EUROPEAN COMMISSION

Brussels, 13.10.2011
SEC(2011) 1172 final

**COMMISSION STAFF WORKING PAPER**

**IMPACT ASSESSMENT**

***accompanying the***

# COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

**Increasing the impact of EU Development Policy: an Angeda for Change**

{COM(2011) 637 final}
{SEC(2011) 1173 final}

# Impact Assessment
# Communication: EU Development Policy
# "Increasing the Impact of EU Development Policy: An Agenda for Change"

***Disclaimer:*** *This report commits only the Commission's services involved in its preparation and does not prejudge the final form of any decision to be taken by the Commission.*

# 1. Introduction

***Overall Policy Context***

The European Consensus on Development[1], which is the cornerstone of EU development policy, defines as its primary objective "*the eradication of poverty in the context of sustainable development, including pursuit of the MDGs*". This objective was thereafter legally enshrined in Article 21 of the Treaty of European Union. The EU is fully committed to international goals and objectives, notably the internationally-agreed Millennium Development Goals (MDGs) and the principles on aid effectiveness (Paris Declaration, Accra Agenda for Action).

The European Consensus has been reflected in various instruments and geographic strategies.[2]. A set of specific legal instruments provide the means for implementing EU development policy. Comprehensive relations with African, Caribbean and Pacific (ACP) countries are governed by the Cotonou Agreement[3], with the European Development Fund (EDF) providing the resources to implement development policy. In other regions, EU development policy is implemented via: the Development Cooperation Instrument (DCI) which covers country programmes with developing countries grouping Asia, Latin America, the Middle East, Central Asia and South Africa and thematic programmes with all developing countries, including the ACP group; the European Neighbourhood Partnership Instrument (ENPI) which covers countries on the southern and eastern borders of the EU (principally in North Africa and Eastern Europe); and the Instrument for Pre-Accession (IPA), which provides support to Candidate Countries for EU membership. The framework is completed by thematic instruments, such as the European Instrument for Democracy and Human Rights, the Instrument for Stability and the Nuclear Safety Cooperation Instrument.

Development is a shared competency. The EU acts as a donor (the "28$^{th}$ donor") alongside the Member States, implementing 20% of collective EU aid, but also has a role as a coordinator, convener and policy-maker to foster better integrated European policies in the development field. The Member States have "parallel" powers with the EU (Article 4 TEU) and have their own aid programmes and policies, but should ensure that these complement and reinforce those of other Member States and the EU (Article 208 TFEU). The EU is mandated to take initiatives to promote such coordination (Article 210 TFEU).

---

[1] The European Consensus on Development (2005) is a policy statement jointly adopted by the Council, EU Member States, the Commission and the European Parliament. It reflects the EU willingness to make a decisive contribution to the eradication of poverty in the context of sustainable development, including pursuit of the Millennium Development Goals (MDGs) - http://ec.europa.eu/development/icenter/repository/european_consensus_2005_en.pdf

[2] See e.g. Joint Africa-EU Strategy (http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/er/97496.pdf; http://ec.europa.eu/development/icenter/files/europa_only/memo_africa_eu_relations.pdf.); EU-Latin America strategy (Communication on "The European Union and Latin America: Global Players in Partnership", 30 September 2009); EU-Pacific strategy (Communication COM(2006) 248, 29 may.2006). To these must be added the European Neighbourhood Policy (http://ec.europa.eu/world/enp/pdf/strategy/strategy_paper_en.pdf) as well as the EU pre-accession strategy.

[3] "*Partnership Agreement between the members of the African, Caribbean and Pacific Group of States of the one part and the European Community and its Member States of the other part*", signed in Cotonou, Bénin, on 23 June 2000. http://ec.europa.eu/europeaid/where/acp/overview/cotonou-agreement/index_en.htm.

In the international platform, the EU has been instrumental in the achievement of ambitious global agreements (e.g. Paris Declaration on Aid Effectiveness in 2005). Common EU positions have also been adopted ahead of the relevant High Level meetings within the UN (e.g. High-Level Plenary Meeting on the MDGs in 2010 and LDC IV Conference in 2011) in order to contribute to both the quality and quantity of aid. The EU and several of its Member States are members of the OECD Development Assistance Committee (DAC) and of the G20, including its development working group.

Over the last ten years, the EU and its Member States have maintained strong commitments to increase volumes of aid and improve aid effectiveness[4]. However, the implementation of such commitments has proved more problematic than anticipated[5].

The EU has been the leader in formulating the concept of Policy Coherence for Development (PCD)[6] aimed at strengthening synergies between non-aid policies and development objectives. First reflected in the Council Conclusions of May 2005[7] and the European Consensus, this commitment to PCD has thereafter been codified in the Treaty of Lisbon.[8] The EU has elaborated a PCD work programme for the period 2010-2013, identifying the priority issues and outlining how the EU, through all its instruments and processes, can contribute to development objectives.

***Current challenges and the need for change***

There is wide consensus among development partners that accelerated action is needed if all the MDGs are to be achieved in less than five years' time[9]. The EU and its Member States have already made a strong contribution, but there is potential for even greater impact.

In looking at the impact of EU development policy, one must consider the multidimensional nature of policy implementation – policy is implemented not just through aid projects and programmes at country level, but also, for example, via PCD efforts, political dialogue, influence in international institutions, etc..

In its Practical Guide for evaluating EU activities[10], the Commission distinguishes several levels in the so-called "chain of results": the output (a product under direct control of the manager – e.g. a road); the result/outcome (immediate or initial effect of an intervention – e.g. travel time and cost are reduced by the existence of the road); and the impact (longer-term effect of an intervention – e.g. access to markets).

---

[4] More information on http://ec.europa.eu/development/how/aid_effectiveness_en.cfm

[5] Most recent data shows that over the period 2004-2009, the EU and its Member States accounted for 58% of net ODA to developing countries from all DAC donors, and for 65% of the global EUR 21.4 billion increase in ODA during this period. In 2010, the EU and its Member States missed their collective 2010 target of 0.56% by a wide margin (by almost EUR15 billion , but the positive trend continued and the EU and its Member States together reached the highest ODA/GNI ratio of the last twenty years, i.e. 0.43% ). EU Accountability Report 2011 on Financing for Development - Review of progress of the EU and its Member States.

[6] http://ec.europa.eu/development/policies/policy_coherence_en.cfm

[7] May 2005 Council Conclusions on PCD.

[8] The latter states that "*the Union shall ensure consistency between the different areas of its external action and between these and its other policies*" (Article 21 of Treaty of the European Union), and that the "*Union shall take account of the objectives of development cooperation in the policies that it implements which are likely to affect developing countries*" (Article 208 of the Treaty on the functioning of the European Union).

[9] See Global Monitoring Report 2011.Improving the Odds of achieving the MDGs. The World Bank, 2011.

[10] See "Evaluating EU activities – A practical guide for the Commission services", DG BUDGET, Evaluation unit, July 2004

The higher up we go in the chain of results (impact level), the more complex is the attribution/contribution linkage between a given EU intervention and the impact.

At output and outcome level, the attribution link with an EU intervention can relatively easily be made. However, at impact level, numerous other interacting factors (other actors, other policies or changes in the context) must be taken into account, not least the leadership role of the partner country in defining their own reforms and policies and raising their own revenues for development, for example through taxation. An EU intervention can, at best, *contribute* to impact.

When talking about the impact of EU development policy, we must therefore pay attention not only to the impact of EU aid programmes and projects, but also to the other aspects of EU development policy (such as policy and political dialogue, the international influencing agenda, norms setting, policy coherence for development).

Furthermore, it must be noted that although the EU is an important development player and the world's largest aid donor, it remains nonetheless only one actor among a multitude of others, and provides only a part of the overall financial flows for development.

Development assistance will continue to require long-term financial commitment. Demonstrating this increased impact will have the additional benefit of helping to maintain political and public support for development. In many donor countries, both within the EU and internationally, the legitimacy of aid is increasingly open to challenge, as the general public and politicians question the value of development expenditure at a time of austerity measures at home; visibility, transparency, accountability, value for money and results have become as central to the arguments for Official Development Assistance (ODA) as moral obligations were in less austere times. EU development aid not only has to be spent wisely in order to ensure best value for money, but the EU and its Member States need to demonstrate the impact it has had.

Moreover, additional new challenges are complicating an already difficult situation. The succession of recent crises (financial and economic crises, food price rises, fuel price volatility) has deeply affected developing countries. Added to this are issues of climate change and energy, security and fragility, instability and poor resilience to shocks, and food insecurity. There has been a growing recognition that, in an interconnected world, the EU will not achieve its own aims on issues like security, job creation, migration and climate change in isolation[11]. Together, these additional challenges have created a new backdrop for development policy.

In this context, the question then becomes *how* to ensure that the development policy of the EU and its Member States has the greatest possible impact on development outcomes – i.e. how to maximise our contribution to the achievement of the MDGs by 2015, and to the eradication of poverty after 2015.

With a view to exploring the ways and means to further increase the impact of our development policy, the Commission published a Green paper on "**EU development policy in support of inclusive growth and sustainable development - Increasing the impact of EU development policy"** in November 2010. The aim was to launch a public debate on how

[11] "Europe 2020 – A strategy for smart, sustainable and inclusive growth", COM(2010) 2020 final.

the EU could best support developing countries in mobilising their economic, natural and human resources in support of poverty reduction strategies.

In parallel, two other public consultations have also been held: on the Green Paper on "The future of EU budget support to third countries"[12] and on "What funding for EU external action after 2013?"[13].

Having analysed the results of these consultations, the Commission is planning to present a Communication on EU development policy in the third quarter of 2011. This Communication will be accompanied by a Communication on Budget Support and will follow the Commission proposals for financing external action post- 2013 (June 2011). The latter set out broad budgetary orientations for the post-2013 period together with proposals for the new Multiannual Financial Framework. Key policy options currently discussed on these Communications have informed the present assessment. Proposals for legal instruments to govern external expenditure will issue later in 2011 and have been subject to their own Impact Assessment processes.

The Communication on EU development policy must also be seen in conjunction with two other major Commission policy initiatives:

- First, the preparation of a common EU position for the Fourth High Level Forum on Aid Effectiveness (Busan, November 2011), which will look at how to take forward the core aid effectiveness principles and commitments. A Commission Communication[14] will help to define a common EU position for Busan.
- Second, the preparation of a consistent EU position for the United Nations Conference on Sustainable Development (Rio de Janeiro, June 2012)[15] aiming at an ambitious outcome with concrete policies and actions for greening the economy.

Considering the global nature of the policy content of this Communication, **the policy options can only be considered in the broadest terms**. While development policy is only partly about aid, other modalities of development cooperation (such as loans or technical cooperation) and policies (such as trade or fisheries policies) have an equally important part to play in the overall policy for promoting global development. This Impact Assessment focuses on Commission-managed aid as the main measurable indicator. Strengthened PCD, improved EU coordination, choice of aid modalities and the overall levels of finance available for development are all factors which will also have an impact on the EU's success at meeting its development objectives, but these will be constants relevant to each of the options analysed and therefore these elements are not considered as part of the assessment of impact.

***Description of EU aid***

The EU collectively is the world's largest aid donor[16] and is willing to play its full part on the global effort to reduce poverty. In addition, the EU is (and will remain) an important global player, notably through its participation in world trade and through its leadership in the area of global climate change action.

[12] http://ec.europa.eu/development/icenter/repository/green_paper_budget_support_third_countries_en.pdf
[13] http://ec.europa.eu/development/icenter/repository/green_paper_budget_support_third_countries_en.pdf
[14] Title to be confirmed; expected to issue in September 2011
[15] "Rio+20: Towards the green economy and better governance", COM(2011) 363 final.
[16] EU Accountability Report 2011 on financing for Development - Review of progress of the EU and its Member States.

