



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 1.2.2007  
SEC(2007)

**STAFF WORKING PAPER**

**DAC EC PEER REVIEW 2007  
MEMORANDUM  
SUBMITTED BY EUROPEAN COMMISSION SERVICES**

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## FOREWORD

### THE EUROPEAN COMMUNITY'S EXTERNAL ASSISTANCE - THE CURRENT POSITION AT A GLANCE

As stated in the DAC's main findings and recommendations at the time of the 2002 Peer Review, the European Commission is a unique donor in that it plays a dual role in development, providing direct support as a bilateral donor to countries and regions on behalf of the European Community (EC) and at the same time playing an institutional role, including the right of initiative on EC matters, vis-à-vis the other institutions and the Member States of the European Union (EU)<sup>1</sup>.

In the latter role, the Commission has played a key part in defining and promoting the international consensus on development, both in the EU and internationally. It has acted as a catalyst within the EU in particular, but has also made a major contribution to policy-making at the international level.

The European Commission played an important and active role in the adoption of the Paris Declaration and was instrumental in formalising EU support for this agenda through strong commitments. These commitments are now being implemented both by the Commission as a donor and by the EU under the Commission's impetus. In addition, the Commission has systematically argued for higher targets than those set by the Paris Declaration; the EU has now taken on four extra commitments that need to be monitored.

The Commission was also actively involved in the preparations for the UN World Summit in September 2005, with the aim of ensuring that the event had a significant outcome. It provided substantive contributions to the definition of the EU's positions during the run-up to the event: these were largely based on the three Commission Communications, the so-called "Development Package" adopted on 12 April 2005. The Commission has since remained fully engaged in the follow-up to and implementation of the Summit results.

Since the last Peer Review in 2002, 10 new Member States joined the EU in 2004 and two more became members in January 2007. Twelve new countries have therefore committed themselves to EU Development Policy, including the ODA and aid effectiveness targets, as well as to implementing their own development policies. The Commission has supported the new members' efforts to become genuine and effective donors, while helping them to align their legislative and institutional frameworks with those of the EU.

The 'European Consensus on Development' was adopted by the EU in December 2005. This strategic policy document builds upon the 2000 European Community (EC) Development Policy Statement and provides a revised, firmer and more coherent strategic foundation for EU development co-operation. It reflects global changes that have occurred since 2000 and addresses new challenges, particularly in relation to security, climate change, migration and the social dimension of globalisation. It also fully integrates the new commitments of the international community and clearly states its support for the Millennium Development Goals agenda and sustainable development.

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<sup>1</sup> The European Commission is the executive body of the European Union. The European Community is the policy competence of the European Commission. The European Union comprises the Member States and the Commission

Furthermore, the Consensus has introduced major political innovations. First, there is a greater involvement of all EU institutional players in the formulation of a common EU vision of development policy: for the first time ever, the Consensus is a Joint Statement by the European Commission, the Council of Ministers, EU Member States, and the European Parliament. Secondly, innovation relates to the interaction between individual EU Member States' aid and that of the EC: in spite of its overall aid volumes, the EU has seldom appeared as a single, coherent player on the world stage. The Consensus now provides a common policy vision for both Member States and the EC, and a specific policy framework for the Community. Thirdly, a clear statement is made to the effect that it will guide Community and Member State development co-operation activities, defined as ODA by the DAC, in all developing countries.

Since the adoption of the European Consensus, the Commission has focused on ensuring its objectives and principles are consistently reflected in the regional strategies under preparation. The 'EU Strategy for Africa' can thus be regarded as the first application of the Consensus and the first integrated European political framework to improve co-ordination and coherence of EU and Member State policies and instruments. Other strategies (EU-Latin America, and EU and the Pacific) have also drawn upon the Consensus to promote a consistent view of the world while recognising the need for differentiation.

The European Commission has remained a global player, active in over 160 countries, including fragile and failed states. Regional strategies have been updated and tailored to the very different challenges in different parts of the world. These include the strategies adopted for the pre-accession countries and the EU's 'neighbourhood'. The former aims at preparing candidate and potential candidate countries for accession to the EU. The latter, the European Neighbourhood Policy, is the EU's main external relations priority, whereby it seeks to promote good governance and economic development in its vicinity.

The Commission has also focused increasingly on the contribution non-aid policies can make to achieving the Millennium Development Goals (MDGs). To this end, the Commission and EU Member States agreed to commitments regarding 'Policy Coherence for Development' (PCD) in 12 policy areas that have great potential to contribute to the MDG objectives. This is complemented by EU commitments regarding organisational aspects of PCD.

Under the Financial Perspectives 2007-2013, the new external action instruments set out the framework for a new and simplified political and administrative structure for delivery of Community assistance.

As a donor, the European Commission has completed the process of reform, initiated in 2001, of the external assistance it manages. The devolution of external assistance has been completed, and the overall reform process concluded with the qualitative assessment report in 2005. The volume of aid has increased, the rate of disbursement has quickened and the quality of assistance has improved. At the same time new and difficult themes, such as governance, have been tackled. Attention is now focusing on key topics such as the quality of aid, aid effectiveness and policy coherence in order to ensure that Community assistance fully contributes to achieving the MDGs and other internationally agreed development targets.

There has been a continuous increase in the volume of aid during the period 2002-2005, with a net rise in disbursements of almost 31%. This is due to an increase in resources committed,

the speediness of disbursements and better calculation of administrative costs. Disbursements reached €7,555 billion in 2005.

There has been an increase in the poverty focus concentration of our aid towards the Least Developed Countries (LDC) and Other Low Income Countries (OLIC) during the period 2002-2005, reaching 45.8% of net disbursements in 2005. This represents an increase of more than 43% over six years. This trend was accompanied by a strong decrease in the share of disbursements to Lower Middle Income Countries (LMIC), from almost 46% in 2000 to 28.5% in 2005.

With the Paris Declaration on Aid Effectiveness and the new general and geographic strategies adopted by the Council since 2005, the framework is now in place to concentrate on the quality of aid, in terms of effectiveness and performance. In operational terms this increased focus on aid effectiveness is reflected in enhanced donor co-ordination up to the stage of joint programming, transparent division of labour, and a further shift from project to programme approaches, from programme approaches to sector-wide approaches and to budget support implementation modalities.

The objective of European Community development co-operation policy is to foster sustainable development designed to eradicate poverty in partner countries and to integrate them into the world economy. Ownership of these strategies by the partner countries - through strengthening the democratic system and extending participation to all segments of society - is the key to success. The EC attaches great importance to the quality of dialogue with each partner country to ensure coherence between policies pursued by that country and the Commission's support operations.

As an important part of the process of reform, the quality and responsiveness of programmes has been improved, to maximise impact and ownership by the beneficiaries. Ownership has been reinforced: initial findings show that dialogue with partners has improved and that assistance is more responsive to their needs.

Over the years, the European Community has been confirmed as one of the world's most important providers of humanitarian aid; it provides substantive assistance to the victims of humanitarian crises. European humanitarian policy reflects the founding values of the European Union: solidarity, respect for human dignity, equality and tolerance.

Taking as an example the year 2005, the EC provided €652.5 million in humanitarian assistance to help people in 84 countries, to fund disaster preparedness activities and to provide capacity-building support to international organisations. Through its provision of timely and effective humanitarian aid, the European Commission's Directorate General for Humanitarian Aid (DG ECHO) continued to demonstrate its commitment to implementation of the "principles and good practice of humanitarian donorship" (in the framework of the Good Humanitarian Donorship initiative). With reference to humanitarian policy, a consultation of partners and EU Member States is under way, which will feed into a Policy Statement on EU humanitarian aid, to be issued in the course of 2007.

*This Memorandum aims to summarise the principal aspects of the EC's current development and humanitarian effort, highlighting progress that has been made against the DAC's recommendations in the 2002 Peer Review and the 2004 Mid-Term Review. It does not, however, attempt to replicate the details of our bilateral and multilateral work here: we invite the reviewers to refer to the additional material signposted throughout this document.*

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## 1. STRATEGIC FOUNDATIONS AND NEW ORIENTATIONS

### 1.1. The new EU development policy - the 'European Consensus on Development'

This tripartite **development policy statement** was endorsed last year by the European Parliament, the Council and the Commission, and complemented by the 'EU Strategy for Africa'.

The European Consensus on Development was adopted by the European Union (EU) in December 2005. This strategic policy document builds upon the 2000 European Community (EC) Development Policy Statement - in order to ensure policy continuity - while addressing the shortcomings highlighted in the Assessment of the EC Development Policy<sup>2</sup>. The primary and overarching objective of EU/EC development policy is the eradication of poverty in the context of sustainable development.

The Consensus provides a revised, firmer and more coherent strategic foundation for EU development co-operation, thanks to the following elements

- First, it reflects global changes that have occurred since 2000 and addresses new challenges, particularly in relation to security, migration and the social dimension of globalisation.
- Second, it is adapted to the enlargement of the EU with 12 new members.
- Third, it fully integrates the new commitments of the international community and clearly states its support for the Millennium Development Goals agenda.

Furthermore, the Consensus has introduced major political innovations:

- The first concerns greater involvement of all EU institutional players in the formulation of a common EU vision of development policy. For the first time ever, the Consensus is a Joint Statement by the European Commission, the Council of Ministers, EU Member States, and the European Parliament.
- The second innovation relates to the interaction between individual EU Member State aid and that of the European Community. In spite of its overall aid volumes, the EU seldom appears as a single, coherent player on the world stage. The Consensus now provides a common policy vision for both the Member States and the EC.
- The third has to do with clarification of the scope of the Consensus, through the clear statement that it will guide Community and Member State development co-operation activities, defined as ODA by the DAC, in all developing countries.

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<sup>2</sup> Development Policy Statement Study Report. 18 February 2005. ECDPM, ICEI, ODI

Since the adoption of the European Consensus, the Commission has focused on ensuring its objectives and principles are consistently reflected in the regional strategies under preparation.

The 'EU Strategy for Africa' can thus be regarded as the first application of the Consensus and the first integrated European political framework to improve co-ordination and coherence of EU and Member State policies and instruments. Other strategies (EU-Latin America, EU and the Pacific, etc) have also drawn upon the Consensus to promote a consistent view of the world while recognising the need for differentiation.

Furthermore, the policy content of the Consensus has been integrated into the drafting of the new Regulation N° 1905/2006 of the European Parliament and the Council on establishing a financing instrument for development co-operation (DCI) that will regulate aid expenditure in the next Community multi-annual budgetary framework (the so-called 2007-13 Financial Perspectives). Programming guidelines for the 10<sup>th</sup> European Development Fund (2008-2013) have also been prepared on the basis of the Consensus, including the definition of areas of Community action and the principle of concentration at the country level.

## **1.2. The European Community's comparative advantage: institutional and strategic roles on co-ordination**

Within its competences as conferred by the Treaties, the Commission has a wide role in development. Its global presence, its promotion of policy coherence for development, its specific expertise, its right of initiative at the Community level, its facilitation of co-ordination and harmonisation, as well as its supranational character, are of special significance. All these features enable and promote complementarity with the bilateral policies of Member States and other international donors.

On behalf of the Community, the Commission can provide added value through the following roles:

- global presence - in more countries than even those where the largest Member States are active, including in fragile states where Member States have often withdrawn;
- advocate of 'policy coherence for development' in the Community's activities with Member State support, drawing on its own experiences and exclusive competence in trade;
- promoter of development best practice by stimulating, together with the Member States, the European debate on development;
- facilitator of co-ordination and harmonisation, by playing an active role in implementation of the Paris Declaration on Aid Effectiveness
- delivery agent in areas where size and critical mass are of special importance;
- supporter of democracy, Human Rights, good governance and respect for international law, with special attention to transparency and anti-corruption;

- promoter and facilitator of civil society participation and North-South solidarity.

### 1.3. Development co-operation in the EC's external relations

The EC has a wide range of development instruments at its disposal. Policies towards Africa, the Caribbean and the Pacific, as well as in relation to South America, Asia and the 'Neighbourhood' countries, demonstrate the EC's commitment to eradicating poverty and promoting sustainable development, including the pursuit of the Millennium Development Goals (MDGs) and effective multilateralism in the context of globalisation. EC assistance for enlargement countries and for countries in the 'Neighbourhood' also aims at supporting their political, economic and social development. In addition, action is taken to respond to crisis, reconstruction and rehabilitation needs in countries such as Iraq and Afghanistan. In assisting these countries, the needs of the poorest communities are of course addressed.

Together with the national administrations of the Member States, the European Commission seeks within its areas of competence to strengthen the coherence of the different aspects of EU external relations, to develop its commitment to effective multilateralism and to help the European Union to fulfil its potential as a major political actor in the international community. There is a need for strong and sustained efforts to develop synergies between EU external and internal policy objectives (including security, development, Human Rights, trade, agriculture, energy, environment, migration, dealing with global pandemics) and to enhance the complementarity of the various activities of the Union at both EU and Member State level. Good progress has been made in this direction and various measures in the pipeline are expected to further enhance the coherence, efficiency and visibility of EU policies and instruments.

*Documents:*

- *COM (2006) 278 Communication from the Commission to the European Council: Europe in the World - Some Practical Proposals for Greater Coherence, Effectiveness and Visibility.*

### 1.4. Regional strategies

In 2005, the EU further developed its **partnership approach**: countries are now offered a framework for their relationship with the EU which is both collaborative and tailored to their situation. The year saw major advances in the strengthening of these partnerships with the countries of the Western Balkans, Russia, Latin America, India, China, and the ACP countries. It has also been a key year for the European Neighbourhood Policy.

#### 1.4.1. Africa

In **December 2005**, the EU reinforced its commitment to the African continent when the **European Council** adopted the 'EU Strategy for Africa', constituting an overall integrated and long-term framework for interaction between the whole of Europe and Africa at all levels: pan-African institutions such as the African Union, regional organisations and national authorities.

The overarching goals of the Strategy are to **support Africa's efforts to reach the UN Millennium Development Goals (MDGs)** and make Europe's partnership with Africa more effective.

The Strategy is built on the following pillars:

(i) Without **good governance** and **peace and security**, no lasting progress is possible. The EU will therefore support both the African Union and individual African countries in this respect. For example, the EU is financing the African Peace Facility, which is the main source of financing for the peacekeeping operations undertaken by the African Union and the African sub-regional organisation, as well as for building the capacity of these organisations in peace and security matters. Co-operation with African sub-regional organisations is crucial in this context, as they are the building blocks of the African Peace and Security Architecture.

(ii) **Trade, regional integration and interconnectivity** are necessary factors to promote economic growth. Without economic growth, it is not possible to beat poverty. The EU has therefore launched the negotiation of Economic Partnership Agreements with the objective of supporting development in the ACP countries and their gradual integration into the world economy, and promoting the development of regional integration and regional markets. A new Europe-Africa Infrastructure Partnership has been proposed to improve transport, energy, water and Information and Communication Technology networks on the African continent. In addition, the first **EU-Africa Business Forum** took place in November 2006.

(iii) **More support is needed in areas that increase living standards directly, such as health, education, and a safe environment.** Most of the activities in these fields need to be taken close to the people and will therefore be part of country-specific programmes. At the continental level, the EU will for example support the African Union in setting up the Nyerere Programme, a student exchange scheme for improving higher education.

#### 1.4.1.1. Implementation

One of the major advantages of the Strategy is that it is a platform for both Community aid, financed from the EU budget and the European Development Fund, and the bilateral aid programmes financed and implemented by the EU Member States. As far as the European Commission is concerned, in addition to the specific instruments with a continental dimension, the Strategy will be implemented via the European Development Fund. The EU is currently negotiating specific strategies with each partner country and region for the period 2008-2013.

#### 1.4.1.2. Complementary strategies for specific African countries and regions

In addition, as the African continent is vast and varied, there is a need for more specific frameworks for certain countries or regions. The first proposal in this connection, presented on 28 June 2006 by the European Commission, seeks to upgrade the EU's relations with South Africa to a Strategic Partnership, covering political and economic relations and building on existing privileged relations.

#### 1.4.1.3. Review and continued debate on Africa

The first review of the Strategy will take place at the December 2006 European Council. Providing input to this debate, EU Commissioner Louis Michel and the Secretary General/High Representative (SG/HR) Javier Solana presented a **joint Progress Report to the General Affairs and External Relations Council on 17 October**. The Report takes stock of the progress made in 2006 and summarises the main actions taken at Community and Common Foreign and Security Policy (CFSP) level to implement the Strategy. The Report shows that, since its adoption in December 2005, the 'EU Strategy for Africa' has become the central reference for action by the Commission and the SG/HR in planning and implementing their activities with, or in, Africa. **The review shows that the 'EU Strategy for Africa' has helped intensify dialogue with the pan-African institutions. The Commission has taken the Strategy as a starting point for the programming of relevant EU aid instruments.**

Numerous measures have been taken to foster peace and security and to help African partners strengthen their own capacity in this field.

Much attention has been devoted to the promotion of **Human Rights, the rule of law and good governance** through a strengthened political dialogue with partner countries and new programmes in African countries that increasingly address governance support in a holistic way.

Another key area of the 'EU Strategy for Africa' is the promotion of economic growth by stimulating trade, regional integration and interconnectivity.

As far as development issues are concerned, co-operation with the African Union and other African partners has intensified in a wide range of areas. Examples include: **migration, higher education**, co-operation with African authorities regarding **avian flu**, numerous ongoing activities in the area of **science, technology and research** and Community support for the **fight against HIV/AIDS**, including via contributions to the Global Fund.

#### 1.4.2. *The Caribbean*

The strategies for the Caribbean and the Pacific have been prepared by the Commission with the aim of focusing the implementation of the revised Cotonou Agreement on the specific issues in each region.

The EU Communication on an EU-Caribbean partnership for growth, stability and development was adopted at the beginning of March 2006, based on a Communication proposed by the Commission.

The EU's political objective is to revitalise Europe's relationship with the Caribbean and help the region address its specificities. The identity and characteristics of the Caribbean region, its prominent role within the ACP group of states and its attachment to the Cotonou Agreement constitute the basis of its special relationship with the EU and the need for an appropriate policy approach, hence a specific Caribbean Communication.

The EU's overarching objective is to assist all the countries in the region to achieve their long-term development goals. This includes the MDGs and poverty reduction, the consolidation and extension of the region's human development achievements, and the ambition expressed by some of the Caribbean MICs to join the ranks of the developed states by 2020, at the expiry of the current Cotonou Agreement.

#### 1.4.3. *The Pacific*

The strategy for the Pacific reaffirms the EU's commitment to support the eradication of poverty and the achievement of the MDGs in the region, by addressing the key issues of development, stability, regional and economic integration, environmental vulnerability and governance.

This strategy reflects the realisation that the Pacific is becoming increasingly important to the rest of the world, particularly for its abundant natural resources, including very rich biodiversity. At the same time the Pacific is showing more and more signs of fragility.

This year alone there have been serious security problems in Timor-Leste, the Solomon Islands, Tonga and now Fiji.

The strategy consists of three components:

- a strengthened partnership to pursue a broad political dialogue
- more focused development action, including more focus on regional co-operation, notably as defined in the region's own Pacific Plan. The main focus for our co-operation will be sustainable management of natural resources - the so-called 'blue-green' strategy.
- more efficient aid delivery, including greater use of budget support and closer co-ordination with other partners, in particular Australia and New Zealand.

#### 1.4.4. *Neighbourhood Policy*

The European Neighbourhood Policy (ENP) is the EU's main external relations priority and was developed in the context of the EU's 2004-2007 enlargement. Through the ENP, the EU is seeking to promote good governance and economic development in its vicinity. The ENP offers partner countries a new kind of relationship with the EU, going beyond development co-operation to include closer political links and economic integration. In addition to these incentives, it offers support to meet EU norms and standards, as well as assistance with reforms that will stimulate economic and social development. In turn, ENP partners commit themselves to strengthening the rule of law, democracy and respect for Human Rights and to promoting market-oriented economic reforms. The ENP also helps address migration, border control, cross-border crime, extremism and security-related issues. These commitments are monitored regularly.

Bilateral Action Plans are key elements of the ENP. They are jointly agreed with partners and identify priorities for action in a broad range of areas, including political dialogue and reform, trade and economic reform, equitable social and economic

development, justice and home affairs, energy, transport, information society, environment, research and innovation, the development of civil society and people-to-people contacts. The implementation of this comprehensive reform programme will contribute to improving the economic and social situation of the partner countries, including the poorest communities.

How far and how fast each partner progresses in its relationship with the EU depends on its capacity and will to implement the agreed reforms. The ENP is designed as a partnership in a reform process in which progress is rewarded with greater incentives and benefits. Its principles include differentiation and joint ownership so that the Action Plan agreed with each partner is keyed to its particular needs and capacities. The ENP covers the following countries: Algeria, Belarus, Egypt, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, the Palestinian Authority, Syria, Tunisia, Ukraine, Armenia, Azerbaijan and Georgia. Seven countries adopted Action Plans in 2004 and others are following.

On 4 December 2006 the Commission set out new proposals to strengthen and further develop the European Neighbourhood Policy ([ENP](#)). The first 18 months of implementation of the ENP have shown good results. The new Communication seeks to increase the impact of the policy by proposing ways in which the EU can help to speed up and improve the reform process for partners who are willing to undertake reform, and offering incentives to convince those who are still hesitant. The Neighbourhood Policy will thus be brought into sharper focus, concentrating on key areas of mutual interest like people-to-people contacts, deepening trade relations, stronger co-operation on energy, migration and visa issues as well as financial support. A new Neighbourhood Investment Fund will be an important element.

*Document:*

- [http://ec.europa.eu/world/enp/pdf/strategy/strategy\\_paper\\_en.pdf](http://ec.europa.eu/world/enp/pdf/strategy/strategy_paper_en.pdf)

#### *1.4.5. Latin America*

Given their shared cultural values and common objectives on many important policy issues and their long-standing political, economic and co-operation links, the EU and Latin America have in recent years committed themselves to a strategic partnership. Political dialogue has been strengthened through four EU-Latin America Summits, the last of which was organised in Vienna in May 2006, and Association Agreements are being established or negotiated (Mercosur, Andean Community and Central America).

This partnership was further emphasised by a Communication from the Commission on *A Stronger Partnership between the European Union and Latin America* (December 2005), which proposes the stepping up of political dialogue between the two regions, stimulating economic growth and commercial exchange, encouraging regional integration, tackling inequality and promoting social cohesion, and tailoring development and aid policy more closely to the real conditions of Latin American countries. The Vienna Summit Declaration of May 2006 contains recommendations to deepen this alliance between the two regions.

The Commission's activity in Latin America is focused mainly on strengthening social cohesion, fostering regional integration and promoting mutual understanding. To these ends the Commission is active in many sectors such as health, education, energy, stimulating interconnectivity, democracy and Human Rights, food security and sustainable development, institutional capacity-building, good governance and the rule of law. It is also involved in reconstruction programmes (e.g. in Central America), in disaster preparedness, in technical assistance linked to trade and integration, and in regional programmes.

The objective of poverty alleviation and especially social cohesion is at the heart of the Commission's aid and co-operation policy for the period 2007-2013. For **Low Income** and **Lower Middle Income Countries**, the Commission's aid will include budgetary and sectoral support programmes which, provided the necessary conditions are met, will focus on supporting poverty reduction and social cohesion strategies. The Commission will also give support to **Higher Middle Income Countries**, with more emphasis on targeted activities in the fields of economic co-operation, trade and investment promotion.

*Documents:*

- *COM (2005) 278 Communication from the Commission to the European Council and the European Parliament: "A stronger partnership between the European Union and Latin America".*
- *EU-Mexico Political and Economic Co-operation Partnership in 2004; Association Agreement with Chile concluded in 2004*

#### 1.4.6. Asia

Asia is diverse in population, languages, religions, traditions and cultures; it is also a crucial partner for the EU, whether economically, politically or culturally. The region accounts for more than half of the world's population and a quarter of the economic wealth created every year. Challenges and opportunities exist for the EU with key partners on the world scene: China, India and South East Asia. Poverty remains a significant challenge as the region is still home to two-thirds of the world's poorest people. Major threats like terrorism, a revived drug production and the risk of nuclear proliferation also prevail in Asia.

In view of the region's importance, the EU is building a strategic framework for EU-Asia relations based on stronger political dialogue, enhanced trade and a sustained level of development co-operation. The EU is conscious of the challenge posed by the rise of China, India and South East India in the context of globalisation and the ongoing debate in the EU on the subject.

The current political priority is **to strengthen the presence of the Union as a global player in Asia** through:

**Boosting strategic engagement with key partners in Asia.** The bilateral relations with the two major countries of the region, China and India, are very important and have developed dynamically since 2002. In China, the co-operation programme underpins the strategic EU-China partnership by supporting China's internal reform

programme and sustainable development, in the context of the country's increasing importance on the world stage (e.g. environment, energy, climate change). The EU-India Strategic Partnership and the Joint Action Plan cover activities ranging from economic co-operation to support for sustainable development, including support *inter alia* for extensive dialogue on the energy sector (clean coal technologies, renewables, etc) and on the environment (climate change) with a view to supporting Indian reforms.

The EU is currently negotiating bilateral Partnership and Co-operation Agreements with several ASEAN countries: these are intended to provide the basis for overall co-operation and further development of the bilateral relationship with these countries. Accordingly, the scope of these agreements is comprehensive, covering both economic co-operation and political aspects such as trade and investment, environment, migration, Human Rights and the fight against terrorism.

Key dialogue partners for the EU in the region are: the Asia-Europe Meeting (ASEM), the ASEAN Regional Forum (ARF), the South Asian Association for Regional Co-operation (SAARC) and the Association of South East Asian Nations (ASEAN).

**Enhancing security, stability and sustainable development.** At bilateral and regional level, the EU continues its dialogue with Asian partners on global and regional security issues, and supports the peace process and humanitarian aid in several countries. The EU promotes Human Rights, democracy and the rule of law, and continues its contribution to the sustainable development of the region in line with the Millennium Development Goals, in particular in the Least Developed Countries. The EU accelerated the reconstruction process in the countries affected by the Tsunami in December 2004 and improved its capacity to prevent and respond to pandemics and disasters.

**Setting up a strategic co-operation framework for 2007-2013.** The new financial perspectives for the EU for the years to come and the new instruments available for external co-operation will encompass, as in the past, significant assistance at country and regional level but also thematic programmes additional to official assistance, allowing a more active participation of civil society and creating a coherent menu of EU policies at external level. Further priority will be given to improving donor co-ordination including the harmonisation of procedures.

The EU has much to offer to Asia: it is the largest single market in the world, the most important source of foreign direct investment, and the largest source of official development assistance and humanitarian aid. The EU's own diversity and history of integration may be relevant in addressing issues like regional co-operation and social policy. EU focused on protecting Human Rights, and promoting democracy and the rule of law, can also have economic and political significance.

Responding to the fact that many Asian countries are off-track on the health and education-related MDGs, the Commission has programmed almost 40% of its co-operation in these two social sectors. General poverty reduction budget support, rural development and food security are key areas for the achievement of MDG 1. The Commission sees economic growth and governance issues as key contributory

factors to the overall achievement of the goal of poverty reduction. The Regional Programme for Asia covers sub-regional co-operation (ASEM, ASEAN, SAARC), Asia-wide programmes on trade, investment, research and higher education, and multi-country programmes (aid to uprooted people and the fight against avian and pandemic influenza).

*Documents:*

- *Commission Communication 'Europe and Asia', 2001.499*
- *COM (2006) 631: EU- China: Closer partners, growing responsibilities*

## **1.5. Humanitarian aid policies: linking humanitarian aid and development assistance**

### *1.5.1. Linking humanitarian aid and development assistance*

The European Consensus further clarifies and strengthens the EU's approach to linking relief, rehabilitation and development, by improving its response in the wider context of difficult partnerships and fragile states.

Some developing countries are particularly vulnerable to natural disasters, climate change, environmental degradation and external economic shock. The Member States and the Community will support disaster prevention and preparedness in these countries, with a view to increasing their resilience in the face of such challenges.

