness and resilience and promoting regional cooperation with OCTs.</p>	<p>Potential reduction of global presence/global reach (EU added value)</p>
<p>Resources allocations closer to needs, capacities, interests and commitments of individual partners.</p> <p>Grants focussing on those partners which need it the most and where the impact will be greatest, giving greater value for money (poverty reduction, socio-economic impact)</p> <p>Increased critical mass in certain countries</p> <p>ACP countries most in needs more likely to progress on MDG targets (socio-economic impact)</p> <p>EU more likely to meet its commitments on volumes of funding for Sub-Saharan Africa and LDCs</p> <p>Increased visibility and reputation for the EU in certain countries/regions</p> <p>Opportunity for more modern and meaningful relationships with wealthier developing countries and OCTs, including mutual interests and positive impacts on global public goods</p>	<p>Difficulty in defining objective and criteria for differentiation among ACP countries</p> <p>Risk of real or perceived predominance of political considerations of development aid</p> <p>Difficulty to reconcile the increase of grants targeting the poorest countries whereas there are still strong inequalities in more advanced countries → Necessity to find alternative sources of funding to tackle these challenges.</p> <p>In more advanced countries and territories where the share of grants is reduced or not guaranteed, risk of loss of visibility for EU intervention → necessity to find alternative forms of cooperation/dialogue with the partner for the EU to develop its political presence and influence, including regarding global challenges and sustainable development</p>

## 5.2. Concentration of EU cooperation activities

### 5.2.1. *Status quo option*

Strengths	Weaknesses
The overarching objectives of poverty reduction/eradication, sustainable development, integration of ACP countries into the world economy remain at the centre of the EU development cooperation.	EDF does not integrate the new objectives for EU cooperation with OCTs: strengthening OCT competitiveness and resilience and promoting regional cooperation with OCTs.
<p>Visibility and possibility for leverage in a larger number of sectors in ACPs</p> <p>Continuation of concentration of resources to one focus sector per OCT at territorial level =&gt; EU presence, visibility and influence ensured, even if limited due to low aid volumes.</p>	<p>Fragmentation and dispersion of development aid not tackled (missed opportunity).</p> <p>Scarce/limited resources cooperation spread too thinly (no critical mass), resulting in low impact (socio-economic impact). Less efficient use of EU taxpayers' money</p> <p>Could undermine MDG commitment (because if aid is spread thinly, the impact is minimal). In the long run, EU aid loses relevance and legitimacy because of lower impact</p>

### 5.2.2. *Alternative option: allow more concentration of EU cooperation activities*

#### *Sub-option A: Allow focusing EU cooperation on a single sector*

Strengths	Weaknesses
<p>The overarching objectives of poverty reduction/eradication, sustainable development, integration of ACP countries into the world economy remain at the center of the EU development cooperation.</p> <p>EDF integrates the new objectives for EU cooperation with OCTs: strengthening OCT competitiveness and resilience and promoting regional cooperation with OCTs</p>	<p>=The overarching objectives of EU cooperation could be put at risk in countries where very few donors are present (donor orphans) and where concentrating EU intervention in one single sector would not be sufficient</p>
<p>Potential for much greater impact by reaching critical mass through concentration of resources on a single sector for ACPs (poverty reduction, socio-economic and environmental impact) and a single intervention areas of the technical assistance to OCTs (sustainable development impact)</p> <p>Reduction of development aid fragmentation</p> <p>Increased visibility and expertise in the long term in the chosen sector</p> <p>Easier to monitor impact/results</p>	<p>High risk to undermine principle of country/ territory ownership, and of disagreement with partners on sectors chosen</p> <p>=&gt; risk of creating more gaps and discontinuity in cooperation and of undermining gains on reducing aid fragmentation</p> <p>=&gt; knock-on negative effect on EU reputation undermining potential increase in EU visibility and reputation in the sector chosen</p> <p>Potential waste of EU funding (absorption capacity not sufficient in a single sector) =&gt; could undermine objective of higher impact of EU funding</p>

#### *Sub-option B: Allow focusing EU cooperation on a limited number of sectors*

Strengths	Weaknesses
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<p>The overarching objectives of poverty reduction/eradication, sustainable development, integration of ACP countries into the world economy remain at the center of the EU development cooperation.</p> <p>EDF integrates the new objectives for EU cooperation with OCTs: strengthening OCT competitiveness and resilience and promoting regional cooperation with OCTs</p>	
<p>Potential for much greater impact by reaching critical mass through concentration of resources on limited number of sectors (poverty reduction, socio-economic and environmental impact)</p> <p>Further concentration of resources by limiting the number of intervention areas of the technical assistance to OCTs directly managed by the Commission ensuring greater leverage for the sustainable development for OCTs.</p> <p>Reduction of development aid fragmentation and transaction costs (for EU, MS, partners)</p> <p>In the longer-run, high level specialised expertise leading to increased efficiency</p> <p>Increased visibility and reputation in chosen key sectors</p> <p>No a priori reduction in global presence</p> <p>Easier to monitor impact/results</p>	<p>Could undermine principle of country/ territory ownership (+knock-on negative effect on EU reputation), potentially create more gaps and discontinuity in cooperation due to potential disagreement with partners on sectors chosen.</p> <p>Could undermine MDG commitment (in those sectors where EU will no longer be present) =&gt; However, expected mitigation through effective division of labour (EU – MS and beyond)</p> <p>Risk of losing visibility and leverage in certain sectors (vis-à-vis other donors) by specialising too much in some sectors or in the case of OCTs by no longer having tangible results on the ground.</p> <p>Loss of COM expertise and competence in certain sectors</p> <p>In the long run, reputational risk, reduced credibility for the COM to represent/coordinate the EU in all sectors of development cooperation globally (loss of intellectual leadership) as it is not present in all sectors at country level =&gt; Expected mitigation through leadership on division of labour and through increased coordination with programming under regional, intra-ACP or thematic (DCI) allocations.</p>

### 5.3. Coordination with EU Member States

#### 5.3.1. *Status quo option*

Strengths	Weaknesses
<p>The overarching objectives of poverty reduction/eradication, sustainable development, integration of ACP countries into the world economy remain at the centre of the EU development cooperation.</p>	<p>EDF does not integrate the new objectives for EU cooperation with OCTs: strengthening OCT competitiveness and resilience and promoting regional cooperation with OCTs.</p>
	<p>Fragmentation and dispersion of aid not tackled (missed opportunity) (poverty reduction, socio-economic/ environmental impact)</p> <p>Risk of overlaps among donors.</p> <p>Parallel, but no coordinated EU/Member State interventions for OCTs</p> <p>Less efficient use of EU taxpayers' money</p> <p>In the long run, EU aid loses relevance and legitimacy because of lower impact</p>

#### 5.3.2. *Alternative option: allow more coordination with EU Member States*

##### *Sub-option A: Joint programming with EU Member States becomes a binding modality*

Strengths	Weaknesses
<p>The overarching objectives of poverty reduction/eradication, sustainable development, integration of ACP countries into the world economy remain at the centre of the EU development cooperation</p> <p>EDF integrates the new objectives for EU cooperation with OCTs: strengthening OCT competitiveness and resilience and promoting regional cooperation with OCTs</p>	
<p>Increased coordination and better division of labour among donors reduces aid fragmentation and transaction costs (poverty reduction, socio-economic impact)</p> <p>Strengthened role for COM in initiating and coordinating division of labour</p> <p>Better alignment of the EU and Member States programmes with OCTs</p>	<p>Variety in partners on the ground not taken into account (political, economic or security conditions for instance)</p> <p>High transaction costs in the short term (coordination efforts, administrative delays) in all partners</p> <p>Risk of higher administrative burden, in particular in partners where this is not easily attainable due to the variety of situations</p> <p>Risk of long administrative delays or impossibility to find an agreement on programming in particular in partners where this is not easily attainable due to variety of situations</p>

*Sub-option B: Allow reinforcing Joint programming with EU Member States*

Strengths	Weaknesses
<p>The overarching objectives of poverty reduction/eradication, sustainable development, integration of ACP countries into the world economy remain at the centre of the EU development cooperation</p> <p>EDF integrates the new objectives for EU cooperation with OCTs: strengthening OCT competitiveness and resilience and promoting regional cooperation with OCTs</p>	
<p>Increased coordination and better division of labour among donors reduces aid fragmentation and transaction costs of both the Commission and partner countries, thereby increasing the efficiency of aid (poverty reduction, socio-economic impact)</p> <p>Strengthened role for COM in initiating and coordinating division of labour</p> <p>Higher leverage in joint political and policy dialogues with partner country governments and civil society.</p> <p>Better alignment of the EU and Member States programmes with OCTs</p> <p>Use of EU managed Trust Funds: Higher political visibility for the EU and for EU taxpayers money, useful tool for supporting international negotiations, greater coordination and exchange of views amongst EU actors</p>	<p>In the short to medium term, administrative burden for COM (and MS): more complex procedures, increased coordination efforts, administrative delays in programming phase</p> <p>In the short to medium term, higher transaction costs for Member States and for COM (transfer /training of staff)</p> <p>=&gt; mitigated by gradual approach taking into account the variety of situations in partners</p> <p>Less ownership and decision power from COM within a coordinated approach</p> <p>Use of EU managed Trust Funds: Risk of loss of coherence of Aid delivery due to parallel and potentially independent programming processes</p>

5.4. Innovative financial instruments

5.4.1. *Status quo option*

<b>Strengths</b>	<b>Weaknesses</b>
The overarching objectives of poverty reduction/eradication, sustainable development, integration of ACP countries into the world economy remain at the centre of the EU development cooperation.	EDF does not integrate the new objectives for EU cooperation with OCTs: strengthening OCT competitiveness and resilience and promoting regional cooperation with OCTs.
	<p>Insufficient critical mass in certain partners and inability to do large-scale projects</p> <p>Impact of EU grants not maximised (poverty reduction, socio-economic impact, sustainable development)</p> <p>Use of EU taxpayers' money not sufficiently efficient</p>