**Table 1 – ODA/GNI and ODA per capita of EU Member States and Non-EU DAC Members (at 2008 prices)**

| Country | ODA volumes (EUR billion) | | ODA per capita (EUR) | | ODA/GNI (%) | |
|---|---|---|---|---|---|---|
| | 2004 | 2010 | 2004 | 2010 | 2004 | 2010 |
| EU 25/27 | 36.8 | 53.5 | 75 | 107 | 0.34 | 0.43 |
| EU 15 | 36.4 | 52.6 | 95 | 134 | 0.35 | 0.46 |
| EU 10/12 | 0.3 | 0.8 | 3 | 8 | 0.07 | 0.09 |
| USA | 15.3 | 20.4 | 52 | 66 | 0.17 | 0.21 |
| Japan | 6.2 | 6.6 | 49 | 52 | 0.19 | 0.20 |
| Canada | 2.5 | 3.4 | 77 | 99 | 0.27 | 0.33 |
| DAC Non EU Members | 29.6 | 38.6 | 58 | 69 | 0.19 | 0.23 |
| DAC Members | 66.0 | 91.2 | 71 | 96 | 0.25 | 0.32 |

**Source: OECD DAC**

The current Multiannual Financial Framework (MFF) foresees Euro 108 billion for external assistance for the period 2007-2013. The various financial instruments have been shaped around 2 main concepts: "policy-driven" geographical instruments supporting directly EU external policies and "thematic instruments" addressing crises/security and cross-cutting issues.

Instruments[17] such as the European Neighbouring Partnership Instrument (ENPI - Euro 11.2 billion), the Development Cooperation Instrument (DCI - Euro 16.9 billion) and the European Development Fund (EDF - Euro 22.7 billion) offer a specific geographical coverage, while the thematic component of DCI (Euro 6.8 billion), the European Instrument for Human Rights and Democracy (EIDHR – Euro 1.1 billion) and the Instrument for Stability (IFS – Euro 2.1 billion) have global coverage.

The full scope of EU collective financing for development can be found in the 2011 EU Accountability Report on Financing for Development.

The **European Commission** has reported EUR 14.95 billion as ODA net disbursements for 2010. The amount includes EUR 5.15 billion of concessional EIB loans of which 4.8 billion were financed through own resources; the recognition of this type of loans as ODA is currently being discussed with the OECD. Until this is solved, the EU institutions' recognised ODA is EUR 9.8 billion.

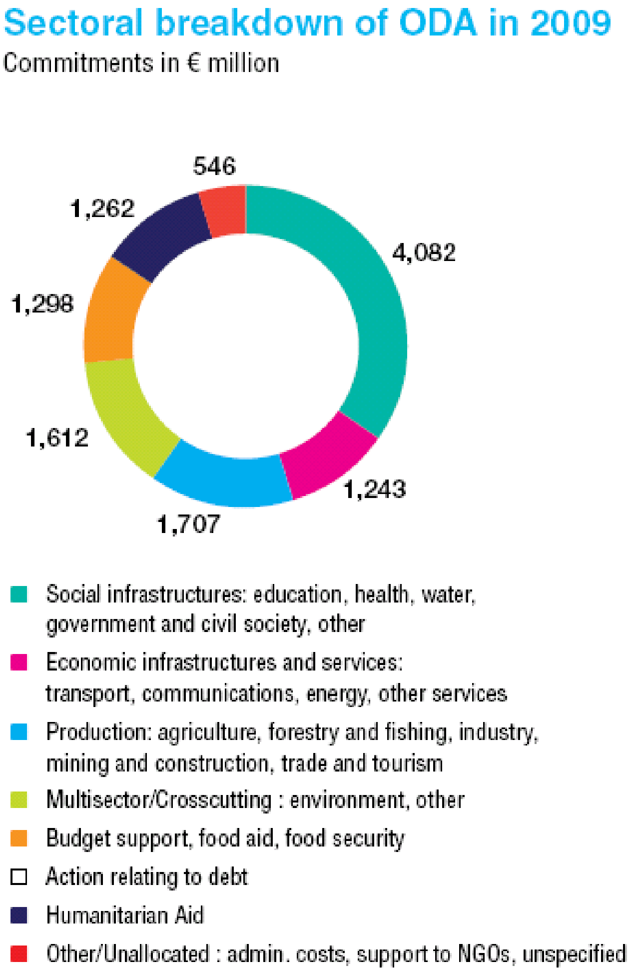
Beyond being an important donor, the Commission also plays the important role of aspiring to bring together the EU and its Member States to form a single collective EU presence in the global scene, capable of playing the political role that the provider of more than 50% of global ODA should have.

Commission-managed aid is delivered through both geographical (country, regional) and thematic programmes.

***1) Sectoral distribution of EU aid***

The Commission's focus is primarily on support for social infrastructure, in areas like education and health, water, government and civil society.

[17] ICI (Instruments for Industrialised Countries) and the IPA (Pre-accession) are not considered. .

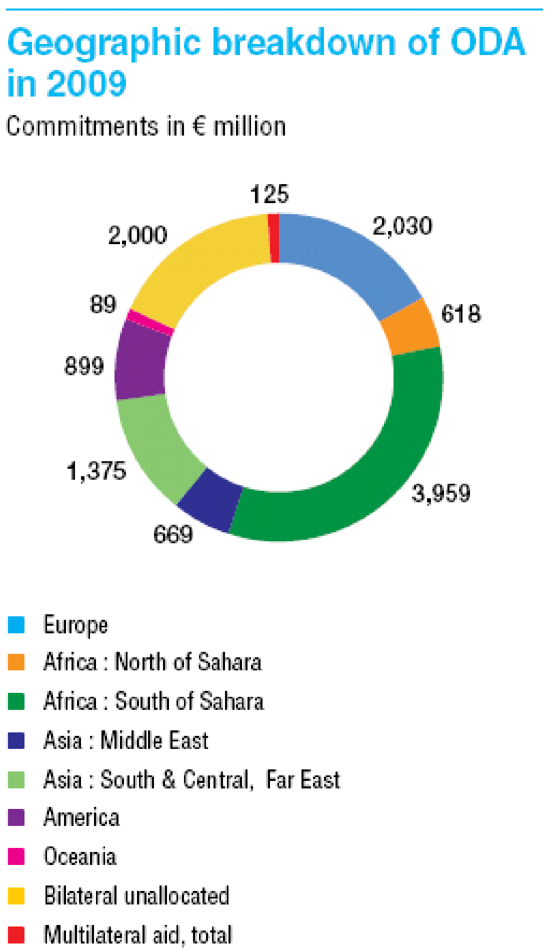



Clockwise: social infrastructures; economic infrastructures; production; multisector/crosscutting; budget support, food aid; humanitarian aid; other/unallocated.
*Source*: "EU contribution to the Millennium Development Goals, Some key results from European Commission programmes", 2010.

### *2) Geographic distribution of EU aid*

Currently EU aid (i.e. aid administered directly by the Commission) is provided to about 145 countries[18]. But low-income countries, including the least developed, remain the biggest beneficiaries. Geographically, the bulk goes to Africa and to Europe's neighbours.

[18] As a matter of comparison, the World Bank –IDAs has 79 eligible countries.




Clockwise: Europe; Africa (North of Sahara); Africa (South of Sahara); Asia (Middle East); Asia (South & Central, far East); America; Oceania; Bilateral unallocated; Multilateral aid.
*Source*: "EU contribution to the Millennium Development Goals, Some key results from European Commission programmes", 2010.

## *1.1 Timing*

All relevant Commission services were invited to participate in the Impact Assessment Steering Group (IASG), with meetings scheduled as follows:

2 March 2011 – introduction and initial discussions
25 March 2011 – intermediate discussion of draft IA report
8 April 2011 – final meeting before submission to IA board

The draft Impact assessment was then submitted to the Impact Assessment Board (IAB) on 15 April 2011, in view of the IAB meeting on 18 May. The first opinion issued by the IAB made several recommendations in view of improving the report, insisting notably on the need to further explain the problem definition and objectives of the initiative, as well as to describe better the various policy options and foreseen impact for each of them.

A revised draft was submitted to the IAB on 20 June taking into account these suggestions and aiming in particular at providing deeper explanation on the problem, objectives and envisaged options.

Following the second opinion of the IAB on 12 July, a revised draft was resubmitted with a view to providing further analysis of the problem and the policy context, a better explanation of the options and their impact as well as more information on different stakeholder's views.

## *1.2 Consultation*

The public consultation requirements have been covered by a series of extensive debates that have taken place in the framework of the recently launched public consultations, respectively on the Green Paper on "EU development policy in support of inclusive growth and sustainable development – Increasing the impact of EU development policy"[19], the Green Paper on "The future of EU budget support to third countries"[20] and the public consultation on "What funding for EU external action after 2013?"[21].

EU Member States were consulted, both in writing and in various meetings and discussions at different levels (presentation at CODEV on 11 November 2010; EU DGs meeting 19 November; Foreign Affairs Council 9 December; MS Experts meeting 9-10 February 2011; Informal Development Ministers meeting 22 February 2011).

The European Parliament was also included in the consultation, through the presentation of the Green paper in the DEVE Committee (9 November 2010).

In addition, the Green Paper was presented and discussed with different categories of stakeholders at a series of events, including a High Level Panel on "New Policy Challenges" during the European Development Days (6 December 2010), a discussion and exchange of views with the Committee of the Regions (14 December 2010), a seminar with non-state actors and the European Economic and Social Committee (11 January 2011).

Partner countries were consulted on the issues raised in the Green paper, both directly and via EU delegations[22].

The results of the public consultation on the Green Paper on "EU Development Policy in support of inclusive growth and sustainable development – Increasing the impact of EU development policy" have been published[23] (see executive summary in annex). Overall, most commentators noted the considerable strengths of the EU's development policy and practice to date, while also identifying scope for improvements. The need for increased sectoral and geographic focus was promoted by a large number of commentators.

In addition to the public consultation on the Green Paper, relevant external reviews and literature on the Commission's performance have also been consulted in the preparation of this Impact Assessment. Notably, the UK carried out an extensive Multilateral Aid Review[24] in 2010, which assessed the performance of the EU alongside other international organisations (UN agencies, World Bank, GAVI, etc.). The UK gave a favourable assessment of both the

[19] http://ec.europa.eu/europeaid/how/public-consultations/5241_en.htm
[20] http://ec.europa.eu/development/icenter/repository/green_paper_budget_support_third_countries_en.pdf
[21] http://ec.europa.eu/development/icenter/repository/EU_external_action_2013_background_paper.pdf
[22] 30 EU delegations in partner countries have provided comments to the Green paper consultation
[23] Link to the full report of the public consultation on the Green Paper: http://ec.europa.eu/europeaid/how/public-consultations/5241_en.htm
[24] http://www.dfid.gov.uk/About-DFID/Who-we-work-with/Multilateral-agencies/Multilateral-Aid-Review/

EDF and the EU budget instruments (DCI, ENPI, IPA, EIDHR, Stability Instrument); the EDF scored slightly higher than the budget instruments due to its stronger poverty focus – the budget instruments cover a broader range of countries, including large numbers of Middle Income Countries in particular in Latin America and the Neighbourhood, as well as the pre-accession countries, and have wider-ranging objectives than poverty elimination. From the perspective of the UK taxpayer, it was concluded that the EDF provides "very good value for money" and the budget instruments "adequate value for money." It was recommended that the geographic focus of some budget instruments (notably the DCI) be tightened to better support poverty reduction, and that management for results be strengthened in both instruments.

Views from important stakeholder NGOs also support the position that the Commission's development programme to date has been strong and effective, although there is always scope to increase impact and results. For example, BOND has stated that 'from the recipient's point of view, aid given through the Commission is generally considered to be more effective and efficient than that given bilaterally from a number of different Member States,' especially as it helps to reduce administrative burdens[25]. Likewise, Oxfam has emphasised that Commission aid is 'some of the best multilateral aid in the world' and that 'the EU's global presence, promotion of policy coherence for development, specific competence and expertise, right of initiative at community level, facilitation of coordination and harmonisation, and supranational character' make it a unique actor[26].

The OECD-DAC are in the process of carrying out a Peer Review[27] of EU development policies and programmes. Unfortunately, however, the results of this Review will not be known before mid-2012.