Linking Relief Rehabilitation and Development (LRRD) is of particular importance to the Commission. Operating at the very beginning of the LRRD continuum, the mandate of humanitarian aid is to react swiftly and adequately to protect lives in crises and their immediate aftermath. Humanitarian aid should in principle not be used as a substitute for development aid. The rapid phasing out of short-term relief assistance and its replacement by more appropriate long-term aid instruments is therefore essential to ensure aid continuity in an effective and adequate manner. However, there are still many situations where humanitarian aid has to be continued to ensure there is no rupture in the provision of assistance to vulnerable communities. DG ECHO's exit strategy from such situations depends on the timely mobilisation of more appropriate long-term rehabilitation and development aid instruments.

The relevant OECD DAC guidelines recommend that, where possible, LRRD be built into the design of operations from the outset and that the same flexible and pragmatic approach be applied to decisions on the funding of rehabilitation operations as to humanitarian aid.

In a post-crisis situation, development will be guided by integrated transition strategies aiming at rebuilding institutional capacities, essential infrastructure and social services, increasing food security and providing sustainable solutions for refugees, displaced persons and the general security of citizens. As a fervent promoter of co-ordination and harmonisation amongst donors EU action will take place in the framework of multilateral efforts including the UN Peacebuilding Commission, and will aim to re-establish the principles of ownership and partnership.

Besides countries experiencing conflict, the EC will continue to provide assistance in security issues for those countries that are instable or in a transition situation, but for whom the absence of security is a major brake to development.

Further information on peace and security is provided in item 3.2.4.

## **1.6. Pre-accession policy**

The EU's pre-accession strategy currently encompasses the Western Balkan countries included in the Stabilisation and Association Process and Turkey, and aims at preparing them for accession to the EU. It covers candidate countries Croatia, the Former Yugoslav Republic of Macedonia and Turkey, and potential candidate countries Albania, Bosnia and Herzegovina, Montenegro and Serbia, including Kosovo as defined by UN Security Council Resolution 1244.

The central elements of the pre-accession strategy are the Accession and European Partnerships which, based on the findings of the Commission's progress reports, set out priorities for each of these countries to progress towards EU membership and provide a framework for EU assistance.

Pre-accession assistance supports these countries' efforts to align progressively with the standards and policies of the European Union, including where appropriate the *acquis communautaire*, with a view to membership. Assistance is provided for transition and institution-building, for cross-border co-operation, as well as for regional, human resources and rural development. Pre-accession assistance contributes to sustainable development and poverty reduction.

## **1.7. Relations and partnerships with international organisations and other donors**

The European commitment towards multilateralism is at the centre of the EU's external policies. The long-standing relationship of the EU and EC with the UN today goes beyond the strong financial support that has been provided traditionally for UN efforts in the areas of development assistance, food aid and humanitarian assistance. The EC recognises as strongly as ever the specific nature and importance of the UN as the centre of its multilateral approach. The EC is a natural ally of the UN which possesses global legitimacy, has a global mandate and has at its disposal expertise and resources that can contribute positively to the achievement of the EC's policy priorities in the field of development.

The past years have seen a steady increase in interaction and co-operation between the EU and the UN at all levels. Since 2004, the Commission has concluded a series of Strategic Partnerships through Memoranda of Understanding (MoU) in the field of development and humanitarian aid with several UN agencies, funds and programmes, with the aim of further developing and facilitating policy dialogue and co-operation. In 2005, the value of grants awarded by the Commission to UN organisations was €921.58 million. To date, six Strategic Partnership agreements have been signed: with UNDP (June 2004), WHO (July 2004), ILO (July 2004), FAO (September 2004), UNHCR (February 2005) and WFP (September 2005).

Since the year 2000 there has been a dynamic expansion of co-operation and dialogue between the Commission and the World Bank on development co-operation

issues, based upon a series of MoUs covering geographical or thematic aspects. Aid delivered by the Commission through trust funds managed by the World Bank since 2002 amounts to about €500 million/year.

The co-operation between the Community and the European Investment Bank (EIB) refers to policies and programmes. As regards policies, the Commission extends a partial or full budgetary guarantee on the Bank's external lending to the Mediterranean countries, Eastern Europe (including the 12 new Member States until their accession), Asia and Latin America (the EIB "external mandates"). The aim is to achieve better alignment between the EIB's external lending and Community priorities and new instruments. This implies the close association of the EIB with the finalisation of Country Strategy Papers (CSPs) and Action Plans. The EIB is also involved in the comitology and policy discussions with third countries.

The Commission also aims to achieve closer co-operation between its delegations and EIB field offices for project identification, implementation and monitoring. As regards operations, the EIB provides external lending both within and outside the guarantee mechanism of the Community budget. As regards "guaranteed" lending during the period 2002-2006, the EIB overall external mandate covered by the Community guarantee amounted to around €20 billion.

Some €9.2 billion were destined for South Eastern neighbours (by the end of 2005, €7.8 billion were earmarked for this region). The EIB mandate for the Mediterranean region amounted to €6.5 billion (including FEMIP). Of this total, €6.3 billion were earmarked by the end of 2005. The ALA mandate amounted to €2.5 billion, of which €1.9 billion were earmarked by the end of 2005. The mandate for South Africa amounted to €0.8 billion, which was almost all earmarked by end-2005. During the period under consideration, the EIB managed two special mandates for Turkey worth slightly more than €1 billion: these were fully earmarked by end-2005.

As regards the next programming cycle 2007-2013, the Commission will enhance its co-operation with the EIB, whose overall external mandates (covered by the Community risk guarantee) will amount to around €27.8 billion. A flexibility element is included to enable the bank to become active in post-disaster/post-war reconstruction situations and to mobilise lending resources for those politically sensitive countries which currently cannot be considered for EIB lending. For lending purposes, pre-accession countries and the ENP countries will have priority. In Eastern Europe and Central Asia in particular, co-operation will involve both the EIB and the European Bank for Reconstruction and Development. This will be supported by a tripartite Memorandum of Understanding.

The European Community is a shareholder of 3% of capital in the EBRD and is represented by the Commission on the Board of Governors and the Board of Executive Directors. This active participation in the governing bodies facilitates the promotion of EU policy priorities, including through the co-ordination of EU Member States' Executive Directors. EC and EBRD co-operation and co-ordination covers the EBRD's different countries of operation, notably the new Member States, candidate and potential candidate countries and the Eastern Neighbourhood, as well

as the Bank's policies, sector and country strategies and projects. The Bank is also associated with the elaboration of the EC's programming documents.

Closer co-operation is being promoted between the European Commission, the EIB and EBRD through the preparation of Structural Funds projects in the new Member States and through the tripartite Memorandum of Understanding, signed on 15 December 2006, that provides for joint financing of projects of significant interest to the EU in the field of infrastructure in Eastern Europe, Southern Caucasus, Russia and Central Asia. In order to improve the delivery of the EU's external assistance, the Commission intends to set up a Neighbourhood Investment Fund to provide grant support for lending operations carried out by the EIB and the EBRD, and possibly Member States' development finance institutions, in line with established EU priorities.

## **1.8. The role of other EU institutions**

Relations with the other EU Institutions cover three broad areas: the legislative, the broader political and the budget domains.

### *1) Legislative issues*

In the legislative field, the 'co-decision procedure'<sup>3</sup> applies to most aspects of development co-operation under the general EU budget, under which the Commission's proposal is modified and/or adopted jointly by Parliament and the Council, both having equal rights. On the other hand, co-operation with ACP countries is based on the Cotonou Agreement<sup>4</sup> and not on the EC Treaty, and is financed from the European Development Fund (EDF) which lies outside the general EU budget.<sup>5</sup> Parliament's role in this field is limited.

### *2) Non-legislative issues*

Parliament draws up reports on the major communications adopted by the Commission in the area of development co-operation and often adopts resolutions on its own initiative concerning issues of current political importance.<sup>6</sup>

A good example of fruitful co-operation between institutions is the adoption of the 'European Consensus' on development policy where Parliament and the Council were involved from an early stage in the preparation of the document. The Consensus was subsequently endorsed in a joint statement by the Council and the Representatives of the Governments of the Member States meeting within the Council, the European Parliament and the Commission.

In the Council, development issues are dealt with in the General Affairs and External Relations Council (GAERC), in the framework of which Development Ministers meet formally twice a year (once under each Presidency) with the possibility of

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<sup>3</sup> Article 251 of the EC Treaty

<sup>4</sup> [http://ec.europa.eu/development/body/cotonou/pdf/agr\\_rev\\_en.pdf#zoom=100](http://ec.europa.eu/development/body/cotonou/pdf/agr_rev_en.pdf#zoom=100)

<sup>5</sup> <http://europa.eu/scadplus/leg/en/lvb/r12102.htm>

<sup>6</sup> <http://www.europarl.europa.eu/activities/expert/committees/reports.do?committee=1233&language=EN>

further informal meetings if deemed necessary. The Council's relevant working groups<sup>7</sup> draw up draft conclusions subsequently adopted by the Council of Ministers.

In accordance with the declarations n° 4 and 5 to the 'Interinstitutional Agreement on budgetary discipline and sound financial management' of 17 May 2006, the Commission has committed itself to entering into a regular dialogue with the European Parliament on the content of the draft Country, Regional and Thematic Strategy Papers ('democratic scrutiny') under the new co-decided instruments for the financing of external action and to take due account of the position of the European Parliament when implementing the strategies.

### *3) Budgetary matters*

The Council and Parliament are two arms of the budgetary authority, deciding jointly on the expenses contained in the general EU budget,<sup>8</sup> thereby contributing to the setting of annual priorities. Parliament also gives the yearly discharge to the Commission for its handling of the funds. Each EDF is concluded for a period of five years<sup>9</sup> and functions on an intergovernmental basis: its possible inclusion in the general budget is the subject of a recurring debate.

## **1.9. Public support for aid and awareness of development issues**

The most recent development-related 'Eurobarometer' exercise, entitled 'Attitudes towards Development Aid', was published in February 2005. The survey was conducted in the 25 EU Member States in November 2004.

13 questions relating directly to development issues were included; focusing in particular on the **Millennium Development Goals (MDGs)** and on **perceptions of development aid**.

At that time, four years after the adoption of the MDGs, awareness levels were still low. The highest level was in Sweden, at 27%, while the lowest levels were recorded in France and Malta (4% each).

With regard to **perceptions of development aid**, awareness levels were higher: 91% of those surveyed said they recognised the importance of helping people in poor countries.

DG Development will launch a new exercise, also entitled 'Attitudes towards Development Aid', in February 2007.

Concerning the activities related to public awareness, DG DEV launched two major operations in 2004/2005:

- (1) Analysis via an external consultant of the media environment of 10 new Member States. In the same context, an in-depth analysis of the audiences

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<sup>7</sup> Essentially the Development Committee (CODEV) and the ACP Committee, with contributions often from the Africa and other Working Groups.

<sup>8</sup> Article 272 of the EC Treaty

<sup>9</sup> Six years under the new financial perspectives

was carried out. Elements and conclusions of this assessment were a key tool for the organisation of technical seminars related to development in all the new Member States.

- (2) Within the 'Eurobarometer' framework, an opinion poll running since 2004 concerning citizens' attitudes towards and knowledge of the Millennium Development Goals and the European Union's progress towards these goals.

These activities contributed to adaptation of the Development Directorate-General's communication plan during the campaign on the MDGs before, during and after the New York Summit in September 2005.

## **1.10. Policy context and strategic orientations**

### *1.10.1. International context: Millennium Summit and Paris Agenda*

The EC was actively involved in the preparations for the UN World Summit in September 2005, with the aim of ensuring that the event would have an ambitious outcome. The Commission has since stayed fully engaged in the follow-up to and implementation of the Summit results. As for the Summit itself, the Commission provided substantive contributions to the definition of the EU's positions during the run-up to the event. The EU's positions were largely based on three Commission Communications known as the "Development Package", adopted on 12 April 2005 with the primary aim of accelerating progress to achieve the Millennium Development Goals, focusing on increasing aid volumes and improving aid effectiveness and paying greater attention to policy coherence, as well as placing a specific focus on Africa. The Commission also adopted a Communication on the Summit issues on 15 June: "The 2005 Summit - Addressing the global challenges and making a success of the reformed UN".

The Summit outcome further strengthened the standing of the MDGs as the overall framework for global development efforts. It also led to progress on UN reform, including the creation of the Human Rights Council and the Peacebuilding Commission, both of which have required the EU and the EC to adapt to the new institutional set-ups of these fledgling UN bodies. The first meetings of the Peacebuilding Commission (PBC) have demonstrated that this new body has potential to become very influential in co-ordinating global peace-building efforts, and the Commission has invested heavily in contributing to the deliberations of the PBC and in putting its experience to use in the new body.

The Commission's efforts to step up coordination with Member States (European Consensus on Development) and other donors is illustrated by the close collaboration after the Tsunami with governments, civil society in the affected countries, international NGOs and financial institutions. In helping to co-design delivery mechanisms, such as reconstruction trust funds with governments and the international community, the EC ensured that affected communities were also fully involved in designing reconstruction projects.

The **Paris Declaration** of 2 March 2005 on Aid Effectiveness established a commitment to set and track targets using 12 Indicators of Progress. The targets and

indicators are designed to monitor progress at the global level among the signatories of the Declaration.

The 12 indicators track progress in accordance with the **five partnership commitments** included in the Paris Declaration:

*Ownership* of the partner country; *alignment* of the donors on the countries' national development framework.

*Harmonisation* of donors' actions; *management for results*; and *mutual accountability* of donors and partners for the results. The EU is committed to a timely implementation of the Declaration. The Commission reports regularly on progress achieved in respect of the aid effectiveness agenda at EU level and submitted a report on 2005 country-level implementation to the Council.

To that end, it has developed an interactive tool for delegations to simplify reporting progress on alignment and harmonisation.

#### 1.10.2. *Financial Perspectives 2007-13 and Instruments*

Under the Financial Perspectives 2007-13, the new external action instruments set out the framework for a new and simplified political and administrative structure for delivery of Community assistance. The new financing instruments replace the existing range of geographical and thematic regulations, which featured significant differences in programming and comitology (exercise of the Commission's implementing powers with participation of a committee composed of representatives of the Member States and chaired by the Commission). For these reasons, it sometimes proved difficult to manage the Community's programmes on the basis of such a mixed and complex set of instruments.

Against this backdrop, five horizontal instruments have been developed to respond to particular needs - an Instrument for Stability (IfS), an Instrument for Nuclear Safety Co-operation (INSC), a European Instrument for Democracy and Human Rights (EIDHR)<sup>10</sup>, and the already existing humanitarian aid<sup>11</sup> and macro-financial assistance instruments. With regard to geographical coverage, four instruments will implement particular policies - the Instrument for Pre-accession Assistance (IPA), the European Neighbourhood and Partnership Instrument (ENPI), the Instrument for Development Co-operation (DCI), and the Instrument for Co-operation with Industrialised Countries (ICI). The DCI covers geographical co-operation with developing countries except African, Caribbean and Pacific Countries (ACPs), with which financial co-operation is still primarily under the European Development Fund (EDF), as the European Council decided in December 2005 that the EDF should continue to be financed separately from the budget.

Apart from geographical co-operation, the DCI also contains thematic programmes which replace the existing thematic regulations and also apply to countries that are eligible for funding under the ENPI and the EDF. The proposed simplification will

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<sup>10</sup> OJ L386 of 29.12.2006, p. 1

<sup>11</sup> OJ L163 of 2.7.1996, p. 1

have an impact on the way thematic programmes are legally defined and managed in the future. Geographical programmes will be the preferred instrument for co-operation: thematic programmes are meant to complement geographical co-operation where better results can be achieved at a thematic level, including in situations of difficult partnerships (fragile states, internal conflicts) or when promoting the external dimension of internal policies. The new Financial Perspectives have also reconfirmed the validity of the macroeconomic assistance instrument, which the Commission has managed since the early-1990s.

#### 1.10.2.1. Global Funds

Global initiatives and funds are powerful instruments for launching new political measures or reinforcing existing ones where their scope is insufficient. They are capable of generating public awareness and support more effectively than traditional aid institutions. This kind of aid should be aligned with national strategies, contribute to the dialogue with countries and aim at the integration of such funds into their budget cycles.

The Commission will continue to contribute to global initiatives that are clearly linked to the MDGs and to global public goods. The added value of global initiatives and funds will have to be assessed on a case-by-case basis after Commission consultation with Member States and, where appropriate, with the European Parliament as regards budget provision. The Commission is committed to drawing up criteria for Community participation in global funds and contributions to them. In this context, it is supporting WB-OECD/DAC ongoing policy analysis to develop good practice principles for the alignment of global programmes at the country level, with a view to strengthening and complementing the Paris Declaration.

## 2. ODA VOLUME, CHANNELS AND ALLOCATIONS. MORE, BETTER AND FASTER AID

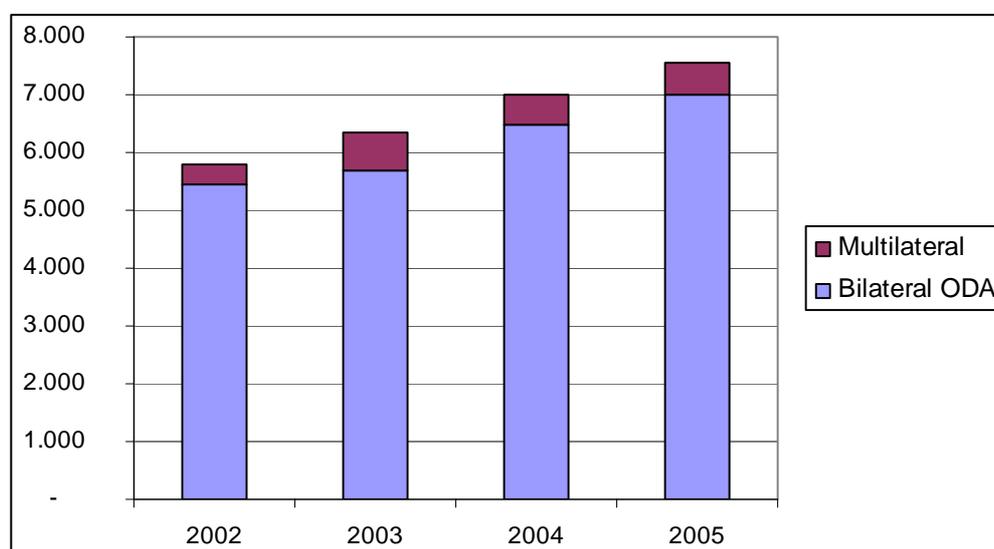
### 2.1. Overall volume: net ODA, composition of EC ODA, overall distribution by channel, instruments selected

#### 2.1.1. Aid volume

There has been a continuous growth in the volume of aid (net disbursements) during the period 2002-2005, with an increase between 2002 and 2005 of almost 31%. This is due to the additional resources committed, faster disbursement procedures, and a more accurate calculation of administrative costs.

The ratio between bilateral and multilateral aid has remained stable. Multilateral contributions have increased from 5% to 7% of the total ODA reported. However, the EC has considerably increased the resources channelled via international organisations (mainly the UN and WB) but, taking into account the characteristics of the programmes and the DAC Directives, most of this aid is declared as bilateral.

Table 1 - net disbursements ODA 2002-2005 (in €million)



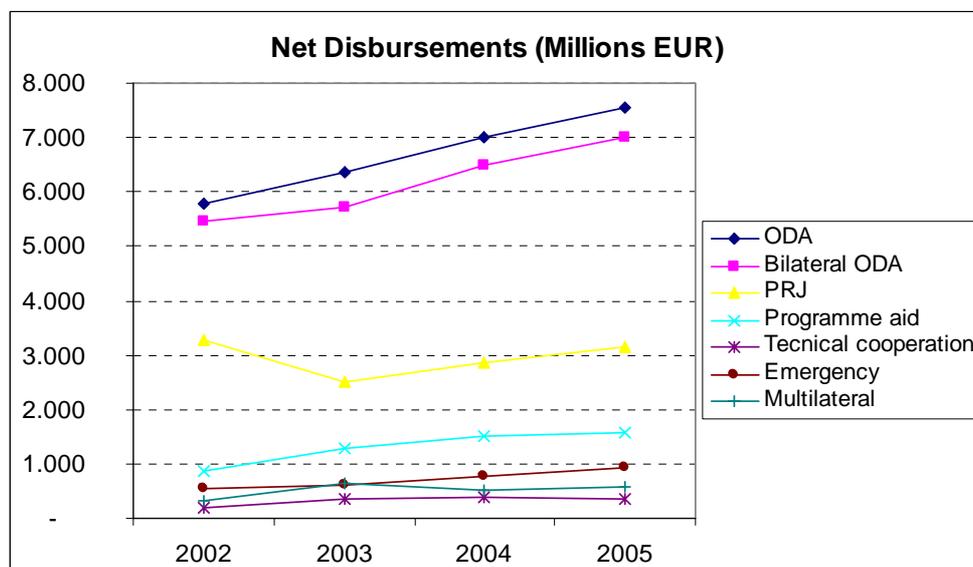
	2002	2003	2004	2005
Bilateral ODA	5 465	5 704	6 494	6 990
Multilateral	316	643	511	566

#### 2.1.2. Composition of aid and channels

Tables 2 and 3 show the composition of Bilateral Aid according to the main instruments indicated in Table DAC 1 (Investment Project Aid, Programme Aid, Technical Co-operation and Emergency). Investment project aid and programme aid (budget support and sector programmes) amount to 63% of the net disbursements in 2005. There has been an absolute as well as a percentage increase in Programme Aid disbursement, up to 21% of the total ODA reported in 2001. Given EuropeAid's commitment to increasing budget support and Sector Policy Support Programme

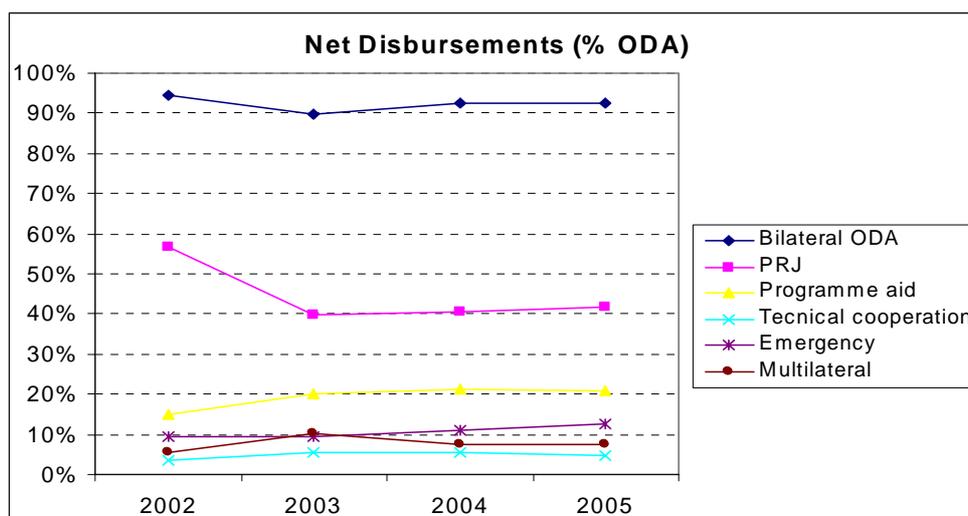
(SPSP) operations, this trend will continue in the future. The period has also seen a small increase in emergency operations.

Table 2



€million	2002	2003	2004	2005
ODA	5,781	6,349	7,006	7,555
Bilateral ODA	5,465	5,704	6,494	6,990
PRJ(Investment Project Aid)	3,284	2,522	2,845	3,146
Programme aid	859	1,286	1,502	1,567
Technical co-operation	204	357	386	359
Emergency	541	612	773	939
Multilateral	316	643	511	566

Table 3



The European Consensus clearly aims at using "standard, objective and transparent resource allocation criteria based on needs and performance", taking into account the characteristics of each region and the "particular difficulties faced by countries in crisis, in conflict or disaster-prone"<sup>12</sup>.

In the implementation of these general principles, the right balance has to be found between regions and, within each region, between needs-based and performance-based criteria. In ensuring greater selectivity, it is important to avoid being unduly backward-looking, penalising the poor in poorly governed countries and encouraging over-investment in 'donor darlings', leading to declining marginal utility of aid at the expense of difficult partnerships and fragile states.

In this context a clear priority has been given to LDCs and LICs, with a specific focus on Africa, while appropriate attention has also been given to Lower Middle Income Countries facing similar problems to LICs.

The geographical co-operation with the ACP region is not budgetised and mainstreamed within the Community budget, but will continue to be financed from the European Development Fund (EDF). Because the new programming cycle under the 10<sup>th</sup> EDF starts one year later than under the budget, covering the period 2008-2013 instead of 2007-2013, and bearing in mind that this region encompasses four-fifths of all LDCs and includes the whole of Sub-Saharan Africa, an innovative approach to aid allocation has been developed, integrating all the above concerns in a two-step approach<sup>13</sup>:

<sup>12</sup> Joint Statement by the Council and the Representatives of the Governments of the Member States meeting within the Council, the European Parliament and the Commission on European Union Development Policy: the European Consensus, 22.11.2005, § 64. The European Consensus further specifies (§ 65) that needs criteria include population, income per capita and the extent of poverty, income distribution and the level of social development, while the performance criteria include political, economic and social progress, progress in good governance and the effective use of aid.

<sup>13</sup> [http://www.cc.cec/home/dgserv/dev/body/theme/A1\\_prog-FED\\_csp-rsp\\_10<sup>th</sup>\\_FED.cfm](http://www.cc.cec/home/dgserv/dev/body/theme/A1_prog-FED_csp-rsp_10<sup>th</sup>_FED.cfm). More detailed information on the initial allocation model and the incentive tranche is available on request.

- (1) An initial allocation is determined at the beginning of the programming process on the basis of a purely quantitative, standard, objective and transparent aid allocation model. Besides the standard needs and performance criteria (with the exception of the political criteria), the model includes a set of vulnerability indicators (growth volatility, environmental sustainability of growth, and geographic isolation) and incorporates a number of investment climate indicators developed by the World Bank.
- (2) During the programming process an assessment is made of the level of governance of the partner country and the main weaknesses identified<sup>14</sup>. On this basis the EC starts a dialogue with the partner country, leading to a set of commitments whereby the partner country undertakes to address governance issues. On the basis of the present level of governance and recent trends on the one hand, and the relevance, ambitions and credibility of the reform agenda of the partner country on the other, the Commission then fixes an "incentive tranche", an additional allocation varying between 0% and 35% of the initial allocation.

This two-step approach deepens the dialogue with the partner country and enhances the ownership of the programming exercise through a contractual approach based on results-oriented indicators which can be monitored over time. The Commission does not introduce governance-related conditionalities since any "incentive tranche" is allocated upfront before the start of the programming cycle and is integrated within the multi-annual indicative programmes. However, a **contractual approach** is applied, whereby the partner country defines the (objectively measurable) commitments it is prepared to take on.

As in the past, the Commission will monitor the results at mid-term and end-of-term, on the basis of both needs<sup>15</sup> and performance. Performance will continue to be assessed on the basis of financial absorption capacity, sectoral performance in the key areas of Community interventions, and macro-economic and budgetary performance. In the ACP region it will now also be possible to include governance-related performance in light of the commitments made by the partner country at the start of the programming cycle and integrated into the Country Strategy Paper.

For the Neighbourhood countries, allocations are based on transparent and objective criteria taking into account specific characteristics and needs (population and UNDP Human Development Index), and two indicators reflecting "level of ambition" (in EU relations with each country) and progress towards agreed objectives: the Transparency International **Corruption Index** on the one hand, and a **surrogate indicator** on the other, reflecting the intensity of EU-country relations (presence or not of a co-operation/association agreement, and of an ENP Action Plan). The results are corrected by applying a degree of "political judgment" which reflects the Commission's appreciation of the progress of neighbouring countries towards

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<sup>14</sup> Thereby using the WBI "KKZ" index as a benchmark to ensure a standard, objective and transparent assessment.

<sup>15</sup> In the ACP region, the Cotonou Agreement has been revised, making it easier to increase an allocation in the light of new needs or exceptional performance.

meeting agreed objectives and their absorption capacity, while also smoothing any abrupt transitions.

In the case of Asian countries, for the National Indicative Programme 2007-2010, *ad hoc* country allocations are envisaged for some individual partners that cannot be accommodated within the standard allocation model by virtue of their specific political position and importance, taking into account also the vastness of their population compared with other Asian countries, their special situation or a specific Community commitment (e.g. Afghanistan), or instances of sparsely populated countries with distinct characteristics (landlocked states, islands).