#### 5.4.2. *Alternative option: allow an increased use of innovative financial instruments*

##### *Sub-option A: Compulsory use of blending mechanisms*

<b>Strengths</b>	<b>Weaknesses</b>
<p>The overarching objectives of poverty reduction/eradication, sustainable development, integration of ACP countries into the world economy remain at the centre of the EU development cooperation.</p> <p>EDF integrates the new objectives for EU cooperation with OCTs: strengthening OCT competitiveness and resilience and promoting regional cooperation with OCTs</p>	
<p>incentives to attract financial institutions in EU partners and private sector investors → drivers for growth in the partner</p> <p>Increased critical mass in certain partners, ability to do larger-scale projects, value for money (socio-economic impact)</p> <p>Financial leverage of EU grant resources (multiplier effect, potential for much greater impact)</p> <p>Much stronger coordination between the EU, the European Financing Institutions and other actors</p> <p>Potential gain for EU political visibility when blending with European financial institutions</p>	<p>Strong risk of market distortion resulting by using grant funding to blend with loans or other risk-sharing instruments in situations where the financial institutions and the private sector would have otherwise also engaged in the activity.</p> <p>Disparity of partners' situations not taken into account</p> <p>Risk of increased debt of the partner country (+knock-on negative effect on EU reputation)</p> <p>Loss of visibility/ownership for the Commission in blending mechanisms</p> <p>Absolutely not applicable in all sectors</p> <p>Certainly not applicable to all types of activities the EC wants to support</p>

##### *Sub-option B: Increased use of blending mechanisms*

<b>Strengths</b>	<b>Weaknesses</b>
<p>The overarching objectives of poverty reduction/eradication, sustainable development, integration of ACP countries into the world economy remain at the centre of the EU development cooperation.</p> <p>EDF integrates the new objectives for EU cooperation</p>	

with OCTs: strengthening OCT competitiveness and resilience and promoting regional cooperation with OCTs	
<p>Additional incentives to attract financial institutions in EU partners and private sector investors → drivers for growth in the partner</p> <p>Increased critical mass in certain partners, ability to do larger-scale projects, value for money (socio-economic impact)</p> <p>Financial leverage of EU grant resources (multiplier effect, potential for much greater impact)</p> <p>Much stronger coordination between the EU, the European Financing Institutions and other actors</p> <p>Harmonization of procedures, while supporting Paris declaration and Accra agenda as far as development cooperation is concerned</p> <p>Potential gain for EU political visibility when blending with European financial institutions.</p>	<p>In the short to medium term: need to continue on going efforts to further develop the coordination on donor and European Financing Institutions side</p> <p>In the short to medium term : impact on human resources (need for new skills, capacity-building/training programmes); nevertheless, developing new skills should also be seen as an opportunity</p> <p>Depending on the financial instrument there might be less visibility/ownership for the Commission in blending mechanisms (e.g. in case of interest rate subsidy; multiple partners including financial institutions) than in aid fully based on grants</p> <p>If sovereign lending to the ACP State itself: increase debt of the partner country (+knock-on negative effect on EU reputation)</p> <p>=&gt; mitigated by concessionality and subsidised interest rates in accordance with HIPC* framework of equivalent</p> <p>Tendency to have these mechanisms concentrated in the hands of the headquarters and risk of inconsistencies with national programming → necessity to complement with more in-country coordination, involvement of EU delegations is essential also for assessing the projects</p>

## 5.5. Flexibility

### 5.5.1. *Status quo option*

Strengths	Weaknesses
The overarching objectives of poverty reduction/eradication, sustainable development, integration of ACP countries into the world economy remain at the centre of the EU development cooperation.	EDF does not integrate the new objectives for EU cooperation with OCTs: strengthening OCT competitiveness and resilience and promoting regional cooperation with OCTs.
	<p>Insufficiently adapted response to partners' specific situations (poverty reduction, socio-economic impact, sustainable development/environmental impact) – including crisis / transition / fragility situations</p> <p>Higher risks of inefficiency, affecting COM/EU reputation</p> <p>Use of EU taxpayers' money not sufficiently efficient</p>

### 5.5.2. *Alternative option: increase flexibility within the EDF*

#### First pillar: EDF Reserves

##### *Sub-option A: Large amount of funds kept unallocated*

Strengths	Weaknesses
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<p>The overarching objectives of poverty reduction/eradication, sustainable development, integration of ACP countries into the world economy remain at the center of the EU development cooperation.</p> <p>EDF integrates the new objectives for EU cooperation with OCTs: strengthening OCT competitiveness and resilience and promoting regional cooperation with OCTs</p>	
<p>Possibility to quickly adapt aid allocations taking into account evolving circumstances in ACPs and OCTs (poverty reduction, socio-economic and environmental impact)</p>	<p>Very low predictability of funding</p> <p>=&gt; can impair development of structural reforms and long term development</p> <p>=&gt; could undermine overarching objectives of EU cooperation</p> <p>High reputational risk for COM: possible criticism over lack of transparency, predominance of political considerations, subjectivity</p> <p>Could undermine objective of more concentration of EU funding</p>

*Sub-option B: Increased funding kept aside for topping-ups*

<b>Strengths</b>	<b>Weaknesses</b>
<p>The overarching objectives of poverty reduction/eradication, sustainable development, integration of ACP countries into the world economy remain at the center of the EU development cooperation.</p> <p>EDF integrates the new objectives for EU cooperation with OCTs: strengthening OCT competitiveness and resilience and promoting regional cooperation with OCTs</p>	
<p>Spare resources</p> <p>Possibility to quickly adapt aid allocations taking into account evolving circumstances; more effectiveness (poverty reduction, socio-economic and environmental impact) as well as changing relationships in a globalising world</p> <p>Possibility to implement a more incentives-based approach :</p> <p>Higher incentive for reform by Partner Countries - every country does not automatically receives topping ups (socio-economic impact);In the long term, lower aid dependency, reinforces ownership from partner country (socio-economic impact)</p> <p>-More efficient use of EU taxpayer money (Aid goes less to countries that don't deserve it)</p> <p>Enhanced reputation of EU/COM as a responsible/accountable donor</p> <p>For OCTs non programmed aid set aside for rapid response to external shocks</p>	<p>Less predictability of funding</p> <p>→ this risk can be partially addressed if flexibility is taken into account in a more comprehensive framework to support the recovery/development of the country</p> <p>(more incentives-based approach) :</p> <p>Less certainty for partner countries to access its 'full allocation' – as calculated under current EDF-10 (can impair development of large-scale projects)</p> <p>Reputational risk for COM: possible criticism over lack of transparency, predominance of political considerations, subjectivity</p> <p>Risk that choice of actions/programmes for ACP countries are less driven by real needs than by opportunities of getting additional funds</p>

*Second pillar: Countries in crisis or in situation of fragility*

*Sub-option A: No programming for countries in crisis or in situation of fragility*

Strengths	Weaknesses
<p>The overarching objectives of poverty reduction/eradication, sustainable development, integration of ACP countries into the world economy remain at the center of the EU development cooperation.</p> <p>EDF integrates the new objectives for EU cooperation with OCTs: strengthening OCT competitiveness and resilience and promoting regional cooperation with OCTs</p>	
<p>Complete flexibility for rapid EU response to tackle situations of these countries which would improve EU reaction capacity to unforeseen needs</p>	<p>Risk of a case by case/short term approach</p> <p>Missed opportunity for political dialogue with government/political authorities and no national empowerment which is essential to prepare the longer term response</p> <p>Reputational risk for COM: possible criticism over lack of transparency, predominance of political considerations</p> <p>No predictability of funding for beneficiary country =&gt; could undermine overarching objectives of EU cooperation</p>

*Sub-option B: Specific forms of support for countries in crisis or in situation of fragility*

Strengths	Weaknesses
<p>The overarching objectives of poverty reduction/eradication, sustainable development, integration of ACP countries into the world economy remain at the center of the EU development cooperation.</p> <p>EDF integrates the new objectives for EU cooperation with OCTs: strengthening OCT competitiveness and resilience and promoting regional cooperation with OCTs</p>	
<p>Allow new forms of cooperation adapted to and addressing these situations (avoiding a case by case/short term approach)</p> <p>Facilitate management of funding through more flexible procedures</p> <p>Promotion of coherent strategies involving all stakeholders</p> <p>For OCTs, possibility of taking into account the notion of fragility under certain conditions in the programming and implementation</p>	

*Third pillar: Response strategies*

*Sub-option A: Alignment on strategies of the partners as a compulsory modality*

Strengths	Weaknesses
<p>The overarching objectives of poverty reduction/eradication, sustainable development, integration of ACP countries into the world economy remain at the center of the EU development cooperation.</p> <p>EDF integrates the new objectives for EU cooperation with OCTs: strengthening OCT competitiveness and</p>	

resilience and promoting regional cooperation with OCTs	
Enhance principle of ownership of partners and full alignment with partner's strategies, institutions and procedures	<p>Variety in partners on the ground not taken into account (political, economic or security conditions for instance)</p> <p>Variety in relevance and quality of national/territorial strategies defined by the partners not taken into account</p> <p>=&gt; could undermine relevance and effectiveness of EU intervention</p> <p>=&gt; could undermine overarching objectives of EU cooperation</p>

*Sub-option B: Alignment on strategies of the partners where possible*

<b>Strengths</b>	<b>Weaknesses</b>
<p>The overarching objectives of poverty reduction/eradication, sustainable development, integration of ACP countries into the world economy remain at the center of the EU development cooperation.</p> <p>EDF integrates the new objectives for EU cooperation with OCTs: strengthening OCT competitiveness and resilience and promoting regional cooperation with OCTs</p>	
<p>Enhance principle of ownership of partners of their development policies and strategies</p> <p>Full alignment with partner's strategies, institutions and procedures</p>	<p>Difficulties to work within a unique multi-annual framework (different cycles of the ACP partner countries)</p>