# 2. Problem definition

EU development policy is at crossroads. Against the backdrop of key international challenges (financial crisis, climate change, energy access, food insecurity, migration pressures, state fragility, regional conflicts and international security, emergence of new powers/investors/donors), the legitimacy of aid discussion (enhanced by fiscal austerity and competition for scarce resources at home) and the new contextual settings both at EU (post-Lisbon external action framework) and international level (G20, IFIs, UN), there is a need for change to "**increase the impact of EU development policy**." The aim is to make the EU's development policy fit to meet the challenges of the coming decade, and to help partner countries bring about the changes needs to accelerate their own progress towards poverty reduction and the MDGs.

The Commission will play its part in this endeavour by striving to increase the impact of the aid that it manages (i.e. for the period to 2013, aid allocated under Heading 4 of the EU Budget and from the 10$^{th}$ EDF; beyond 2013, aid allocated under the Multi-Annual Financial Framework).

[25] BOND European Group submission to DFID's Multilateral Aid Review (see footnote above).
[26] Oxfam submission to DFID's Multilateral Aid Review (see footnote above).
[27] Peer Reviews are carried out on a rotating basis on all 24 DAC members. Peer Reviews provide in-depth examinations of development systems and policies, including lessons learned. The Commission was last reviewed in 2007. http://www.oecd.org/document/41/0,3746,en_2649_34603_46582825_1_1_1_1,00.html

## 2.1. Context of the problem

The recent dynamic of global crises (volatility of energy and food prices, financial and economic crisis) has strongly affected developing countries and among them the poorest ones.

While in the past decade economic growth has been robust in many parts of the world, a great deal still remains to be done and many developing countries risk lagging behind in recovering from the negative impacts of the global economic and financial crisis. In many of the LDCs, resilience in the face of the current economic crisis has been fragile, with GDP in these countries generally declining in 2009.

There is wide consensus among development partners that accelerated action is needed if all the MDGs are to be achieved by 2015[28]. The number of poor people remains high and is estimated by the World Bank at around 2 billion[29]. Some 48 countries, of about 880 million people, of whom 75 per cent are classified as poor, still belong to the UN category of LDCs. Moreover, there has been very little progress in the MDGs related to maternal and child mortality and quality of education, and prospects for access to sanitation are worrying[30]. Furthermore progress has varied greatly between regions and in some cases the benefits of growth have not been felt by the wider population even in countries where economic growth is robust.

The UN MDG report 2011 recently published acknowledges that significant progress has been made towards some MDGs, due notably to continued economic growth in some developing countries, targeted interventions in critical areas and increased funding from many sources, but alerts that in several areas there is still long way to go, and achievement of MDGs is at risk. Concerns are particularly on the empowerment of women and girls, the promotion of sustainable development and the protection of the most vulnerable.

The EU and its Member States have already made a strong contribution to the achievement of the MDGs.[31] For example, close to 80% of projects in Africa deliver 'significant impact'.[32] There is, however, always scope to increase performance and impact. Furthermore, demonstrating this increased impact will have the additional benefit of helping to maintain political and public support for development.

The changing global context offers new opportunities for more effective and impactful development efforts. New development actors have emerged on the global scene.

---

[28] See Global Monitoring Report 2011.Improving the Odds of achieving the MDGs. The World Bank 2011.

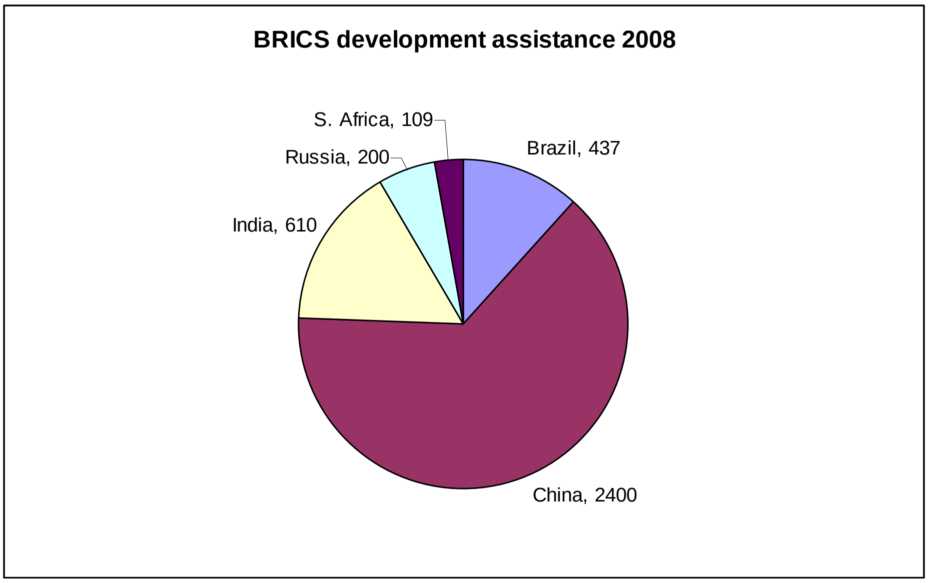
[29] Data on poverty are taken from World Bank. Social Indicators 2010. Two poverty lines are considered defined as average level

[30] "Progress made on the Millennium Development Goals and key challenges for the road ahead", Commission Staff Working Document, SEC(2010) 418 final; "The Millennium Development Goals Report 2010", United Nations, 2010.

[31] See notably "EU contribution to the Millennium Development Goals – Some key results from European Commission programmes", 2010, http://ec.europa.eu/europeaid/infopoint/publications/europeaid/documents/188a_mdg_en.pdf

[32] EuropeAid Annual Report 2010, page 205

**BRICS estimated development assistance 2008[33],**




Traditional donors still clearly dominate the global share of ODA flows. Among them the EU and its Member States account for nearly 60% of net ODA from all OECD DAC donors. The Commission manages some 20% of the EU total.

However the share of emerging partners is growing fast. According to the OECD[34], all emerging partners together represented 5.6% of all ODA-equivalent flows to Africa in 2000-2004, while this share has nearly doubled to 10.2% during the 2005-2010 period. Countries like China, India and Brazil are increasingly active in development cooperation.

[33] Source: "Beyond the DAC: The welcome role of other providers of Development Cooperation", OECD / DCD Issues Brief, May 2010, http://www.oecd.org/dataoecd/58/24/45361474.pdf

[34] OECD, African Economic Outlook 2011 - DRAFT

**Overall Development Assistance (ODA), Other Official Flows (OOF), Outward Foreign Direct Investment (FDI), and trade volumes with developing countries**

| | ODA[35] | OOF[36] | Outward FDI[37] | Merchandise Export volume to developing economies in 2009[38] | Merchandise Import volume from developing economies in 2009[39] |
|---|---|---|---|---|---|
| **Brazil** | $1-1,275 bn (2010)[40] | n/a | $0.15 bn (2007) | $87.3 bn | $61 bn |
| **India** | $ 0.61 bn (2009) | $2 bn (2010)[41] | $2.95 bn (2005) [Africa $2.7 bn in 2008] | $104 bn | $164 bn |
| **China[42]** | $1.9-3 bn (2008) | $10bn (2009) [Africa $6 bn in 2009] [43] | $13.26 bn (2009 [Africa $7.8 bn in 2008] | $556 bn | $545 bn |
| **Saudi Arabia** | $2.01 bn (2006) $2.01 bn (2007) $5.5 bn (2008) | n/a | n/a | $141 bn | $38 bn |
| **DAC members** | $120 bn (2009) | $22 bn (2009) [$2.9 bn to Africa] | $158.9 bn (2009) | $2002 bn | $2536 bn |
| **EU** | $67 bn (2009)[44] | $3.5 bn (2009)[45] | $94 bn (2009) | $717 bn | $816 bn |
| **Multilateral Institutions** | (DAC ODA includes multilateral contributions) | $53.8 bn (2009) [$6.1 bn to Africa] | n/a | n/a | n/a |

35 Net ODA. All data from OECD (2010a). Estimates for non-OECD countries from OECD (2010b), unless otherwise indicated

36 Gross OOF, DAC, EU and Multilateral Institution data from OECD 2010a. Estimates for non-OECD countries from OECD 2010b; loans are in many cases tied to goods and services of the lending EME

37 UNCTAD (2010) and OECD (2010a). UNCTAD FDI data is collected for TNCs only. Data on DAC/EU is by OECD (2010a) and also includes SMEs

38 UNCTAD 2010

39 UNCTAD 2010

40 Lower estimate by Overseas Development Institute (2010), upper estimate by German Development Institute (2010)

41 Estimate by Indian officials at meeting with EU Delegation

42 Note that Hong Kong SAR had TNC FDI of $5.3 bn into Africa in 2008 and account for $219 bn in merchandise export and $289 bn in merchandise import volume to and from developing countries. It is not possible to separate mainland Chinese TNCs that might have subsidiaries in HK from other TNCs.

43 Estimate by Deborah Brautigam, mostly market rate loans from state banks

44 EU OECD Member States

45 EU OECD Member States

Alongside emerging countries, non-governmental actors, such as NGOs, foundations and private corporations, are also responsible for a significant amount of funds for development and are playing a growing foreign policy role. It is estimated that private philanthropy foundations, from both developed and developing countries, may account for about US $ 60 billion annually[46]. While these funds are of a distinct nature and managed differently from ODA, together they could, if harnessed to complement ODA, better meet the need to foster development and tackle global challenges.

The EU and its Member States already have a sophisticated policy framework in place to guide their joint work in helping their partner countries out of poverty, but a lot remains to be done.

In addition, it must be noted that success of development endeavours is also a matter of shared objectives between the donors and the recipients of development aid. Recognising that its partner countries bear primary responsibility for defining their own development strategies while emphasising the key role of good governance, the EU and its Member States have moved from a donor-beneficiary type of relationship to a partnership[47], involving contractual approaches, based on policy dialogue and linking results to specific cooperation programmes or instruments.

Similar to other global challenges, in development, the EU as a whole has both an economic and a political role. These two aspects of EU development action are complementary. Politically, the EU conducts political dialogue both at the bilateral and at the multilateral levels. The EU institutions are also actively participating in development policy discussions with other donors in multilateral fora (UN, OECD, G20, IFIs). Bilaterally, the EU institutions support key sectors and help developing countries set governance systems and policies as well as build capacities to create conditions for inclusive growth and sustainable development.

The Lisbon Treaty and the new institutional setting for the EU's common foreign and security policy has opened the door for a sharpened, more strategic development policy in the wider framework of more effective EU external action. The European External Action Service (EEAS) allows for better co-ordinated EU and Member State policies, programmes and delivery.

The new institutional setting, as well as new competences in areas of interest for development[48], also provides opportunities for increased coherence between external policy objectives and development. Through article 208 TFEU, the Lisbon Treaty has indeed given an important role to the Policy Coherence for Development (PCD) agenda, which should also contribute to improve the real results of our development cooperation by reducing inconsistencies and promoting synergies between the objectives of internal policies and development objectives.

With this new institutional set-up for EU external action in place, and a Multi-Annual Financial Framework (MFF) to be agreed for the period after 2013, it is particularly opportune

---

[46] Wolfgang Fengler, blogs.worldbank.org 1/10/2010.

[47] In recent years, the EU has established various partnership agreements that govern its relations with developing and emerging countries such as the Africa-EU Strategic Partnership, the revised Cotonou Agreement with ACP States, EU strategic partnerships with emerging and transition economies or the Central Asia Strategy.

[48] such as investment, migration

to examine the development policy framework within which the new external spending instruments will be developed[49].

## *2.2. Drivers of the problem*

Current research[50] shows that since 2005, when the Paris Declaration was adopted, global aid allocation patterns have deteriorated. In general, aid fragmentation has increased in parallel to ODA increases. There is a trend to deliver assistance in smaller parcels. At the same time, donor proliferation has increased: globally, donors are operating in more countries and, within these countries, in more sectors.

### 2.2.1. Aid fragmentation

The Paris Declaration noted that *"excessive fragmentation of aid at the global, country or sector level impairs aid effectiveness. It called for increased donor complementarity through delegated authority to improve division of labour and reduce transaction costs. Division of labour needs to be pursued both in-country and cross-country".*

Several studies point to the undermining effects of aid fragmentation and donor proliferation on the value for money and impact of aid. Fragmentation is considered to be a problem because its costs have been shown to be very large for recipients, to the point that it significantly reduces aid efficiency. Having to deal with a plethora of donor missions, reporting requirements and consultants considerably reduces the value of aid for recipients. It forces the use of a great deal of administrative resources in countries where these are often scarce and would be better employed elsewhere.