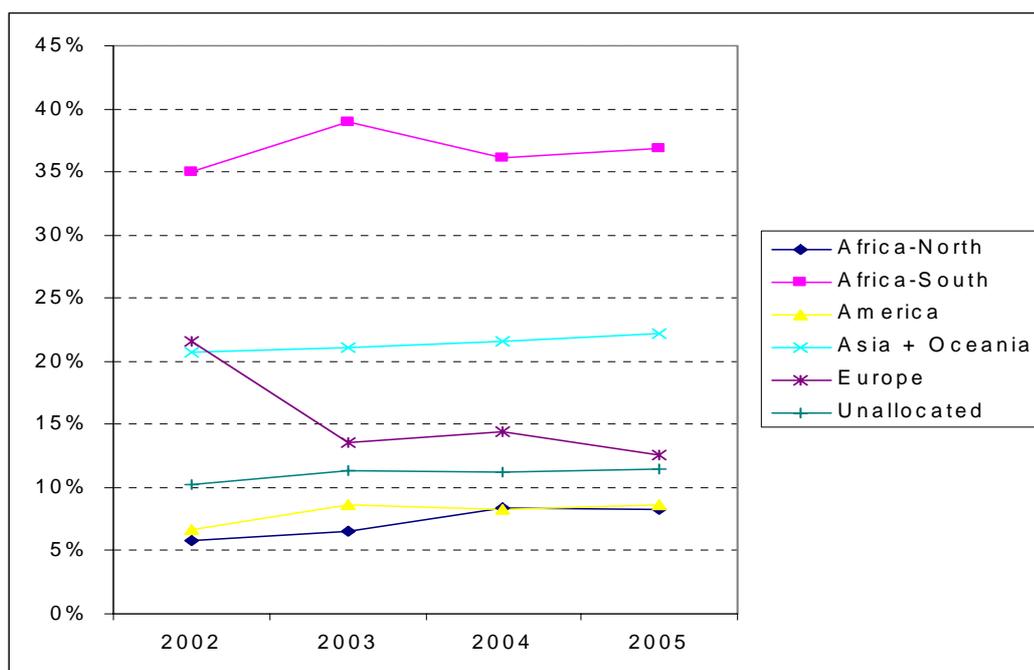
In line with DCI provisions, a set of allocations is applied to beneficiary countries. The allocation model is based on five needs indicators (population, GNI per capita in Purchasing Power Parity (PPP) terms, the proportion of the population living on less than \$2 a day, Human Development Index, GINI Index). Some final adjustments have been made to the model, reflecting the Commission's appreciation of the progress of Asian countries towards meeting agreed objectives and their absorption capacity. In line with DCI provisions, performance criteria will be included in the country allocation model at the Mid-Term Review from 2009 onwards.

As requested in the European Consensus on Development in Latin America, indicative country allocations for 2007-2013 are based on needs criteria (population, income per capita and the extent of poverty, income distribution and the level of social development). Five indicators have been chosen (population, GINI per capita in PPP terms, % of population living below \$2 a day, the HDI and GINI indexes). Indicators are weighted so as to give sufficient weight to poverty and social criteria and a correction factor is introduced to give preference to LICs and lower MICs. Some final adjustments have been made to take into account economic and political realities. These indicative country allocations will be reviewed in the Mid-Term Review on the basis of performance criteria.

## **2.2. Geographical allocation**

The global increase in the volume of aid has benefited some regions more than others. The main recipient region continues to be Sub-Saharan Africa, with an average of 36.5% of disbursements, which constituted an absolute amount of more than €2.5 million in 2005. There is a considerable decrease in the resources disbursed in Europe: 22% in 2002 and only 13% (mainly Turkey and Western Balkans) in 2005, with an increase in the absolute amount disbursed in Asia and North of the Sahara, but representing a small increase in the percentage of total aid volume.

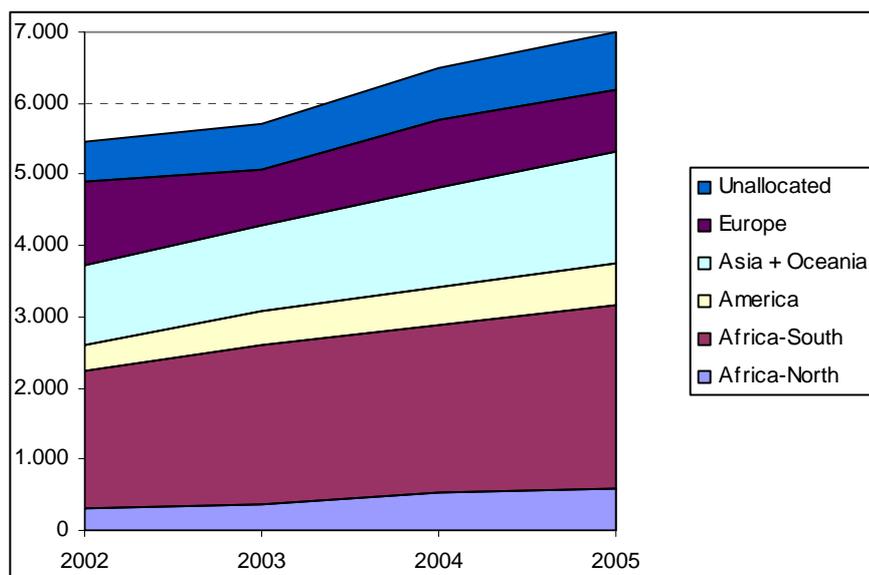
Table 4



**Millions EUR**

	2002	2003	2004	2005
Africa-North	316	370	541	579
Africa-South	1 914	2 221	2 345	2 576
America	366	490	534	607
Asia + Oceania	1 132	1 203	1 403	1 548
Europe	1 177	776	939	877
Unallocated	558	644	731	802
<b>Developing Countries</b>	<b>5 464</b>	<b>5 704</b>	<b>6 493</b>	<b>6 990</b>

Table 5



*Poverty focus 2000-2005*

There has been an increase in the poverty focus concentration of EC aid towards the LDC and OLIC countries during the period 2002-2005, reaching 45.8% of net disbursements in 2005. This represents an increase in concentration of more than 43% over six years. This increase has been accompanied by a strong decrease in the share of disbursements to Lower Middle Income Countries, from almost 46% in 2000 to 28.5% in 2005.

The reported increase in the regional programmes and unallocated amounts between 2002 and 2003 reflects both a change in methodology in the reporting of administrative costs and an effective increase in the programmes themselves.

The trend in net disbursements in the Low Income Countries (LDCs + OLICs) will continue in the future, although the change in the DAC list of recipient countries at the end of 2005 will have an impact on the final result.

Table 6

Year	€million						LDC+ OLIC
	Total ODA	LDC	OLIC	LMIC	UMIC	REGION / UNALLOC	
2001	6 160	1 644	690	2 436	328	929	2 334
2002	5 466	1 790	567	2 018	137	889	2 357
2003	5 705	2 044	494	1 754	170	1 243	2 538
2004	6 494	2 127	646	2 062	185	1 475	2 773
2005	6 989	2 341	862	1 991	186	1 522	3 203

Table 7

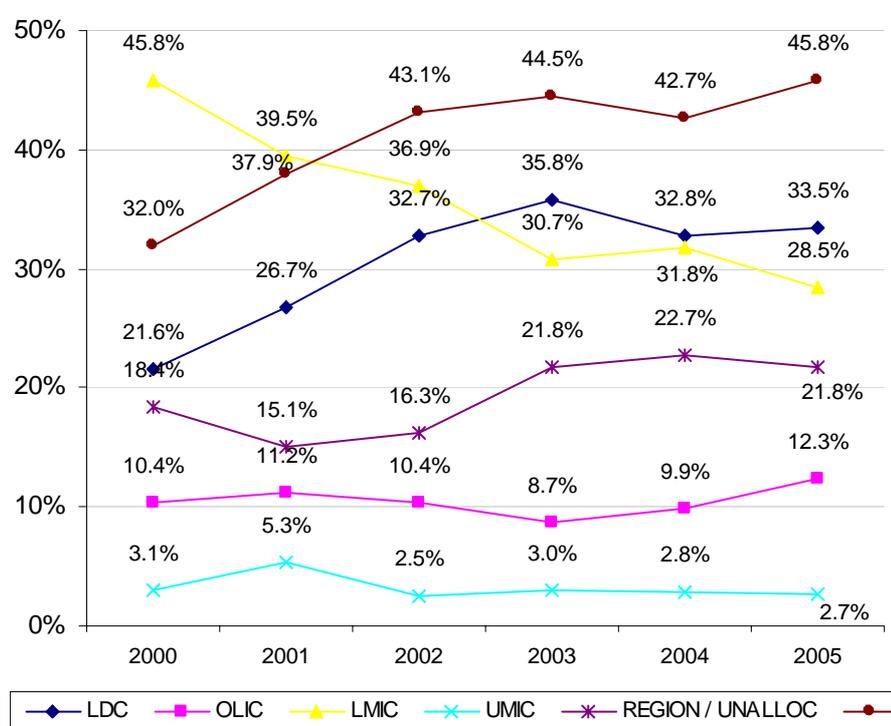


Table 8

**Top 10 ODA disbursements to ODA recipients in 2005**

Rank	Income Group	Countries	Net disbursements (€million)
1	UMIC	TURKEY	315
2	LMIC	MOROCCO	236
3	LLDC	AFGHANISTAN	206
4	LLDC	CONGO, DEM. REP.	172
5	LLDC	SUDAN	171
6	LMIC	PALESTINIAN ADMIN. AREAS	166
7	OLIC	INDIA	151
8	LMIC	EGYPT	147
9	UMIC	SOUTH AFRICA	139
10	LMIC	BOSNIA-HERZEGOVINA	132
Total Top 10			1,837
Total bilateral ODA			6,990
Top 10 / bilateral ODA			26%

**2.3. Aid allocation**

On an average annual basis, the 10<sup>th</sup> EDF represents a 35% increase compared to the previous EDF (€3.66 billion per annum against €2.7 billion under the 9<sup>th</sup> EDF<sup>16</sup>). However, in real terms, the increase will be less significant when compared with the effective commitment rate achieved over recent years in the order of €3 to €3.5 billion on average. This, for the first time in the history of the EDF, will lead to full absorption of the balances of the previous EDFs by the end of 2007<sup>17</sup>.

<sup>16</sup> OJ L317 of 15.12.2000, p. 355

<sup>17</sup> The "sunset clause", setting at 31.12.2007 the date beyond which the 9<sup>th</sup> EDF will no longer be committed (a similar clause has been introduced under the 10<sup>th</sup> EDF), has moved the EDF closer to financial orthodoxy and focused attention on the efficiency of the Community's aid delivery.

- The reforms undertaken since 2000 in external activities have, in a first phase, had a very significant quantitative impact, significantly increasing the annual commitment level and doubling the level of annual disbursements under the EDF.
- Under the 10<sup>th</sup> EDF the major challenge will be to consolidate this performance and to further improve the quality of Community aid. With the Paris Declaration on Aid Effectiveness and the new general and geographic strategies adopted by the Council since 2005, the framework is now in place to concentrate on the quality of aid in terms of effectiveness and performance.
- In operational terms, this increased focus on aid effectiveness is reflected in enhanced donor co-ordination up to the stage of joint programming, and a further shift from project to programme approaches, from programme approaches to sector-wide approaches and to budget support implementation modalities.

Assistance to Neighbouring Countries will amount to €12 billion. This represents an increase of 32% in real terms and 45% in nominal terms over the last seven years.

The indicative financial breakdown of external aid instruments establishing the commitment appropriations for Latin America under the chapter 'DCI geographic programmes' for 2007-2013 stands at €2.69 billion. This represents a small increase in nominal terms over the previous financial perspectives, but in real terms may represent a decrease. As requested by the European Consensus on Development country allocations in Latin America for the period 2007-2013 are based on needs criteria (population, income per capita and the extent of poverty, income contribution and the level of social development).

As a result of the agreement on the financial perspective and negotiations on the external assistance instruments, the overall indicative financial allocation for the Instrument for Development Co-operation devoted to Asia for the period 2007-2013 is €5,187 billion at current prices. On an annual basis this means that the indicative financial allocations for Asia have increased by 15.5% (€574 million average per annum during the 2002-2006 period, compared with €663 million per annum for the new financial period 2007-2010).

Both under the budget and under the EDF, at least 97% of the Community's external actions in developing countries can be classified as ODA. In the ACP context, the Council decided to continue funding the African Peace Facility from the EDF, at least for the period 2008-2010. The non-DACability of part of these funds is still under scrutiny as their main aim is to establish peace and stability in fragile states as preconditions for sustainable development.

#### **2.4. New Financing Instruments, thematic programmes, EDF and EC budget**

The following financing instruments include all geographical instruments, thematic programmes and horizontal instruments. It should be borne in mind that the geographic co-operation with ACP countries, with the exception of South Africa, is not budgetised.

## 2.4.1. Geographic co-operation

### 2.4.1.1. The 10<sup>th</sup> EDF<sup>18</sup>

The European Council of December 2005 decided that the geographic co-operation with the ACP countries (except South Africa) and the overseas countries and territories (OCTs) would not be budgetised but should continue to be funded through an inter-governmental European development fund. However, the time horizon of the 10<sup>th</sup> EDF was aligned on the financial perspectives and was extended to 2013.

The total funding of the 10<sup>th</sup> EDF is €22,682 million, of which €21,996 million is dedicated to operational support for the ACP, €286 million is dedicated to the co-operation with the OCT and €430 million is reserved for support expenditures. The co-operation with the ACP is based on the ACP-EC Partnership Agreement signed in Cotonou on 23 June 2000 and revised in Luxembourg on 25 June 2005. The co-operation with the OCT is based on the association decision of 27 November 2001 and has its legal basis in Article 187 of the EC Treaty.

### 2.4.1.2. Development Co-operation Instrument (DCI)<sup>19</sup>

The DCI's total funding is €16,897 million. It has a single legal base (Article 179 of the EC Treaty) and a provision which ensures that the bulk of funding under geographic co-operation will be reportable as Official Development Assistance (ODA) and that at least 90% of the funding earmarked for thematic programmes will be eligible as ODA (Article 2(4)). The DCI incorporates the principles of aid effectiveness, donor co-ordination and the new 'European Consensus on Development': it aims at poverty eradication in the context of sustainable development, including the pursuit of the Millennium Development Goals, as well as at supporting democracy, the rule of law, Human Rights, good governance and gender equality. The co-operation will be implemented through Country, Regional and Thematic Strategy Papers and multi-annual indicative programmes, as well as annual action programmes which will be subject to the comitology procedure. In emergencies, the Commission is authorised to take special measures without comitology, involving up to €10 million.

### 2.4.1.3. Thematic Programmes

In addition to geographic co-operation, the DCI also contains five Thematic Programmes (TPs) which are based on corresponding Commission Communications.

The TPs are as follows<sup>20</sup>: 'investing in people'; 'environment and sustainable management of natural resources, including energy'; 'non-state actors and local authorities'; 'food security'; and 'migration and asylum'. Moreover, co-operation with the ACP Sugar Protocol Countries is included as a *sui generis* programme.

#### 1. Thematic Programme on Environment

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<sup>18</sup> OJ L247 of 9.9.2006, p. 32

<sup>19</sup> OJ L378 of 27.12.2006, p. 378

<sup>20</sup> In this point are provided specific inputs on three of these TP: Environment, migration and non-state actors. The two others are addressed in chapter 3 on "Sectors and Cross-cutting issues".

Under the Environment and Natural Resources Thematic Programme (ENRTP) the EC will provide an indicative amount of €804 million for the period 2007-2013. The basic objective of this programme is "to integrate environmental protection requirements into the Community's development and other external policies as well as to help promote the Community's environmental and energy policies abroad in the common interest of the Community and partner countries and regions".

A strategy covering the first four years has been worked out. This strategy will address the following challenges which have a profound effect on the lives of poor people: rapidly degrading key ecosystems, climate change, inadequate global environmental governance and inadequate access to and security of energy supply. It comprises the following priorities:

- helping developing countries make better progress on integrating environmental sustainability (the neglected 7<sup>th</sup> MDG) into decision-making and thus underpinning the achievement of all the Millennium Development Goals by building capacity, supporting the involvement of civil society and developing innovative approaches;
- promoting implementation of Community initiatives and agreed commitments, including those under Multilateral Environmental Agreements (MEAs), on environment and sustainable management of natural resources, including energy at international and regional level and across national boundaries;
- improving environmental integration and promoting coherence in EU policies affecting third countries through methodological work and enhancing expertise;
- promoting EU environmental policies abroad by strengthening international environmental governance, negotiation and monitoring, assisting the operation of MEAs and other processes, supporting coherent international policy development across the three pillars of sustainable development; and
- promoting EU energy policies abroad, in particular sustainable energy options in partner countries and regions, by support for policy development and through innovative funding mechanisms.

## *2. Thematic Programme on Migration*

In parallel with the contribution of the geographical instruments, since 2004 the Commission has implemented a specific thematic instrument, the "Aeneas" programme, with a view to assisting third countries in their efforts to manage migratory flows better (this follows on preparatory activities financed from the budget heading B7-667 between 2001 and 2003). About €120 million of migration-related projects have been financed over the period 2004-2006 under this programme. Within the framework of the Financial Perspectives 2007-2013, Aeneas is being replaced by a new thematic programme on co-operation with third countries in the areas of migration and asylum. The general objectives of this thematic programme and its areas of activity are laid down in Article 16 of Regulation (EC) of the European Parliament and the Council No 1905/2006 of 18 December 2006 (OJ-L378 of 27/12/2006) establishing a financing instrument for development co-operation (DCI).

This programme, which is primarily but not exclusively focused on the issue of migration to the European Union, will be implemented during the period 2007-2013 and will be allocated €384 million. Its general objective is to bring specific and complementary assistance to third countries to support them in their efforts to ensure better management of migratory flows. More specifically, it will support activities aiming at: fostering the links between migration and development; promoting well-managed labour migration; fighting illegal immigration and facilitating the readmission of illegal immigrants; protecting migrants against exploitation and exclusion; and promoting asylum and international protection.

The programme will not address directly the root causes of migration, but is particularly suited to capacity-building and to encouraging co-operation initiatives between countries of origin, transit and destination. Geographically speaking, all third countries covered by the European Neighbourhood and Partnership Instrument (ENPI), Development Co-operation Instrument (DCI) and European Development Fund (EDF) are eligible.

The implementation of the new thematic programme will be based on a Thematic Strategy Paper which will be adopted by the Commission in March 2007.

### *3. Thematic Programme on NSA/decentralised co-operation.*

The broad participation of a wide range of non-state actors in the development co-operation process through dialogue and financial support is a well established principle of EC development policy. Civil society - economic, environmental and social partners - plays a vital role in promoting democracy, social justice and Human Rights. Dialogue between state and non-state actors and support for civil society capacity-building are the main tools for implementing participatory approaches and ensuring that the priorities and concerns of stakeholders are integrated into development strategies and programmes.

Throughout 2005, the Commission continued its efforts to promote participatory approaches, as reflected in a number of conclusions, resolutions, opinions and Commission policy documents, including the 'European Consensus on Development'. The revision of the Cotonou Agreement, concluded in early-2005, provided the opportunity to further strengthen this approach. First, provisions were introduced to facilitate non-state actor access to indicative programme resources on the basis of a strategy to be approved by the Commission and the ACP States concerned. Henceforth, these actors may benefit directly from financing via grant contracts drawn up between the Commission and the body in question. A precondition is that the types of non-state actor and activities to be supported are identified in the Country Strategy Paper. Second, following the revision process, local authorities are now explicitly recognised as actors in the ACP-EU partnership.

For humanitarian assistance the EC relies, more than for other types of assistance, to a great extent on non-governmental organisations. Over the years 2002-2005, DG ECHO allocated over 50% of its annual operational budget through NGOs. DG ECHO's 200 or so partner NGOs are screened and pre-selected in advance on the basis of objective criteria (experience, know-how, organisational capacity) to ensure the quality of ECHO-funded operations and to allow immediate disbursement of

funding. The NGOs selected enter into a Framework Partnership Agreement with DG ECHO.

The thematic programme on NGOs is primarily a development policy instrument and has its legal basis in Article 14 of the new Development Co-operation Instrument. The thematic programme is guided by the 'European Consensus on Development'. The overall indicative amount for the period 2007-2010 will be €903,316 million. A successor to the NGO co-financing and decentralised co-operation budget lines, the programme will give financial support to initiatives from non-state actors and local authorities in the EU and partner countries at three levels:

- supporting interventions in developing countries and regions where geographic programmes do not support non-state actors and local authorities;
- raising public awareness of development issues and promoting education on development in the EU and acceding countries;
- supporting activities to strengthen co-ordination and communication between civil society and local authority networks.

#### *4. Thematic Programme on Food Security*

The new Food Security Thematic Programme (FSTP) is a concrete sign of the Community's continuous commitment to achieving MDG1 on hunger: this is looking elusive as 2015 approaches, particularly in Sub-Saharan Africa. The Communication "*Advancing the Food Security Agenda to Achieve the MDGs*" (COM(2006) 21) laid the foundations for the present FSTP strategy. The Development Co-operation Instrument (DCI) is the legal basis for the FSTP.

The objective of the FSTP strategy, under the DCI, is "to improve food security in favour of the poorest and the most vulnerable and contribute to achieving the first MDG, through a set of actions which ensure overall coherence, complementarity and continuity of Community interventions, including in the area of transition from relief to development". The FSTP objective is to be pursued during the period 2007-2010, with the following strategic priorities:

- (1) supporting the delivery of international public goods contributing to food security: research and technology;
- (2) linking information and decision-making to improve food security response strategies;
- (3) exploiting the potential of continental and regional approaches to improve food security;
- (4) addressing food security in exceptional situations of transition, and in fragile and failed states;
- (5) promoting innovation to combat food insecurity;

(6) fostering advocacy and advancement of the food security agenda, harmonisation and alignment with development partners and donors.

The main partners are global players in the field of food security: the UN system, research institutions and networks like the Consultative Group International Agriculture Research, donor and civil society organisations and platforms, continental organisations of states such as the African Union and the NEPAD, regional economic communities and regional organisations and institutions, including non-state actors, civil society/NGOs and, in specific situations, national governments.

The total FSTP financial allocation for the period 2007-2010 is €925 million.

#### *5. Thematic Programme on Investing in people*

The main support to health MDGs will be implemented at country level through general budget support linked to health sector policy dialogue, and through direct help sector support in some cases. This support will be complemented by the thematic programme "investing in people" in the priority areas of health such as poverty diseases (mainly through the partnership with the global fund), and a focus on the crisis of human resources for health and for sexual and reproductive health and rights.

#### 2.4.1.4. European Neighbourhood and Partnership Instrument (ENPI)

This replaces former instruments for the South (MEDA) and for the East (TACIS). Its funding is €11,181 billion. The ENPI, a policy-driven instrument that will focus on supporting the implementation of the ENP action plans, will be more than just a means of promoting sustainable development and fighting poverty; it will also, for example, provide support for measures leading to progressive participation in the EU's internal market. Legislative approximation, regulatory convergence and institution-building will be supported through mechanisms such as the exchange of experience, long-term twinning arrangements with Member States, and participation in Community programmes and agencies.

A specific and innovative feature of the instrument is its cross-border co-operation component. Under this, the ENPI will finance 'joint operational programmes' bringing together regions of Member States and partner countries sharing a common border. The instrument will ensure a radical simplification of procedures and substantial gains in efficiency. It will use an approach modelled on the experience of the Interreg Community initiative (Structural Funds), which is based on multi-annual programming, partnership and co-financing.

The cross-border co-operation component of the ENPI will be co-financed by the European Regional Development Fund (ERDF). In addition, two new financing mechanisms will be introduced: a governance facility intended to acknowledge and support the work of those partner countries that have made progress in implementing the agreed reform agenda, and a Neighbourhood Investment Fund that will provide grant support for priority lending operations by financial institutions. The co-operation will be implemented through country, multi-Country and cross-border Strategy Papers and multi-annual indicative programmes, as well as annual action

programmes which will be subject to the comitology procedure (Council Decision 1999/468 as amended by Council Decision 2006/512).

#### 2.4.1.5. Instrument for Pre-accession Assistance (IPA)

The IPA supports the membership perspective of candidate countries (Croatia, Turkey, the Former Yugoslav Republic of Macedonia) and potential candidate countries (Albania, Bosnia and Herzegovina, Montenegro, Serbia [including Kosovo as defined by the UN Security Council Resolution 1244]). Its funding is €11,468 million for 2007-2013. The strategy for co-operation will be set out in a multi-annual indicative planning document for each country, detailing the main areas of intervention and the main priorities for each component under the IPA (transition assistance and institution-building, cross-border co-operation, regional, human resource and rural development) for that country. Assistance will be provided through annual or multi-annual programmes.

#### 2.4.1.6. Instrument for Co-operation with Industrialised Countries (ICI)

The financial instrument for co-operation with industrialised countries (ICI), based on Article 181a of the EC Treaty (Economic, technical and financial co-operation with third countries), addresses the need to consolidate relations and co-operation with 17 industrialised and other high-income countries and territories (non-EU OECD members, developed nations and territories of Asia, and the Gulf Co-operation Council countries). Financial support under the ICI will feature in the Community's external action, but will not qualify as ODA. The indicative reference amount for the seven years of validity of the regulation is €172 million. The main fields of co-operation are: (1) economic and business co-operation (promotion of bilateral trade and investment, support for market access and business partnerships for EU companies); (2) public diplomacy (EU-focused awareness-raising campaigns and project and policy-oriented research); (3) people-to-people links (incl. education and training); and (4) the promotion of dialogues between political, economic and social actors and other non-governmental organisations (civil society, regulators, media, consumers, etc.).

### 2.4.2. *New horizontal instruments to respond to specific needs*

#### 2.4.2.1. Instrument for Stability (IfS)

The objectives of the IfS are twofold: they cover crisis response and preparedness as well as longer-term challenges with a stability or security aspect. The instrument amalgamates a number of past budget lines and aims to address a series of issues where there is a clear interrelationship between foreign and security policy and development policy objectives. It combines both short-term and long-term programmes and aims to (1) improve further the effectiveness of EC crisis management by ensuring a rapid, flexible and adequately funded initial response to situations of political crisis or natural disaster in third countries, and (2) contribute at a strategic level to efforts to address certain global and trans-regional threats, notably the fight against the proliferation of weapons of mass destruction, the trafficking of people, drugs and arms, terrorism and cross-border organised crime, as well as major threats to critical infrastructure and public health.

The total IfS budget for the period 2007-13 is €2,062 billion and covers all third countries, except industrialised ones. It will be implemented by exceptional assistance measures (up to 18 months, with interim response programmes) as well as by multi-Country Strategy Papers and multi-annual indicative programmes for the longer-term measures, subject to comitology.

#### 2.4.2.2. Instrument for Nuclear Safety Co-operation<cf point 1.10.2

#### 2.4.2.3. Macro-financial Assistance Instrument

This instrument, managed by the Community since the early 1990s, supports macro-economic adjustment and the stabilisation of certain countries which have undertaken structural adjustment and economic reforms over the last few years. This instrument is not programmable, given that it is used on a case-by-case basis to meet the exceptional financial requirements of certain beneficiary countries. Since the year 2000, this instrument has been used mainly to support the economic recovery of the countries of the Western Balkans and certain NIS countries such as Armenia and Tajikistan.

#### 2.4.2.4. European Instrument for Democracy and Human Rights

The general objectives of the new European Instrument for Democracy and Human Rights (EIDHR) are to contribute to the development and consolidation of democracy and respect for Human Rights in third countries, in accordance with the EU Treaty mandates, policies and guidelines. The specific focus of the new EIDHR, set out formally in a new Regulation entering into force in 2007, will be on:

- promoting and consolidating democracy and democratic reform, and enhancing the respect for and observance of Human Rights and fundamental freedoms in third countries, as proclaimed in the Universal Declaration of Human Rights and other international and regional Human Rights instruments, mainly through support for civil society organisations;
- providing support and solidarity to Human Rights defenders in terms of Article 1 of the United Nations Declaration on the Right and Responsibility of Individuals, Groups and Organs of Society to Promote and Protect Universally Recognized Human Rights and Fundamental Freedoms, and victims of repression and abuse;
- strengthening civil society active in the field of Human Rights and democracy promotion;
- supporting and strengthening the international and regional framework for the protection, promotion and monitoring of Human Rights, the promotion of democracy and the rule of law, and reinforcing the active role of civil society within this framework;
- building confidence in and enhancing the reliability of electoral processes, in particular through election observation missions, and through support of local civil society organisations involved in these processes.