5.6. Stimulate regional cooperation with OCTs

5.6.1. *Status quo option*

<b>Strengths</b>	<b>Weaknesses</b>
	<p>EDF does not integrate the new objectives for EU cooperation with OCTs: strengthening OCT competitiveness and resilience and promoting regional cooperation with OCTs.</p>
	<p>No greater interaction and cooperation between OCTs and their ACP and Outermost Region neighbours</p> <p>No better articulation between EDF and ERDF resources</p> <p>No improved possibilities for OCTs participating in regional programmes for ACP countries</p>

5.6.2. *Alternative option: Allow stimulating regional cooperation with OCTs*

*Sub-option A: Allow stimulating regional cooperation with OCTs*

Strengths	Weaknesses
Maximum support to EU objective of promoting regional cooperation and integration	EDF integrates only one of the three new objectives for EU cooperation with OCTs: promoting regional cooperation with OCTs
	Situation of isolated OCTs not taken into account (limited possibilities for regional cooperation)  Difficult for the different actors to agree to cooperate

*Sub-option B: Link regional cooperation resources to the use of existing regional cooperation schemes with ACPs and Outermost Regions*

Strengths	Weaknesses
EDF integrates the new objectives for EU cooperation with OCTs: strengthening OCT competitiveness and resilience and promoting regional cooperation with OCTs	
Greater interaction and cooperation between OCTs and their ACP and Outermost Region neighbours  Better articulation between EDF and ERDF resources  Improved possibilities for OCTs participating in regional programmes for ACP countries	

## 6. COMPARING THE OPTIONS

6.1. *Weighing of positive and negative impacts per option*

Options	Status quo options						Alternative options															
	1	2	3	4	5	6	1		2		3		4		5a		5b		5c		6	
Sub-options							A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
General objective: Contribute to poverty	+	+	+	+	+	+	+	++	+/-	++	+	++	+/-	++	+/-	++	+/-	++	+/-	++		





flexibility within the EDF																					
Specific objective 6: Stimulate regional cooperation with OCTs						-														+/-	++

## 6.2. Preferred option

As reflected in the table above, the comparison of the options shows that **for each specific objective identified (including in the three pillars regarding flexibility), the second sub-option of the alternative option is the preferred option** as the best approach to tackle the problems identified and to respond to the general and specific objectives developed above (see chapters 2.3 and 3.1):

- Regarding **differentiation**, a sharpened geographical focus would lead to targeting resources where they are most needed and have the greatest possible impact and value added in ACPs and OCTs. With the more advanced partners, the EU would define alternative forms of cooperation and dialogue through the most appropriate policy mix.
- Regarding **concentration**, a sharpened sectoral focus would contribute to the higher impact of EU aid by concentrating resources on a limited number of sectors, thus increasing the EU's critical mass. The risk of losing visibility for the EU in certain sectors at country level would have to be mitigated by effective division of labour and increased coordination with other funding sources.
- Regarding **coordination with EU Member States**, the efficiency and the political leverage of EU aid could be reinforced through increased division of labour among donors, joint programming and use of EU Trust Funds.
- Regarding use of **innovative financial instruments**, the financial leverage of EU grant resources would be increased through blending with loans from financing institutions and other risk-sharing mechanisms, as well as the critical mass in particular for large-scale projects.
- Regarding **flexibility**, aid allocations could be adapted rapidly to take into account evolving circumstances or specific situations (such as crisis, fragility or transition), or to implement a more incentives-based approach, thereby increasing effectiveness and reactivity of EU aid as well as ownership of partners.
- Regarding **regional cooperation with OCTs**, efficiency and impact of EU resources would be reinforced through better articulation between EDF and EU regional cooperation resources as well as participation of OCTs in regional programmes with ACPs.

This therefore justifies the Commission proposals that consist in maintaining the broad structure of the 10th EDF while allowing the implementation of the principles of differentiation and concentration, strengthened coordination with EU Member States and further flexibility. The 11<sup>th</sup> EDF would thereby reflect the revised policy orientations of EU development policy and the new orientations for EU-OCTs relationship, which would contribute to further increase the effectiveness and maximise the impact of EU funding for ACP countries and OCTs.

These options will contribute to reinforcing simplification and coherence with the other financial instruments. For example keeping aside more reserves at national and regional level will allow better interaction with humanitarian aid and with the Instrument for Stability by allowing the continuation of programs financed under these two instruments in post-crisis situations (for instance in Burkina Faso where EDF intervened on rehabilitation and food security, complementary to humanitarian assistance by ECHO).

## **7. MONITORING AND EVALUATION**

### **7.1. Core indicators of progress towards objectives**

The essential elements and the basis for the EU intervention are described in the EDF Implementing Regulation. The exact actions are defined through 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. The implementation of these actions complies with performance-based management. Performance based management\* serves several purposes: making the most of limited resources; improving decision making processes and decisions; achieving transparency and accountability.

Regarding the EDF, the results of EU assistance on poverty eradication are measured using as far as possible specific and measurable indicators. Particular attention is given to progress made towards achieving the MDGs\* (in addition, see Annex IV)

The EU has committed itself to mainstreaming action on climate 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<sup>20</sup> or energy efficiency as well as the protection and sustainable management of biodiversity and ecosystems, will be tracked using a system that reflects 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. The monitoring system in use under the 10<sup>th</sup> EDF will continue to be applied for the implementation of the 11<sup>th</sup> EDF through the following instruments:

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

- External, independent experts are contracted to assess the performance of EU external actions through three different systems. These assessments contribute to accountability, and to the improvement of ongoing interventions; they also draw lessons from past experience to inform future policies and actions. The tools all use the internationally-recognised OECD-DAC evaluation criteria including (potential) impact.
- 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. This system covers approximately 600 projects per year in the ACP region.
- 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 and future interventions. 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.

## Annexes and footnotes

### Annex I

#### A) List of Overseas Countries and Territories (OCTs) mentioned in Annex II to the Treaty on the Functioning of the European Union

Overseas Country or Territory	EU Member State
Greenland	Denmark
New Caledonia and Dependencies, French Polynesia, French Southern and Antarctic Territories, Wallis and Futuna Islands, Mayotte, Saint Pierre and Miquelon	France
Aruba, Netherland Antilles (Bonaire, Curaçao, Saba, Sint Eustatius, Sint Maarten),	The Netherlands
Anguilla, Bermuda*, British Virgin Islands, Cayman Islands, Falkland Islands, South Georgia and the South Sandwich Islands, Montserrat, Pitcairn, Saint Helena, Ascension and Tristan da Cunha, British Antarctic Territories, British Indian Ocean Territories, Turks and Caicos Islands,	United Kingdom

\*The Overseas Association Decision 2001/822/EC applies to all OCTs listed in Annex II to the Treaty, except for Bermuda, which has requested not to fall under the Decision

#### B) List of ACP States (Cotonou agreement)

Angola - Antigua and Barbuda - Belize - Cape Verde - Comoros - Bahamas - Barbados - Benin - Botswana - Burkina Faso - Burundi - Cameroon - Central African Republic - Chad - Congo (Brazzaville) - Congo (Kinshasa) - Cook Islands - Cote d'Ivoire - Cuba\* - Djibouti - Dominica - Dominican Republic - Eritrea - Ethiopia - Fiji - Gabon - Gambia - Ghana - Grenada - Republic of Guinea - Guinea-Bissau - Equatorial Guinea - Guyana - Haiti - Jamaica - Kenya - Kiribati - Lesotho - Liberia - Madagascar - Malawi - Mali - Marshall Islands - Mauritania - Mauritius - Micronesia - Mozambique - Namibia - Nauru - Niger - Nigeria - Niue - Palau - Papua New Guinea - Rwanda - St. Kitts and Nevis - St. Lucia - St. Vincent and the Grenadines - Solomon Islands - Samoa - Sao Tome and Principe - Senegal - Seychelles - Sierra Leone - Somalia - South Africa - Sudan - Suriname - Swaziland - Tanzania - Timor Leste - Togo - Tonga - Trinidad and Tobago - Tuvalu - Uganda - Vanuatu - Zambia - Zimbabwe

\* Cuba is part of the ACP group since 2000, but it is not a signatory of the Cotonou Agreement.

**Accra Agenda for Action (2008):** Designed to strengthen and deepen implementation of the Paris Declaration, it takes stock of progress and sets the agenda for accelerated advancement towards the Paris targets. It proposes three main areas for improvement, i.e. ownership, inclusive partnerships and delivering results.

**ACP Investment Facility:** The ACP Investment Facility is a risk-bearing instrument (using loans, equities and guarantees) with a total capital endowment under the 9th and 10th EDF of EUR 3,1 billion. It is structured as a revolving fund aimed at being financially sustainable over the 20-year horizon of the Cotonou Agreement. The Investment Facility is devoted to support ACP endogenous investments.

**Aid allocation:** The EU presence in all ACP countries is built on objective and transparent criteria for resource allocation, based on needs and performance and set by the European Consensus and the Cotonou Agreement. In this perspective, an aid allocation model was developed under the 10th EDF according to the requirements of the Internal Agreement. For OCTs the allocation takes into account the size of the population, the level of Gross National Product, the level and use of previous EDF allocations, constraints due to geographical isolation and structural and other obstacles of the least developed OCTs.

**Aid Fragmentation:** the report considers mainly fragmentation of aid across countries. It is different from fragmentation of aid within countries, usually measured by donor spread across sectors at country level and small project size. An associate concept is that of proliferation, i.e. number of Donors providing ODA to a given beneficiary country in specific sectors. Fragmentation is also associated with the number of aid activities (i.e. number of projects').

**Blending mechanisms (or Innovative financial instruments):** Blending mechanisms consist in combining grants with repayable financing to increase aid impact and enhance private sector investment. For example, the EU Africa Infrastructure Trust Fund is an innovative instrument blending grants from 9th and 10th EDF (EUR 308 million) and grants from 12 Member States (EUR 74 million), with loans from European financing institutions (EIB, KfW, AFD, LuxDev, and others) for regional projects. In addition, Water and Energy facilities (pooling mechanisms) are financed under the EDF for small projects

**Budget Support:** Budget support is an aid delivery instrument that is increasingly prominent in EU cooperation with third countries (25% of all commitments over 2003-2009), consisting in the transfer of financial resources of an external financing agency to the National Treasury of a partner country, following the respect by the latter of agreed conditions for payment.