Analysis of OECD/DAC statistics of 2008 and the sector policies of EU donors in three countries (Ethiopia, Vietnam and Zambia) show that EU donors are slowly reducing aid fragmentation through increased specialisation and division of labour. In all three countries EU donors intend to limit themselves to four sectors on average, close to the aim of a maximum of three sectors as laid down in the EU Code of Conduct on Division of Labour.

The Commission itself has committed to limit its engagement to two sectors per country, but this rule has not been uniformly applied. While there is a general consistency of approach in ACP countries, in non-ACP countries the EU country programme commonly either involves a large number of sectors, exceeding the two-sector limit, or those two sectors are so broadly defined (e.g. as "human development," "rural development") as to in practice mean engagement in a very large number of sectors.

A 2009 study on the 'Benefits of a European Approach'[51] shows that applying the aid effectiveness principles can result in considerably better value for money. The study states

[49] See results of the public consultation on "What funding for EU external action after 2013?"

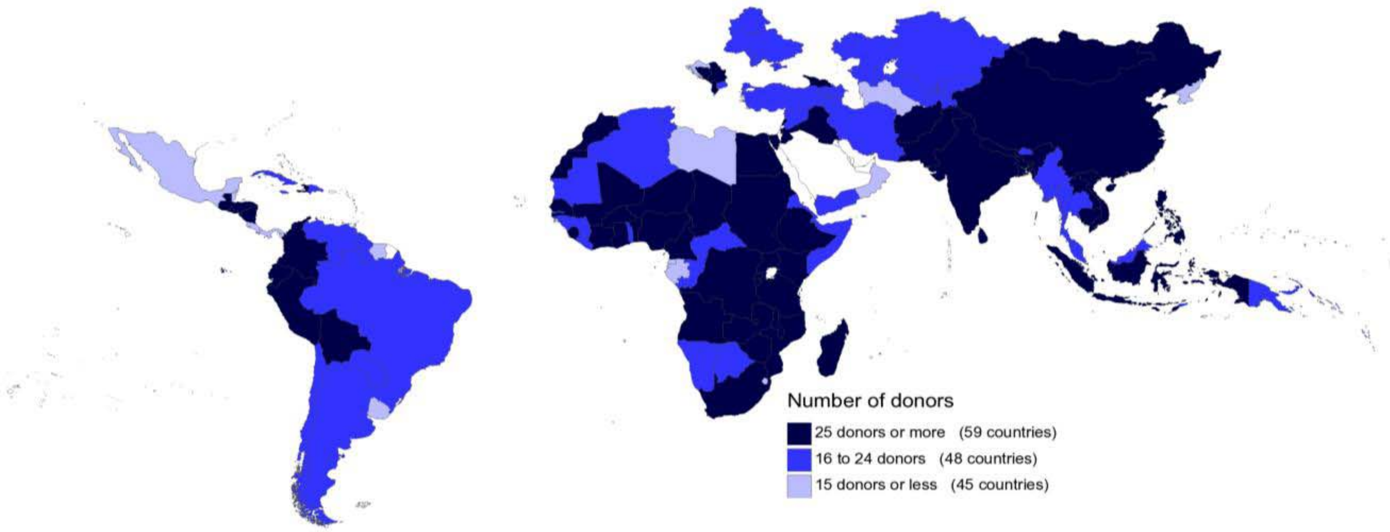
[50] "Trends of In-country Aid Fragmentation and Donor Proliferation: An Analysis of Changes in Aid Allocation Patterns between 2005 and 2009", Report on behalf of the OECD Task Team on Division of Labour and Complementarity, First Draft – 24 March 2011, final version forthcoming

[51] "Aid Effectiveness Agenda: Benefits of a European Approach", HTPSE Limited, October 2009, http://ec.europa.eu/development/icenter/repository/AE_Full_Final_Report_20091023.pdf

that if improvements were made in terms of increased predictability, reduced donor proliferation and a further untying of aid, the potential benefits from a European approach towards aid effectiveness could, with a full caveat for the paucity and uncertainty of actual data, be estimated to be in the magnitude of 3 to 6 billion Euro per year or 15 to 30 billion Euro over the period of 2010 to 2015. Of this amount between € 1 and 1.6 billion of efficiency gains could be achieved by a reduction in aid fragmentation.

Other studies, for instance by the OECD/DAC[52], also point to huge potential gains of reducing aid fragmentation. The OECD/DAC calculated that the traditional bilateral DAC donors established 3700 aid relationships in the world, leading to unmanageable numbers of donors in countries and across sectors. Not counted are the remaining 246 multilateral organisations, emerging donors and other non-DAC donors. The average number of "partners" per donor is 68, while the average number of donors that each partner has to deal with is 20 (10 bilaterals and 10 multilaterals).

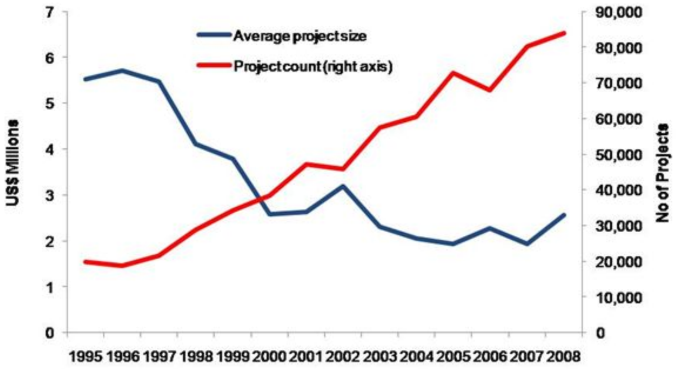
**Map of total number of donors per recipient country (2009)[53]**




It is widely accepted that these inefficiencies are no longer sustainable. Tackling this proliferation and fragmentation is made even more urgent by the fact that additional actors, such as emerging donors and private foundations, have entered the aid arena.

[52] 2010 Report on Division of Labour "Addressing cross-country fragmentation and aid orphans", OECD, Paris
[53] Idem

**Graph indicating the decrease in project size and the increase in the number of projects between 1995 and 2008** [54]




To address the problem of aid fragmentation, the EU Council adopted a Code of Conduct (2007) and an Operational Framework (2009) on Division of Labour (DoL) which provide a comprehensive approach to reducing donor proliferation and aid fragmentation through increased donor specialisation at EU level.

After almost four years of DoL processes, and in view of the High Level Event on aid effectiveness in Busan, the EU is at crossroads on this issue. While the EU remains the most advanced donor community on DoL, progress has been too slow[55]. There are some success stories, but these are rather the exceptions and mostly due to occasional leadership and local initiatives.

*Sectoral fragmentation*

At the sector level proliferation is also rife: forty-one percent of all sectors in recipient countries had recorded disbursements from more than three EU donors in 2007. Forty-five percent of all EU donor sector programmes account for only twelve percent of total spending, implying that there are considerable economies of scale to be gained from rationalisation of projects and programmes.[56]

In particular, a reduction in the fragmentation of aid from a large number of smaller projects into consolidated, longer term programmes, could increase this level of savings considerably. If, hypothetically, these fragmentation costs were reduced to 500 million Euro a year (for a consolidation into some 750 programmes), the additional savings, above and beyond the 3 to 6 billion amount, would be in the magnitude of 1.4 to 2.5 billion Euro a year. While it is not possible to operate with precise figures, it is possible to establish that the potential savings are substantial and to infer that the link between aid fragmentation and DoL needs to be tackled further.[57]

Existing agreements between the EU and Member States to reduce in-country fragmentation of their aid through DoL have not (yet) yielded the expected results for a number of reasons:

[54] Fengler Wolfgang and Kharas Homi, "Delivering Aid Differently - Lessons from the Field", Brookings Institution Press 2010 c. 286pp.
[55] For more detailed information, refer to the three published Monitoring Reports on EU Fast Track Initiative on Division of Labour and Complementarity, January 2009, November 2009 and April 2011.
[56] "Aid effectiveness agenda: Benefits of the European Approach," European Commission, October 2009 http://ec.europa.eu/development/icenter/repository/AE_Full_Final_Report_20091023.pdf
[57] idem

1. Neither the EU nor all Member States limit their aid in all partner countries to a maximum of three sectors of intervention, as agreed in the EU Code of Conduct. This may be due to political priorities, bilateral interests, visibility considerations, partner country requests or other reasons.
2. Member States and EU may define their sectors of intervention too broadly (e.g. "human and social development" in the EU programme in Bangladesh), which actually allows them to work in a very large number of traditional sectors (human and social development encompasses health, education, water and sanitation, etc.)
3. Vertical funds and facilities often finance projects outside agreed sectors of intervention and hence contribute to fragmentation of aid.
4. While the advantages of reduced fragmentation through DoL may be obvious (e.g. the savings in transaction costs), they may not be easily quantifiable or immediately observable. On the other hand, more efficient DoL requires increased coordination and cooperation by donors, which is initially time consuming and labour intensive and thus can be considered a disadvantage.
5. While lack of political direction (including appropriate communication of existing commitments to partner country level) may be one reason, the resistance to change by national administrations, implementing agencies and other interest groups that benefit from maintaining the status quo also plays an important role.
6. Some partner country governments seem reluctant to support DoL processes for fear of losing funding.

### 2.2.2. High cost coordination efforts, lack of division of labour

In the current setting, there is a high proliferation of donor – partner country relationships. At country level, this results in high coordination efforts which burden first and foremost the partner countries, but also donor representatives in the field. In addition to these traditional relationships, there are new ones emerging, such as South-South relationships or big private foundations. While the EU donors are partly responsible for a high level of fragmentation, the appetite for fragmentation seems to have levelled off: their contribution to the increase in fragmentation is less than the global donor average.

There are substantive global and EU-specific commitments to increase complementarity and enhance division of labour (DoL) among donors, as in the Paris Declaration (2005), the EU Code of Conduct on Division of Labour (2007), and the Accra Agenda for Action (2008). Better DoL between EU donors will increase transparency, reduce duplication and diminish the risk of corruption, and therefore would have a positive impact on development results.

Specifically, EU donors set themselves an ambitious Code of Conduct on Division of Labour in 2007. In 2008, the EU Fast Track Initiative on Division of Labour was created, focusing on 30 countries with often very high fragmentation levels in order to improve DoL. The latest monitoring report of the Fast Track Initiative[58] showed mixed results. In many countries of the FTI, the technical preparations have been concluded in order to facilitate good, measurable re-organisation of labour among EU donors. There is widespread use and institutionalisation of donor mapping as an aid management tool and there is more agreement on sector definitions, lead donor arrangements etc. Also the perceived partner country

[58] Third Monitoring Report and Progress Review of the EU Fast Track Initiative on Division of Labour, Annex 5 of the "EU Accountability Report 2011 on Financing for Development - Review of progress of the EU and its Member States", Commission Staff Working Document, SEC(2011) 502 final

commitment to DoL processes seems to be improving. However, substantial measurable changes to donor behaviour are rare as a result of these preparations. It is a demanding approach that takes time to yield measurable results.

There is a natural time lag between policy commitments and their visible effects on aid fragmentation statistics. Usually, if and when donors decide to exit a country or a sector in a country, they organise a careful exit phase that takes 3-5 years. That means the full effect of policy decisions taken on the basis of aid effectiveness commitments, or on the basis of the Code of Conduct on Division of Labour of 2007, are likely to show more clearly when aid data for 2010 or 2011 becomes available.

However, the trend seems to point to the fact that progress has been too slow, even if the EU remains the most advanced donor community on DoL. There are some success stories, but these are rather the exceptions and mostly due to occasional partner country leadership. Technical approaches for pilot DoL exercises might have reached their limits, both in the field and headquarters. An agenda for change which emphasises greater EU coordination, including improved DoL, seems to be called for.