The available funding for the period 2007-2013 will be €1,103 million. As a global financing instrument, the EIDHR covers all third countries. The instrument will be implemented through multi-annual Strategy Papers (programming documents) and annual action programmes, both of which are subject to approval by Member States within the framework of comitology procedures. Under certain conditions, the Commission is authorised to take special measures and *ad hoc* measures outside comitology procedures: the latter focus on assistance to Human Rights defenders in cases of urgent protection needs.

#### 2.4.2.5. Humanitarian Aid

### 2.5. Global Funds/Trust Funds

The volume of development assistance which the European Commission decides to implement through International Organisations (IOs) has increased significantly over the last few years. EuropeAid's financial contributions to the World Bank (WB) group and the United Nations (UN) system - which account for the bulk of contracts signed with IOs - have risen from just below €250 million in 1999 to over €1,430 million in 2005.

The increase results from initiatives taken a few years ago in Commission policy towards the IOs. For the UN system, this was first expressed in the Commission's Communication of 2001 on *"Building an effective partnership with the UN"*, reinforced in 2003 by a further Communication entitled *"EU-UN relations: The choice of multilateralism"*. This co-operation has resulted in the conclusion of strategic partnerships with several of our UN partners.

The Financial and Administrative Framework Agreement (FAFA), signed in 2003, provides the legal, financial and administrative framework for contracts concluded between the Commission and the UN, and is applicable to most of our UN partners.

In the case of the World Bank, our co-operation is also underpinned by strong policy considerations - the Limelette process, the annual review of co-ordination and co-operation between staff of the Commission and the World Bank, provides a forum to nurture the relationship. This discussion is complemented by the annual consultations on the implementation of the World Bank Framework Agreement, the simplified contractual arrangement applying to contracts concluded between the Commission and the World Bank, which was signed in 2001 and revised in 2003.

These agreements have facilitated our contractual relations with IOs. This has allowed the Commission more flexibility in the delivery of external assistance than would otherwise have been possible, and has shifted the focus towards results and away from micromanagement. Trust funds have been particularly appropriate in crisis, post-conflict and other sensitive situations (Tsunami, Gaza/PA, Nile Basin), addressing financing for global public goods and for new challenges (e.g. AIDS) where donors and beneficiaries have neither the resources nor the technical expertise to deal with the problem.

The advantages of global funds and partnerships include their ability to mobilise expertise and redeploy aid towards emerging global concerns.

Since 2002, through the Global Fund to Fight HIV/AIDS, TB and Malaria (GFATM), the EC has channelled a total of €522.5 million, €292 million of which has been provided to the ACP countries under the European Development Fund (EDF). The remaining part of the EC contribution has been provided under the budget line for poverty-related diseases, the main objective of which is to support activities at the global level, among others, through public-private partnerships such as the GFATM. By contributing more than 10% of the total financing directed to the GFATM, the EC has been able to play a leading role in the governance of the Fund through active participation in committee work and board deliberations and, as a result, in April 2006 assumed the Vice-Chairmanship of the Board for a period of one year.

The EC has sat on the Board of the GFATM since 2002 in a constituency which has been progressively enlarged to accommodate some European Member States (Belgium, Portugal and Finland). Through its financing, the Commission has contributed to the approval of more than 400 grant agreements in more than 130 countries, for a total amount of over US\$ 5 billion, a remarkable result for a public-private partnership operating in developing countries in the health sector. Through its work with the GFATM, the EC has been able to develop a European position on a number of policy issues linked to the fight against these three diseases.

The impact of the GFATM on people in the last four years has been increasingly clear: More than 550 000 people have been provided with life-saving anti-retrovirals (ARVs), treatment has been given to 1.4 million people for tuberculosis and to 7.3 million for malaria, 11.3 million bed nets have been distributed to protect children against malaria, 12 million people have been accessed with community outreach for HIV prevention, and more than 500 000 orphans have been provided with basic care and support.

Through its participation in and contribution to the GFATM, the EC has channelled a remarkable volume of financial resources in a limited time span to partner countries in need, in addition to the support provided through bilateral aid (mainly country and regional programmes). Over the years, the GFATM has proved to be an effective financing instrument which is able to absorb resources from a plethora of public and private donors and channel them in response to partners' demands and needs.

## **2.6. Aid Effectiveness - The challenge of delivering more aid, better and faster**

### *2.6.1. Country ownership and operations*

The objective of European Community development co-operation policy is to encourage ownership of strategies by partner countries, strengthening the democratic system and extending participation to all segments of society. The Community attaches great importance to the quality of dialogue with each partner country, ensuring coherence between policies pursued by that country and the Community's support operations. As an important part of the reform process, the quality and responsiveness of programmes has also been improved in order to maximise impact and ownership by the beneficiaries.

Ownership has been reinforced through the evaluation process and the Regional and Country Strategy Papers. Initial findings show that dialogue with partners has

improved and that assistance is more responsive to their needs. Suggestions for improvements have included maintaining the effort to be realistic about expected outcomes and taking advantage of the devolution process to encourage leaner procedures and harmonised information management.

In the case of the Western Balkans, particular attention has been given to the development of institutional capacity, not just in terms of implementation of measures/legislation related to the Stabilisation and Association Process, but also as general capacity development of the administration. The CARDS evaluation recommends higher levels of decentralisation to the Western Balkans, at least to the level of programming of assistance as a means of improving ownership and effectiveness<sup>21</sup>.

#### 2.6.2. *A leading role in the implementation of the Paris Agenda*

Over the last four years, a number of events related to the effectiveness of development assistance have initiated a dynamic and incremental international process. The Commission played a pivotal role in the adoption of the Paris Declaration and in the formalisation of EU support for this agenda through strong commitments. These commitments are now being implemented both by the EC as a donor, and by the EU at the EC's instigation. In order to maintain the pace of the process, the EU has called for a strong monitoring mechanism in respect of the Paris Declaration within the OECD/DAC.

In addition, the EC has systematically argued for higher targets than those set in the Paris Declaration. The EU has taken on four extra commitments that need to be monitored:

- (1) *to provide all capacity-building assistance through co-ordinated programmes.*

In almost half the countries, the percentage of capacity-building assistance provided by the EU through co-ordinated programmes has increased over the last three years. 29 countries report a steady increase of up to 25% per year; 13 report a significant increase of more than 25% per year.

- (2) *to channel 50% of government-to-government assistance through country systems.*

In 44% of the countries, the percentage of EU assistance provided through budget support or through Sector Policy Support Programmes has increased over the last three years. 24 countries report a steady increase of up to 25% per year; 17 report a significant increase of more than 25% per year.

- (3) *to avoid the establishment of any new Project Implementation Units.*

The establishment of new PIU by the EC has been banned since its reform. The old PIUs have now all been dismantled.

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<sup>21</sup> Cf. the comments 1.2 on partnership for poverty reduction in chapter 1 p. 6, and on coherence and co-ordination in chapter 3 p. 16, which are also related to this issue.

(4) *to reduce the number of uncoordinated missions by 50%.*

In a majority of countries (60%), the Commission has discussed with other donors ways to reduce the number of uncoordinated missions. In 2005, approximately 20% of EU missions were co-ordinated. Suggestions to increase co-ordination include synchronising the timing of missions, nominating one donor to speak for the other donors, and better information-sharing and joint missions (review, project identification, budgetary, etc.).

### 2.6.3. *Budget support as a preferred modality*

A significant aspect of the strengthening of ownership, alignment and the reduction of transaction costs for the partner country is the move towards providing aid in the form of direct budget support, so that it is administered entirely within the partner country's own systems.

General and sectoral budget support has continued to play an increasing role in EC development co-operation. This trend has been officially sanctioned by the 'European Consensus on Development' which identifies general and sectoral budget support as "the preferred modality where conditions allow" (Art. 113), the use of which "should increase where circumstances permit" (Art. 26). The European Consensus also states that "the EC will consistently use an approach based on results and performance indicators" (Art. 115) and underlines that the "provision of budget support will respect the recommendations made in the OECD/DAC Good Practice Guidelines on budget support" (Art. 114).

Taking the latter as a reference, the EC has continued to augment its use of country systems to just over 40% of programmed aid in ACP countries between 2003-2005 committed as untargeted general or sectoral budget support. EC general budget support aims to reflect national policies and strategies, thereby contributing to reducing poverty, stabilising the macroeconomic framework and improving public financial systems, while sectoral budget support aims to support sector policies and strategies, thereby contributing to progress towards sector objectives.

Seeking to increase harmonisation and reduce transaction costs, the EC is an active member of all existing budget support donor groups in Africa. By relying on country systems, budget support avoids undermining these systems and contributes to strengthening them.

The EC has increased its use of sectoral budget support in some countries, alongside general budget support. Initially sectoral budget support was used mainly in social sectors, but subsequently spread to other areas such as transport, private-sector development, decentralisation and justice. The use of sectoral budget support to boost reform processes is significant in Neighbourhood countries, Asia and Latin America.

To improve aid quality, new guidelines on the use of general budget support are at the stage of final approval and guidelines on providing support to sector programmes, including sectoral budget support, are currently being reviewed. In the context of deconcentration, delegations have been strengthened and substantial training has been offered to headquarters and delegation staff on general and sectoral

budget support as well as key related topics like macroeconomics, PFM and performance measurement.

The guidelines for the provision of budget support will apply to all partner countries. Good practices are increasingly followed in diagnostics of public financial management through reliance on the Performance Measurement Framework of PEFA (Public Expenditure and Financial Accountability), a common tool which was developed on the initiative of selected donors, including the EC, and endorsed by the OECD/DAC in early-2006.

#### 2.6.4. *Supporting improved predictability as a key to ownership*

The EC has also sustained its effort to improve predictability of budget support funds: the duration of budget support programmes is typically three years, and work has recently been undertaken to develop a longer-term instrument. In most countries, assessment and disbursement schedules have been adjusted to minimise in-year volatility. The latter is further reduced by articulating budget support in fixed and variable tranches, with fixed tranches usually exclusively linked to the basic eligibility conditions. Variable tranches are a graduated response mechanism that allows for partial disbursement in cases of partial performance.

#### 2.6.5. *Creating incentives for management by results*

The Community has established a range of modalities based on needs and performance. It consistently uses an approach based on results and performance indicators. Increasingly, conditionality is evolving towards the concept of a 'contract' based on negotiated mutual commitments formulated in terms of results.

The report "EC Budget Support: an innovative approach to conditionality" (February 2005) reviews the EC experience in ACP countries and illustrates the advantages of using variable tranches linked to outcome indicators to put the focus on results. It also points to progress in the streamlining of conditionality, with conditions falling in number and mostly extracted from countries' Poverty Reduction Strategy Papers and other national policy documents. Finally, it identifies the areas where progress and improvement are still necessary. The report was widely circulated and discussed during "Strategic Partnership with Africa" events in 2005 and 2006.

#### 2.6.6. *A catalyst for improved effectiveness and impact of EU aid*

In April 2005 the Commission established a European Action Plan to improve the effectiveness of EU aid (Commission and Member States). This encompasses a set of nine comprehensive deliverables. Its implementation has started, with the following achievements to date:

- the adoption of the EU Donor Atlas has *refined the mapping of EU aid*. It shows two trends: (1) a concentration of aid in certain 'attractive' countries and sectors, creating 'orphan' or forgotten countries and sectors; and (2) a fragmentation of activities in 'darling' countries/sectors, with a multiplication of actors and small-scale projects. It is now complete with a first regional atlas on Western Africa as well as a model of country mapping in Mozambique (ODAMOZ);

- the adoption in almost all DCs of roadmaps that identify concrete harmonisation issues requiring implementation by all EU donors active in the country concerned, in order to **support local co-ordination processes**. Roadmaps are not meant to be a substitute for the country-led action plans on harmonisation and alignment, but are intended as an instrument for identifying areas in which EU donors can strengthen existing local processes, be they government-led or donor-led, or create them if necessary by going further than existing initiatives;
- the adoption of **a Joint EU Multi-annual Programming Framework**, a major step forward which creates a mechanism compatible with existing national documents and cycles, open to other donors, and which offers a framework for consolidating the building blocks of Member State systems, thereby reducing the transaction costs of programming. The framework contains a common analytical part, supplemented whenever feasible by a collective strategic response to the challenges raised in the joint country analysis. It is already a reality in South Africa.

Reinforcing the complementarity of donors' activities is the key to increasing aid effectiveness. Through the Paris Declaration, donors have agreed to make full use of their comparative advantages, while respecting the ownership of the partner country on how to achieve increased complementarity. Owing to its *sui generis* nature, the EC has the advantage of being by definition organised in synergy and complementarity to Member States' activities. Moreover, the EU has agreed to **enhance the division of labour** between EU donors. The Commission will shortly propose a set of operational principles on division of labour, which will be a major advance in rationalising the various dimensions of complementarity.

***Following the last Peer Review recommendation, the European Community has offered a complete untying of aid.***

Giving aid on the condition that it will be tied to the purchase of goods and services from the donor country has been a major impediment to its effectiveness. In 2001, the EC supported the adoption of the DAC Recommendation on untying aid to the Least Developed Countries, but expressed reservations about its limited impact (2% of aid), given the high cost of the changes. During the last EC Peer Review, the Commission's commitment to implementing the spirit of the Recommendation was highlighted as an element that the EC should clarify.

Since then, the European Community has adopted two regulations on access to EC external assistance that establish an unprecedented level of untying. This consensual decision represents an important step towards enhancing EC aid effectiveness. The Council and the Parliament have agreed to the Commission's approach, which goes far beyond trade negotiation between donors. It puts the partner country at the centre and advocates an intelligent use of the concept of untying that also supports regional integration, capacity-building and the development of local markets. It helps the partner country become a major actor in its own development, not only in political terms but also as an operational actor.

Under the new regulations, aid will be untied for all DCs with the exception of regional instruments that will be untied only for the DCs of those regions, in order to

support regional integration and the creation of local markets. All aid to the LDCs under the Community budget is unilaterally untied (40-50% of aid), this being in addition to the existing 30% of all EC aid provided through budget support and the 10% channelled through the multilateral institutions that is also completely untied. All expertise (TA) will be untied and based only on the dual criteria of quality and price. According to internationally agreed estimates, this will create better value for money of up to €500 million.

The remaining portion of EC aid will be almost completely untied, with the only condition of reciprocity for donors. This represents a generous offer for those donors that have not yet untied their aid. It could bring additional value for money of €1.2 billion. Contacts are already ongoing with Switzerland, Canada and Australia to proceed to such recognition. The regulations also entail several operational simplifications favouring more joint actions between donors, in line with the implementation of the Paris Declaration.

In addition, the EC remains committed to a further extension of the DAC Recommendation, in particular regarding the complete untying of food aid and food aid support. As a catalyst of EU aid, the EC reports on the EU Member States' performance on untying and advocates complete untying of their aid. Through its internal market and competition competences within the EU, the EC has the legal power to ensure that Member States respect full untying between themselves.

#### 2.6.7. *Aid Delivery System Rationalisation*

European external assistance is implemented through three main delivery modalities, the choices depending on a joint EC/Government analysis of the country and sector environment: project approach; sector approach; budget support. The overall aid delivery system is organised around these three axes, including guidance, training, requirements and format in programme design, and quality assessment/support procedures. Since 2004, a significant effort has been made to structure and support the application of key guidance in relation to aid delivery methods, in order to promote the use of programmatic aid in line with the aid effectiveness agenda.

##### 2.6.7.1. Guidance

The classic **project approach** is used only where conditions do not allow for sector/budget support or when working with non-state actors and for regional programmes; projects are implemented using the EC's procurement and grant award procedures. In this area in 2004 new PMC Guidelines were issued, substantially updated to take into account key principles of aid effectiveness. A major feature of the new approach is the Quality Frame, a tool for assessing project quality based on three attributes: relevance, feasibility and effectiveness. These Guidelines are well appreciated inside the Commission and have been rated a top-quality tool by various external stakeholders involved in the project cycle (NGOs, new Member States, etc.) and within the donor community.

In the **sector approach**, the sector policy support programmes (SPSP) reflect an agreed sector policy and a realistic strategic framework monitored through results indicators. The SPSP may be financed by (1) using sector budget support, (2) pooling funds with beneficiary governments and other donors, or (3) through project

procedures as financing of last resort. Guidelines on EC support to Sector Programmes, issued in 2003, have been a key tool in promoting broad development of these programmes, including in geographical areas and sectors/themes where this approach was new. The DAC has built on these Guidelines (Chapter 2 of the DAC Reference Document "Harmonizing Donor Practices for Effective Aid Delivery" on Sector-wide Approaches).

The **third approach** is to support the national or macro-level goals expressed in the Poverty Reduction Strategy documentation (or similar) and the national reform process. This is implemented through general budget support (GBS) with funds transferred to the national treasury of the beneficiary country. It is usually accompanied by capacity development activities, generally in the area of public financial management. Guidelines issued in 2002 are now being replaced by a new and radically improved document, to be issued before the end of 2006.

Since 2004, the Commission has substantially enhanced its credibility at the international level in respect of the structuring methodology and tools for budget support. The Commission took the lead in drafting the OECD/DAC Good Practice Guidelines on budget support, co-chairs the Joint Venture on Public Finances of the OECD/DAC, and has participated actively in international fora in the area of public financial management. The improvement of public finance management (PFM) is an explicit goal of the budget support approach, as well as a condition for eligibility. It has been long recognised that it is important to streamline the different donor diagnostic tools for PFM work, as well as improve capacity-building support. During 2005 the Commission continued its support to the joint-donor Public Expenditure and Financial Accountability Programme (PEFA): this led, in 2005, to the successful adoption by the donor community of a common PFM performance measurement framework that is now being widely applied.

A recent and new area for innovative methodological work is the institutional and capacity assessment, where EuropeAid has developed a concept paper and a checklist that have inspired the recent DAC Paper "The challenge of Capacity Development: Working towards good practice". Guidance on aid delivery methods is now easily accessible through a new intranet site, which also provides access to key reference documents and web links.

#### 2.6.7.2. Training

The task of working more with sector and budget support and promoting effective implementation of the Paris Declaration requires new capacities, knowledge and skills in areas such as policy and institutional analysis, public finance management, macro-economics, and performance assessment and monitoring systems. An increasing demand for capacity-building comes from all partners directly involved in the design and implementation of programmes on both the EC and partner government sides.

During the period 2002-2005, a major training programme was developed for the benefit of various categories of actors involved in the cycle of operations.

#### **Methodological Training organised from June 2002 to June 2005**

	Sector/Budget support and related areas		PCM, ECOFIN and related areas	
	Number of Sessions	Participants	Number of Sessions	Participants
At headquarters	57	1 026	178	2 492
At country level	62	1 240	123	1 722
Total	120	2 266	301	4 214

Building on this experience, and to accelerate the movement towards more sector and budget support, a broader and more diversified Methodological Support and Training Programme on Aid Delivery Methods (ADM) was launched in July 2005, with two axes:

- working with sector approaches and budget support and key related topics, including the development of a revised basic sector programme and budget support course, new training programmes on public financial management and macroeconomics, performance monitoring, institutional analysis and capacity assessment, as well as delegation and regional courses supporting the sector approach in key sectors such as education, health, transport, water and rural development;
- working with the project approach, with a view to promoting ownership and sustainability, developing revised Project Cycle Management and ECFIN conventional and on-line training, as well as new courses on project implementation and institutional and capacity development.

The first year of implementation of these new training programmes confirms a significant increase and diversification of activities: 51 courses organised in the area of sector and budget support with around 1 150 participants (July 2005-July 2006), and 31 courses in the same period on project approach with around 600 participants. The ADM training programme managed by EuropeAid is considered to be one of the most important implemented by a donor agency.

Responding to the Paris Declaration invitation to share training in the area of programme-based approaches, a joint learning programme on sector support has been launched under the co-ordination of EuropeAid and is co-financed by nine donors. This new generation of joint training is considered a promising tool in building common skills and designing a co-ordinated path for developing sector programmes.

### 3. SECTORS AND CROSS-CUTTING ISSUES FOR POVERTY REDUCTION<sup>22</sup>

#### 3.1. Overall shape of poverty reduction efforts

The EU has on several occasions underlined the importance of the MDG Review at the World Summit of September 2005 as a decisive opportunity to accelerate progress towards achieving the Millennium Development Goals.

In preparation for the UN Summit, the European Commission services compiled a consolidated EU report on how the Union has contributed towards the Millennium Development Goals. The report was based on the national and Community MDG reports (8) prepared in 2004 and 2005 by the EU Member States and the Commission.

Building on these MDG reports, in April 2005 the Commission adopted three Communications which provide concrete proposals on how to accelerate progress towards achieving the MDGs. Together, these Communications offer a substantial reply to the challenges ahead. On this basis, in May 2005 the European Union adopted conclusions aimed at accelerating progress towards the MDGs - by more and better aid, by strengthened policy coherence for development, and by extra efforts in support of Africa. These conclusions, which formed the basis for the European contribution to the UN Summit in September 2005, consisted of three main elements:

- (1) *a significant increase in the quantity and quality of Official Development Assistance.*

In 2005 the 25 Member States' ODA totalled €43 billion (OECD figures). EU Member States agreed to continue increasing their ODA budgets beyond the commitments they made at Monterrey (0.39% of GNP in 2006), committing to a new interim minimum target for each Member State of 0.51% for 2010 (0.17% for the new Member States). This will take the Union's collective effort to 0.56%, with the ultimate goal for 2015 of 0.7%. In absolute terms this commitment will mean an additional €20 billion in ODA by 2010, and will keep things on track for achieving the 0.7% target fixed by the UN for 2015.

- (2) *strengthening Policy Coherence for Development and associating non-aid policies with the MDG agenda.*

Development co-operation alone will not be enough to achieve the Millennium Development Goals. Other EU policies have an essential role to play in helping developing countries attain the MDGs. The Union has agreed to associate 12 policy areas with the MDG objectives and timeframe. The EU is fully committed to taking action to advance Policy Coherence for Development in these 12 areas. On each one, the EU accepts specific 'Policy Coherence for Development Commitments', to make these policies consistent with development policy objectives.

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<sup>22</sup> Sectors and cross-cutting issues as listed in the European Development Consensus sometimes overlap, therefore sectors and cross-cutting issues are presented in an undifferentiated manner.

(3) *the priority given to Africa.*

The Commission wishes to focus on Africa and help its countries become the main players in their own development. The EU should focus on areas where it can also catalyse action by other donors:

- governance, in particular through support for the African Union and partnership with its institutions and the refinancing of the Peace Facility;
- the networks necessary for regional integration between African countries and fostering South-South trade;
- social cohesion and sustainable development.

### **3.2. The state of play of the main policy sectors and themes of EC development assistance**

#### *3.2.1. Human development: Education and health*

##### 3.2.1.1. Health sector

Specific thematic budget lines for poverty-diseases, sexual and reproductive health and gender were created in 2001 as instruments for supplementary action to underpin country programmes and act as a catalyst for change in countries that are lagging behind. The instruments' added value also lies in their ability to support and shape the policy agenda for global initiatives of direct benefit to the EC's partner countries and their populations, to provide a global platform for identifying and exchanging experience, innovation and best practice between countries facing similar challenges, and to help address severe needs in the regions with the most critical MDG indicators.

In 2001-2005, the focus of the instruments was primarily on health-related issues (about 97% of all funding). Particular attention was paid to addressing leading poverty-related diseases - HIV/AIDS, malaria and tuberculosis - that severely undermine overall development efforts. The EC allocated a significant proportion of thematic funds to global goods-oriented programmes improving access to prevention, treatment, care and support. This area received about 78% of all health funding. The rest of the EC funds were targeted on improving and advancing sexual and reproductive health and rights and services.

The EC's thematic approach is based on pursuit of the MDGs and adherence by the EC to the international commitments given in the Millennium Declaration and those agreed at the Cairo International Conference on Population and Development, the World Summit for Social Development, the Beijing Platform for Action on Gender Equality and the September 2005 UN Summit.

In terms of implementation, the thematic budget lines have been focusing on support for strategic action, global partnerships and initiatives of direct benefit to developing countries in their efforts to achieve the MDGs, including the Global Fund to Fight AIDS, Tuberculosis and Malaria. This has been combined with calls for proposals in areas where wide and active involvement of civil society representatives is necessary for making further policy advances.

Further information on the Thematic Programme "Investing in People" can be found in item 2.4.1.3.

### 3.2.1.2. Education sector

The European Commission is determined to contribute to the education MDGs. The EC's 2000-2005 priorities in education have been to achieve the MDG of universal primary education, particularly with a view to closing the gender gap and addressing the most urgent needs. In addition to financing country programming, the Commission has been an active participant in the Education for All Fast Track Initiative (FTI) and currently co-chairs the FTI. The European Commission has contributed €63 million to the FTI Catalytic Fund, which is supported by a number of other European donors. Overall, the EC has allocated an estimated €1.4 billion to education over five years (2002-2007). Regarding ACP states, some €484 million has been programmed for education in 21 countries under the 9<sup>th</sup> European Development Fund (EDF).

With developing countries making substantial progress towards the primary education MDG, it is becoming increasingly important to pay attention to other levels and types of education and ensure a holistic and coherent approach. Secondary education and vocational education and training are the key to ensuring employability, and improved capacity in higher education is crucial for meeting all MDGs.

The new 'EU Strategy for Africa' puts particular emphasis on co-operation in higher education. The aim is, on the one hand, to encourage pan-African co-operation and mobility between African higher education institutions through the "Nyerere Programme". On the other hand, the aim is to encourage Europe-Africa co-operation in higher education in terms of both student and staff mobility through the "Erasmus Mundus" Programme.

### 3.2.1.3. Gender

There has been significant progress in the mainstreaming of gender equality in EC development co-operation. At the policy level, the European Consensus identifies gender equality as one of the five common principles of EU development co-operation, while the regional strategies elaborated in 2005 and 2006 (Africa Strategy, Caribbean Strategy and Pacific Strategy) all take gender duly into account. The EC is also committed to issuing a new policy on gender equality in development co-operation at the beginning of 2007.

At the implementation level, the total volume of EC commitments where gender equality is a primary or a significant objective, according to OECD directives, represents €3.2 billion (equivalent to almost 35% of total ODA, including bilateral and multilateral commitments in 2005). This shows that gender mainstreaming is widely used in EC programmes.

Mainstreaming gender equality in general budget support and sector approaches is particularly relevant, in view of the increasing application of these aid delivery modalities. Part of this aid is linked to performance indicators that signal the extent to which women have access to key health and education services.

The Commission has made a sustained effort to improve staff capacity on gender issues: in 2004 a Gender Helpdesk was set up to support Commission staff at headquarters and in delegations. The Helpdesk developed a toolkit on how to mainstream gender equality in development co-operation programmes and projects. Extensive staff training has also taken place: in 2005, 24 gender workshops were organised and some 800 EC staff participated in gender training with government and NGO representatives from partner countries. An innovative online course offering the opportunity to learn about mainstreaming gender equality in development co-operation was launched in 2005.

### 3.2.2. *Infrastructure*

Following discussions with the African Union, the Regional Economic Communities and other African partners, the new EU-Africa Partnership on Infrastructure was endorsed by the Council on 17 October 2006, as Europe's response to the increasing demand for a well-performing infrastructure network in Africa.

The Partnership aims to support programmes that facilitate interconnectivity at continental and regional levels. Partnership interventions will complement the EU's sectoral approach for infrastructure at country level. This will ensure that investments at continental and regional levels are coherent with national poverty reduction and infrastructure sector strategies, with the latter being reinforced by the regional-continental perspective.