**Cash-on-delivery:** Cash-on-delivery as modality of financing has been developed by the Centre for Global Development (Washington, D.C.), under which a contract is signed between the donor and the third party or government that implements an activity, and where payment only takes place after the result or output has been delivered.

**Common Framework for Country Strategy Papers:** European Commission and Member States agreed to develop and use one single format for writing their country strategies, in order to facilitate alignment and division of labour.

**Code of Conduct on Complementarity and the Division of Labour in Development Policy:** 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.

**(A or B) envelopes:** 'A-envelopes' are programmable to cover long-term cooperation whereas 'B-envelopes' are non programmable allocations to cover unforeseen needs.

**FLEX:** Mechanism existing since 2000 aiming at socio-economic reforms and policies that could be affected negatively as a result of a drop in export earnings.

**Food Facility:** Global instrument adopted in 2008 as a rapid response to soaring and volatile food prices in developing countries with a limited duration of three years.

**Fragility (Country in situation of):** State fragility is here defined as a lack of capacity to perform basic state functions, where “capacity” encompasses (a) organisational, institutional and financial capacity to carry out basic functions of governing a population and territory, and (b) the state’s ability to develop mutually constructive and reinforcing relations with society (OECD 2010).

**Inclusive and sustainable Growth:** the meaning is generally referred to the labour intensity of growth, its geographical or distributional impact or its sectoral pattern. It supports the case that growth associated with progressive distributional changes will have greater impact in reducing poverty<sup>21</sup>. The concept of sustainability implies the idea that growth needed to satisfy present needs should not compromise the ability of future generations to meet their own needs.

**Intra-ACP envelope:** The intra-ACP envelope provides a means to support global challenges that are not necessarily geographical in nature or not necessarily supported by the authorities of partner countries, joint EU-ACP and pan-African institutions and instruments, including the EU-Africa Infrastructure Trust Fund and the Energy and Water Facility, the African Peace Facility, and to complement and supply national programming.

**Joint Programming:** The objective of Joint Programming is to synchronize progressively the EU's and Member States' programming with partner country strategy cycles. Ways of approaching this aim include adapting their cycles, rolling programmes, re-programming after ad-hoc reviews, etc.

**Least Developed Countries:** they represent the poorest countries as identified periodically by the UN on the basis of established criteria (low income, weak human assets, economic vulnerability). The current list of LDCs (United Nations) includes 48 countries; 33 in Africa, 14 in Asia and the Pacific and one in Latin America.

**Millennium Development Goals (MDGs):** The European Union together with leaders of 189 countries at the United Nations Millennium Summit in 2000 committed to a new global partnership, focused on eight MDGs to reduce extreme poverty, with a deadline of 2015, by setting out a series of time-bound targets.

**Official Development Assistance (ODA):** Flows of official financing administered with the promotion of the economic development and welfare of developing countries as the main objective, and which are concessional in character with a grant element of at least 25 percent (using a fixed 10 percent rate of discount).

**Paris Declaration (2005):** it lays out a practical, action-oriented roadmap to improve the quality of aid and its impact on development. It puts in place a series of specific implementation measures and establishes a monitoring system to assess progress and ensure that donors and recipients hold each other accountable for their commitments. The Paris Declaration outlines five fundamental principles for making aid more effective which are:

- 1) Ownership: Partner countries exercise effective leadership over their development policies and strategies and co-ordinate development actions
- 2) Alignment: Donors base their overall support on partner countries' national development strategies, institutions and procedures
- 3) Harmonisation: Donors' actions are more harmonized, transparent and collectively effective
- 4) Managing for Results: Managing resources and improving decision-making for results
- 5) Mutual Accountability: Donors and partners are accountable for development results<sup>22</sup>.

**Performance based management:** A performance management system involves the setting of objectives, the decision of how to measure progress and the selection of indicators. This implies a three-stage process, firstly a sound analysis of the policies with a common understanding – through policy dialogue – of the objectives and of the logical linkages between the objectives, activities and outcomes. Next comes the question of identifying what can be measured in relation to the objectives, which of the above-mentioned purposes it serves and the availability, reliability and precision of statistical data, including such questions as the frequency of measurement and the use of proxy indicators. Finally the decisions need to be codified to the link between the programmes, the methods of calculation, the interpretive framework and the allocation of responsibility for their provision.

**Policy Coherence for Development (PCD):** The EU seeks to build synergies between policies other than development cooperation that have a strong impact on developing countries, for the benefit of overseas development. In 2005, the EU agreed to apply the Policy Coherence for Development approach in 12 policy areas (trade, environment and climate change, security, agriculture, bilateral fisheries agreements, social policies, migration, research/innovation, information technologies, transport and energy) that could accelerate progress towards the Millennium development goals for development<sup>23</sup>. In November 2009, Council Conclusions on PCD reaffirmed these commitments and approved the initial selection of five priority areas where the EU will take account of development objectives in a more pro-active way: trade and finance, climate change, food security, migration and security.

**Transition towards knowledge-based societies:** The technology landscape in ACP countries dramatically changed over the last 10 years, as highlighted by the information and communication technologies (ICTs) uptake in those countries. The growing availability and affordability of ICTs, including mobile technologies and internet, offer real opportunities to provide access to basic services as well as leapfrog socio-economic growth, and to bring about innovation and have an important impact on job creation in the countries.

**Vulnerability Flex (V-FLEX):** Ad-hoc temporary scheme which has allocated resources in 2009 and 2010 to address the fall out of the global financial crisis.



### **Annex III: List of acronyms**

ACP: African, Caribbean and Pacific States  
CFSP: Common Foreign and Security Policy  
CSDP: Common Security and Defense Policy  
CSP: country strategy paper  
DAC: Development Assistance Committee  
DCI: Development Cooperation Instrument  
DoL: Division of Labour  
EDF: European Development Fund  
EIB: European Investment Bank  
ERDF: European regional Development Fund  
EEAS: European External Action Service  
EIDHR: European Instrument for Human Rights and Democracy  
ENPI: European Neighbourhood and Partnership Instrument  
GDP: Gross Domestic Product  
GNI: Gross National Income  
IAB: Impact Assessment Board  
IFIs/EFIs: International/European Financial Institutions  
IFS: Instrument for Stability  
JAES: Joint Africa-EU Strategy  
LDCs: Least Developed Countries  
LICs: Low Income Countries  
MDGs: Millennium Development Goals  
MFF: Multi-Annual Financial Framework  
NAO: National Authorising Officer  
OAD: Overseas Association Decision  
OCTs: Overseas Countries and Territories  
ODA: Official Development Assistance  
PCD: Policy Coherence for Development  
ROM: Results Oriented Monitoring  
SSA: Sub-Saharan African countries

## Annex IV: Data/indicators to measure impacts

### A/ List of indicators regarding poverty eradication and socio-economic progress of ACP countries (off track on MDGs)

#### Source and Notes

- MDG Index : MDGDASH Board (JRC-Ispra) : <http://esl.jrc.it/dc/>
- Human Development Index (HDI) - 2009 Report – United Nations Development Programme (UNDP): <http://hdr.undp.org/en/statistics/>
- Fragility list : International Network on Conflict and Fragility (INCAF)-Organisation for Economic Cooperation and Development (OECD) ( 2010)
- Least Developed Countries (LDC): United Nations list
- Heavily Indebted Poor Countries (HIPC) - list and reserve from World Bank
- Needs shows various indexes published by HDI-UNDP (Gender 0=worse; 1 =best), by World Health Organization (WHO) and UNICEF (Water- higher % =better ; Health - Highest Index= worse situation), by UNESCO (Education - Highest Index=worse situation) and by International Food Policy research Institute- IPFRI (Food security- Global Hunger Index ) : Highest Index= worse situation
- Performance is based on Country Policy and Institutional Assessment (CPIA) - The World Bank 2008. Scale: 1 = Lowest , 6=Highest
- ODA and Population Data are from OECD-Development Assistance Committee (DAC) (Aid at Glance) - 2008.

ACP Countries	MDG Index (rank)	HDI Index	LDC	Fragility List	HPIC	Reserve in months of imports	Gender - related Dev Index	Water and sanitation - % use of sanitation on facility	Health Index	Education Index	Food Security GHI 2009	CPIA	Total Net ODA US \$ mill 2008	Population (millions)	ODA per capita
		Indicators of Vulnerability					Sector needs					Policy performance	ODA		
Chad	186	175	•	•	•	n.a.	0,380	9	2,982	1,641	31.3	2.5	416	11,1	37,5
Niger	245	182	•	•	•	5	0,308	9	2,545	1,974	28.8	3.3	605	14,7	41,2

<i>ACP Countries</i>	<i>MDG Index (rank)</i>	<i>HDI Index</i>	<i>LDC</i>	<i>Fragility List</i>	<i>HPIC</i>	<i>Reserve in months of imports</i>	<i>Gender - related Dev Index</i>	<i>Water and sanitation - % use of sanitation facility</i>	<i>Health Index</i>	<i>Education Index</i>	<i>Food Security GHI 2009</i>	<i>CPIA</i>	<i>Total Net ODA US \$ mill 2008</i>	<i>Population (millions)</i>	<i>ODA per capita</i>
		<i>Indicators of Vulnerability</i>					<i>Sector needs</i>					<i>Policy performance</i>	<i>ODA</i>		
Sierra Leone	269	180	•	•	•	4	0,354	13	3,102	1,319	33.8	3.1	367	5,6	65,5
Congo, Dem. Rep.	330	176	•	•	•	n.a.	0,370	23	2,654	1,368	39.1	2.7	1.610	64	25,2
Mali	337	178	•		•	4	0,353	36	2,736	1,694	19.5	3.7	964	12,7	75,9
Liberia	361	169	•	•	•	1	0,430	17	2,710	1,948	24.6	n.a.	1.250	3,8	328,9
Guinea-Bissau	367	173	•	•	•	6	0,381	21	2,217	2,012	23.1	2.6	132	1,6	82,5
Central African Rep	370	179	•	•	•	n.a.	0,354	34	3,494	1,931	28.1	2.5	256	4,4	58,2
Haiti	376	149	•	•	•	2	n.a.	17	1,739	0,477	28.2	2.9	912	9,8	93,1
Mozambique	387	172	•		•	4	0,395	17	2,400	1,389	25.3	3.7	1.994	21,8	91,5
Eritrea	393	165	•	•	•	n.a.	0,459	14	1,405	1,554	36.5	2.3	143	5	28,6