*Duplication of effort*

There is strong evidence of duplication of effort with other donors both inside and beyond the EU. Taking Bangladesh as an example, all 10 EU donors present in Bangladesh are active in the education sector. In Ethiopia, 11 of the 15 EU donors present crowd the health sector[59]. Individual donors' allocation decisions are based on a great diversity of criteria, often determined at headquarters' level and resulting in earmarking of funds at country level. This means that exits and entries from countries and sectors are hard to coordinate at country level and in partnership with the recipient governments. In many of these cases, information about each other's activities is abundant and coordination a daily fact. However, behavioural changes as a result of this information are scarce.

This can lead to duplications, where the same sector and type of projects is invested in by several donors, leading to a competition locally that hinders any conditionality and does not necessarily lead to an improvement in quality. More importantly, it can also lead to sudden gaps in geographic/sector coverage, with costs in terms of lack of continuity and risks to the sustainability of achieved advances in certain sectors. Moreover, this lack of coordination added to the proliferation of interventions and donors create an atmosphere of uncertainty for partner countries and the main beneficiaries in these countries, very often including the most vulnerable groups.

This complex and uncoordinated nature of aid allocation patterns not only creates overlaps and duplication in terms of too many donors contributing too little at country level, it also creates gaps in terms of overall supply of aid at country level (issue of under-aided countries, also known as "aid orphans").

[59] According to OECD DAC Fragmentation tables, based on disbursement data of 2009

*Donor orphans*

Lack of proper coordination among donors, both at EU and global level, leads to unsatisfactory patterns of aid distribution. These trends are visible both at sector and country levels[60]. The resulting geographical and sectoral gaps are commonly called "aid orphans".

The OECD[61] indicated that such patterns generate inefficiency and inequities and can entail considerable global cost in delivering aid to the extent that the aid community as a whole fails to invest systematically where aid is expected to have the highest impact.

This asymmetry is recognised in the Accra Agenda for Action and donors have committed "*to start dialogue on division of labour across countries and work to address the issues of countries that receive insufficient aid*"[62].

In the current climate of budgetary austerity in OECD countries, it is unlikely that the donor community can solve the problem of under-aided countries solely by providing aid resources that are additional to what would otherwise have been provided. Therefore, meeting aid orphans' needs from scaled-up resources will be difficult. Fragmentation can be improved by reducing non-significant aid relations. This would also free up resources that could be used towards aid orphans (assuming that there is an ex ante agreement on which countries are aid orphans). In this way, re-allocating resources could not only reduce aid fragmentation and transaction costs in partner countries where donor relations are non-significant, but at the same time provide more aid to aid orphans.

As regards cross-country DoL, which aims at reducing the proliferation of aid donors in partner countries, there are also a number of reasons that have prevented progress:

1. Many Member States consider their decisions on partner country selection as a sovereign act, which does not require EU coordination; equally partner countries see their relations with bilateral donors as a national prerogative.
2. Selection of partner countries and country allocations is seen by many Member States as a national foreign policy instrument.
3. A substantial number of partner country governments fear losing funding and are hence not supportive of cross-country DoL.

### 2.2.3. Fragmentation of Commission-managed aid

For the assessment of the fragmentation of the EC aid portfolio, the aid statistics of the OECD/DAC provide a useful input. The DAC distinguishes 11 sectors[63] at the aggregate level (including multi sector), and General Budget Support (GBS) as a 12th element.

Furthermore, to identify fragmentation the DAC uses the concept of Country Programmable Aid (CPA), which only includes ODA which is programmed by the donor and excludes ODA which:

[60] "Will countries that receive insufficient aid please stand up"? Robert Utz, World Bank, 2009.
[61] OECD Development Brief, January 2009.
[62] Accra Agenda for Action, point 17 letter c) and d). September 2008
[63] Education; Health; Population policies and reproductive health; Water supply and sanitation; Other social infrastructure; Economic infrastructure; Agriculture; Other production sectors (e.g. forestry, fishing, industry, mining, trade policy and tourism); Environment; Government and civil society; Multisector; General budget support.

- is unpredictable by nature (humanitarian aid and debt relief);
- entails no cross-border flows (administrative costs, imputed student costs, promotion of development awareness, and research and refugees in donor countries);
- does not form part of co-operation agreements between governments (food aid and aid from local governments); and
- is not country programmable by the donor (e.g. core funding of NGOs).

With regard to the Commission portfolio, the intention had been to reduce fragmentation through the limitation of the number of focal sectors in the Country Strategy Papers (CSPs). DAC 2009 data on aid flows show that EC aid is still fragmented by spreading the funding over many sectors. On average, the EC is spreading its aid over 10 sectors (GBS not included), as illustrated in the 30 partner countries[64] which are participating in the fast track approach for division of labour. The range is between 5 sectors (Mongolia) and 11 sectors (9 countries). This is clearly much higher than the maximum of 3 focal sectors the EU Code of Conduct for Division of Labour called for in May 2007. Of these 10 sectors, the Commission provides a relatively large contribution to 6 sectors on average, which indicates that the Commission needs to spread out its human capacity and financial resources to manage the programmes in these sectors.

*Fragmentation at country level*

In some countries and regions, focal sectors are defined in a very open way, which often leads to very scattered interventions. Indeed, there are cases where the two focal sectors may be defined as "rural development" and "urban development", or as "economic integration" and "political integration". This often leads to programmes covering many subsectors in fields that are as different as health, education, culture, infrastructures, environment, trade, etc., with a wide variety of specialised human resources needed for the implementation of the programmes and numerous interlocutors.

For example, in a northern African country the two focal sectors of EU development cooperation are "sustainable development and culture" and "economic growth and employment". In practice, projects approved and implemented cover all the following sub-sectors: "culture and heritage", "transport" , "fisheries", "trade", "environment" and "socio-economic development", all requiring very different expertises and dialogues with six different ministries.

Another country, further south in Africa, is in the same type a situation: 3 focal sectors but numerous sub-sectors, with not less than 22 ongoing projects.

Examples of lack of concentration can also be found in other continents, like in one Middle Eastern country with "administrative reforms", "economic reforms" and "social reforms" as focal sectors. In practice, this leads to programmes being implemented in "health", "education", "justice", "social protection", "vocational training", "support to civil society", "support to private sector", "banking reform", "trade", and "administrative reforms". In a Central Asian country, EU development aid gave rise to not less than 383 service contracts in a 6 year period.

[64] Bangladesh, Benin, Bolivia, Burkina Faso, Burundi, Cambodia, Cameroon, Central African Republic, Ethiopia, Ghana, Haiti, Kenya, Kyrgyz Republic, Laos, Madagascar, Malawi, Mali, Moldova, Mongolia, Mozambique, Nicaragua, Rwanda, Senegal, Sierra Leone, Somalia, Tanzania, Uganda, Ukraine, Vietnam and Zambia.

Further breakdown of EU[65] presence shows that the EU is highly significant[66] in 3.5 sectors (58% of funding) and reasonably significant in 2.5 sectors (12%). The EU is insignificant in 4 sectors (5%). This means that the EU is significant in a total of 6 sectors, while being insignificant in 3.5 sectors. A little more than half of the countries receive General Budget Support, which accounts for the remaining 25% of the total funding, and which is significant across the board.

*Comparison of DAC statistics with Country Strategy Papers*

Additional analysis consists of a comparison between the actual presence in sectors according to the 2009 DAC data and the sectors as laid down in Country Strategy Papers (CSPs). In general, CSP sectors are broadly defined, so in some cases they overlap with more than one sector in the DAC definition (for instance, a CSP refers to "social sector" which involves Education and Health in the DAC sector definition). In most CSPs (25 out of 30) a distinction has been made between focal and non-focal sectors. In terms of share of the total funding it should be noted that the 3 focal sectors only account for 42%, while activities in non-focal sectors and other areas of intervention outside the CSPs amount a considerable 33% spread over 7 sectors on average. This seems to be an unbalanced situation. In the implementation phase of the CSPs more discipline is needed to keep spending focused on the defined (focal) sectors and resist the tendency to spread funding to other areas of intervention.

There is thus considerable opportunity to further downsize the number of sectors by limiting or even abolishing the non-focal sectors in the country programming process. Furthermore, a more strict approach for defining focal sectors could be applied.

*Geographic dispersion of aid*

Commission-managed aid could be more targeted at those countries that need it most. For instance, the DCI covers a wide range of countries falling under the OECD DAC definition of ODA recipients, from the LDCs to Upper Middle Income Countries. Hence, a certain amount of aid is being delivered to countries that have strong financing capacity (such as China and Turkey). In the case of Angola for example, all aid represents less than 1% of the national budget. [67] For these countries, the benefit of EU development aid is likely to be minimal.

Given the very different development needs, performance and interests of each country, the DCI does not allow sufficient differentiation between the partners. The rise of several developing countries as donors, the economic and social disparities amongst the partner countries and the development of new objectives beyond pure development assistance call for an enhanced flexibility in terms of objectives and cooperation modalities within the DCI[68].

Such fragmentation does not allow a critical mass to be obtained and so prevents large-scale projects in some countries where such projects would be the most appropriate. For example,

[65] In this context, "EU" refers to "Commission-managed aid."

[66] The DAC distinguishes between "significant" and "non-significant" contributions to a sector. *Highly significant* means that the donor has a relative large financial contribution to the sector both from the donor and the partner country perspective. *Reasonably significant* means either a large financial contribution from the donor or from the partner country perspective. *Non-significant* means that the financial contribution is relatively small from both perspectives.

[67] See Annex.

[68] Report of the Working Group – Multiannual Financial Framework, 'What works and what doesn't?' March 2011, not published.

in the Pacific region, while the EU strategy was relevant and in line with the national requests and needs, EU support was dispersed over too many sectors and islands and therefore impact and visibility were diluted.

In 2007, the DAC Peer Review[69] urged the Commission to work with the EU Member States to differentiate better their respective roles in countries and to prioritise the sectors it targets for assistance and slim downwards the number of countries to which it provides ODA.

*Lack of prioritisation*
The reasons for a lack of prioritisation are at least partly political, given that many Member States see the Commission as the donor of last resort, filling the gaps and ensuring the EU global presence.

A study on legal instruments for external action[70] examining 57 evaluations published between 2006 and 2010, found 130 results and impacts that were linked to the DCI; 40% of these were judged to be relevant though ineffective (e.g. project-level results in terms of gender equality not translating into societal change; increases in school enrolment while the quality of education remains too low to expect literacy rates to change), or were too small scale in terms of coverage or investment to really make a difference (roughly one third of the evidence).

### 2.2.4. Other key drivers of the problem

**Other ways/tools/drivers to improve EU aid impact**

*External factors*
EU development aid does not operate in an isolated environment. Other factors influence the final results and the capacity of EU development aid to generate real results in terms of poverty eradication. Among these factors, many are outside of the EU's and/or Commission's direct control or influence. Most obvious would be natural or man-made disasters which can set developing countries back.

*Policy Coherence for Development*
In terms of other factors, one of the most significant is the seeming inconsistencies and incoherencies between the effects (and side effects) of non-development policies and the objective of development policy. Policy coherence for development (PCD) approaches, which are EU's main response to this weakness, are not new. Looking for synergies and avoiding negative impacts of non-development policies on development objectives is a long term process and continuous activity for the EU (Commission and Member States alike) that is based on the Treaty. Furthermore, the 'European Consensus on Development' reaffirms the EU's commitment to promoting PCD, based on the principle of ensuring that the EU shall take account of the objectives of development cooperation in all policies that it implements which are likely to affect developing countries, and that these policies support development objectives. This approach is to be encouraged and will have to be part of any final policy mix, no matter which future Option is selected.

[69] DAC Peer Review of the European Community 2007, p. 18, 39, 40, 43
[70] DCI, ENPI, EIDHR, INSC, Ifs and ICI

*Country ownership*
Country ownership and good governance are key elements for success. Experience has shown that without them, aid programmes will not produce their highest impact. Partner countries bear the primary responsibility for defining their own development strategies. Limited progress in the past can, to a certain extent, be attributed to a lack of ownership and mutual accountability.

As regards division of labour, an important lesson is that concrete progress is only possible with country ownership and flexibility (i.e. avoid blueprint approaches). However, most partner countries lack incentives because of fear of losing overall funding or reduced room for manoeuvre if donors work collectively.