The main focus of the Partnership is on the infrastructure that secures the interconnectivity of the African continent and its different regions, in line with the AU-NEPAD plan for infrastructure. It will also tackle service delivery issues that are essential for the removal of obstacles to trade exchanges. Thus, Partnership programmes will be a mix of physical infrastructure investment and support for the facilitation and regulatory frameworks. The EU has extensive expertise to share with Africa from its experience of the Trans-European Networks, as elements for regional economic growth and increased transnational exchanges at continental, regional and country levels.

The Partnership will benefit from the €5.6 billion that the 10<sup>th</sup> EDF is expected to devote to infrastructure in the period 2008-2013 and will be supported by a new EU-Africa Infrastructure Trust Fund, to be established in association with the European Investment Bank. This Fund is an innovative mechanism for the Commission and those Member States that are interested in co-financing with the European Investment Bank and the European and African development financial institutions. In the short term, €60 million will be allocated from 9<sup>th</sup> EDF resources, and the EIB has committed itself to making €260 million in loans available for a number of pre-identified projects.

#### 3.2.2.1. The Partnership's sectoral objectives

**Transport** - reduce the cost and improve the quality of services, by removing infrastructure barriers and non-physical barriers to free movement of goods and people; improving maintenance of transport assets; better and safer roads; competitive rail services; safe seas and efficient ports; safe skies and efficient air transport and airports.

**Water and sanitation** - sustainable use of available finite water resources to meet the people's basic water and sanitation needs and improve integrated water resources management.

**Energy** - fully develop access to sustainable and affordable energy services for economic and social sectors; improve policy frameworks and institutional capacity; and facilitate investments essential for generation, cross-border interconnections, grid extension and rural distribution.

**Information and Communication Technologies** - bridge the digital divide by providing adequate access to affordable ICTs, through support for regulatory reform and capacity-building and by developing a pan-African broadband infrastructure and non-commercial e-services linked to regional and national networks.

#### 3.2.2.2. Water

No strategy for the reduction of poverty can ignore people's vital need for water and sanitation. Therefore, at the 2002 World Summit for Sustainable Development in Johannesburg (WSSD), the EU launched a Water Initiative (EUWI) designed to contribute to the achievement of the Millennium Development Goals (MDGs) and WSSD targets for drinking water and sanitation, within the context of an integrated approach to water resources management. **The aim is to improve water management and governance, and to co-finance water and sanitation infrastructure as well as civil-society and decentralised co-operation initiatives.**

Within the framework of the 9<sup>th</sup> European Development Fund (EDF), €555 million has been allocated to water programmes in 14 ACP states, and the ACP-EU Council has agreed that €500 million will be used for the ACP-EU Water Facility. This is to be a catalyst for increasing access to water and sanitation services, and improving water governance and management, including in trans-boundary systems.

Water and sanitation has been included as a priority area in the new EU development policy, thus allowing countries and regions to select it as a focal sector for the 10<sup>th</sup> EDF. The management and development of trans-boundary basins is also one of the areas to be supported by the EU-Africa Partnership on Infrastructure.

#### 3.2.2.3. Energy

Access to modern and affordable energy services is a prerequisite for achieving the Millennium Development Goals, in particular for poverty eradication. The EU Energy Initiative for Poverty Eradication and Sustainable Development (EUEI) was also launched at the 2002 World Summit for Sustainable Development in Johannesburg, as a joint commitment by the EU Member States and the Commission giving priority to the important role of energy in poverty alleviation. The Initiative will raise political awareness among high-level decision-makers, encourage the coherence and synergy of energy-related activities and attract new resources (capital, technology, human resources) from the private sector, financial institutions, civil society and end-users.

The ACP-EU Energy Facility is aimed at increasing access to energy services for the poor. The Facility was approved by the joint ACP-EU Council of Ministers in June

2005 with an amount of €220 million, within the framework of the 9<sup>th</sup> European Development Fund (EDF). Moreover, the energy sector is also supported by the EU-Africa Partnership for Infrastructure, which will address the financing of regional generation and interconnection systems, increasing Africa's security of energy supplies. It has also been included as a priority area in the new EU development policy, thus allowing countries and regions to select it as a focal sector for the 10<sup>th</sup> EDF.

In Asia, energy is dealt with within the framework of several programmes, the most important of which is related to environmental protection: the Sustainable Consumption and Production programme. This programme, which features a major element relating to energy security and sustainability, is linked to the Global Energy Efficiency and Renewable Energy Fund (GEEREF): this aims to mobilise private investment in energy efficiency and renewable energy projects in developing countries and economies in transition, in order to accelerate the transfer, development and deployment of environmentally sound technologies and thereby help bring secure energy supplies to people in poorer regions of the world.

#### 3.2.2.4. Transport

EC support for programmes in the transport sector under the 9<sup>th</sup> EDF is estimated at €2.5 billion, the bulk of which is for the road sector. Particular attention has been given to ensuring that partner countries develop a balanced sector strategy that contributes to poverty reduction, sustainable economic and social development, and the promotion of regional integration and trade. Where national poverty reduction Strategy Papers have been adopted, partner countries are encouraged to ensure that their transport strategies are fully integrated with these. In Africa, assistance to partner countries to advance this process is provided under the Sub-Saharan African Transport Programme, which is partly funded by the EC.

Partnership interventions will complement the EC's support for infrastructure at country level under the 10<sup>th</sup> EDF. The transport sector, and particularly road, is expected to be included as a focal sector under several country programmes, notably in Africa. The EC, which is the major donor in the road sector in several countries, will strengthen its efforts to assist governments in adopting a sectoral approach, based on full consultation with stakeholders and taking into account the linkage between transport and achievement of the MDGs. Particular emphasis will be placed on improving the access of the poor to transport services.

In Asia transport is an area of co-operation with the key regional partners, SAARC and ASEAN. The main focus is on Civil Aviation Programmes through which the Commission aims not only to enhance safety and security standards, but also to improve the regulatory framework and assist the relevant countries in adapting their national systems to a regional one.

#### 3.2.3. *Rural development - Food security*

A thematic evaluation of EC external assistance from 1995 to 2005 in the field of rural development is underway. The evaluation's findings and recommendations will help guide future EC policy work in this area. The 'EU Consensus on Development'

has already provided policy orientations focusing on territorial development in rural areas: these may be further developed by the Commission in the coming months.

The EC food security policy has evolved from the simple delivery of food aid to support for broad-based food security strategies at national, regional and global levels. Food security is multi-disciplinary and involves three dimensions: (1) availability of food at national and regional levels; (2) access to food by households; and (3) food use and nutritional adequacy at the individual level. EC food aid is a cash-based, untied instrument limited to humanitarian and food crises.

The EC policy stresses the central role of nationally owned and developed poverty reduction strategies to achieve long-term food security and the need to target hunger as the earliest priority in the fight against poverty. It also recognises that food security can be very fragile, and even a transitory crisis can trigger chronic food problems, as assets are quickly depleted and livelihoods undermined. The 'EU Consensus on Development' advocates paying greater attention to situations of transition (post-crisis, protracted and complex crises) and fragile/failed states, as reflected in the new Food Security Thematic Strategy (COM(2006) 21).

Further info on the Thematic Programme on Food Security can be found in item 2.4.1.3.

#### 3.2.4. *Peace, security and development*

Like other donors the Commission recognises that violent conflict and insecurity are among the greatest obstacles to sustainable development and to achievement of the Millennium Development Goals. While development co-operation in general has an important role to play, it needs to be conflict-sensitive and well targeted in order to be able to address the expression of violence and the root causes of violent conflict and insecurity effectively. The 2001 Commission "*Communication on Conflict Prevention*" sets out a policy framework and priorities for the European Community in support of conflict prevention and peace-building. The document emphasises that the development policy and co-operation programmes provide the most powerful instruments at the Community's disposal for treating the root causes of conflict. *The EU Consensus on Development* and the *EU Strategy for Africa* adopted in December 2005 further reinforce this line.

The European Commission Country Strategy Papers and National Programmes are currently addressing these issues through integrated approaches towards state fragility and violent conflict, natural disasters and other types of crisis. The Commission is contributing to the EU work on Early Warning through the EU Watch-list and has been using the EC Root-Causes Checklist to identify changes in the conflict dynamic in countries in conflict or at risk of falling into violent conflict. The Community has at its disposal a large range of policy and financial instruments which can be utilised for long-term as well as short-term conflict prevention activities, including the European Development Fund and other regional programmes.

The Community Rapid Reaction Mechanism (RRM) continues to provide quick and flexible support to countries in crisis, thus providing a bridge to more long-term support. It will be replaced by the Stability Instrument<sup>23</sup> in 2007, which will make short- and medium-term support possible. EU Enlargement and Pre-accession policies and instruments enable the EU to play a particularly active role in promoting peace and security in future or potential new Member States. In addition, the European Neighbourhood Policy, bringing together a number of policy instruments, enables the EU to share the benefits of its 2004-2007 enlargement with neighbouring countries in Eastern Europe, South Caucasus and South Mediterranean in order to enhance stability and sustainable development.

Conflict prevention and conflict resolution are also essential elements of the European Union's overall policy on promoting Human Rights and democratisation. The European Initiative for Democracy and Human Rights (EIDHR) provides support for the development of early warning, mediation, reconciliation and confidence-building measures implemented by grassroots and international NGOs and focused on strengthening the capacity of international, regional or local organisations involved in conflict prevention.

In May 2006 the Commission put forward a Communication on how to strengthen the Community's support for Security Sector Reform, which also contributed to the development of an overall EU policy framework for SSR. The Communication is now being followed up by efforts to strengthen the EC's work in this area, including contributing to and drawing on the OECD-DAC Guidelines on SSR and Governance and the Implementation Framework. Concerning the issue of Disarmament, Demobilisation and Reintegration, the Commission and the European Council agreed in December 2006 on a new joint EU Concept on DDR to ensure more effective support, contributing to overall international efforts in this area.

During the last few years the EC has been very active in the Kimberley process addressing the problem of conflict diamonds and has been instrumental in introducing a comprehensive system of 'peer review'. The European Commission Action Plan for Forest Law Enforcement, Governance and Trade (FLEGT), which is currently being implemented, seeks to reinforce the push for good governance in developing countries while linking this with legal instruments and the leverage offered by the EU internal market for timber. The ability to combine development co-operation with other policy tools is especially useful here.

The EC is also supporting efforts to address the management of shared water resources and land issues. The EU Mine Action is another example of an effective and visible EU instrument in conflict prevention. The multi-annual strategy for 2005-2007 calls for a "Zero Victim Target" to fight antipersonnel landmines worldwide, supported by a budget of €140 million over three years. The accumulation of and illicit trade in Small Arms and Light Weapons (SALW) is a root cause of instability in many developing countries, and especially in Africa. Through the European Development Fund for ACP countries the EU is contributing to a range of SALW programmes.

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<sup>23</sup> OJ L327 of 24.11.2006

The EC is also promoting close co-operation with other donors in this area through the DAC Conflict, Peace and Development Network with the UN, including a strategic partnership with UNDP, a "desk-to-desk" dialogue with integrated UN teams and regular contacts with the UN Framework Team, as well as through support to regional and sub-regional organisations. This includes support to the African Union as well as ECOWAS, IGAD and ECCAS over the past few years.

One of the main goals of the 'EU Strategy for Africa' is to step up the EU's efforts at all stages of the conflict cycle, from conflict prevention and early warning to conflict management, resolution and post-conflict reconstruction. An important example of the EU's support is the work with the African Peace Facility (APF), an instrument established in 2004 to support African-led peace support operations and capacity-building, essential non-aid activities for the creation of preconditions for successful development. It is funded (currently €300 million) from the resources of the 9<sup>th</sup> European Development Fund (EDF).

### 3.2.5. *Democratic governance*

The policy of the EC in matters of democratic governance is contained in the Communication "*Governance in the European Consensus on Development, Towards a harmonised approach within the European Union*", issued at the end of August 2006<sup>11</sup>. The EC believes that poverty reduction and the MDGs will not be achieved without decisive progress in democratic governance, and that a common approach is necessary between the EC and its Member States in order to achieve the maximum impact<sup>21</sup>. It also believes development, Human Rights, peace and security are indivisible and mutually reinforcing. There is no particular institutional model for democratic governance, which simply affirms the rights of all citizens on the road to sustainable development; but the approach has to be a holistic one, encompassing the areas of economic, social, environmental and political governance. Mainstreaming into all areas of co-operation also has to be ensured.

The EC supports the process of democratic governance under a partnership-based approach, through dialogue with partner countries' governments and, as a donor, through its various financial instruments. It tries to ensure that ownership of the reform processes is respected while developing an incentive-based approach, recognising that donors have an important role to play. In the design of partner countries' development strategies, the EC supports the active involvement of a broad range of civil society representatives.

A recent external evaluation concluded that: "over the last decade, the EC has supported a wide range of governance-related programmes and processes in third countries (...) the programmes were globally relevant and coherent with region-specific objectives (...) and positive contributions have been made to the progress towards good governance." Ideally, a sectoral approach is developed to sustain governance reforms, as it provides much greater potential to generate partner country ownership, especially for public-sector-related reforms. It facilitates multi-donor co-ordination and allows for broad-based and long-term support strategies. Yet the use of project or programme approaches can be strategically justified, for instance as 'pilots' or to initiate a learning process.

### 3.2.6. EC trade-related assistance

Since the introduction of the Doha Agenda in 2001 the EC has rapidly increased its trade-related assistance (TRA) to help developing countries benefit more from trade as an instrument for poverty reduction and to support the achievement of the MDGs. The average annual level of commitment on TRA between 2001 and 2005 was €860 million<sup>24</sup>.

The EC policy in this area was first set out in the Commission's Communication 2002 (513) *"Trade and Development: Assisting Developing Countries to Benefit from Trade"*. Other Communications and their related Council conclusions, such as the 2004 EU Commodity Action Plan and the EU-Africa Partnership on Cotton, refine the analysis of trade-related needs of commodity-dependent developing countries. Most recently, the 'European Consensus on Development' and the guidelines for development policy reconfirm the importance of trade and regional integration as priority themes.

The delivery of TRA is taking place against the background of two negotiations with a development dimension: the Doha Development Agenda (DDA) and the Economic Partnership Agreements (EPA). The DDA remains the EC's top priority. The EC will aim at obtaining a successful outcome of negotiations, which would bring considerable development benefits in terms of increased market access, reduced trade-distorting subsidies for agriculture and improved trade rules, notably in the area of trade facilitation. In addition and complementary to the DDA, the EU conducts negotiations for Economic Partnership Agreements with the African, the Caribbean and Pacific (ACP) countries. EPAs aim to progressively remove barriers to trade between the parties and enhance cooperation in all trade-related areas. Their basic objective is to foster regional integration and development.

The EC considers Aid for Trade as complementary to and not a substitute for a pro-development outcome of both sets of negotiations. The Commission was closely involved in the work of the WTO Aid for Trade Task Force and fully subscribes to its recommendations. On 16 October 2006 the General Affairs and External Relations Council endorsed these conclusions and laid out an approach for the Commission and EU Member States to implement pledges to increase their support for TRA to €2 billion by 2010. The next step will be to develop an Aid for Trade strategy for the Commission and Member States, to be adopted by the Council in 2007.

Since the last peer review, the capacity of the EC to deliver Aid for Trade has increased substantially. The Directorates-General involved (Trade, Development, RELEX and EuropeAid) have increased the number of staff working on this issue. EuropeAid created a unit in 2005 to support the implementation of trade-related assistance. DG Trade will create a 'trade and development' unit on 1 January 2007. Overall co-ordination between the DGs takes place in the inter-service Task Force on

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<sup>24</sup> The Africa, Caribbean and Pacific group of countries received 38% of the overall EC funding for TRA, followed by the Mediterranean region, which received 19%. The Western Balkans (CARDS) countries received 13% of the total TRA, while Asia, Latin America and the TACIS regions received 8%, 7% and 8% respectively.

Trade and Development, complemented by thematic co-ordination on specific issues. In the case of EPAs, a specific co-ordination tool has been set up, the Regional Preparatory Task Forces. The Commission is also supporting aid-for-trade co-ordination with EU Member States, for example through regular organisation of meetings of the EU Trade and Development Experts Group.

During the period under review the EC made considerable efforts to improve the quality of assistance for trade. A very important initiative is the training programme on trade-related assistance developed by the inter-service Task Force on Trade and Development to enable EC staff at headquarters and in delegations to design and manage aid-for-trade programmes. More than 14 training sessions in Brussels and different regions, with a total of 300 participants, were held over the period 2004-2006. In 2003 guidelines on TRA were developed, modelled on the OECD guidelines. In preparation for the new cycle of Country Strategy Papers the EC developed a methodology to carry out trade needs assessments in countries where no such analysis is available. These efforts were in line with recommendations resulting from a 2003 evaluation of EC TRA.

As part of overall efforts to further aid effectiveness, another evaluation specifically covering co-ordination in the area of trade capacity-building was finalised in 2006. A related challenge is to move delivery of TRA away from project aid towards more programme assistance, as well as to explore the use of sector and budget support in this area. Aid for Trade to Egypt is already delivered as budget support. In Laos and Cambodia, the EC has taken the lead in assisting the Governments in establishing sector-wide approaches, in the context of the implementation of the integrated framework for LDCs. At the multilateral level, the EC is closely involved in supporting the transition process of the Enhanced Integrated Framework.

### 3.2.7. *Environment*

The new 'European Consensus on Development' recognises environment and sustainable management of natural resources as both a cross-cutting issue and a possible focal point. Environment is also recognised as an important coherence element, and EU environmental policy is generally coherent with strengthening development objectives. For example the policy to reduce greenhouse gas emissions contributes to mitigating climate change, which will be beneficial for developing countries and particularly so for those that are vulnerable to climate change (e.g. small island developing states).

The EU has taken steps to improve the integration of environment in development co-operation, and is also working towards improving donor co-ordination and coherence. The preparation of Country Environmental Profiles (CEPs) plays an important role in integrating environment into the country support strategies, and the Environment Helpdesk provides expert advice and training. Over the past couple of years, a large number of CEPs have been prepared. Training on environmental mainstreaming has been carried out in headquarters and in the field offices. An environmental section is now a standard feature of the analytical description of the CSPs.

Moreover, Strategic Environmental Assessments are being systematically recommended in order to take into consideration the negative impact on the environment of the focal and non-focal sectors. An environment integration manual laying down the procedures to be followed for environmental integration in CSPs and projects is being finalised, and several Member States have expressed an interest in this manual.

In July 2006 the EU Court of Auditors finalised a detailed critical assessment of the EC environment integration strategy. In response, the Commission has created an inter-service steering group, which is currently reviewing and updating this strategy in order to make it more comprehensive, in the general interest of better co-ordination between services. The dialogue with the EU Member States on environmental integration has also been reinvigorated.

An evaluation of the environment and tropical forest budget line took place in 2004, resulting in a number of recommendations that to a large extent have been addressed under the thematic programme on environment and natural resources including energy (ENRTP), which was approved in January 2006. The ENRTP is an important instrument for addressing the environment issue in relation to development as well as the external aspects of EC environment policy.

### 3.2.8. *Migration and Development*

In recent years, international migration has emerged as a major theme in the relationship between developed and developing countries. Alongside the continued process of globalisation, the number of international migrants continues to grow. The development impact of this increasing global mobility of people has many dimensions, such as these related to international money transfers. Next to this aspect, there are widely publicised problematic dimensions, e.g. those related to human trafficking (including forced labour), undocumented ("illegal") immigration and - particularly relevant for host developing countries - the impact of the refugee burden, as well as, in certain countries and sectors, the problem of "brain drain".

As a consequence of this evolution, the Commission has undertaken to incorporate systematically the questions related to migration and asylum in its political dialogues with third countries, to propose comprehensive approaches on migration and to mainstream these questions in its development co-operation strategies.

#### 4. POLICY COHERENCE

The coherence of European Union (EU) non-development policies with development policy is an issue of major importance for the EU. Indeed, it is widely agreed that development policy alone will not bring sufficient results and that a number of other policies can have a major impact, either accelerating or slowing down progress towards the United Nations' (UN) Millennium Development Goals (MDGs). The EU's aim is therefore to maximise the positive effect of EU policies while minimising their negative impact on developing countries' progress towards the MDGs. The Policy Coherence for Development (PCD) agenda will be taken forward by the European Commission and each of the EU Member States in their respective spheres of competence.

The EU work on PCD was strengthened by a Commission Communication of April 2005<sup>25</sup>. This resulted in Council conclusions of May 2005 which agreed on EU commitments in 12 areas, in the context of a package of measures to accelerate progress towards the MDGs<sup>26</sup>:

- (1) *Trade*: The EU is strongly committed to ensuring a development-friendly and sustainable outcome of the Doha Development Agenda and EU-ACP Economic Partnership Agreements (EPAs). The EU will further improve its Generalised System of Preferences with a view to enhancing developing countries' exports to the EU, will continue to work towards integrating trade into development strategies, and will assist developing countries in carrying out domestic reforms.
- (2) *Environment*: The EU will lead global efforts to curb unsustainable consumption and production patterns. It will assist developing countries in implementing the Multilateral Environmental Agreements (MEAs), and will work to ensure that the capacities of developing countries are taken into account during MEA negotiations. It will continue to promote pro-poor environment-related initiatives and policies, and will strengthen the integration of environmental and climate change concerns into its own policies.
- (3) *Climate Change*: The EU recognises that one of the greatest environmental and development challenges in the twenty-first century is that of mitigation of and adaptation to climate change, and that lasting progress in achieving the MDGs will be enhanced by the success of the international community in implementing the Kyoto Protocol and reinvigorating the international negotiations to ensure a post-2012 arrangement in the context of the UN climate change process. In this context it reconfirms its commitment to the Kyoto Protocol and its determination to develop a medium- and long-term EU strategy to combat climate change, consistent with meeting the '2°'

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<sup>25</sup> Commission Communication on '*Policy Coherence for Development - Accelerating progress towards attaining the Millennium Development Goals*' - COM(2005) 134 final of 12 April 2005.

<sup>26</sup> May 2005 General Affairs and External Relations Council (GAERC) Conclusions on the Millennium Development Goals (Doc. 9266/05)

objective as outlined in the European Council's conclusions of 23 March 2005.

- (4) *Security:* The EU will treat security and development as complementary agendas, with the common aim of creating a secure environment and of breaking the vicious circle of poverty, war, environmental degradation and failing economic, social and political structures. It will enhance its policies in support of good and effective governance and the prevention of state fragility and conflict, strengthening its response to difficult partnerships/failing states. The EU will reinforce control of its arms exports, *inter alia*, with the aim of avoiding EU-manufactured weaponry being used against civilian populations or aggravating existing tensions or conflicts in developing countries. The EU will promote co-operation in fighting corruption, organised crime and terrorism.
- (5) *Agriculture:* The EU will continue its efforts to minimise the level of trade distortion related to its support measures to the agricultural sector, and to facilitate developing countries' agricultural development.
- (6) *Fisheries:* The EU will continue to pay particular attention to the development objectives of the countries with which the Community enters into bilateral fisheries agreements. Within the context of the new EU policy on fisheries partnership agreements with third countries, which have been implemented since 2003, the EU will continue to encourage the conclusion of agreements contributing to rational and sustainable exploitation of the surplus of coastal states' marine resources, to the mutual benefit of all parties.
- (7) *Social dimension of globalisation, employment and decent work:* The EU will contribute to strengthening the social dimension of globalisation in order to ensure maximum benefit for all, men and women. It will promote employment and decent work for all as a global goal.
- (8) *Migration:* The EU will promote the synergies between migration and development, making migration a positive factor for development.
- (9) *Research and innovation:* The EU will promote the integration of development objectives, where appropriate, into its RTD and innovation policies, and will continue to assist developing countries in enhancing their domestic capacities in this area. It supports global, regional and national efforts in research to address the special needs of the poor in the areas of health, including prevention and treatment of HIV/AIDS, agriculture, natural resource and environmental management, energy, in particular renewable energy and energy efficiency, and climate.
- (10) *Information society:* The EU will address the digital divide by exploiting the potential of Information and Communication Technologies as a development tool and as a significant resource for attaining the MDGs.
- (11) *Transport:* The EU will address the special needs of both landlocked and coastal developing countries by promoting the intermodality issues for achieving network interconnectivity, as well as security and safety issues.

- (12) *Energy*: The EU is strongly committed to contributing to the special needs of developing countries by promoting access to sustainable energy sources and by supporting the establishment of interconnection between energy infrastructures and networks.

The Council agreed to deliver on these 12 commitments by 2015. The Council conclusions also called for improved procedures, mechanisms and instruments at the level of the Council, the Commission and Member States.

The 'European Consensus on Development', which was jointly agreed by the Commission, the Council and the European Parliament in December 2005, also confirmed the attention devoted to PCD<sup>27</sup>.

The EC commitment on PCD also has a firm legal basis in the EC Treaty (Art. 178), which states that the Community "shall take account" of development objectives in all its non-aid policies "which are likely to affect developing countries".

The EU, including the EC, has now moved to the implementation phase on PCD. An important step in this direction was the elaboration, under the impetus of the EU Presidency, of a rolling work programme on PCD for 2006-2007, which identifies common priorities for horizontal (organisation) action and thematic action on the 12 PCD commitments. This is based on intense work and collaboration between the Presidency, Commission services<sup>28</sup> and relevant Council working groups. In October 2006, the Council adopted conclusions covering both the Presidency's rolling PCD work programme and the integration of development concerns in the Council's decision-making processes<sup>29</sup>.

Another major aspect concerns accountability and transparency in the follow-up to EU PCD commitments. The Council gave the Commission a mandate to monitor progress on PCD commitments, on the basis of a biennial EU PCD Report<sup>30</sup>. The aim of this report, the first of which is to be issued in 2007, is to encourage the further development of PCD, taking into account feedback from developing countries, civil society and the European Parliament, and to serve as a public information tool. It will cover progress achieved by EU Member States, the EU Council of Ministers and the European Commission on both horizontal and thematic PCD commitments. Thus, the first exhaustive review and analysis of EU actions and progress regarding PCD will be provided in the 2007 EU PCD Report.

As far as the EC is concerned, progress has been made in a number of areas of PCD. This includes trade, in particular with regard to progress in the negotiation of Economic Partnership Agreements (EPAs) with ACP countries which aim at

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<sup>27</sup> Joint Statement by the Council and the Representatives of the Governments of the Member States meeting within the Council, the European Parliament and the European Commission - 'The European Consensus on Development', December 2005 (OJ 2006/C 46/01).

<sup>28</sup> See in particular the Commission Staff Working Paper on "Policy Coherence for Development - Work Programme 2006-2007" - SEC(2006) 335 final of 7 March 2006.

<sup>29</sup> April 2006 Council Conclusions on PCD Work Programme 2006-2007 (Doc. 8387/06); October 2006 GAERC Conclusions on Integrating Development Concerns in Council Decision-making (Doc. 14072/06) and on a Rolling PCD Work Programme 2006-2007 (Doc. 14075/06).

<sup>30</sup> May 2005 GAERC Conclusions

fostering trade and regional integration as an engine for long-term development. Considerable progress has already been made in the area of migration, with the adoption of a communication on migration and development in September 2005 and within the framework of the 'EU Strategy for Africa', as well as in the area of security with support for security sector reform in partner countries. In the field of agriculture, the reforms of the Common Agricultural Policy (CAP) agreed in recent years, in particular the major reforms of 2003 and 2004, are making a strong contribution to reducing trade-distorting effects of EU support to agriculture and enhancing positive social and environmental effects. The implementation of CAP continues in that direction. Where needed, accompanying measures in favour of developing countries are put in place (e.g. recent Action Plan for Sugar Protocol ACP countries aimed at supporting them in their adaptation to the reform of the EU sugar regime). The 2007 EU PCD Report will provide a detailed assessment of achievements.