ACP Countries	MDG Index (rank)	HDI Index	LDC	Fragility List	HPIC	Reserve in months of imports	Gender - related Dev Index	Water and sanitation - % use of sanitation facility	Health Index	Educational Index	Food Security GHI 2009	CPIA	Total Net ODA US \$ mill 2008	Population (millions)	ODA per capita
		Indicators of Vulnerability					Sector needs					Policy performance	ODA		
Guinea	394	170	•	•	•	1	0,425	19	2,717	1,303	18.2	3.0	319	9,8	32,6
Djibouti	398	155	•	•		3	0,514	56	1,917	1,954	22.9	3.1	121	0,8	151,3
Sudan	398	150	•	•	•	1	0,516	34	2,585	1,275	19.6	2.5	2.384	41,3	57,7
Angola	399	143	•	•		4	n.a.	57	3,711	1,044	25.3	2.7	369	18	20,5
Burundi	401	174	•	•	•	6	0,390	46	2,592	1,490	38.7	3.0	509	8,1	62,8
Ethiopia	412	171	•	•	•	1	0,403	12	2,099	1,541	30.8	3.4	3.327	80,7	41,2
Burkina Faso	416	177	•		•	5	0,383	11	2,217	1,788	20.4	3.7	998	15,2	65,7
Madagascar	419	145	•		•	3	0,541	11	1,777	0,686	28.3	3.7	841	19,1	44,0
Mauritania	438	154	•		•	n.a.	0,516	26	2,127	0,836	22.1	3.3	311	3,2	97,2
Ivory Coast	443	163		•	•	3	0,468	23	2,095	0,997	14.5	2.7	617	20,6	30,0

ACP Countries	MDG Index (rank)	HDI Index	LDC	Fragility List	HPIC	Reserve in months of imports	Gender - related Dev Index	Water and sanitation - % use of sanitation facility	Health Index	Educating Index	Food Security GHI 2009	CPIA	Total Net ODA US \$ mill 2008	Population (millions)	ODA per capita
		Indicators of Vulnerability				Sector needs						Policy performance	ODA		
Congo, (Rep)	444	136		•	•	3	0,594	30	2,434	1,036	15.4	2.7	505	3,6	140,3
Togo	462	159	•	•	•	4	n.a.	12	1,830	1,036	23.1	2.7	330	6,5	50,8
Cameroon	468	153		•	•	4	0,515	47	2,407	1,080	17.9	3.2	525	18,9	27,8
Rwanda	470	167	•	•	•	5	0,459	54	2,304	0,803	25.4	3.7	931	9,7	96,0
Papua New Guinea	476	148		•		3	n.a.	45	1,800	0,772	n.a.	3.3	304	6,4	47,5
Benin	481	161	•		•	7	0,477	12	1,858	1,141	17.2	3.6	641	8,7	73,7
Comoros	482	139	•	•	•	n.a.	0,571	36	2,717	n.a.	26.9	2.3	37	0,6	61,7
Malawi	484	160	•		•	2	0,490	56	2,156	1,099	18.5	3.4	913	14,3	63,8
Senegal	484	166	•		•	4	0,457	51	1,737	0,910	17.3	3.6	1.058	12,2	86,7
Lesotho	488	156	•			5	0,509	29	2,633	1,136	12.0	3.5	143	2	71,5

ACP Countries	MDG Index (rank)	HDI Index	LDC	Fragility List	HPIC	Reserve in months of imports	Gender - related Dev Index	Water and sanitation - % use of sanitation facility	Health Index	Educational Index	Food Security GHI 2009	CPIA	Total Net ODA US \$ mill 2008	Population (millions)	ODA per capita
		<i>Indicators of Vulnerability</i>					<i>Sector needs</i>					<i>Policy performance</i>	<i>ODA</i>		
Uganda	492	157	•	•	•	7	0,509	48	2,260	0,722	14.8	3.9	1.657	31,7	52,3
Zambia	492	164	•		•	2	0,473	49	2,625	0,695	25.7	3.5	1.086	12,6	86,2
Swaziland	502	142				3	0,568	55	2,359	0,535	11.1	n.a.	67	1,2	55,8
Tanzania	523	151	•		•	5	0,527	24	2,219	0,670	21.1	3.8	2.331	42,5	54,8
Zimbabwe	524	n.a.		•		n.a.	n.a.	44	2,219	0,824	21.0	n.a.	611	12,5	48,9
Kenya	528	147		•		3	0,538	31	2,104	0,600	20.2	3.6	1.360	38,5	35,3
Gambia	532	168	•	•	•	3	0,452	67	1,903	1,245	18.9	3.2	94	1,7	55,3
Ghana	570	152			•	3	0,524	13	1,636	0,899	11.5	3.9	1.293	23,4	55,3
Solomon Islands	590	135	•	•		4	n.a.	-	0,909	n.a.	n.a.	2.8	224	0,5	448,0
Gabon	594	103				2	0,748	33	1,748	0,116	6.9	n.a.	55	1,4	39,3

<i>ACP Countries</i>	<i>MDG Index (rank)</i>	<i>HDI Index</i>	<i>LDC</i>	<i>Fragility List</i>	<i>HPIC</i>	<i>Reserve in months of imports</i>	<i>Gender - related Dev Index</i>	<i>Water and sanitation - % use of sanitation facility</i>	<i>Health Index</i>	<i>Education Index</i>	<i>Food Security GHI 2009</i>	<i>CPIA</i>	<i>Total Net ODA US \$ mill 2008</i>	<i>Population (millions)</i>	<i>ODA per capita</i>
		<i>Indicators of Vulnerability</i>					<i>Sector needs</i>				<i>Policy performance</i>	<i>ODA</i>			
Kiribati	686	n.a.	•	•		n.a.	n.a.	-	1,013	0,613	n.a.	3.0	27	0,1	270,0
Sao Tome Principe	711	131	•	•	•	5	n.a.	26	1,190	0,306	n.a.	3.0	47	0,2	235,0
Tonga	787	n.a.		•		4	n.a.	96	0,569	0,897	n.a.	3.2	26	0,1	260,0
Timor Leste	n.a.	162	•	•		n.a.	n.a.	50	1,538	1,376	25.4	2.8	278	1,13	246,0
Somalia	n.a.	n.a.	•	•	•	n.a.	n.a.	23	3,209	1,929	n.a.	n.a.	758	9	84,2

B/ Indicators of progress of Sub-Saharan Africa and Caribbean regions regarding MDGs (data taken from MDG report 2011, United Nations)

<i>indicator</i>		<i>time frame</i>	<i>Sub-Saharan Africa</i>	<i>Caribbean</i>	<i>Developing countries (average)</i>	
<b>MDG 1</b>	population living on less than 1 dollar per day	1990	58	29	45	
		2005	51	26	27	
<b>MDG 2</b>	primary school enrolment ratio	1999	54	68	81	
		2009	76	76	89	
<b>MDG 3</b>	girls enrolment ratio/boys enrolment ratio	primary school	1991	83	99	87
			2009	92	96	96
		secondary school	1991	86	112	78
			2009	79	104	96
		tertiary school	1991	53	135	71
			2009	63	161	97
<b>MDG 4</b>	under-five mortality per 1000 live births	1990	180	76	99	
		2009	129	48	66	
<b>MDG 5</b>	maternal death per 10000 live births	1990	87	32	44	
		2008	64	17	29	
<b>MDG 6</b>	new HIV infections per 10000 people aged 15-49	2001	57	9	9	
		2009	40	8	8	
<b>MDG 7 (only 7.c)</b>	% of population having access to improved water sources	1990	49	-	72	
		2008	60	-	84	



C/ Indicators regarding trade integration of Africa (integration in the world economy)

Share of Africa exports in world exports in %

	<b>2000</b>	<b>2009</b>
<b>Agricultural products</b>	<b>3.4%</b>	<b>3.3%</b>
<b>Fuel and mining</b>	<b>10.2%</b>	<b>10.9%</b>
<b>Manufactures</b>	<b>.8%</b>	<b>.3%</b>
<b>All products</b>	<b>1.5%</b>	<b>1.5%</b>

Source WTO Data bank; own calculation

Change of manufacture exports / Ratio 2009 to 2000 (export value measured in current US dollars)

	<b>World</b>	<b>Africa</b>	<b>EU 27</b>	<b>North America</b>	<b>Brazil</b>	<b>China</b>	<b>India</b>
<b>World to</b>	<b>1.8</b>	<b>3.0</b>	<b>1.8</b>	<b>1.2</b>	<b>2.3</b>	<b>3.4</b>	<b>4.7</b>
<b>Africa to</b>	<b>2.0</b>	<b>3.3</b>	<b>1.5</b>	<b>1.9</b>	<b>3.1</b>	<b>5.9</b>	<b>1.9</b>
<b>EU 27 to</b>	<b>1.8</b>	<b>2.4</b>	<b>1.8</b>	<b>1.2</b>	<b>1.9</b>	<b>4.6</b>	<b>3.2</b>
<b>North America</b>	<b>1.2</b>	<b>2.4</b>	<b>1.3</b>	<b>1.0</b>	<b>1.7</b>	<b>3.4</b>	<b>4.3</b>

Source: WTO and own calculation; to be read: Africa's exports to China measured in current US\$ has been multiplied by 5.9 between 2000 and 2009

Comments: The share of Africa in world exports in current prices is constant since 2000. However, the extremely low share of manufactures has declined. On the positive side, it should be noted that looking at the growth of manufacture exports, Africa benefits more than Europe or North America from the fast growing imports from China and Brazil (but not from India).