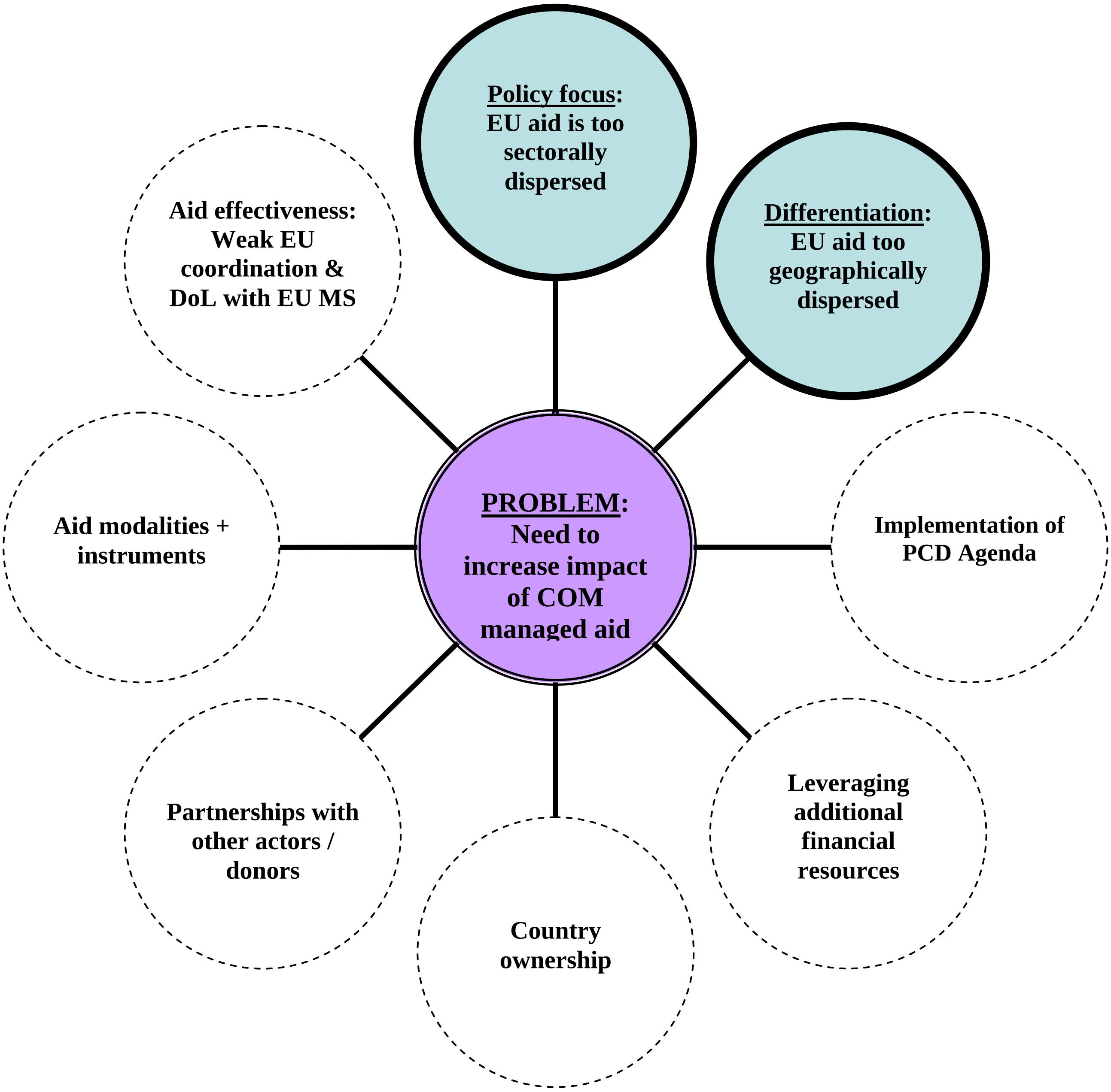
In order to increase the impact of its development policy, the EU and its partner countries must therefore strengthen their partnerships, focusing on results and ensuring mutual accountability. In doing so, the EU can better leverage policy reforms, notably in terms of good governance. Again, these improvements would apply across the board, and not solely in relation to one or two of the Options considered in this Impact Assessment process.

*Other financial resources*
EU effort may leverage additional finance for development. A growing number of actors are playing an increasingly important role in development cooperation and are responsible for a significant amount of funds for development[71]. While these funds are of a distinct nature and managed differently from ODA, together they could, if harnessed to complement ODA, better meet the need to foster development and tackle global challenges. For example, the Commission will consider developing blending mechanisms to boost financial resources for development. Certain Options may allow for greater resource mobilisation than others, as explained below.

*Partnerships with emerging donors*
The most important missed opportunity from our lack of cooperation with emerging economies (EMEs) in other developing countries (especially a lack of cooperation with China in Africa) is the chance to support the key to Africa's future growth – regional integration[72] – through strategic trilateral cooperation to mobilise European excellence in the creation of a single market and China's comparative advantage in the fast construction of low-cost infrastructure. In that regard, the EU will notably explore how to strengthen strategic partnerships with emerging economies.

[71] For example, global remittances from migrants were expected to amount to around EUR 237 billion in 2010, private charities are by some calculations estimated to provide about EUR 35 billion annually; global Foreign Direct Investment (FDI) flows are about equal to ODA.
[72] The November 2010 communication on the future of EU-Africa relations reiterated the importance of regional integration in EU policies

**Problem and its main drivers**



## 3. Scope of the Communication

Development policy is only partly about aid; other non-aid aspects (such as trade policy, loans and other financial flows) have an equally important part to play in the overall policy for promoting global development. This Impact Assessment however focuses on the Commission-managed aid as the main measurable indicator and the area where most significant change, as compared with the status quo, is proposed.

The Impact Assessment thus deals with issues relating to EU institutions' aid, which are under Commission competence, and through which the Communication can have the most direct impact.

The Communication addresses specific drivers, based on the following criteria:
1) Those on which Commission has an immediate and direct influence;
2) Those that are not dealt with in other policy initiatives (e.g. governance, PCD) or in forthcoming proposals (e.g. financial instruments, coordination & joint programming);
3) Those that do not concern the implementation of policies.

As these are the areas of significant change proposed in the Communication, the Impact Assessment focuses on the following two drivers:
- **Policy focus**: sectoral concentration of aid
- **Differentiation**: geographical concentration of aid

This focus of the Impact Assessment notwithstanding, all drivers of the problems should also be taken into consideration and acted upon in order to improve EU development policy and make it deliver improved results in terms of MDGs. In particular, non-development policies also have a strong bearing on the impact of aid.

## 4. Analysis of subsidiarity

Development policy is a shared, "parallel" competence (Article 4 TFEU), implying that the Member States have parallel powers with the EU, have their own aid programmes and policies and exercise their powers, while ensuring that these complement and reinforce those of other Member States and the EU (Article 208 TFEU).

**EU necessity to act:**
The Treaty states that development policy is a shared, parallel competence between the Commission and Member States; it reserves a specific role for the Commission in development policy.
Commission-managed aid has to be spent in accordance with the Treaty development objectives (i.e. poverty reduction, cf. Art 21 TEU and 208 TFEU).

EU action is necessary as action by the Member States alone cannot sufficiently fulfil this function. Given the Treaty call for complementarity between the EU and its Member States in development cooperation, the EU and Member States are committed to donor coordination and the EU is mandated to take initiatives to promote such coordination (Art.210 TFEU).

**EU added value:**

The EU provides added value:

- through its global network of delegations, which gives it a political presence where Member States may not;
- by championing PCD (especially given its exclusive competence in trade);
- by promoting best development practice;
- by facilitating coordination and harmonisation;
- by acting as a delivery agent, particularly where size/critical mass are important;
- by promoting certain values and principles (e.g. democracy, human rights, good governance, including transparency and anti-corruption);
- by promoting and facilitating civil society participation and North-South solidarity.

Coordinated action by the EU as a whole has an added value that, in terms of policy and financial leverage, is bigger than the sum of individual action of 27 Member States and the Commission.[73] Beyond being itself an important donor, the EU also plays the important role of federating actions of the EU and its Member States towards a unified EU presence in the global scene, capable of playing the political role that the provider of more than 50% of global ODA should have. The EU monitors progress and proposes possible actions to Member States. The Commission has a key role in coordinating EU action, proposing common positions for international events[74] and driving forward common approaches to, for example, aid effectiveness and division of labour, including through the proposals it makes for development policy via regular Communications to the Council.

In similar vein, a recent study found that the European Consensus has a greater value as a single document than the sum of its individual elements, precisely due to its role in bringing Member States and the Commission together behind a single agenda and in giving the EU's development policy external visibility[75].

In order to maximise this added value, greater specialisation and better division of labour could lead to greater efficiency, economies of scale and lower transaction costs whose benefits could be used to further reinforce the financial resources available and to enhance the EU's negotiating/ bargaining power, thus ensuring that the EU is better placed to play a leading role at global level.

# 5. Objectives of EU initiative

As stated by the Treaty, the main objective of EU development policy is poverty reduction in the context of sustainable development. The internationally-recognised targets under this objective, subscribed to by the EU, are the Millennium Development Goals (MDGs).Given

[73] As demonstrated above with reference to the study on the aid effectiveness agenda: benefits of the European Approach from October 2009 http://ec.europa.eu/development/icenter/repository/AE_Full_Final_Report_20091023.pdf

[74] EU positions have helped to achieve ambitious global agreements (e.g. Paris Declaration in 2005; Accra Agenda for Action in 2008; Doha Financing for Development Conference in 2008). Common EU positions were also adopted ahead of the UN General Assembly High-Level Plenary Meeting on the MDGs in 2010 and the LDC IV Conference in 2011.

[75] Feasibility Study for the Future Evaluation of the Implementation of Part II of the European Consensus on Development, ECDPM for the European Commission, November 2010.

the effort still needed if the MDGs are to be reached by 2015, the EU needs to rapidly increase the impact of its aid on poverty reduction. Beyond 2015, the EU will need to continue to support the global effort until poverty is eliminated completely. The objective of the proposed change programme is therefore to ensure that every euro of EU development aid generates the greatest possible impact on poverty in developing countries, in order to maximise the contribution made by the EU to the MDGs and longer-term poverty elimination. One way of doing so is by sharpening the sectoral and/or geographical focus of EU aid. By focusing EU aid more strategically and concentrating on certain sectors and/or countries, the Commission will contribute to reducing the sectoral fragmentation and geographical dispersion of EU aid, hence increasing impact.

| Objectives table | |
|---|---|
| General objective | **Poverty reduction in the context of sustainable development** is the primary aim of EU development policy (Art 21 TEU, Art 208 TFEU). The MDGs constitute the most comprehensive set of internationally agreed benchmarks for development progress. |
| Intermediate objective(s) | **Maximised impact of EU development aid on poverty reduction, MDGs achievement and sustainable development by 2015 and beyond (2020)** |
| Specific objectives | **Sharpened development policy focus for better results** |
| Operational objectives | a) Direct Commission-managed aid where it is most needed and where it has the greatest impact on poverty reduction<br>b) Use Commission's comparative advantage to focus Commission managed development aid<br>c) Increase the capacity of Commission managed aid to leverage financial resources for development.<br>d) Increase the capacity of Commission managed aid to leverage policy change.<br>e) Improve EU development policy coordination and division of labour<br>f) Strengthen legitimacy, credibility, visibility, relevance and public support for development aid (need to recognise the complexities of showing results of aid)<br>g) Improve results-monitoring and reporting to demonstrate achievements and constantly learn and improve development interventions for further improved results |

# 6. Policy options

As previously stated, the policy options assessed in this IA focus on Commission-managed aid, as it is here that the most significant changes are proposed and which are at the core of the problematic. Whichever option is chosen, and in line with existing EU commitments, the main objective of EU development policy would remain poverty eradication, with the MDGs as the main benchmarks against which to measure progress. PCD continues to be a necessary complement to reinforce EU development policy and aid effectiveness. Given that actions to improve PCD and aid effectiveness and the choice of aid modalities  are equally applicable to all options, the impact of changes in these areas is not assessed here.