The Commission is also actively promoting PCD amongst its services through the following mechanisms:

- Within DG Development, a unit is specifically in charge of PCD. It acts as a focal point for the follow-up to EU PCD commitments and works in close collaboration with the relevant sectoral units within DG DEV.
- An Inter-Service Group on PCD was created on the initiative of DG Development in July 2006. It comprises participants from all Commission DGs that work on the 12 areas of PCD commitments. The main aims of the Group are to: (1) identify and reinforce the development perspective, particularly in the early stages of the formulation of new Commission policy proposals; (2) monitor progress made on each of the 12 EU PCD commitments; and (3) prepare the biennial EU PCD reports. The Inter-Service Group held its first two meetings on 7 and 13 November 2006 to discuss the methodology for preparing the 2007 EU PCD Report.
- Inter-Service consultations are carried out by informing Commission services of all policy proposals, in order to allow relevant DGs to express their views and demands. This system is used routinely by DG Development and other DGs to review policy proposals that may have an impact on development policies and/or developing countries. A list of proposals to be reviewed is drawn up annually on the basis of the Commission's Annual Work Programme.
- In 2002, the Commission introduced an impact assessment system evaluating the possible consequences of a given proposal and assessing the alternatives. Impact assessments are of particular importance in assessing the impact of policy proposals on development. The Commission is currently carrying out an external review of its impact assessment system.
- An informal EU PCD network was created in 2003 on the initiative of the Director General for Development. It provides a forum for information and discussions between the Commission and EU Member States. It is an important tool for building capacity and expertise on PCD matters.

## 5. ORGANISATION AND MANAGEMENT CHANGE

The overall objectives of the reform have been to speed up implementation of external assistance and to improve the quality of aid delivery. Operationally, the reform process was largely complete by the end of 2004. It brought about: (1) improved programming within a coherent project cycle with a focus on poverty eradication; (2) the creation of one single entity responsible for the implementation of assistance (EuropeAid); (3) a completed devolution process with 81 delegations now responsible for the management of aid; (4) the creation of more than 1 500 additional posts in delegations to speed up implementation; (5) improved working methods through harmonised and simplified procedures, better information systems and better trained staff; and finally (6) improved quality through a process of quality support and monitoring of the different stages of project management.

The results show that both commitments and payment levels have continued to rise every year since the reform, reflecting speedier and more effective implementation of assistance.

Of course, improvements are still needed and continue to be made. The co-ordination and harmonisation agenda with other donors will have a major positive impact on aid delivery. Internally, the Commission will continue to streamline procedures, push for more devolution to delegations, clarify interaction between delegations and headquarters and improve information systems. Within this framework, quality of projects and programmes at entry will receive more attention through a reinforced quality support process. This will also require a clearer focus on a limited number of sectors (and per sector a limited number of activities) per partner country. During implementation better use should be made of monitoring tools and, at closure of programmes, evaluations should result in a clearer input into the programming and identification process.

In the context of the reform, the devolution of aid management to 81 delegations was an important component. Before the reform, in the case of the EDF, 55% of the funding was managed centrally at headquarters and 45% jointly with delegations. At the end of 2005, more than 80% of funding of geographical programmes and 66% of thematic budget lines was managed in delegations.

On a procedural level comitology, financing decisions and global commitments are the responsibility of EuropeAid, while individual commitments, tendering, contracting and payments are under the authority of the delegation. On the content of activities, delegations are responsible for identifying them, assessing their feasibility, implementing and evaluating them. Headquarters is responsible for programming (DEV and RELEX for multi-annual and EuropeAid for annual programming), and for general, thematic and quality support.

The devolution of management responsibility is formally regulated through a cascade of subdelegated authorisations, whereby the Director-General of EuropeAid acts as authorising officer, delegating to the Geographical Directors the authorisation to make global commitments, individual commitments (contracts), payments and recovery orders. The Geographical Directors subdelegate individual commitments,

payments and recovery orders to the Heads of Delegation. Derogations to rules and procedures are only granted by headquarters.

The devolution exercise has led to the establishment of a number of new offices, "regionalised delegations", in third countries headed by a *chargé d'affaires a.i.* dependent on a delegation in another country. These regionalised delegations normally have the responsibility of an operational section, with financial and contractual issues being dealt with by the regional delegation.

Devolution was planned in three waves. It started in 2001 with the first 21 delegations covering part of the geographical programmes MEDA, CARDS, TACIS, ALA and EDF. This was followed by a second wave of 27 delegations in 2002. The third wave of delegations to be devolved, from 2003 to 2005, was mainly in the ACP countries. From 2003 onwards, thematic and horizontal programmes such as food security, NGO co-financing and human rights were devolved as well, based on concept papers for each of these budget lines.

In total, 1 559 additional staff posts (375 officials and 1 184 external staff) were allocated over the 2001-2005 period. Devolution led to a need for delegation staff with a different profile (engineers, financial and legal experts).

## **5.1. EC aid management. The reform and quality process**

### *5.1.1. Programming*

The eradication of poverty in the context of sustainable development, including pursuit of the Millennium Goals is the primary and overarching objective of EC co-operation: more should be done to tackle poverty, to do it differently, and to do it more efficiently. Programming is therefore based on the new policies and strategies adopted or endorsed by the EU in 2005 and early-2006 aimed at achieving those objectives. These include the Millennium Development Goals communications package and the related Council Conclusions<sup>31</sup>, the Paris Declaration<sup>32</sup> on Aid Effectiveness, the European Consensus<sup>33</sup> setting out the joint EU development policy statement, the regional EU Strategies for Africa<sup>34</sup>, the Caribbean<sup>35</sup> and the Pacific<sup>36</sup>, and the Migration<sup>37</sup> communication.

The programming guidelines translate the above-mentioned policy documents into operational terms and provide further guidance on how to go about the programming process. Special attention is given to the importance of national ownership, to the need for reinforced harmonisation and co-ordination between donors, to better interaction between national and regional activities, to coherence between EU development and non-development policies, as well as to good governance as a

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<sup>31</sup> Communications COM/2005/132 , 133, and 134 (OJ COM=1697); Council Conclusions of 23 and 24/5/2005

<sup>32</sup> High Level Forum on Aid Effectiveness, Paris, 28/2-2/3/2005

<sup>33</sup> Council document 14820/05 of 22/11/2005

<sup>34</sup> Council Conclusions 14172/05 (Presse 289), page 23

<sup>35</sup> COM/2006/86 FINAL (OJ C/2006/104 p. 19); Council Conclusions 7938/1/06 REV 1, p. 22

<sup>36</sup> Council Conclusions 11574/06 (Presse 218), page 10

<sup>37</sup> COM/2005/390; European Council 15-16/12/2006, Presidency Conclusions 15914/1/2005 page 2

prerequisite for development. The programming orientations for ACP countries also include guidance on the preparation of governance profiles that aim at identifying potential weaknesses in the area of governance, as well as the methodology to assess and quantify current governance performance and prospective commitments to carry out reform in this area.

The co-operation assistance strategies agreed with the partner countries will be expressed in the form of the new Common Framework for Country Strategy Papers adopted by the General Affairs and External Relations Council<sup>38</sup> on 10 April 2006: this takes into account the latest development policy commitments, initiatives and communications. A standard-format Regional Strategy Paper (RSP) has also been made available.

Finally, thematic and coherence programming fiches and more detailed sector and thematic guidelines and policy documents have been made available to Commission delegations via the internal website of the iQSG. These detailed guidelines give delegations and partner countries and regions insight into how to deepen sector and thematic analysis and how to define an appropriate response strategy in the chosen intervention areas.

The programming for **Asian, Latin American and Neighbourhood** countries **started in 2004/2005**. In December 2006 nearly all Country and Regional Strategy Papers had been prepared and the Inter Service Consultation (ISC) successfully completed. The same applies to the strategy paper for the Migration and Asylum Thematic Programme, while the Inter-Service Consultation on the Strategy Papers for the Nuclear Safety Instrument, the Instrument for Stability and the Instrument for Co-operation with Industrialised Countries are almost completed. The Strategy Paper for the European Instrument for Democracy and Human Rights will be finalised very soon, since agreement has now been reached with Parliament. Also the strategy paper for the Instrument for Co-operation with Industrialised Countries will be in Inter-Service Consultation very soon.

For the Neighbourhood countries' Country/Regional Strategy Papers, it is expected that all strategies will be adopted by means of written procedure by the new Management Committee in January and Parliament will present its position in writing in February. Formal adoption by the Commission is foreseen by end-February. The Strategy Papers for DCI countries (Asia, Latin America, Central Asia and the Middle East), including the Migration and Asylum Thematic Paper and the Strategy Papers for the other instruments, are being processed rapidly and should be adopted by end-April.

Programming was launched in early-2006 during the regional seminars which brought together the Commissioner for Development Louis Michel, the National and Regional Authorising Officers of each of the regions, Commission and EIB staff members and representatives of the Member States. On those occasions EU policy objectives were discussed and a first exchange of views on ACP co-operation priorities took place. The programming dialogue is in progress and should culminate

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<sup>38</sup> Council document 8388/06 of 11/4/2006

in Country and Regional Strategy Papers ready for signature by mid-2007, with implementation starting in January 2008.

## 5.2. The iQSG

The inter-service Quality Support Group (iQSG) was set up in January 2001 as an integral part of the Reform of Management of EC External Assistance of 2000, in order to improve the **quality and consistency of the programming process**. This service plays a significant role in promoting the recommendations of the 2002 DAC review - in particular those focusing on improving policy coherence, developing the institutional framework for coherence, and strengthening aid effectiveness - thanks to its **strategic role in the programming process** and the **synergies existing with other RELEX services**. The iQSG has, indeed, an interdepartmental character as it is made up of senior representatives of all Directorates-General involved in the management of the Community's relations with developing countries (DGs Development, External Relations, Trade, Economic and Financial Affairs, Enlargement, ECHO, EuropeAid Co-operation Office and the Evaluation Unit).

### 5.2.1. *iQSG activities in 2005-2006*

#### 5.2.1.1. The iQSG assessment

The main task of the iQSG is to ensure that the main programming documents are of consistently high quality. To this end, the iQSG **assesses and makes recommendations** on draft programming documents, i.e. **Country, Regional and Thematic Strategy Papers** for all countries receiving external assistance (ACP, ALA, MED, CARDS and TACIS regions). The aim is to ensure that fundamental principles guiding the development policy, such as policy mix, mainstreaming of cross-cutting issues, complementarity and harmonisation, concentration of intervention, country ownership and alignment, focus on results, are respected and fully integrated in the documents.

Between 2005 and 2006 the iQSG screened **all CSP/RSP for the RELEX countries of the second generation**, covering the planning period 2007-2012. In the same context during the inter-service consultation, the iQSG had the opportunity to check revisions to papers already screened by it against completed *fiches contradictoires*, documents summarising the recommendations presented by the iQSG and the response of the geographical services concerned. The purpose of these checks was to evaluate the impact of the iQSG's work on new drafts, notably by verifying whether the appropriate changes had been made in accordance with the iQSG's recommendations or, on the other hand, if a reasonable justification for not taking them into account had been given.

In October-November 2006 the iQSG also assessed the **Thematic Strategy Papers**. The iQSG evaluation of the draft programming documents for 2008-2013 concerning the ACP countries will be carried out during December 2006-February 2007.

#### 5.2.1.2. Harmonisation of programming guidelines

The iQSG is also responsible for developing and harmonising programming guidelines. In this context, in 2006 it drafted the **revised Common Framework for**

**Strategy Papers**, which represents the yardstick for the iQSG assessment. This document, agreed at the GAERC of April 2006, updates the standard format for programming documents approved in 2000 in order to reflect the political development of recent years and also to provide a better framework for enhanced donor co-ordination and harmonisation between the Commission and the EU Member States. The **new format** is, indeed, intended to provide a tool for **joint multi-annual programming** between the EC, the Member States and the other interested donors.

#### 5.2.1.3. Co-ordination of the joint multi-annual programming

In 2006 the iQSG has taken on board a new task: the **co-ordination and monitoring** of the initiative launched by the Council in April 2006: **joint multi-annual programming**. This initiative represents an essential pillar of the EU's contribution to meeting the commitments made at the High Level Forums of Rome (2003) and Paris (2005) and thus a major tool for strengthening aid effectiveness. This task involves a close collaboration with Member States and geographical services to support and implement, where feasible, the envisaged process in the ACP countries.

### 5.3. Simplification of implementation

Simplification is a key to improving the effectiveness of aid and is an important priority for the European Commission. The adoption of the new instruments for external assistance - eight instruments instead of more than 35 in the past - is a major component of this.

Moreover, proposals for legislative amendments in the context of the ongoing revision of the Financial Regulation<sup>39</sup> should be adopted soon. However, simplification is also about applying existing rules in the most effective, clear and consistent manner. This is the purpose of the new practical guide issued by EuropeAid in February 2006, which will help to clarify procedures and facilitate delivery of aid.

The latest revision of the Financial Regulation includes changes such as:

- the simplification of the conditions for delegating the Commission's tasks to national public-sector bodies or bodies governed by private law with a public service mission in indirect centralised management and the extension of such a possibility to decentralised management.
- the possibility to use the procurement or grant procedures of a third country in decentralised management, under strict conditions, as defined in the second subparagraph of Article 56 (2) of the revised FR.

These changes are in conformity with the Paris Declaration on Aid Effectiveness, Ownership, Harmonisation, Alignment, Results and Mutual Accountability, the stated aims of which are:

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<sup>39</sup> OJ L 390 of 30.12.2006, p. 1.

- to eliminate duplication of effort and to rationalise donor activities to make them as cost-effective as possible;
- to implement, where feasible, common arrangements at country level for planning, funding (e.g. joint financial arrangements), disbursement, monitoring, evaluation and reporting to government on donor activities and aid flows;
- to use country systems and procedures to the maximum extent;
- to promote joint training to share lessons learnt and to build common approaches.

In this respect, the Commission is anxious to ensure the possibility of using procurement or grant procedures of a third country in decentralised management, after having checked that the necessary conditions of guarantee are fulfilled, or of delegating implementation tasks to third countries in decentralised management.

#### 5.4. Quality Support Groups (QSGs)

EuropeAid put in place in 2005 a mechanism that helps to improve the speed and quality of the design of co-operation projects, building on best practices used in the past and on in-house expertise. This is in line with the recommendation of the 2002 DAC review to promote feedback from evaluation and monitoring systems in respect of quality support arrangements. The reorganisation of EuropeAid in 2005 led to the creation of a new Directorate for Operations Quality Support (Directorate E) plus a dedicated office for all office Quality Support Group (oQSGs) activities. This quality assurance mechanism is steered by the Quality Support Groups, which perform **peer reviews** of operations being prepared.

Quality at the programming level is ensured by the Inter-service Quality Support Group (iQSG). Its counterpart for the subsequent preparatory phases - identification and formulation - is the oQSGs.

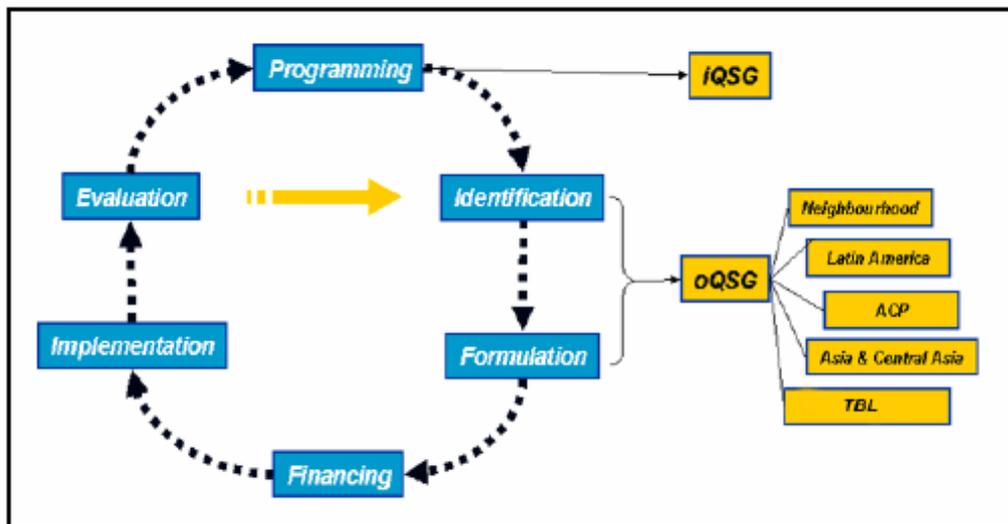
The oQSGs consist of five subgroups at the level of the four geographical directorates and of the horizontal policy areas, managed by the central management unit. The oQSG at directorate level is chaired by the director concerned and is composed of geographical co-ordinators and thematic experts.

The main role of the oQSG secretariat is to provide the methodological approaches and to promote cross-fertilisation between the geographical and thematic areas. The Directorate for operations quality support has developed a series of guidelines and practical tools to ensure increased quality of programmes in the main areas of EC development co-operation. These guidelines and tools are disseminated to programme managers in delegations and in Brussels through regular workshops and training sessions organised at headquarters and also at regional level. They should greatly assist in facilitating the QSG process.

The oQSGs are involved in the **preparatory stages** of the project cycle when co-operation actions are designed. Good preparation is indeed critical to ensure successful implementation of the action planned.

These oQSGs intervene early on in the preparatory process, namely at the end of the identification stage, shaping the subsequent preparations in a way that enhances quality. They also intervene at the end of the formulation stage to assess the quality achieved.

Beyond the level of the quality of individual initiatives, the oQSGs contribute to the constant improvement of EuropeAid's functioning as a whole. With management responsibilities devolved to the delegations in third countries, they ensure an efficient exchange of information on the preparation of planned activities between headquarters and delegations, thus facilitating the necessary back-up for the delegations. Based on the same criteria as the monitoring activities and the evaluation programmes, this guarantees consistency and transparency throughout the project cycle.



## 5.5. Monitoring

The results-oriented monitoring (ROM) system is based on regular on-site assessments by independent experts of ongoing projects and programmes, providing a global overview of the portfolio on progress towards results. The projects and programmes monitored are assessed against the criteria of relevance, efficiency, effectiveness, impact and sustainability. The process culminates in a judgement based on the evaluation criteria, plus EC added value and coherence, and the results are fed back into the programming cycle.

In 2005, a more accurate calculation method for reporting was introduced: the averages are no longer calculated from the rounded final scores, but on the basis of the points given for each sub-criterion.

For each project, short explanations and recommendations on quality improvement are addressed to all stakeholders, providing important complementary information to internal monitoring by project stakeholders.

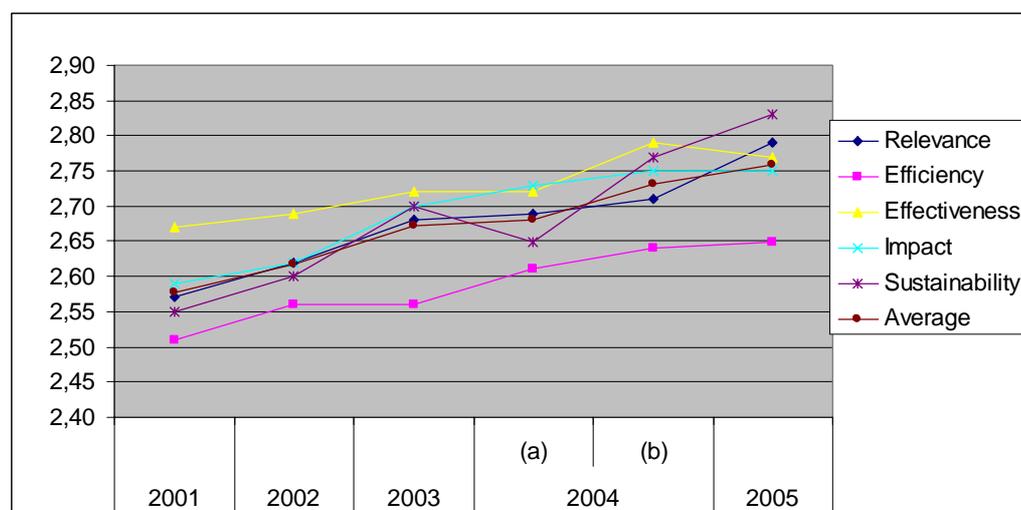
### Monitoring missions completed in 2005

Overview per region	Tacis	Cards	MED	ACP	Asia	Latin Am.	Total 2005	Compared to 2003
N° countries visited	13	5	20	62	16	17	<b>133</b>	+ 28%
N° projects monitored	303	100	146	369	146	180	<b>1,244</b>	+ 38 %
N° reports produced	451	136	163	365	185	170[1]	<b>1,470</b>	+ 27 %
€million covered	518	93	1,802	4,109	833	1,047	<b>8,402</b>	+ 19 %

In ROM, projects and programmes are given simple scores going from 4 points = very good to 1 point = major problems. The findings show that projects and programmes monitored in 2005 performed on average better than 'according to plan'. Projects showing problems were closely followed up by the Commission services and improvements were recorded, particularly in the Mediterranean region.

Over the last four years, the overall ratings in ROM show a steady and statistically significant improvement: from 2.62 in 2002 to 2.67 in 2003, and from 2.68(a) and 2.73(b) in 2004 to 2.76 in 2005.

Efficiency of implementation, together with effectiveness and potential sustainability, improved most of all (about 5% in each case).



When comparing the performance scores of EC-financed projects and programmes over time, as published in the annual reports, a steady improvement in quality is evident. The ROM mechanism shows the improvements since the creation of EuropeAid. Further analysis would be necessary to identify the main contributing factors.

The Commission is committed to using the ROM data more effectively in the years ahead. Work on methodological and technical issues will continue, in order to strengthen the system and broaden the use of the information collected. In 2006, the ROM system was tested on more than 100 completed projects in all regions. The

Commission anticipates that, applying the uniform ROM system *ex-post*, a clearer picture will emerge as to whether projects succeed in making a lasting impact and really achieve sustainability of results.

## **5.6. Evaluation**

Evaluation of the results of regional and sector policies, programmes and programming performance is crucial to the reform of external aid management and to the success of aid policies as a whole. The process culminates in a judgement based on the evaluation criteria, plus EC added value and coherence, and the results are fed back into the programming cycle.

The evaluation unit in the EuropeAid Co-operation Office is a joint unit for three Directorates-General: Development, External Relations and EuropeAid. It is in charge of evaluation of the Commission's co-operation and development programmes in third countries, with the exception of enlargement candidate countries and humanitarian aid. A multi-annual strategy for the period 2002-2006 was validated by the Commissioners in November 2001: this indicates the main areas to be covered by evaluations for the five-year period, the thematic and sectoral evaluations to be undertaken, and the strategy to be followed for geographical evaluations.

Since 2004 the following evaluations have been completed or are foreseen for 2007:

Year of publication	Countries	Regions	Themes/sectors/modalities
2004	Egypt Honduras Ethiopia Lesotho	MERCOSUR  CARDS EAR	Population  Transport Trade-Related Assistance Food Aid / Food Security Environment & Forest
2005	Benin Ghana	Caribbean Latin America	Private Sector
2006	Armenia Tanzania Mali (joint evaluation) Mauritius, Seychelles & Comores Rwanda	TACIS Central Africa	Trade capacity-building General Budget Support (joint evaluation) Governance Water and sanitation Micro projects Rural Development
2007 (foreseen)	India China Jordan Bolivia Moldova Mozambique Guyana	Pacific SADC Central America West Africa Eastern Africa	Statistical Support  Energy United Nations Development Banks and EIB Civil Society

The programme to improve evaluation methodology was nearing completion by end-2005. It includes the finalisation of guidelines for geographical and sectoral evaluations, guidelines for project and programme evaluations, and guidelines for *ex-ante* evaluations for projects and for Country and Regional Strategy Papers.

Three evaluation tools have been finalised: logic diagrams of effects, context indicators and socio-anthropological analysis.

In 2005, the evaluation website was revamped in order to show, for example, the main areas of evaluation (geographical, sectoral and thematic, instruments and channels of aid), to highlight the methodology and to incorporate an EU donor database. All the evaluation reports since 2000 and for which the joint evaluation unit is responsible can be accessed by year, country/region, theme/sector and

instrument/channel. The work programme for the coming year, showing evaluations in the pipeline, will also be available on the website.

Web-tailored documents are grouped in three main chapters:

- (1) Evaluation guides for geographical (country/regional level) as well as thematic evaluations, for the evaluation of projects/programmes: checklists are included. The guides are prepared for evaluation managers as well as for evaluation team-leaders. Various examples of good practice are annexed.
- (2) Methodological bases giving definitions, explanations and developing concepts of evaluation such as scope, timing, users, role of participants in the evaluation process, as well as methods (evaluation questions, evaluation design, analysis, quality assurance), etc.
- (3) Tools to structure an evaluation of external/development co-operation with partner countries, to collect and analyse data, to formulate and check judgements.

The work has been overseen and approved by a panel of internationally recognised experts (universities, think tanks, donors and World Bank). The website will be supplemented by a box of four printed booklets. Increasing importance is put on results at sectoral and global levels as well as on further harmonisation of methods and approaches. The methodology also covers the emerging need for evaluation of the impact of activities, strategies and policies. The website also increases transparency in methods for accountability and raises awareness worldwide.

The starting points were the internationally agreed principles on evaluations. The new approach was tested in various regions: from 2002 on: all regions have been covered and lessons learnt from experience have been included in the guides.

Primarily, it seems that efficiency can be enhanced, even though evaluation reports show recent improvements resulting from the devolution process. The complex rules, and rigidity in their application, make EC project delivery very slow compared with that of other donors and do not allow sufficient flexibility in handling problems when they arise. In addition, regular input/output monitoring needs to be strengthened, where it exists, or should be initiated.

The evaluation programme for 2006 was the last annual programme under the norms set for the multi-annual evaluation strategy for the period 2002-2006. By the end of 2006, a new multi-annual strategy will have been developed to cover the period 2007-2013.

## **5.7. Results-based management**

### *5.7.1. Staff Policies*

At the end of the 1990s, acute staff shortages had a direct negative impact on the speed and quality of the Commission's external assistance. Since the launch of the reforms, the number of staff in delegations working on external assistance has more than doubled, from roughly 1,000 to 2,580 in 2004. At headquarters, staff levels have

slowly started to decrease in accordance with the final stages of devolution, and in consequence are expected to drop further.

The Communication on administrative reform of the unified external service (June 2002) confirms the application of the overall Commission policy of equal opportunities to posts in delegations. This Communication sets out the principles of staff policies in relation to delegations and in relation to career development in the external service. It proposes measures to facilitate postings to a delegation, the training of staff before taking up duties and return to headquarters. The Communication also lists the measures to be taken to develop a standard career path in external relations which includes periods of work both at headquarters and in the field.

There is a major effort to have the whole system of the External Service react more quickly than in the past to changing political scenarios. Some decisions have just been taken to ensure greater flexibility for the organisational structure of delegations and staffing levels:

- simpler procedures to review organisation charts,
- workload assessment,
- more efficient use of resources by identifying the level of tasks required in delegations and reviewing job descriptions,
- encouraging cross-sectoral co-operation between the different sections.

Despite these efforts, it is clear that budget constraints and appointment procedures can militate against rapid response.

The Commission Decision of 27 December 2002 on the reform of the External Service set the conditions for the professionalisation of the External Service: career profiles, rotation exercises, training. A programme launched in 2006 for the exchange of officials between the Commission (RELEX DGs) and the Member States contributes to this professionalisation drive. The Commission is also committed to recruiting 800 contract agents to increase the number of professionals in delegations.

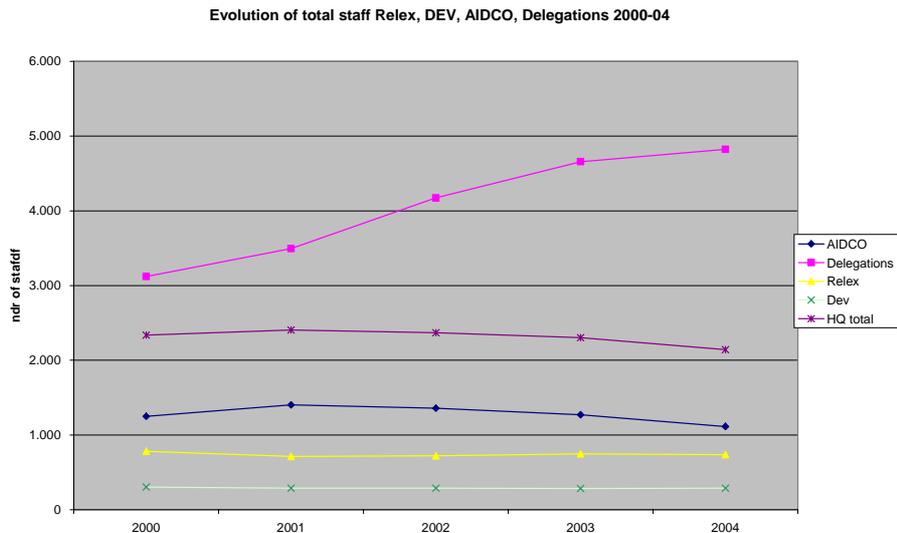
In order to retain these experienced colleagues, the Commission decided to make an exception to its policy: the Commission does not allow staff to work on certain types of temporary contracts for more than six years in a 12-year period. This decision does not apply to contract agents working in delegations, who can get contracts for an indefinite period if they pass the selection process.