D/ Financial amounts regarding EDF funded projects or programmes relevant to environmental sectors at large (by decision date)

Main sector	Region	2007	2008	2009	2010
Agriculture	ACP			25000000	20000000
	AFRICA				10000000
	CARIBBEAN			1900000	
	CENTRAL AFRICA				18000000
	EASTERN AFRICA & INDIAN OCEAN			99400000	
	OCEANIA & PACIFIC				9220000
	SOUTHERN AFRICA			20300000	32000000
	SUB-SAHARAN AFRICA				10000000
	WEST AFRICA	1500000			
#N/A					23000000
<b>Agriculture Total</b>		<b>1500000</b>		<b>146600000</b>	<b>122220000</b>
Climate Change Adaptation	OCT				
	ACP	12000000		160000000	
	CARIBBEAN	6500000			4300000
	EASTERN AFRICA & INDIAN OCEAN				6320000
	OCEANIA & PACIFIC	12460000			
	SUB-SAHARAN AFRICA				20000000
	WEST AFRICA				16000000
<b>Climate Change Adaptation Total</b>		<b>30960000</b>		<b>160000000</b>	<b>46620000</b>
Forestry	ACP	10000000			
	CENTRAL AFRICA	1496420	15000000		5000000
	EASTERN AFRICA & INDIAN OCEAN		16000000		14000000
	OCEANIA & PACIFIC			1950000	
	SOUTHERN AFRICA			9700000	
	WEST AFRICA			8000000	

Main sector	Region	2007	2008	2009	2010
Forestry Total		11496420	31000000	19650000	19000000
Marine and Coastal Resources	CARIBBEAN	17000000		14800000	
	EASTERN AFRICA & INDIAN OCEAN				
	OCEANIA & PACIFIC			37855765	
	SUB-SAHARAN AFRICA				
	WEST AFRICA				4000000
<b>Marine and Coastal Resources Total</b>		<b>17000000</b>		<b>52655765</b>	<b>4000000</b>
Pollution Control and Waste Management	CARIBBEAN	3030000			
	OCEANIA & PACIFIC			4400000	
	WEST AFRICA	5100000			
<b>Pollution Control and Waste Management Total</b>		<b>8130000</b>		<b>4400000</b>	
Protection of Natural Areas	OCT	2475000			
	ACP				20000000
	CARIBBEAN		525575		
	CENTRAL AFRICA	4000000	29500000	31000000	30000000
	EASTERN AFRICA & INDIAN OCEAN	150000		3000000	
	OCEANIA & PACIFIC				12000000
	SOUTHERN AFRICA				
	SUB-SAHARAN AFRICA				
	WEST AFRICA	1500000			17400000
<b>Protection of Natural Areas Total</b>		<b>8125000</b>	<b>30025575</b>	<b>34000000</b>	<b>79400000</b>
Renewable Energies and Efficiency	OCT				
	ACP			400000000	
	CARIBBEAN	8737202,3			
	CENTRAL AFRICA	8418251			
	EASTERN AFRICA & INDIAN	50733920		8000000	18000000

Main sector	Region	2007	2008	2009	2010
	OCEAN				
	OCEANIA & PACIFIC	3530341,8		37390000	
	SOUTHERN AFRICA	23439541			
	SUB-SAHARAN AFRICA				
	WEST AFRICA	25397745	3000000		30000000
<b>Renewable Energies and Energy Efficiency Total</b>		<b>120257000</b>	<b>3000000</b>	<b>445390000</b>	<b>48000000</b>
Support to Environment Policy and Capacity Building	ACP	19500000			
	CARIBBEAN				
	EASTERN AFRICA & INDIAN OCEAN	20526000		10000000	10000000
	NORTH ATLANTIC				
	OCEANIA & PACIFIC	2014000		1600000	
	SUB-SAHARAN AFRICA				
	WEST AFRICA	1000000	5000000	20000000	4000000
<b>Support to Environment Policy and Capacity Building Total</b>		<b>43040000</b>	<b>5000000</b>	<b>31600000</b>	<b>14000000</b>
Water Management	ACP				3000000
	CARIBBEAN	19606730			
	CENTRAL AFRICA				23000000
	EASTERN AFRICA & INDIAN OCEAN	2771678,4		14700000	
	OCEANIA & PACIFIC			2550000	3900000
	SOUTHERN AFRICA			18000000	32000000
	WEST AFRICA	1189103			11400000
<b>Water Management Total</b>		<b>23567511</b>		<b>35250000</b>	<b>73300000</b>
<b>Grand Total</b>		<b>264075932</b>	<b>69025575</b>	<b>929545765</b>	<b>406540000</b>

## Annex V

Bibliography: reports covering geographic/thematic areas of the EDF, supporting evidence to this Impact Assessment

	<b>TITLE</b>	<b>DATE OF PUBLICATION</b>
<b>1</b>	<b>Evaluations</b>	
<b>1.1</b>	<b>Country/Region Evaluations</b>	
	<b>Evaluation of the European Commission's support to the United Republic of Tanzania</b>	<b>April 2006</b>
	<b>Evaluation stratégie pays Mali</b>	<b>19/09/2006</b>
	<b>Evaluation de la coopération de la Commission européenne avec le Rwanda – évaluation de niveau pays</b>	<b>16/11/2006</b>
	<b>Union des Comores – Evaluation de niveau national</b>	<b>Novembre 2006</b>
	<b>Seychelles – Evaluation de niveau national</b>	<b>Novembre 2006</b>
	<b>Maurice – Evaluation de niveau national</b>	<b>Novembre 2006</b>
	<b>Evaluation de la stratégie régionale de la CE en Afrique Centrale</b>	<b>Décembre 2006</b>
	<b>Evaluation of the Commission's support to the ACP Pacific region</b>	<b>September 2007</b>
	<b>Evaluation of the Commission's support to Southern African Development Community – SADC – Regional level evaluation</b>	<b>October 2007</b>
	<b>Evaluation of the European Commission's support to the Republic of Mozambique – Country level evaluation</b>	<b>14/12/2007</b>
	<b>Evaluation de la stratégie régionale de la CE en Afrique de l'Ouest</b>	<b>Mai 2008</b>
	<b>Evaluation of the European Commission's support to the Republic of Guyana</b>	<b>September 2008</b>
	<b>Evaluation of the Commission's support to the Region of Eastern and Southern Africa and the Indian Ocean – Regional level evaluation</b>	<b>December 2008</b>
	<b>Evaluation de la coopération de la Commission européenne avec la République du Tchad – évaluation de niveau national</b>	<b>Mars 2009</b>
	<b>Evaluation de la coopération de la Commission européenne avec la République Centrafricaine – évaluation de niveau national</b>	<b>Juin 2009</b>
	<b>Country level evaluation Angola</b>	<b>September 2009</b>
	<b>Country level evaluation Uganda</b>	<b>November 2009</b>
	<b>Evaluation of the European Commission's co-operation with Namibia – Country level evaluation</b>	<b>04/12/2009</b>
	<b>Country level evaluation Botswana</b>	<b>December 2009</b>
	<b>Country level evaluation Nigeria</b>	<b>May 2010</b>

Evaluation de la coopération de l'Union européenne avec le Burkina Faso – évaluation de niveau national	31/05/2010
Joint evaluation of the cooperation of the European Commission, Belgium, Denmark, France and Luxembourg with Niger between 2000-2008	August 2010
Evaluation of EC's co-operation with Liberia	December 2010
Region Level Evaluation - Overseas Countries and Territories (OCT) (Final Report (2nd Draft))	<b>DRAFT / Ongoing</b>

## 1.2 Instruments / Sector / Thematic Evaluations

Thematic evaluation of the EC support to good governance	June 2006
Thematic evaluation of the water and sanitation sector	July 2006
Joint evaluation of co-ordination of trade capacity building in partner countries	November 2006
Evaluation of the Commission Support for Statistics in Third Countries	15/02/2007
Evaluation thématique - Développement rural et agricole	July 2007
Evaluation of EC support to partner countries in the area of energy	April 2008
General Evaluation of Actions to Raise Public Awareness of Development Issues in Europe / Development Education EC	December 2008
Thematic Evaluation of the European Commission support to Conflict Prevention and Peace Building – Preliminary study: scoping and mapping. Final Report for the Preliminary Study	July 2009
The Five-Year Evaluation of the Global Fund to Fight AIDS, Tuberculosis, and Malaria Synthesis of Study Areas 1, 2 and 3.	March 2009
Assessment of the results of EC funded activities and future needs in the defined areas covered by the Instrument for Stability, priority 1 – Final Report	July 2010
Thematic Evaluation of European Commission Support to Conflict Prevention and Peace Building - Concept Study – Final Report for the Concept Study	September 2010
Qualitative Assessment of EC funded Drugs Related Projects	October 2010
Thematic global evaluation of EC support to the Education sector in partner countries	December 2010
Lessons learned from evaluating EC interventions in the road sector (note ARES)	15/12/2010
Study on Legal Instruments and Lessons Learned from the Evaluations Managed by the Joint Evaluation Unit (draft desk report, vol. 1 & 2)	January 2011