### *Option 1 Status quo*

***The aid allocation and implementation processes would not change from the current portfolio. The Commission would continue to allocate grant aid to, and intervene in, a great variety of sectors and all countries. In other words, the EU would continue to do "everything everywhere".***

Commission-managed aid programmes are aimed at the achievement of MDGs, and in line with the European Consensus on Development, cover a wide array of sectors[76] (e.g. health, education, environment, agriculture, infrastructure, etc.). In addition to the 9 sectors listed in the European Consensus, the EU's offer depends on the demand expressed in the dialogue with each developing country.

Commission-managed aid would continue to be allocated to all ODA-eligible countries[77], including Middle Income Countries (MICs) and emerging donors.

In such a scenario, there would be no geographical differentiation of aid and the Commission would continue to act as a donor of last resort, maintaining a global EU development presence and providing development aid where other donors (including Member States) do not.

### *Option 2 Sectoral focus*

***In order to reduce the sectoral dispersion of EU aid, the Commission would focus mainly on a limited number of sectors, but would continue to provide aid to all countries ranging from the LDCs to BRICS.***

In order to move towards sharpened sectoral concentration and specialisation, Commission-managed aid would be focused on a limited number of sectors (i.e. the "offer" is reduced).

The EU would use its comparative advantage wherever possible in the context of country-led dialogues, in line with the principle of ownership.

Many respondents to the public consultation on the Green Paper on EU development policy insisted on the need for a more focused EU aid and a consolidation of the more than 45,000 projects funded by EU donors, combined with further division of labour among EU donors. Furthermore, the public consultation on future funding for EU external action has underlined that the EU should exploit its comparative advantage linked to its global field presence, its wide-ranging expertise, its supranational nature, its role as facilitator of coordination, and to the economies of scale.

[76] The European Consensus states for example that the Community will concentrate its activities in the following areas: trade and regional integration; the environment and the sustainable management of natural resources; infrastructures; water and energy; rural development, agriculture, and food security; governance, democracy, human rights and support for economic and institutional reforms; prevention of conflicts and of state fragility; human development; and social cohesion and employment but the list of sectors is not exhaustive

[77] As per the DAC definition of ODA recipients

In that regard, areas of specialisation for policy focus could be determined by the following criteria:

- **Where the EU has a good track record**: focusing on sectors where the Commission has acquired sound experience and knowledge and where EU action has produced good and sustainable results (e.g. governance, education).
- **Where the EU has gained significant expertise internally**: focusing on sectors where the EU can provide useful support based on its own successful experience (e.g. regional integration)
- **Where the EU wants to be active**: focusing on sectors which are considered priorities for the EU (e.g. food security; climate change)
- **Where MS alone cannot make the difference***:* focusing on sectors where there is clear added value for EU coordinated action in terms of policy and financial leverage (e.g. support to large-scale sectoral programmes)
- **Demand by partner countries**: focusing on priority sectors as determined in the context of country-led dialogues.
- **Growth generating sectors**: focusing on sectors which can induce strong and sustained inclusive growth (e.g. agriculture; energy)

In order to be effective and avoid any "orphan sectors", the Commission's limited sectoral offer will need to be complemented by other donors or other instruments. This implies reinforced coordination and division of labour between the Commission and the Member States so as to ensure that demand and needs of partner countries are satisfied.

Under this option, no geographical differentiation would be made in terms of aid recipients: Commission-managed development aid would continue to be allocated to all developing countries.

## *Option 3 Geographical focus*

***In order to reduce the geographical dispersion of EU aid, the Commission would target its grant aid towards on a limited number of countries (depending on their needs, capacities, and commitments and potential impact), but would continue to have a wide sectoral coverage.***

The Commission would apply a differentiated approach to aid allocation and partnerships, based on a comprehensive political and policy dialogue with all partner countries through which the EU will define the most appropriate form of cooperation, leading to informed and objective decisions on the most effective policy mix, aid levels, financial instruments and aid arrangements. A vast majority of respondents to the public consultation on future funding for EU external action support the need for a **more differentiated approach,** tailored to the situation of the beneficiary country, based on sound criteria and efficient data collection, to be used as a way to increase the impact of EU financial Instruments.

Many respondents to the public consultation on the Green paper on EU development policy have stressed that traditional ODA should be primarily reserved for the poorest countries.

In that regard, EU development aid could be allocated according to needs, capacities and performance and to potential EU impact.

- **Country needs** will be assessed on the basis of several indicators, taking into account, *inter alia*, their economic and social/human development and growth path, so as to distinguish between those already on a strong and sustained path and those yet to reach such a stage. The EU will also pay special attention to vulnerability and fragility indicators.
- **Capacities and resources** will be assessed according to a country's ability to generate sufficient financial resources, notably domestic resources, and its access to other sources of finance, such as international markets, private investments or natural resources.
- **Country commitments and performance:** aid allocations will be adapted to reward investment in education and health, progress on the environment, democracy and State effectiveness, sound economic and fiscal policies and absorption capacities.
- **Potential EU impact** will be measured through two horizontal objectives: 1) Increasing the extent to which the EU's cooperation promotes and supports economic, social and environmental policy reforms in partner countries; 2) Increasing the leveraging effect that EU aid can have on other sources of finance for development, in particular private investment.

Through comprehensive political and policy dialogue with all partner countries, the EU would define the most appropriate form of cooperation, leading to informed and objective decisions on the most effective policy mix, aid levels, financial instruments and aid arrangements.

For some countries (notably emerging economies and a number of upper middle-income countries), this may result in the cessation or lowering of EU development assistance, and the pursuit of a different cooperation relationship based on loans, technical cooperation or support for trilateral cooperation, as well as on a shared agenda around common interests and for global public goods (e.g. climate change, migration), while supporting them as they become donors themselves.

In such a scenario, the Commission no longer provides aid as a gap-filler in countries where there are no other donors (no longer donor of last resort/default donor), and no longer ensures a global EU aid presence.

Commission-managed development aid would still cover a wide array of sectors depending on the demand as established by the dialogue with each developing country.

## *Option 4 Sectoral and geographical focus*

***The EU would focus both sectorally and geographically (combination of Options 2 and 3)***

Under this final Option, Commission-managed aid not only would be focused on a limited number of sectors <u>but would also</u> be targeted to a limited number of countries.

The choice of sectors would be made as under Option 2.

The choice of countries to receive grant aid would be made as under Option 3.

A basic assumption of this option is that Commission-managed aid would be complemented by other donors or other instruments. This implies reinforced coordination and division of labour among the Commission, Member States and other donors to ensure that the demands and needs of partner countries are met. Such reinforced coordination would also be required under Options 2 and 3, but the picture will be more complex, and the importance greater, in the case of Option 4, where both sectoral and geographic portfolios need to be considered; this implies not just in-country DoL but also cross country DoL and well-informed and coordinated exit and entry strategies.

# 7. Assessment of impacts

**Each of the four options is assessed against the following appraisal criteria**:
- EU presence and influence;
- EU expertise/specialisation;
- Dispersion and fragmentation of EU aid (sectorally and/or geographically);
- Validity of current policy framework and agreements;
- Potential leverage effect of EU aid / EU critical mass;
- EU visibility, reputation, credibility and legitimacy;
- EU commitments (ODA, aid effectiveness, MDGs).

## *Option 1* – Status quo option

Under the *status quo* option, Commission-managed aid would continue to be delivered to a wide range of sectors and beneficiary countries. The Commission would thus maintain a global and cross-sectoral presence potentially giving it influence across the board and possible leverage effect in all countries. This s*tatus quo* option does not tackle the problem of aid dispersion and fragmentation, thereby increasing the risks of inefficiency. Moreover, scarce aid resources continue to be spread too thinly, resulting in reduced impact and a missed opportunity to increase the relevance, legitimacy and visibility of EU aid.

| STRENGTHS | WEAKNESSES |
|---|---|
| Global EU development presence is maintained (political visibility) | Fragmentation and dispersion of aid is not tackled (missed opportunity) |
| Global presence allows access & potential influence in all countries, and possible leverage effect on non-aid issues | Scarce resources spread too thinly (no critical mass), resulting in low impact. |
| Commission continues to be donor of last resort, reassuring for developing countries | Aid continues to be allocated to countries that either do not need or deserve it, thus encouraging moral hazard (beneficiary countries assume they will all receive aid, creating less incentive for reform) |
| Global presence allows flexibility and capacity to react to crises on the ground everywhere | Impact of aid in certain countries remains negligible (waste of resources + reputational risk) |
| *European Consensus* remains valid | Poor articulation of countries' specific needs |
| No need for change in current agreements (e.g. Cotonou Agreement) | High risks of inefficiency, affects COM/EU reputation |
| | COM expertise spread too thinly |
| | Division of labour & donor coordination made more complex leading to administrative |

| STRENGTHS | WEAKNESSES |
|---|---|
| | burden & high transaction costs (both for EU and partner countries)<br>Risk of aid dependency<br>Difficulty in meeting the EU's commitments for Sub-Saharan Africa and LDCs as aid is spread too thinly<br>Inability to do large-scale projects as funds per country are too small<br>In the long run, EU aid loses relevance and legitimacy because of lack of impact |

***Winners/losers***

Winners: BRICS & Middle Income developing countries (who continue to receive aid); Member States (who can still count on the Commission to fill gaps);

Losers: poorest and fragile countries (from whom aid is being diverted); EU taxpayers (sub-optimal value for money)

## *Option 2* – Sectoral focus

Sectoral concentration runs the risk of creating a possible mismatch between the Commission's limited offer and demand from partner countries. This could result in difficulties in spending all resources. In addition, a top-down approach to sectoral concentration would undermine country ownership (a key ingredient for aid effectiveness and overall success of development). This said, the Commission would maintain its global development presence, thus allowing it to maintain its potential influence and possible leverage effect in all countries.

Sharpened sectoral focus would however contribute to higher impact of EU aid by concentrating resources on a limited number of sectors, thus increasing the EU's critical mass. This could also increase specialised expertise, visibility and reputation of the EU in a number of sectors where it has recognised comparative advantage. With proper division of labour at country level, the problem of mismatch with country needs is likely to be mitigated.

This option would likely require a significant reorganisation of human resources in both DEVCO headquarters and in delegations, to ensure sufficient skills in the focal sectors and to reallocate staff away from non-focal sectors. Significant capacity-building/training programmes are likely to be required. The successful implementation of this Option would rest on rapid redeployment of staff and appropriate up-skilling.

| STRENGTHS | WEAKNESSES |
|---|---|
| Critical mass through concentration of resources on limited number of sectors (potential for much greater impact)<br>Concentration of aid and better division of labour among donors reduces aid fragmentation and transaction costs of both | Aid still goes to countries that don't need it and/or don't deserve it (waste of resources + reputational risk)<br>Danger of aid dependency and lowered incentive for reform (every country automatically receives aid) |

| STRENGTHS | WEAKNESSES |
|---|---|
| the Commission and partner countries, thereby increasing the efficiency of aid | |
| Global presence allows flexibility and capacity to react to crises on the ground everywhere | Scarce resources & COM expertise continue to be spread too thinly geographically (waste of resources, potential for impact self-limiting) |
| Increased visibility and reputation in certain key sectors | Possible mismatch between EU's limited offer and demand from developing countries, which could ultimately make global presence impossible (notably from countries whose needs don't match EU offer) |
| In the long-run, specialised expertise and staff (leads to more efficiency), could enhance reputation | Top-down approach undermines aid effectiveness principles (+knock-on negative effect on EU reputation) |
| No *a priori* reduction in global presence | In the long run, EU aid loses relevance and legitimacy + risk of losing credibility in representing the EU at large on EU development policy (loss of intellectual leadership) |
| Easier to monitor impact/results | Could undermine MDG commitments (notably in those sectors where EU will no longer be present and especially without adequate DoL which could see Member States concentrate on those sectors where the EU can no longer be active) |
| | Risk of losing market share by specialising too much (vis-à-vis other donors, notably BRICS) |
| | Problem of spending all resources (may lead to an inflation of vertical funds and programmes + competition with vertical funds) |
| | *European Consensus* would need revision (if Commission chooses to focus its offer on certain sectors exclusively) |

***Winners/losers***

<u>Winners</u>: Developing countries whose demand fits EU offer; Member States who can focus on other sectors (complementarity); NGOs who implement programmes in the EU's priority sectors.