The Commission's staff appraisal system, known as the "career development review", is based on the principles of performance management (where performance means in the broad sense the combination of achieving objectives and demonstrating competencies and conduct). At present, this system concerns officials' and temporary agents' performance. It will also be applied to contract agents. This system is an incentive to perform better as it is linked with the promotion system, but it cannot be the only incentive to serve in very difficult countries.

The recruitment/mobilisation of staff is a shared responsibility between delegations and headquarters:

- officials are recruited and mobilised by DG RELEX;
- local staff (AL) and EU national local staff (ALAT) are recruited and mobilised by delegations, on authorisation from DG RELEX;
- individual experts are recruited by EuropeAid and mobilised by DG RELEX.

Officials and individual experts have to follow a specific training programme at headquarters prior to their mobilisation in delegations, while ALAT and AL are trained after their mobilisation in delegation.



The external assistance reform included an extensive training plan for staff to prepare for devolution, which required the recruitment and redeployment of a large number of personnel. EuropeAid designed and implemented training plans for all staff employed in external assistance management. In principle, no new staff member is involved in aid implementation without prior training and/or retraining. Training consists of a fixed cycle of standard courses relating specifically to assistance management, general Commission courses, and on-the-job training. The training effort has resulted in EuropeAid having the highest number of training days per staff member of all DGs in the Commission. In 2003, each staff member received on average almost 15 days of training.

### 5.7.2. Communication

""As far as communication on Development is concerned, most of the activity is managed by the delegations. This aspect has developed significantly over the last few years and is now undoubtedly better integrated with other communication activities in the external relations field. This process has been made possible through active co-ordination of strategies and activities in the RELEX Information Committee (RIC), which brings together heads of communication from all the Directorates-General

involved in external actions (DG RELEX, DG DEV, DG Trade, EuropeAid, DG ECHO, DG Enlargement, DG ECFIN).

These efforts have already produced a number of concrete results:

- an umbrella strategy, "EU in the World Communication Strategy";
- a common Web portal (EU in the World);
- a common Info Point covering all aspects of external co-operation;
- a common calendar of activities, the "RIC Calendar";
- common outreach events such as the 9 May events in schools and the 6 May 'EC Open Doors' day.

DG Development's information and communication strategy of December 2004 emphasises the fact that, to become an effective and transparent actor in development co-operation, the EC in general and the RELEX family and DG Development in particular must be able to explain policy initiatives in clear language to their various target audiences. They must also be in a position to respond to the growing demand for more information on the EU and its role in development co-operation.

This is necessarily a common responsibility: while the technical responsibility for defining and implementing a DG Development information and communication annual work programme lies with the information and communication unit, the support of colleagues at all levels is a prerequisite to fostering an effective communication culture.

In line with the Commission paper "The EU in the World, towards a Communication Strategy for the European Union's external policy 2006-2009", it is vital to define the audiences within the EU as well as outside. For activities outside the EU, we work primarily via our delegations. Where the EU public is concerned, individual initiatives are taken in close consultation and co-operation with the other RELEX services plus DG Press and the representations in the Member States.

In implementing our work programme we address different multipliers, partners, decision-makers and 'gatekeepers' such as journalists.

The overall communication objective of DG DEV is to provide information, and to create a positive perception of and gain support for EC external assistance (mainly for ACP countries); this is seen as an integral part of the EU's role in the world, making the purpose and results of the EU relationship, including aid effectiveness in relation to ACP countries, more visible.

For 2006, the main focus was on the European Development Days (EDD) event (Brussels, 13-17 November). For the second time DG DEV also gave budget support to specific information projects proposed by delegations. Six successful seminars for delegation press officers were organised in Brussels. A meeting with Heads of Development Information and Communication departments of the Member States was also organised in Brussels (February 2006).

DG Development was active at many events, for example the annual "Couleur Café" festival in Brussels, the "20 km of Brussels" run and the Open Doors at the Berlaymont. Another important event was the Natali Prize ceremony, where awards were handed out to journalists writing articles on Human Rights. In co-operation with the European School of Journalism in Maastricht, training sessions were organised for ACP and new Member State journalists. A new event for young people (the "Youth Prize"), where schools in Europe competed to produce the best piece of art linked to development, was organised in 2006. DG DEV also participated in the World Bank's World Conference on Communication in Development, held at FAO headquarters in Rome, 25-27 October.

Communication activities implemented by EuropeAid fall into two broad categories: those organised at headquarters under the responsibility of the information and communication unit, and those taking place at project level, often implemented under the responsibility of delegations in the field.

Activities managed by headquarters are essentially concerned with accountability and advocacy: the annual report, 'Info Point' services, the website, and multi-media communication campaigns targeting EU citizens. These activities aim to show how the Commission spends taxpayers' money, to demonstrate that it achieves concrete results, and to engage citizens in a dialogue on the key challenges posed by development co-operation.

Communication activities taking place at project level are either an integral part of the project implementation strategy, i.e. using communication as an implementation tool (communication with stakeholders, prevention campaigns, etc...), or are geared towards creating visibility for EU solidarity and values in beneficiary countries.

## **6. THE EC'S HUMANITARIAN ASSISTANCE**

### **6.1. Commitment to the principles and practice of good humanitarian donorship**

Over the years, the European Commission has been confirmed as one of the world's most important providers of humanitarian aid. Through its Directorate-General for Humanitarian Aid (DG ECHO), the European Commission provides substantive assistance to the victims of humanitarian crises. European humanitarian policy reflects the founding values of the European Union - solidarity, respect for human dignity, equality and tolerance.

Taking the example of the year 2005, the European Commission, through DG ECHO, provided €652.5 million in humanitarian assistance to assist people in 84 countries, to fund disaster preparedness activities and to provide capacity-building support to international organisations.

Through its provision of timely and effective humanitarian aid, the European Commission/DG ECHO continued to demonstrate its commitment to the implementation of the "principles and good practice of humanitarian donorship" as defined and adopted at the June 2003 Stockholm meeting of the members of the "Good Humanitarian Donorship" initiative.

### **6.2. DG ECHO's structure**

Reflecting this commitment and its ambition to remain a reference donor of humanitarian assistance, the Commission decided, in late 2004, to reinforce and upgrade its humanitarian service into a Directorate-General: DG ECHO. In this way it acquired the same organisational status as other Commission services, notably those in charge of external relations and development assistance.

DG ECHO operates on a clear and specific legal basis, Council Regulation N°1257/96 of June 1996. The planning of its assistance through the development of a global operational *ex ante* programming strategy allows for transparent and strategic priority-setting and financial planning, which significantly enhances the predictability of funding. At the same time, the maintenance of a substantial reserve on DG ECHO's operational budget (which can be replenished through access to the emergency reserve of the general Community budget) and the existence of specific accelerated (emergency) procedures allow for the flexibility required for rapid response to crises.

As a donor, DG ECHO continuously seeks to enhance its operationalability. To this end, it has developed a global network of field experts (see box below) who are in permanent contact with headquarters and a diversified network of implementing partners. In order to enhance its rapid response and flexibility it has access to a set of accelerated procedures (including derogations from standard procedures).

DG ECHO is more than a provider of funding support, as it maintains a constant dialogue with its network of implementing partners, including through the strategic programming dialogues with all major UN agencies, the Red Cross movement and NGOs. It pursues an even-handed approach with all of these partners, and this is also reflected in its allocation decisions. The 200 partner NGOs are screened and pre-

selected in advance on the basis of objective criteria, in order to ensure the quality of ECHO-funded operations and to allow immediate disbursement of funding.

Many of the draft funding decisions prepared by DG ECHO are discussed with the 25 EU Member States represented at the Humanitarian Aid Committee before their formal adoption by the Commission. Those draft decisions are also sent to the European Parliament which has a right of scrutiny. In a way they reflect a European consensus bringing together different perspectives.

#### **DG ECHO's presence in the field: network of field experts**

In the sector of humanitarian aid, the presence of field experts and offices on-the-spot in crises is of paramount importance for the assessment of needs as well as the monitoring of ongoing operations. It allows DG ECHO to maximise the impact of its assistance to the most vulnerable.

To this end, DG ECHO has about 100 field experts in third countries around the globe, ready to be deployed at very short notice to the theatre of a crisis. This (growing) network considerably increases the Commission's rapid reaction capacity, as well as the implementation and follow-up of the assistance financed by DG ECHO.

In addition to the existing field offices covering a specific crisis, a number of offices with a regional coverage and a more horizontal role have been established, to take full advantage of (mostly existing) competences and resources (Regional Support Offices - RSOs) and to develop a regional approach where appropriate. The RSOs provide the field experts with sectoral back-up and expertise (food aid, health, water and sanitation, etc.). With the reinforcement of its regional offices in the field, the Commission has also increased its capacity to participate in joint needs assessment missions with the UN and/or the Red Cross family.

### **6.3. Needs assessment methodology - 'Forgotten Crises'**

The European Commission allocates its humanitarian assistance on the basis of careful needs assessments. DG ECHO is continuing to develop a set of methodological tools which aim at further refining this approach. It has developed a global methodology - Global Needs Assessment - to rank countries according to their overall vulnerability (vulnerability index) and as to whether they are undergoing a humanitarian crisis (crisis index).

The European Commission gives special attention to 'forgotten crises'. The identification of forgotten crises is undertaken by a specific method taking into account the following elements: a high level of vulnerability as shown by the vulnerability index; low or no coverage of the crisis by the media; a low level of interest from the international community and donors, as indicated by the aid given; and a field evaluation undertaken by the experts and geographical units of the Commission/DG ECHO. DG ECHO sets aside a sizeable part of its annual operational budget to be available for 'forgotten crises'.

### **6.4. The link between relief, rehabilitation and development (LRRD)**

The European Commission continuously monitors the situation in countries emerging from a crisis so that the link between relief, rehabilitation and development (LRRD) is implemented by competent actors to secure the stabilisation process, encourage the safe return of displaced populations and avoid resurgence of the crisis.

The year 2007 will see a particular effort from the respective competent Commission services to improve the linkage between humanitarian and development assistance. To this end, the European Commission/DG ECHO, in consultation with the other DGs concerned, has established a tentative list of pilot countries where the LRRD approach will receive particular attention. This non-exhaustive list includes Kenya, Liberia, Mauritania, Sudan and Uganda.

#### **6.5. Commitment to reform of the international humanitarian system - thematic funding**

Commissioner Louis Michel has confirmed the Commission's commitment to the reform of the international humanitarian aid system. This commitment has, moreover, been discussed with the EU Member States (in the monthly sessions of the Humanitarian Aid Committee), as well as with all partners (Strategic Programming Dialogues - SPDs - throughout the year, and the Annual Conference with NGOs).

With specific reference to the CERF, DG ECHO values the capacity of UN OCHA to respond rapidly to crises through this cash-flow mechanism, under the authority of the UN Emergency Relief Co-ordinator. However, because of the already existing capacity for DG ECHO to mobilise funds as quickly and as efficiently as the CERF, and because NGOs which are major partners for DG ECHO (in particular in primary emergencies) are currently not eligible for funding through the CERF, DG ECHO has decided for the time being to work complementarily to, but not directly through, the CERF. Progress by the CERF in terms of needs assessment, additionality of funds pledged and evaluations is, however, followed closely.

Thematic funding was initiated by DG ECHO in 2002 and aims at strengthening the institutional capacity of UN organisations and the Red Cross movement to address humanitarian crises in an efficient and co-ordinated manner. Through its thematic funding, the European Commission has been contributing to the objectives of the humanitarian reform process under the so-called 'cluster approach', even before consensus on the concept in the humanitarian community emerged. Against the background of the political commitment to support reform of the humanitarian system, the European Commission will explicitly focus its 2007-2008 thematic funding on supporting enhanced co-ordination and the cluster approach.

With regard to non-governmental organisations (NGOs), the Grant Facility was established by the humanitarian services of the Commission in the 1990s to finance capacity-building of non-governmental partner organisations on the most relevant humanitarian aid issues. This was done by supporting the development of studies and learning materials and the provision of training, and by strengthening the institutional capacity of European non-profit-making humanitarian networks.

Through the Grant Facility the Commission/DG ECHO has reinforced its political dialogue with NGOs and tried to respond to partners' expectations, in particular following the debate on 'quality partnership' launched in 2001 and subsequently developed within the Annual Conferences.

## **6.6. Disaster preparedness, prevention and early warning systems**

In several regions of the world the European Commission, through DG ECHO, supports disaster preparedness as part of its mandate. This is done in the context of the DIPECHO programmes, through mainstreaming of disaster preparedness action in relief operations and through specific interventions such as the drought preparedness decision for the Horn of Africa, which was launched in 2006.

Equally, under its DIPECHO programme the European Commission/DG ECHO will continue to support early warning systems at a local level focusing on people rather than on technology (the latter being covered by the mandates of other Commission services). Furthermore, the European Commission/DG ECHO will continue to be closely involved in efforts at a global level to establish early warning systems with a wider scope, such as the Tsunami early warning system in the Indian Ocean.

DG ECHO will continue and reinforce its advocacy activities so as to make sure that development actors afford sufficient prominence to disaster risk reduction in development programmes.

## **6.7. Humanitarian food aid**

Over the years, DG ECHO has provided very substantial amounts of humanitarian food aid, averaging about €100 million per year.

In line with Commission Communication (COM(2004) 101), which established the principle of "one instrument per policy area" in order to improve the efficiency of Community action, and Commission Communication (COM(2004) 487) on the Financial Perspectives 2007-2013, it was decided that responsibility for the management of humanitarian food aid would be transferred from EuropeAid to DG ECHO.

## **6.8. Learning and accountability**

DG ECHO has maintained an evaluation function since its creation in 1992/93. This is because the Commission recognises that evaluation is a part of good corporate governance. Evaluation generates a wealth of relevant information that is essential to evidence-based decision-making for planning, designing and implementing EU policies. Evaluation also enhances the legitimacy of decisions and the accountability of decision-makers.

Evaluations are also seen as an integral part of project cycle management. The use of evaluation helps to maintain a focus upon results, transparency, informed debate, good co-ordination and partnership. With respect to the scope of evaluations<sup>40</sup>, DG ECHO not only evaluates the actions that it finances and its relations with its major partners, it also undertakes thematic reviews in order to build capacity.

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<sup>40</sup> More recently DG ECHO's evaluation sector has undertaken a number of reviews. These have included: Security Reviews 1 and 2; Quality Assurance of Medicines; Disaster Reduction; HIV/Aids; Water and sanitation; Cross-cutting issues; the European Voluntary Humanitarian Aid Corps; IDPs (jointly with certain MS); and child-related issues. These reviews have, among other objectives, sought to increase capacity in the humanitarian sector by knowledge sharing.

DG ECHO reports to the EC Humanitarian Aid Committee, representing the 25 EU Member States, on the results of its evaluations. Where evaluation reports contain useful and practical recommendations, these are required to be incorporated in future humanitarian funding decisions wherever possible. DG ECHO does not rely solely upon reports for the take-up of evaluations, it also uses debriefings/mini-workshops at the end of evaluation field missions to communicate with its partners.

DG ECHO has itself been independently evaluated on three occasions since 1992. These evaluations cover its entire existence. The most recent evaluation found, among other things, that: *DG ECHO has undertaken initiatives in many other areas which demonstrate that DG ECHO is not only a learning organisation, but is also willing and able to adapt, innovate and lead*; and further that *DG ECHO is a world-class leading humanitarian donor*.

Also in regard to learning and accountability, DG ECHO is a member of the ODI secretariat ALNAP, (the Active Learning Network for Accountability and Performance in Humanitarian Action) <http://www.alnap.org/publications/rha.htm>. Each year ALNAP conducts a review of evaluations carried out by major humanitarian actors. The review usually draws on certain of DG ECHO's reports for analysis, thus allowing DG ECHO's progress over recent years to be considered.

DG ECHO has participated in joint evaluations of international responses to humanitarian crises and assessments of donor performance. It contributed to the recent Tsunami evaluation coalition and it was also audited by the European Court of Auditors on its performance in the aftermath of the Tsunami.

[http://eca.europa.eu/audit\\_reports/special\\_reports/special\\_reports\\_external\\_aid\\_en.htm](http://eca.europa.eu/audit_reports/special_reports/special_reports_external_aid_en.htm)

With respect to the involvement of beneficiaries, in monitoring and evaluation of humanitarian response, DG ECHO has a needs-based approach which requires that its implementing partners justify their proposals with needs assessments. Consultation of beneficiaries is also examined as a standard part of the evaluation terms of reference used.

All evaluations and reviews undertaken by DG ECHO are placed in the public domain at the following address:

[http://ec.europa.eu/echo/evaluation/index\\_en.htm](http://ec.europa.eu/echo/evaluation/index_en.htm).

## **FURTHER INFORMATION...**

### **ECHO - Evaluation Reports**

[http://ec.europa.eu/echo/evaluation/index\\_en.htm](http://ec.europa.eu/echo/evaluation/index_en.htm)

### **DIPECHO**

Central Asia 10/2006 - Final evaluation report

[http://ec.europa.eu/echo/pdf\\_files/evaluation/2006/dipecho\\_central\\_asia.pdf](http://ec.europa.eu/echo/pdf_files/evaluation/2006/dipecho_central_asia.pdf)

**Evaluation of DG ECHO in Zimbabwe - 10/2006 - Final evaluation report**

[http://ec.europa.eu/echo/pdf\\_files/evaluation/2006/zimbabwe\\_final\\_report.pdf](http://ec.europa.eu/echo/pdf_files/evaluation/2006/zimbabwe_final_report.pdf)

**Report for the evaluation of ECHO's actions in the Democratic People's Republic of Korea 2001-4**

[http://ec.europa.eu/echo/pdf\\_files/evaluation/2005/DPRKreport.pdf](http://ec.europa.eu/echo/pdf_files/evaluation/2005/DPRKreport.pdf)

**A review of DG ECHO's approach to HIV/AIDS - Concept Paper**

[http://ec.europa.eu/echo/pdf\\_files/evaluation/2005/HIV\\_conceptpaper.pdf](http://ec.europa.eu/echo/pdf_files/evaluation/2005/HIV_conceptpaper.pdf)

**DG ECHO Water & Sanitation Review 2005 - Summary of Model Guidelines**

[http://ec.europa.eu/echo/other\\_files/watsan2005/files/summary\\_mg\\_sheets.pdf](http://ec.europa.eu/echo/other_files/watsan2005/files/summary_mg_sheets.pdf)

**Financial Tracking System (FTS)**

**Improved analysis and accountability of humanitarian aid flows**

<http://www.reliefweb.int/fts/help/whatis.asp>

## ANNEX 1

### Summary of follow-up to recommendations made in the 2002-2004 Peer Review of the EC

Memorandum: Table of contents	DAC Recommendations 2002	Activities carried out	DAC Recommendations 2004	Activities carried out
<p><i>Chapter 1</i></p> <p><i>Strategic Foundations and New Orientations</i></p>	<p>Further develop the EC's strategic approach to development.</p>	<p>The European Consensus was adopted by the EU in December 2005. This strategy builds upon the 2000 EC Development Policy Statement in order to ensure policy continuity while addressing the shortcomings highlighted in the Assessment of EC Development Policy.</p>		<p>The Consensus provides a revised, firmer and more coherent strategic foundation for EU development co-operation, thanks to the following elements:</p> <ol style="list-style-type: none"> <li>1) it reflects global changes that have occurred since 2000 and addresses new challenges, particularly in relation to security, migration and the social dimension of globalisation;</li> <li>2) it is adapted to the enlargement of the EU with 12 new members;</li> <li>3) it fully integrates the new commitments of the international community and clearly states its support for the MDG agenda.</li> </ol> <p>In 2004, in an effort to simplify the legal basis for external action and to increase transparency, the Commission proposed the package of external financing instruments including the financing Instrument for Development Co-operation, the DCI, as a single instrument covering development co-operation. After long and intensive negotiations the DCI, is expected to be adopted on 18 December 2006.</p>

	<p>Promote further partnership for poverty reduction in the EC's regional programmes</p>		<p>How to promote a more strategic relationship with Parliament which avoids unnecessary Parliamentary micro-management?</p> <p>The EC's development policy approach seems well integrated into the Commission's aid programmes to the ACP, but decreasingly so in the case of the Asia/Latin America programmes, "Economic Co-operation" and the programmes for the EU's neighbours.</p> <p>Production of a 'donor atlas'.</p>	<p>This will change the relationship with the EP in so far as it will reduce the amount of legislative work. At the same time the Commission is entering into a regular dialogue with the European Parliament on the content of the draft Country, Regional and Thematic Strategy Papers.</p> <p>The EU further developed its <b>partnership approach</b>: countries are offered a framework for their relationship with the EU which is both collaborative and adapted to their situation. 2005 saw major advances in the strengthening of these partnerships with Western Balkans countries, Russia, Latin America and ACP countries, and was also a key year for the European Neighbourhood Policy.</p> <p>Country allocations in Latin America for the period 2007-2013 are based on needs criteria (population, income per capita and the extent of poverty, income contribution and the level of social development). For Neighbourhood countries, allocations are based on transparent and objective criteria reflecting specific characteristics and needs (population and UNDP Human Development Index), and other indicators.</p> <p>The adoption of a EU Donor Atlas has refined the mapping of EU aid. It shows two trends: (1) a concentration of aid in certain 'attractive' countries and sectors, creating 'orphan' or forgotten countries and sectors; and (2) a fragmentation of activities in 'darling' countries/sectors, with a multiplication of actors and small-scale projects. It is now complete with a first regional atlas on Western Africa as well as a model of country mapping in Mozambique.</p>
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<p><i>Chapter 2</i></p> <p><i>ODA Volume, channels and allocations - More, better and faster</i></p>	<p>Bring ODA allocations into better alignment with the principal aim of poverty reduction</p> <p>Enhance the EC's multifaceted approach to poverty reduction by elaborating implementation strategies</p> <p>Engage actively in dialogue with partner countries.</p> <p>Strengthen the focus on results and aid effectiveness.</p> <p>Improve the EC's orientation to aid effectiveness.</p> <p>Act on the recommendations of the</p>	<p>The European Consensus clearly aims at using "standard, objective and transparent resource allocation criteria based on needs and performance". In this context a clear priority was given to LDCs and LICs, with a specific focus on Africa.</p> <p>The new programming cycle under the 10<sup>th</sup> EDF funds the ACP region, which contains four-fifths of all LDCs and includes the whole of Sub-Saharan Africa. A two-step approach to aid allocation has been developed.</p> <p>The new approach deepens the dialogue with the partner country and enhances the ownership of the programming exercise through a contractual approach based on results-oriented indicators.</p> <p>The Commission will monitor the results at mid-term and at end-term, on the basis of both needs and performance.</p>	<p>Since the intention is to simplify the number of instruments, can you clarify the relationship between the 2000 development policy (2005 European Consensus) and the more specific objectives of the existing and proposed instruments.</p> <p>Different groups of partner countries have different needs but it would seem desirable that at least all Commission spending that is classified as ODA is covered by a consistent view of the world and of the outcomes the EC seeks to achieve.</p> <p>Need to take decisions on the Financial Perspectives and on the future of the EDF.</p> <p>Between them, these will determine the priorities for EC aid during a period which is absolutely crucial for progress towards the MDGs, against a background of long-term decline in the proportion of EC aid going to the countries furthest from the Goals.</p> <p>Tracking the evolution of current institutional approaches and ways of working with the Member States.</p> <p>Significant challenges remain in articulating and then following through an overall vision of what the EC is seeking to accomplish with its ODA spending.</p>	<p>There has been a continuous growth in the volume of aid (net disbursements) during the period 2002-2005, with an increase between 2002 and 2005 of almost 31%. This is due to the additional resources committed, faster disbursement procedures, and a more accurate calculation of administrative costs.</p> <p>The Commission played a pivotal role in the adoption of the Paris Declaration and in the formalisation of EU support for this agenda through strong commitments. These commitments are now being implemented both by the EC as a donor and by the EU at the EC's instigation. In order to maintain the pace of the process, the EU has called for a strong monitoring mechanism in respect of the Paris Declaration within the OECD/DAC.</p> <p>The Commission has focused increasingly on the contribution non-aid policies can make to achieving the MDGs. The most striking example of this is the recent commitment to 'Policy Coherence for Development': 12 policy areas that have great potential to contribute to the MDG objectives have been identified and a commitment has been entered into for each. This comes on top of existing coherence mechanisms, such as Country Strategy Papers (where coherence is a major concern of the inter-service Quality Group, the iQSG) and the recent work of the Evaluation unit in relation to coherence, and clarifies the strategic roles of the Member States and the Commission on this issue.</p> <p>The EC's new Food Security Thematic Programme (FSTP) is a concrete sign of the</p>
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joint EU evaluation study of the 3Cs.

Encourage full implementation of the DAC Recommendation on aid untying.

Community's continuous commitment to achieving MDG1 on hunger. The objective of the FSTP strategy is "to improve food security in favour of the poorest and the most vulnerable and contribute to achieving the first MDG, through a set of actions which ensure overall coherence, complementarity and continuity of Community interventions, including in the area of transition from relief to development".

Following the last DAC Peer Review recommendation, the European Community has offered a complete untying of aid.