### 1.3 Aid modalities Evaluations

<b>Evaluation of general budget support: synthesis report – A Joint Evaluation of General Budget Support 1994-2004</b>	<b>May 2006</b>
<b>Evaluation of European Commission support to Micro-Project Programmes under the European Development Fund in ACP countries</b>	<b>August 2006</b>
<b>Evaluating co-ordination, complementarity and coherence in EU development policy: a synthesis</b>	<b>November 2007</b>
<b>Evaluation of Commission's external cooperation with partner countries through the organisations of the UN family</b>	<b>May 2008</b>
<b>Evaluation of Commission's aid delivery through Development banks and EIB</b>	<b>November 2008</b>
<b>Evaluation of EC aid delivery through civil society organisations</b>	<b>December 2008</b>
<b>Final report of the Experts Working Group on additionality of grants in the framework of blending mechanisms, established following a decision by the ECOFIN Council in December 2008</b>	<b>December 2009</b>
<b>Evaluation Methodology &amp; Baseline Study of European Commission Technical Cooperation support Inception Report - <i>Final Version</i></b>	<b>August 2010</b>

### 2. Court of Audits Special Reports

<b>Special report No 6/2006 concerning the environmental aspects of the Commission's development cooperation – OJ C 235</b>	<b>29/09/2006</b>
<b>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</b>	<b>21/12/2007</b>
<b>Special report No 10/2008 – EC development assistance to health services in Sub-Saharan Africa</b>	<b>2008</b>
<b>Special report No 4/2009 – The Commission's management of Non-State Actors' involvement in EC development cooperation</b>	<b>2009</b>
<b>Special report No 15/2009 – EU assistance implemented through United Nations organisations: decision-making and monitoring</b>	<b>2009</b>
<b>Special report No 18/2009 – Effectiveness of EDF support for regional economic integration in East Africa and West Africa</b>	<b>2009</b>
<b>Special report No, 11/2010 - Commission's management of General Budget Support in ACP, Latin American and Asian countries</b>	<b>2010</b>
<b>Special report No. 12/2010 - EU Development Assistance for Basic Education in Sub-Saharan Africa and South Asia</b>	<b>2010</b>

### 3 Internal Audit Service Reports

<b>IAS-2005-AIDCO/ECHO-001 Implementation of the framework agreement with UN agencies</b>	<b>2005</b>
<b>IAS-2006-AIDCO-003 Eligibility of Costs under the Financial and Administrative Framework Agreement with the United Nations by DG AIDCO</b>	<b>2006</b>
<b>AIDCO-2006-AIDCO/DEV-003 Audit on Budget Support – Pool Funds and Trust Funds</b>	<b>2006</b>
<b>IAS-2007-AIDCO-001 Audit on NGO's funding by DG AIDCO – Fup1</b>	<b>2007</b>
<b>IAS-2007-AIDCO-003 Financial Management of Regional Programmes</b>	<b>2007</b>
<b>IAS.B-2008-AIDCO/ECHO-001 Follow up of the FAFA implementation with UN in DGs AIDCO and ECHO</b>	<b>2008</b>
<b>IAS.B5-2009-AIDCO-004 Follow-up of Eligibility of Costs under FAFA with UN</b>	<b>2009</b>
<b>IAS.B5-2009-AIDCO-003 Second Follow-up of Audit in NGO Funding by DG AIDCO</b>	<b>2009</b>
<b>IAS.B5-2010-AIDCO-001 Audit on Programmes Estimates financed by EU and EDF Budget</b>	<b>2010</b>
<b>IAS.B5-2010-AIDCO-003 Financial Management of Intra ACP Programmes, namely facilities</b>	<b>2010</b>

### 4 Internal Audit Capability Reports

<b>Budget Support, pool and trust funds</b>	<b>2007</b>
<b>Budget Support Conditionality</b>	<b>2008</b>
<b>Contribution to the Annual Activity Report (AAR) 2007 – Summary of the results of Audits and follow-up Audits carried out by the IAC in 2007 (note Adonis 955)</b>	<b>23/01/2008</b>
<b>Follow-up Audit on Budget Support, pool and trust funds</b>	<b>2009</b>
<b>Follow-up Audit on Management of Budget Support Conditionality</b>	<b>2009</b>
<b>Contribution to the Annual Activity Report (AAR) 2008 – Summary of the results of Audits and follow-up Audits carried out by the IAC in 2008 (note Adonis 2518)</b>	<b>09/02/2009</b>
<b>Audit Report on Aid Implementation under Crisis Situation</b>	<b>2010</b>
<b>Contribution to the Annual Activity Report (AAR) 2009 – Summary of the results of Audits and follow-up Audits carried out by AIDCO's IAC in 2009</b>	<b>23/02/2010</b>

### 5 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)</b>	<b>May 2009</b>
<b>Executive Summary (internal): Towards a better use of ROM and project evaluations</b>	<b>September 2010</b>

## 6 Mid-Term/End-Term Review of Financial Instruments

### 6.1 9<sup>th</sup> EDF

<b>Explanatory note for the members of the EDF Committee on ACP cooperation: End-of term review (ETR) of regional and national cooperation under the 9<sup>th</sup> European Development Fund - Note Adonis n. 8062</b>	<b>14/12/2006</b>
<b>Report on the 9th EDF End-of-term review – For internal Commission use only – Note Adonis D(2007) 3936</b>	<b>26/09/2007</b>
<b>Evaluation 9<sup>th</sup> EDF End-of-term review – For internal Commission use only – Note Adonis D(2007) 3936</b>	<b>26/09/2007</b>

### 6.2 10<sup>th</sup> EDF

<b>Mid-Term Review of the 10<sup>th</sup> European Development Fund (EDF) - Country Strategy Papers - Overview of the Results (Management Committee)</b>	<b>25/11/2010</b>
<b>Progress Towards the MDGs and the Contribution of the EU in Ten Country Case-Studies / FWC N° 2009/229190 - Final Report and Executive Summary</b>	<b>13/12/2010</b>
<b>10<sup>th</sup> EDF Performance Review – Note to Management meeting – Note Adonis 2011/36920</b>	<b>17/01/2011</b>
<b>Study in support of the shaping of development cooperation after 2013 – Lessons learnt from the 10<sup>th</sup> EDF MTR</b>	<b>December 2010</b>
<b>Study in support of the shaping of development cooperation after 2013 – Lessons learnt from the 10<sup>th</sup> EDF MTR: Division of Labour</b>	<b>December 2010</b>
<b>Study in support of the shaping of development cooperation after 2013 – Lessons learnt from the 10<sup>th</sup> EDF MTR: innovative financial instruments and blending</b>	<b>January 2011</b>

### 6.3 EDF Shock absorption mechanisms

<b>Feasibility study on compensatory financing scheme of exogenous shocks – (Final Report)</b>	<b>June 2009</b>
<b>Feasibility study on compensatory financing scheme of exogenous</b>	<b>August 2009</b>

shocks – (Revised Report)

Study on shock absorbing schemes in ACP countries – FLEX Study

December 2010

7 Mid-Term Reviews of Thematic Strategy Papers

Mid-term Review and Analysis of the Water Facility and Energy Facility

May 2008

8 Mid-Term Reviews of Country/Region Strategy Papers

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:

- ACP Countries: South Africa
- Asia: Bangladesh, Bhutan, Cambodia, China, India, Indonesia, Laos, Malaysia, Maldives, Mongolia, Myanmar, Nepal, Pakistan, Philippines, Sri Lanka, Thailand, Vietnam, 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
- Neighbourhood policy and Middle-East : Algeria, Armenia, Azerbaijan, Egypt, Georgia, Jordan, Lebanon, Moldova, Morocco, Syria, Tunisia, Ukraine, Yemen

9 External Reviews

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

AIDCO follow-up to OECD/DAC Peer Review Recommendations (Note to AIDCO Management, 12/11/2008) 12/11/2008

Multilateral Organisations Performance Assessment Network (MOPAN) Annual MOPAN Survey 2008 2008

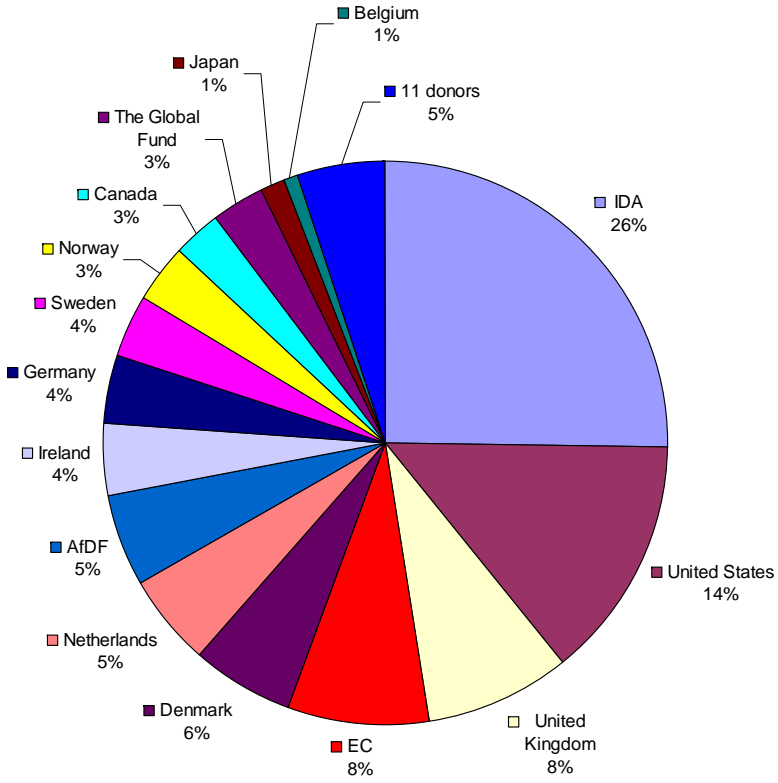
IMF - Regional Economic Outlook Sub-Saharan Africa - Back to High Growth? April 2010