<p><i>Chapter 3</i></p> <p><i>Sectors and Cross-cutting issues for poverty reduction</i></p>	<p>Enhance the EC's multifaceted approach to poverty reduction by devising implementation strategies. Engage actively in partner dialogue, especially in the PRSP process and sector-wide approaches, which will require further capacity and staff.</p> <p>Pursue the promising start in post-conflict situations</p> <p>In post-conflict situations, support the transition from humanitarian assistance to reconstruction and rehabilitation.</p>	<p>The 'European Consensus on Development' which identifies general and sectoral budget support as "the preferred modality where conditions allow" (Art 113), the use of which "should increase where circumstances permit" (Art 26). The European Consensus also states that "the EC will consistently use an approach based on results and performance indicators" (Art 115) and underlines that the "provision of budget support will respect the recommendations made in the OECD/DAC Good Practice Guidelines on budget support" (Art 114).</p> <p>The Community Rapid Reaction Mechanism (RRM) provides quick and flexible support to countries in crisis, thus providing a bridge to more long-term support. It will be replaced by the Stability Instrument in 2007, which will make short- and medium-term support possible.</p> <p>The external assistance reform included an extensive training</p>	<p>Tracking current attempts to develop results-based approaches to management. Also opportunities to set standards, with the Member States, in tracking and attaining the MDGs.</p> <p>The significance for developing and transition countries of issues such as trade and agriculture, where the Commission has a special competence, or those, such as security and migration, where the Union is working together more closely.</p>	<p>Evaluation of the results of regional and sectoral policies, programmes and programming performance is crucial to the reform of external aid management and to the success of aid policies as a whole. The process culminates in a judgement based on the evaluation criteria, plus EC added value and coherence, and the results are fed back into the programming cycle.</p> <p>Three evaluation tools have been finalised: logic diagrams of effects, context indicators and socio-anthropological analysis.</p> <p>In 2005, the evaluation website was revamped in order to show, for example, the main areas of evaluation (geographical, sectoral and thematic, instruments and channels of aid). Increasing importance is put on results at sectoral and global levels as well as on further harmonisation of methods and approaches. The methodology also covers the emerging need for evaluations of the impact of activities, strategies and policies.</p> <p>Since the introduction of the Doha Agenda in 2001 (DDA), the EC has rapidly increased its trade-related assistance (TRA) to help developing countries benefit more from trade as an instrument for poverty reduction. The EC aims at a successful outcome of future negotiations, which should bring enhanced development benefits in terms of increased market access, reduced trade-distorting subsidies for agriculture, and improved trade rules, notably in the area of trade facilitation.</p>
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	<p>Recruitment and training of staff in the field to consider cross-cutting aspects, especially gender equality</p>	<p>plan for staff in order to prepare for devolution, which required the recruitment and redeployment of a large number of personnel. EuropeAid designed and implemented training plans for all staff employed in external assistance management. The training effort has resulted in EuropeAid having the highest number of training days per staff member of all DGs in the Commission. In 2003, each staff member received on average almost 15 days of training.</p> <p>The Commission has made a sustained effort to improve staff capacity on gender issues: in 2004 a Gender Helpdesk was set up to support staff at headquarters and in delegations.</p>		
<p><i>Chapter 4</i></p> <p><i>Policy coherence</i></p>	<p>Review the coherence of internal Community policies.</p> <p>Propose initiatives for approval by EU Member States for strengthening the positive impact of internal community policies on development.</p> <p>Make full use of the policy coherence mechanisms</p>	<p>The Policy Coherence for Development (PCD) agenda will be taken forward by the European Commission and each of the EU Member States in their respective spheres of competence.</p> <p>The EU work on PCD was strengthened by a Commission Communication of April 2005. This resulted in Council conclusions of May 2005 which agreed on EU commitments in 12 areas, in the context of a package</p>	<p>Improve policy coherence.</p>	<p>The EU has now moved to the implementation phase on PCD. An important step in this direction was the creation, under the impetus of the EU Presidency, of a rolling work programme on PCD for 2006-2007 which identifies common priorities for horizontal (organisation) action and thematic action on the 12 PCD commitments. This is based on intense work and collaboration between the Presidency, Commission services and relevant Council working groups. In October 2006, the Council adopted conclusions covering both the Presidency's rolling PCD work programme and the integration of development concerns in the Council's decision-making processes.</p>

		of measures to accelerate progress towards the MDGs.		Another major step concerns accountability and transparency in the follow-up to EU PCD commitments. The Council gave the Commission a mandate to monitor progress on PCD commitments, on the basis of a biennial EU PCD Report.
<p><i>Chapter 5</i></p> <p><i>Organisation and Management Change</i></p>	<p>Clarify the structural responsibilities within the "RELEX family".</p> <p>Enhance country ownership.</p> <p>Delegate further strategic authority to the field under clear guidance.</p> <p>Provide more development staff to country offices. Improve personnel management for development staff in the context of devolution.</p> <p>Simplify procedures further.</p>	<p>On a procedural level comitology, financing and global commitments are the responsibility of EuropeAid, while country commitments, tendering, contracting and payments come under the delegations. These are responsible for identifying activities, assessing their feasibility, implementing and evaluating them. Headquarters handles programming (DEV and RELEX for multi-annual and EuropeAid for annual programming), and for general, thematic and quality support.</p> <p>An overriding objective of EC policy is to encourage ownership of strategies by partner countries. This has been reinforced through the evaluation process and the Regional and Country Strategy Papers. Initial findings show that dialogue with partners has improved and that assistance is more responsive to their needs.</p> <p>EuropeAid has provided training for all staff employed in external assistance management. Training</p>	<p>Effect on the development co-operation architecture and roles due to the rejection of the Constitution and the non-"budgetisation" of the EDF.</p> <p>Review of the status of devolution and the extent to which it has had a positive impact on EC programmes. Challenges remain, not least in making EC procedures, within the constraints of the Financial Regulation, as simple and "harmonisable" as desired, and in achieving the right balance and skill-mix between headquarters and the field.</p> <p>Review overall staffing mix, overall</p>	<p>Co-operation with ACP countries is based on the Cotonou Agreement and not on the EC Treaty, and is financed from the European Development Fund (EDF) which lies outside the general EU budget. Parliament's role in this field is limited, the final decisions being taken by the EDF Committee comprising representatives of the Member States.</p> <p>Under the recently adopted new financial instrument for development co-operation, the Commission has committed itself to enter into a regular dialogue with the European Parliament on the content of the draft Country, Regional and Thematic Strategy Papers and to take due account of the position of the European Parliament when implementing the strategies.</p> <p>Operationally, the reform process was largely complete by the end of 2004. It brought about: (1) improved programming within a coherent project cycle with a focus on poverty eradication; (2) the creation of one single entity responsible for the implementation of assistance (EuropeAid); (3) a completed devolution process with 81 delegations now responsible for the management of aid; (4) the creation of more than 1 500 additional posts in delegations to speed up implementation; (5) improved working methods through harmonised and simplified procedures, better information systems and better trained staff; and finally (6) improved quality through a process of quality support and monitoring of the different stages of</p>

	<p>Strengthen capacity for impact assessment. Develop a strategic role in evaluation.</p> <p>Undertake specific monitoring and evaluation studies.</p> <p>Promote capacity development at field level, involve partners in country strategies, and improve implementation by simplifying procedures further, developing analytical capacity in the field, developing the results orientation through evaluations, and joining aid effectiveness effort.</p>	<p>consists of a fixed cycle of standard courses relating specifically to assistance management, general Commission courses, and on-the-job training.</p> <p>In 2002, the Commission introduced an impact assessment system evaluating the possible consequences of a given proposal and assessing the alternatives. It is currently carrying out an external review of this system.</p>	<p>numbers.</p> <p>The DAC recommends that the EC set a realistic timeframe within which to assess the results of its reforms of development co-operation and external relations, against agreed performance standards or benchmarks.</p>	<p>project management.</p> <p>The overall reform process concluded with the qualitative assessment report in 2005. The volume of aid has increased, the rate of disbursement has quickened and the quality of assistance has improved. At the same time new and difficult themes, such as governance, have been tackled. Attention is now focusing on key topics such as the quality of aid, aid effectiveness and policy coherence in order to ensure that Community assistance fully contributes to achieving the MDGs and other internationally agreed development targets.</p>
<p><i>Chapter 6</i></p> <p><i>The EC's Humanitarian Aid Programme</i></p>	<p><b>No specific recommendations</b></p>			<p>The European Commission is now one of the world's most important providers of humanitarian aid. Through its Directorate-General for Humanitarian Aid (DG ECHO), the European Commission provides substantive assistance to the victims of humanitarian crises.</p>

## **ANNEX 2**

### **NOTES, GLOSSARY AND ABBREVIATIONS**

#### **ACRONYMS**

ACP Africa, Caribbean and Pacific

ALA Asia and Latin America

ASEM Asia-Europe Meeting

ASEAN Association of Southeast Asian Nations

APF African Peace Facility

ATC Agreement on Textiles and Clothing

CAP Common Agricultural Policy

CARDS Community Assistance for Reconstruction, Development and Stabilisation (Balkans)

CFFA Coalition on Fair Fisheries Agreements

CFP Common Fisheries Policy

CFSP Common Foreign and Security Policy

CILSS\* Sahelian regional organisation

CLONG Committee for Liaison with NGOs

CNROP\* Mauritania's fisheries research organisation

CSP Country Strategy Paper

DAC Development Assistance Committee

DC Developing Country

DCSLP Version of the PRSP in Burkina Faso

DG Directorate-General

DG DEV Directorate-General for Development

DG ECFIN Directorate-General for Economic and Financial Affairs

DG ECHO Directorate-General for Humanitarian Aid

DG RELEX Directorate-General for External Relations

EAR European Agency for Reconstruction

EBA Everything But Arms

EBRD European Bank for Reconstruction and Development

EC European Community

ECDPM European Centre for Development Policy and Management

ECU European Currency Unit (later euro)

EDF European Development Fund

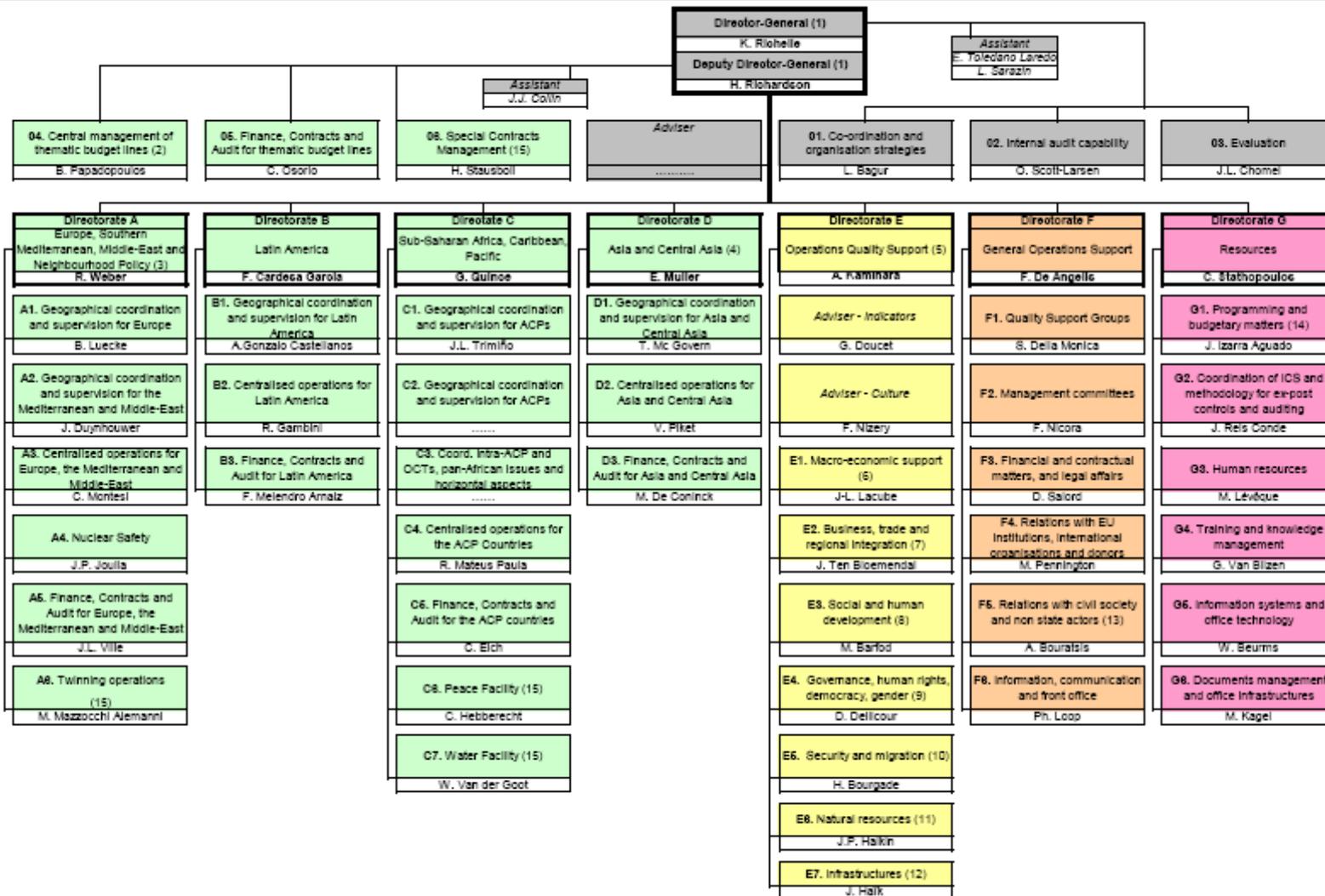
EEA European Economic Area

EEZ Exclusive Economic Zone  
EFTA European Free Trade Association  
EIB European Investment Bank  
ENGO European Non-Governmental Organisation  
EPA Economic Partnership Agreement  
EU European Union  
EuropeAid EC's implementation agency  
Eurostat European Statistics DG  
FYROM former Yugoslav Republic of Macedonia  
GNI Gross National Income  
GSP Generalised System of Preferences  
HIPC Heavily-Indebted Poor Countries  
IDA International Development Association  
IFI International Financial Institution  
iQSG inter-service Quality Support Group  
ISPA Programme for transport and environment within PHARE  
LIC Low Income Country  
LDC Least Developed Country  
LMIC Lower Middle Income Countries  
MDG Millennium Development Goal  
MEDA Middle East and North Africa programme  
MFA Multi-Fibre Agreement  
NGO Non-Governmental Organisation  
NIP National Indicative Programme  
OA Official Aid  
OBNOVA Regional programme for the former Yugoslavia and the Balkans, now under CARDS  
OCT Overseas Countries and Territories  
ODA Official Development Assistance  
OLAF European Anti-Fraud Office (Office Européen de Lutte Anti-Fraude)  
OLIC Other Low Income Countries  
OSCE Organisation for Security and Co-operation in Europe  
PHARE programme for Eastern Europe's emerging economies  
PRJ Investment Project Aid  
PRSP Poverty Reduction Strategy Paper  
QSG Quality Support Group  
RELEX External Relations (Relations extérieures)  
RMG Ready Made Garments

RSP Regional Strategy Paper  
SAPARD programme for agriculture within PHARE  
SBC-CSLP\* committee for co-ordinating budget support in Burkina Faso's PRSP  
STABEX Funds to mitigate losses from exports  
SYSMIN Funds to mitigate losses from mining operations  
SWAP Sector Wide Approach  
TA Technical Assistance  
Tacis programme for former Soviet Union countries  
TAO Technical Assistance Office  
UEMOA\* West African Monetary Union  
UMIC Upper Middle Income Countries  
UN United Nations  
UNCLOS UN Convention on the Law of the Sea  
UNDP UN Development Programme  
UNHCR UN High Commission for Refugees  
UNRWA UN Relief and Works Agency  
URAA Uruguay Round Agreement on Agriculture  
WFP World Food Programme  
WTO World Trade Organization  
\* Denotes acronym in original language

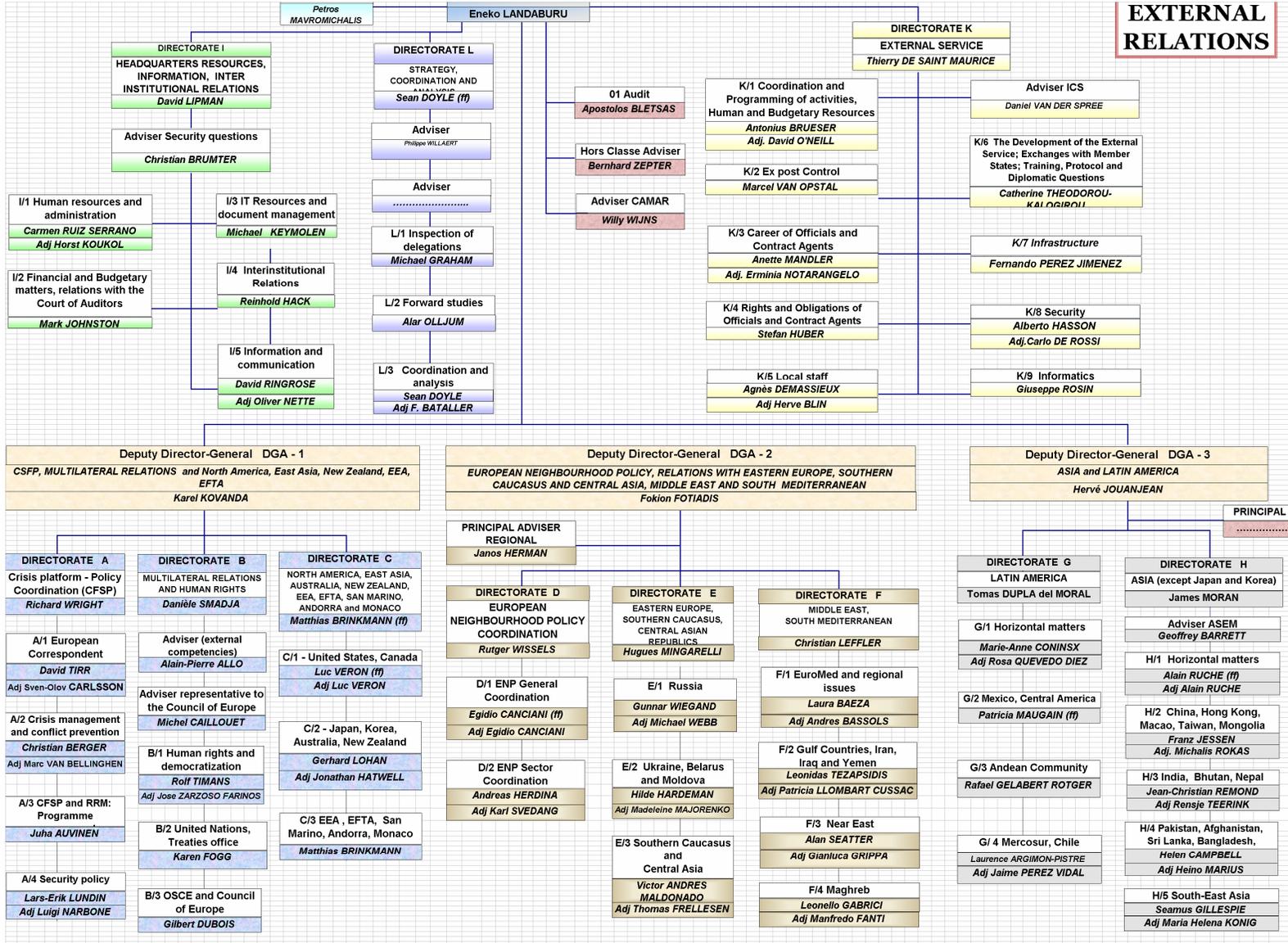
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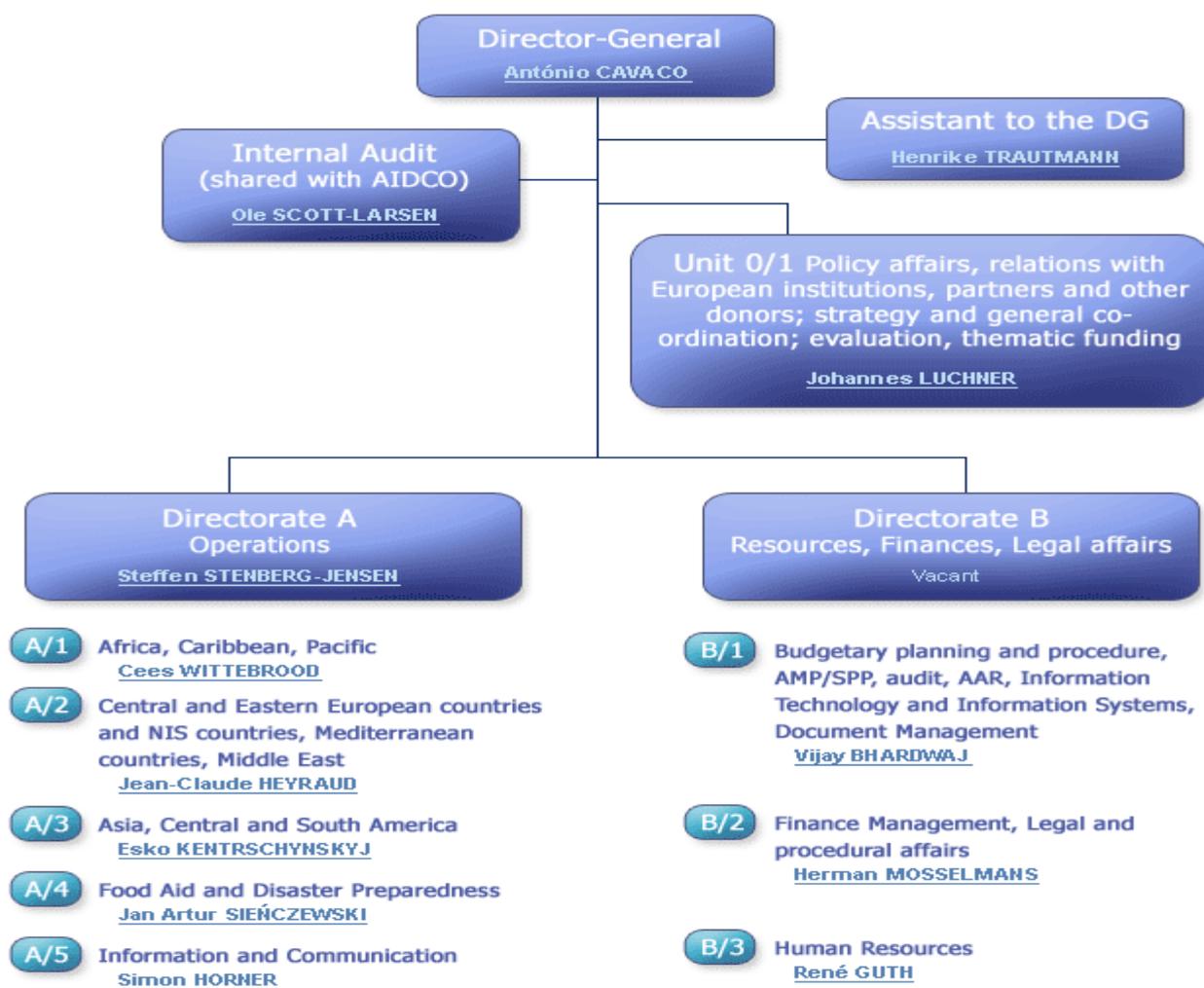
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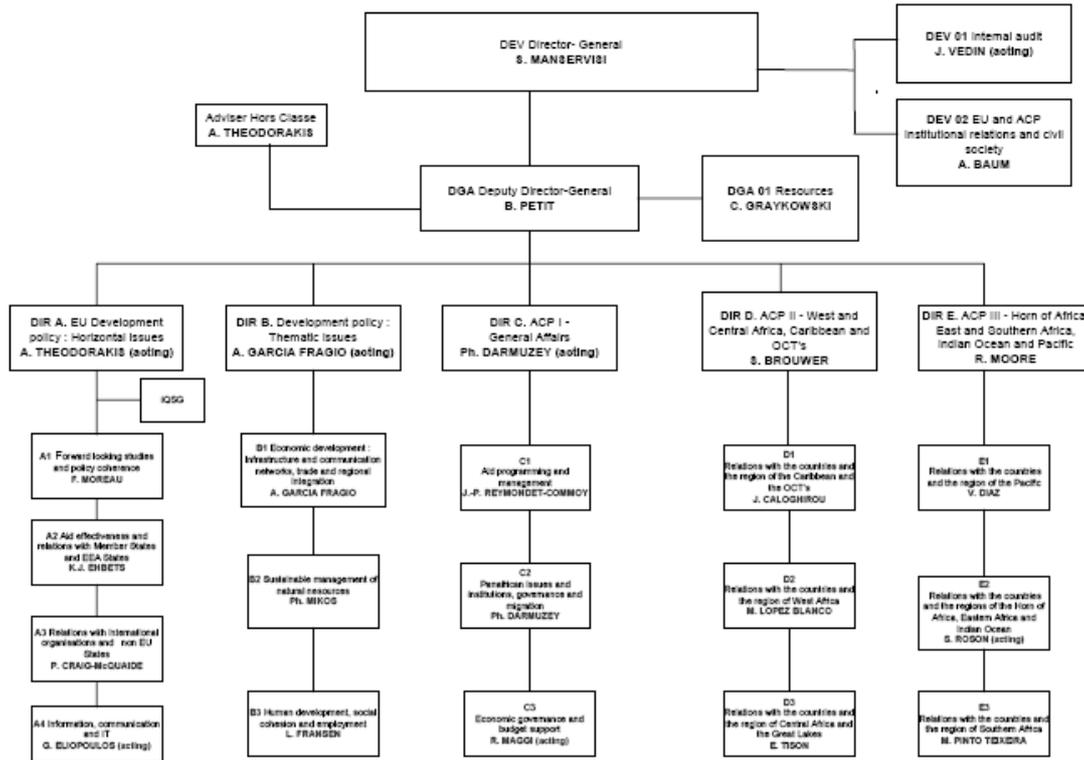
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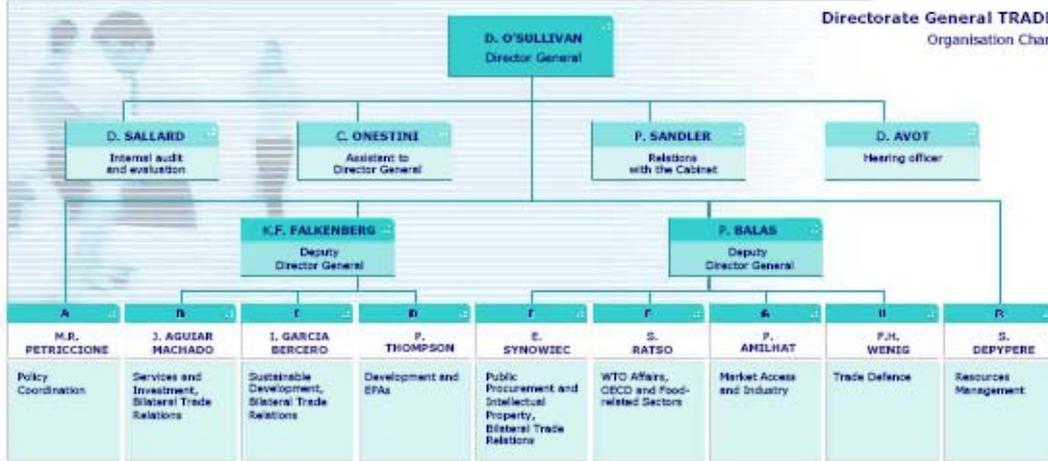
# EXTERNAL RELATIONS





**DG Development and Relations with African, Caribbean and Pacific States**





A	B	C	D	E	F	G	H	R
M.R. PETRICCIONE Policy Coordination	J. AGUIAR MACHADO Services and Investment, Bilateral Trade Relations	I. GARCIA BERCERO Sustainable Development, Bilateral Trade Relations	P. THOMPSON Development and EPAs	E. SYNOWIEC Public Procurement and Intellectual Property, Bilateral Trade Relations	S. RATSO WTO Affairs, OECD and Food-related Sectors	P. AMILHAT Market Access and Industry	F.H. WENIG Trade Defence	S. DEPYPERE Resource Management
					Adviser on Export Credit: A. Delvin	Adviser on Industry: R. Pißner		
A-1 -	B-1 P. SOURHELIS Services and Investment	C-1 O. DE LAROUSSILHE Sustainable Development and SPS Issues	D-1 A. KOKE Trade and Development	E-1 L. RUSINACCI Europe (non-EU) and Central Asia	F-1 -	G-1 M. BALDWIN Market Access	H-1 P. KLEIN General Policy, WTO Relations	R-1 A.C. JESSEN Resources and Strategic Planning
C.A.: C. de Celesia	C.A.: J. Guzmán	C.A.: -	C.A.: -	C.A.: Ph. Oubson	C.A.: P. Garzotti	C.A.: I. Valentini-Wanka	C.A.: W. Mueller	C.A.: Ph. Dupont
A-2 G. FRONTINI Chief Economist	B-2 R. SCHLEGELMILCH Trade Relations with the Far East	C-2 EUR 10 Trade Relations with Euromed and the Middle East	D-2 C. MAERTEN Economic Partnership Agreements (EPA) 1	E-2 L. DEVISNE Public Procurement, Intellectual Property	F-2 J.F. BRAKELAND Legal Aspects of Trade Policy	G-2 -	H-2 R. MAC DONALD Investigations I Relations with Member States	R-2 Ph. RUYTS Information Technology
C.A.: S. Martens	C.A.: R. Satchford	C.A.: S. Munoz	C.A.: R. Van	C.A.: H. Gurneikas	C.A.: M. Lukas	C.A.: M. Tuinings	C.A.: S. Gossage	
	B-3 -	C-3 Ph. MEYER Trade Relations with South Asia, Korea and Asian	D-3 J. WUNENBURGER Economic Partnership Agreements (EPA) 2		F-3 J. SCHAPS Food-related Sectors	G-3 F. PERREAU DE PINNINCK Industrial Tariffs & Non-tariff Negotiations	H-3 D. SPATHARIS Investigations II Anti-circumventions	
	C.A.: Ph. Dupuis	C.A.: S. Callaghan	C.A.: M. Dirm		C.A.: D. Rotenberg	C.A.: A. Lopatin	C.A.: G. Weige	
							H-4 P. OGONOWSKI Investigations III Monitoring of Implementation	
							C.A.: G. Weige	
							H-5 T. JAKOB Investigations IV Bilateral Relations	
							C.A.: G. Weige	
							H-6 -	
							Investigations V Administrative Matters	
							C.A.: G. Weige	

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