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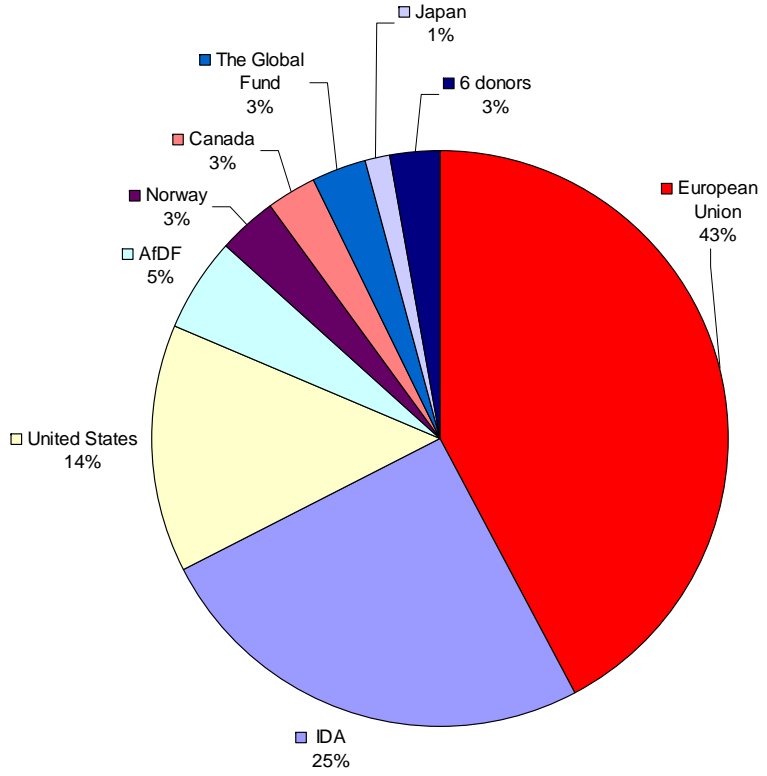
## Facing Low-Income Countries

Annex VI: Examples of aid fragmentation and of lack of concentration  
1) Aid Fragmentation in Uganda

Aid Fragmentation in Uganda- 2008



Aid Fragmentation in Uganda- 2008  
EU MS together



SECTORS				Austria	Belgium	Denmark	Finland	France	Germany	Greece	Ireland	Italy	Luxembourg	Netherlands	Norway	Portugal	Spain	Sweden	United Kingdom	EC	
Education	13	7	242	0,0	1,2	-	3,6	1,9	1,6	0,2	1,4	2,4	-	11,9	1,6	-	0,3	1,3	28,4	-	56%
Health	14	6	273	0,9	0,0	-	0,4	0,1	0,5	0,0	1,9	1,9	-	1,6	0,8	-	1,9	0,2	4,4	2,2	17%
Population Policies and Reproductive Health (incl gender)	10	3	425	0,1	0,0	-	-	-	0,1	-	0,7	0,1	-	3,8	2,0	-	0,2	0,0	1,1	-	8%
Water Supply and Sanitation	13	1	207	0,1	0,1	-	7,1	1,6	0,1	0,1	0,1	0,3	-	1,7	0,4	-	0,1	-	23,6	11,4	47%
Other Social Infrastructure	14	2	179	0,4	0,2	-	0,9	0,5	0,9	0,0	0,0	0,4	-	0,0	0,2	-	4,0	0,0	2,8	50,8	61%
Economic Infrastructure	13	3	531	0,0	0,1	-	0,0	0,0	1,0	-	0,1	0,1	-	0,0	0,1	-	0,1	0,5	0,9	37,2	40%
Agriculture	13	8	212	0,4	0,0	-	0,1	1,4	3,6	-	0,8	0,0	-	0,9	1,2	-	0,3	1,1	0,1	-	10%
Other Production Sectors (Forestry, Fishing, Industry, Mining, Construction, Trade Policy & Environment)	10	4	25	-	-	-	0,1	0,1	45,6	0,1	0,0	-	-	0,7	1,1	-	0,8	2,1	-	20,5	71%
Environment	10	2	11	-	1,2	-	0,6	3,7	8,7	-	0,1	-	-	0,1	57,3	-	12,4	4,4	0,7	-	89%
General Budget Support	4	-	3	-	-	-	-	-	-	-	-	0,1	-	-	-	-	0,1	-	99,4	0,4	100%
Government and Civil Society	14	6	230	0,2	0,0	0,3	0,3	0,7	2,8	-	1,7	0,4	-	2,8	4,1	-	1,4	2,0	6,2	8,5	31%
Multi sector (incl rural and urban development)	15	9	50	4,9	4,0	0,8	3,1	3,0	20,3	0,5	28,6	2,1	-	2,6	3,1	-	0,4	1,7	1,0	0,0	76%
AVERAGE NUMBER OF EU DONORS PER SECTOR	13	5																			

## 2) Sector presence in Ethiopia (2008)

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<sup>1</sup> The instruments are the following: Internal Agreement for the 11th 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> OJ L 314, 30.11.2001, p. 1. Amended by Decision 2007/249/EC (OJ L 109, 26.04.2007, p. 33).

<sup>3</sup> The 10th EDF Internal Agreement (OJ L 247, 9.9.2006, p32) was signed in July 2006 by the Representatives of the Member States meeting within the Council. The 10th EDF implementing Regulation (Council regulation 617/2007) and the 10th EDF Financial Regulation (Council regulation 215/2008) were adopted respectively in May 2007 and February 2008. The 10th EDF entered into force on 1.07.2008 with the entry into force of the 1st revision of the Cotonou Agreement. The 10th EDF funding to the OCTs is also governed by the Implementing Regulation 2304/2002 (OJ L 348, 21.12.2002, p. 82) amended by Regulation 1424/2007 (OJ L 317, 5.12.2007, p. 38) and by the Overseas Association Decision.

<sup>4</sup> Alongside the ACP Investment Facility, the EIB can lend up to EUR 2 billion from its own resources, with the EU Member States providing a 75% guarantee of total amounts opened by the EIB. Under the 10th EDF, both the ACP Investment Facility and EIB own resources lending can be blended with EDF grants of EUR 400m for interest rate subsidies or technical assistance.

<sup>5</sup> In addition to the more 'conventional' developmental challenges majority of the ACP countries are among those countries most exposed to the adverse consequences of climate change, which further amplifies the prevailing problems. At the same time the EU has developed its own policies in this area and has much to offer to its partners in view of integrating climate considerations into overall policy approaches.

<sup>6</sup> On security of energy supply and international co-operation - "The EU Energy Policy: Engaging with Partners beyond our borders".COM(2011) 539 of 7.09.2011

<sup>7</sup> For ACP countries the omnipresence of these phenomena and the risks they pose to development progress will undermine efforts to reduce poverty and reach MDGs if they are not comprehensively incorporated into the development cooperation programmes and approaches.

<sup>8</sup> cf also annex V regarding reports covering geographic/thematic areas of the EDF

<sup>9</sup> The study on shock absorbing schemes reflected upon the lessons learnt of the existing mechanisms (FLEX since 2000 aiming at socio-economic reforms and policies that could be affected negatively as a result of a drop in export earnings, the ad-hoc temporary scheme Vulnerability Flex which has allocated resources in 2009 and 2010 to address the fall out of the global financial crisis, and the Food Facility adopted in 2008, as a rapid response to soaring and volatile food prices in developing countries), and on the design of a future shock absorbing mechanism.

<sup>10</sup> This diversity between ACPs also concerns their levels of economic development, demographics and geography; in particular, the case of Small Island Developing States must be taken into account. This disparity is also observed between ACP countries and OCTs: whereas ACP countries are all developing countries, the majority of the OCTs are no longer developing territories, even if their micro-economies remain vulnerable. The OCTs' total population represents only 0.02% of the world population (1.2 million), compared to 13.3% (800 million) for ACP countries. Not counting Greenland (the world's largest island: 2.2 million km<sup>2</sup>) and the British Antarctic Territory, the OCT's total land mass represents only 80 000 km<sup>2</sup>, compared to 30 million km<sup>2</sup> for the ACP States.

<sup>11</sup> This would result in substantial financial savings, which, according to a recent study commissioned by the European Commission ("The Aid Effectiveness Agenda: Benefits of a European Approach", Prepared by HTSPE, B.T. Carlsson, C.B. Schubert, S. Robinson, 14 October 2009) may be in the range of 2 to 6 billion Euros per year - A follow-up study has been commissioned in order to re-confirm these findings and put them in more concrete terms.

<sup>12</sup> Greenland benefits from a specific partnership laid down in Decision 2006/526/EC of 17 July 2006 (OJ L 208, 29/07/2006, p. 28). Cooperation with Greenland is financed from the EU General Budget. Nevertheless, Greenland can take part in regional projects under the 10th EDF.

<sup>13</sup> COM(2011)500

<sup>14</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.

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15 However, South Africa is covered by the DCI.

16 The 2007-2013 DCI also contains accompanying measures for ACP Sugar Protocol countries. The legal basis for banana accompanying measures (BAM) is pending with the legislative authority. In addition, to reply to the food prices crisis emerging in 2008 the Food Facility was established as a global instrument with a limited duration of three years to help developing countries facing this crisis situation.

17 However, the different institutional decision-making procedures between CFSP on the one hand and the exercise of conferred competencies under the TFEU on the other should be complied with.

18 This proposal is currently under discussion with the Council and the European Parliament.

19 Modifications already foreseen by the second revision of the Cotonou Agreement, that will also contribute to reinforce the flexibility elements of the 11th EDF, are not considered as options here. These include the creation of regional B-envelopes to cover unforeseen needs with a regional dimension, and of future shock absorbing schemes to replace current Flex on the basis of the experience of V-Flex and of the food facility. The future shock absorbing mechanism should normally focus on exogenous shocks with a cross-country dimension (e.g. financial crisis, food or fuel prices increases, etc ...).

20 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 has 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.

21 Many factors affect the distribution of income or consumption, and there is no clear link between economic growth and changes in income distribution. World Bank Social Indicators Report 2010.

22 [http://www.oecd.org/document/18/0,3343,en\\_2649\\_3236398\\_35401554\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/18/0,3343,en_2649_3236398_35401554_1_1_1_1,00.html)

23 [http://ec.europa.eu/europeaid/what/development-policies/policy-coherence/index\\_en.htm](http://ec.europa.eu/europeaid/what/development-policies/policy-coherence/index_en.htm)