<u>Losers</u>: Developing countries whose demand doesn't match EU offer; NGOs who received money until now but whose sectors of intervention no longer match EU sectors of concentration/priority; Member States who rely on the Commission to act in sectors where they cannot act themselves, but which they consider important for the MDGs

## ***Option 3*** **– Geographical focus**

Geographical focus might run the risk of weakening EU influence and leverage effect in certain countries and regions where it no longer delivers grant aid. This problem will likely be mitigated by strategies of gradual exit and the continuation of non-aid development relationships with those countries where the EU ceases to have a grant aid programme (e.g. loans, trilateral cooperation, knowledge transfer). Member States may also take over the aid programme in countries where the Commission can no longer act, thus maintaining EU presence and influence.

This said, in the absence of enhanced coordination and division of labour between EU and Member States, this Option risks widening the gap between donor darlings and donor orphans, especially at a time when an increasing number of EU donors are reducing their portfolio and exiting from a number of developing countries. Improved information exchange, active coordination and phased exits and entries, with flexibility offered by the EU and MS if required, should mitigate against this problem.

The greatest advantage of a sharpened geographical focus is that is would target limited resources to those countries where they are needed most and where they have the greatest impact, thus avoiding wastage of taxpayers' money and allowing critical mass to build up in certain of the most needy or vulnerable countries, including donor orphans. The Commission would in turn likely receive a boost to its reputation as a strategic player focused on eliminating poverty and not shying away from working in the poorest, most vulnerable and most difficult countries. It could enhance its global reputation as a donor with the specialised knowledge and skills to work in specific countries or regions.

As with Option 2, this Option will require significant reorganisation of human resources within DEVCO and delegations.

| STRENGTHS | WEAKNESSES |
| --- | --- |
| Targeted aid to those countries which need it the most and where the impact will be greatest, giving greater value for money and reduced wastage | In absence of efficient division of labour and donor coordination, risk of creating more donor orphans and donor darlings |
| Opportunity for more modern relationships with wealthier developing countries, including spin-offs in terms of positive impacts on global public goods | Possible loss of EU influence in certain regions and countries |
| Increased critical mass in certain countries | COM resources still dispersed in many sectors |
| Reinforces the role of the COM as coordinator for DoL | Uncertainty over addressing sub-regional & cross-regional challenges (if the EU has a patchy country coverage in a region) |
| EU more likely to meet its commitments for Sub-Saharan Africa and LDCs | Uncertainty of criteria for differentiation (higher risk of real or perceived politicisation/polarisation of aid) |
| Strengthened legitimacy in policy debates on countries where COM is present (intellectual leadership) | |
| Allows COM to achieve a more balanced and strategic role as donor (less open to criticism) | |
| Over time, COM will strengthen its | |

| STRENGTHS | WEAKNESSES |
| --- | --- |
| knowledge and understanding of specific focal countries/regions, thereby improving the appropriateness of its work, its local relationships and influence, and ultimately development results. | |

***Winners/losers***

Winners: Mostly LDCs/LICs who may see aid allocation increasing; NGOs in relevant focal countries

Losers: Mostly MICs who may see their aid allocation declining; potentially, segments of poor people in wealthier MICs if their governments prove unwilling or unable to support them in lieu of donor resources; NGOs focused on these countries and regions and which will no longer receive financing; Member States who rely on the EU to deliver "their" aid in countries where they no longer operate themselves.

## *Option 4* – Sectoral and geographical focus

This Option combines the benefits of Options 2 and 3. By concentrating its resources on a limited number of sectors and by targeting resources to those countries where they are most needed and where they have greatest impact, the Commission could ensure a more strategic use and allocation of scarce aid resources, which is more in tune with the global context and the needs of both partner countries and the EU itself, as well as ensuring improved value for money for the European taxpayer.

Several of the limitations of Options 2 and 3 stemmed from the fact that they were partial options, tackling only one aspect of the problem, rather than the problem of fragmentation and proliferation as a whole; some elements of a partial option could also prove unworkable (e.g. Option 2: if the principle of ownership were to be fully respected, but the EU's sectoral offer limited to only a few sectors, there may be countries where there is no match between the EU's offer and the country's demand, thus making an aid programme impossible and a global presence therefore unachievable).

Option 4, by combining sectoral with geographic focus in a strategic decision-making process, would lead to a streamlined and coherent allocation of EU resources in favour of enhanced results and impact. The EU's grant aid footprint would be reduced and aid resources concentrated on a limited number of significant country programmes, but the EU's overall global footprint would be maintained via non-aid development relationships with those countries where the grant aid programme ceases. The overall impact on the EU's reputation as a global development player is likely to be enhanced by this more focused and modern approach.

Ensuring close coordination and effective division of labour between the Commission and Member States is a *sine qua non* condition for such this option. By leading by example, the Commission can increase the visibility and legitimacy of its own aid and encourage EU Member States to do likewise. This would strengthen the Commission's role of convener and coordinator.

As with Options 2 and 3, Option 4 would have implications for the distribution of human resources. This impact is likely to be greater than in the case of the partial options due to the double-focusing process. Those delegations where the aid programme is significantly reduced or stopped would need skills in managing exit strategies and then in forging new non-aid relationships with the partner government (e.g. based on trilateral cooperation or loans); this will require a significantly different skill set from the implementation of grant aid programmes. Those delegations where the aid programme is stepped up, but where the sectoral focus is tightened, may need new sectoral skills. All delegations will need enhanced skills in coordination.

| STRENGTHS | WEAKNESSES |
| --- | --- |
| Increased critical mass in certain countries, ability to do larger-scale projects, value for money | In the short to medium term, higher transaction costs for Member States and for COM (transfer and training of staff) |
| In the long-run, lower transaction costs for the Commission and partner countries (no need to negotiate in how many sectors we intervene) | May create more gaps (orphans – countries and sectors) when offer doesn't match the demand of countries |
| Strengthened role for COM in initiating and coordinating DoL | Loss of COM expertise and competence in certain sectors |
| Opportunity for more advanced and meaningful relationships with wealthier developing countries, with benefits for the EU (global public goods) as well as for the partner country | Reputational risk, reduced credibility for the COM to represent the EU in all sectors globally |
| Allows COM to achieve a more balanced and strategic role as donor (less open to criticism) | Possible loss of EU influence in certain regions and countries |
| Reinforces the role of the COM as coordinator for DoL | Uncertainty over addressing sub-regional & cross-regional challenges |
| Increased visibility and reputation in certain areas | Higher risk of real or perceived politicisation of aid (uncertainty of criteria for differentiation) |
| More likely to meet the commitments for SSA and LDCs | |
| Easier to monitor impact/ results | |

***Winners/losers***

<u>Winners</u>: Mostly LDCs/LICs who may see aid allocation increasing; Member States who can focus on other sectors and countries (complementarity); NGOs operating in focal sectors and countries

<u>Losers</u>: Developing countries that lose a significant part (most/all) of aid; some poor people in wealthier MICs; NGOs who received money until now but whose sectors and/or regions of intervention no longer match Commission priorities

## 8. Comparison of options

| *Objective/ Criteria* | *Option 1 – Status Quo* | *Option 2 – Sectoral focus* | *Option 3 – Geographical focus* | *Option 4 – Sectoral and geographical focus* |
|---|---|---|---|---|
| **Maximise the impact of EU development aid on poverty reduction** | (-) | (+) | (+) | (+) |
| **Sharpen development policy focus for better results** | (-) Scarce resources spread too thinly, resulting in negligible impact | (+) Increased critical mass through concentration of resources on limited number of sectors (leading to increased impact) | (+) Increased critical mass in certain countries | (+) Increased critical mass through concentration of resources spread on limited number of sectors and limited number of countries |
| Direct Commission managed aid where it is most needed and where it has the greatest impact on poverty reduction | (-) Scarce resources spread too thinly, resulting in negligible impact | (-) Aid still goes to countries that don't need it | (+) Targeted aid to those countries that need it the most | (+) Strengthened focus on main priority countries and sectors. |
| Use Commission's comparative advantage to focus Commission managed development aid | (-) Scarce resources spread too thinly, resulting in negligible impact | (+) Specialised expertise and staff, leading to more efficiency | (-) Commission resources still dispersed in many sectors | (+) Strengthened focus on sectors where Commission has expertise (cf. results of consultation) |

| *Objective/ Criteria* | *Option 1 – Status Quo* | *Option 2 – Sectoral focus* | *Option 3 – Geographical focus* | *Option 4 – Sectoral and geographical focus* |
|---|---|---|---|---|
| Increase the capacity of Commission managed aid to leverage financial resources for development | (-) Lost opportunities in forging partnerships with other actors (including private sector, emerging economies) | (+) Increased critical mass in certain countries | (-) Possible loss of EU influence in certain regions and countries | (+) Commission acting as a convener to catalyse significant resources for development |
| Increase the capacity of Commission managed aid to leverage policy change | (-) Moral hazard: less incentive for reform | (+) Increased visibility and reputation in certain key issues | (+) Increased critical mass in certain countries | (+) Increased critical mass in certain countries |
| Improve EU development policy coordination and Division of Labour | (-) Aid fragmentation and donor coordination aren't tackled | (+) Strengthened role for Commission in initiating and coordinating DoL | (+) Strengthened role for Commission in initiating and coordinating DoL | (+) Strengthened role for Commission in initiating and coordinating DoL |
| Strengthen legitimacy, credibility, visibility, relevance and public support for development aid | (-) In the long run, EU aid loses relevance and legitimacy because of lack of impact | (+) Increased visibility and reputation in certain key issues | (+) Strengthened legitimacy in policy debates on countries where Commission is present (intellectual leadership) | (+) Increased visibility and reputation in certain sectors and countries |

The above analysis and this comparison table indicate that the preferred option is Option 4.

## *8.1. Risks*

**Human resources**: Implementation of any of the Options 2, 3 or 4 will require significant shifts in the pattern of human resources (personnel and skills) in DEVCO headquarters and delegations. If these changes are not implemented smoothly, or take too long, then there will be a mismatch between country programmes and staffing to implement them – i.e. the wrong people, with the wrong skills, will be in the wrong places.

**Reputation**: The reputational risks of not making a change outweigh the risks of making a change. For the Commission to continue to be seen as a cutting-edge development actor, and for the EU to maintain its reputation not just for the quantity, but also the quality of its aid, change is required to make the EU development effort fit for the current decade and beyond. Failure to secure value for money for the European taxpayer, failure to be visible to the public in developing countries and internationally, and failure to monitor results and continually learn lessons and improve the EU's programming and impact would all lead to reputational losses.

**Political risks**: The proposed agenda for change will require political agreement by the Member States in Council (Council Conclusions are foreseen for early 2012). Policy changes will be reflected in the new financial and legal instruments for the post-2013 Multi-Annual Financial Perspective; these instruments will require the agreement of the Council, EEAS, Parliament and Commission. Political priorities, particularly the geographic interests of certain Member States and Parliamentarians, may limit the scope to implement objective decisions vis-à-vis sectoral specialisation and geographic differentiation.

**Implementation risks**: The changes proposed by Options 2, 3 and 4 require effective EU and wider donor coordination, strong information bases and networks (including on who is doing what and where, and who plans to change their aid portfolios and when), and successful implementation of division of labour, which has to date been weak. Real political will on the part of Member States will be needed to overcome current limitations in this area; the Commission must take forward, and be allowed to take forward, its enhanced coordinating role as mandated in the Lisbon Treaty.

**Financial risks**: The timing of these proposals is sensitive, given the negotiations on the MFF taking place in 2011.

**Impacts at partner country level**: While partner country ownership will be central to the EU's decisions on re-profiling its portfolio, there remains a risk of mismatch, at least in certain countries, between the EU's sectoral offer and the demand/needs of partner countries. EU joint programming will go a long way towards mitigating against this risk, but certain sectors may no longer be supported by the EU (sector orphans).

**None of these risks are "killer" risks**, but the design of the proposed agenda for change (as set out in the Communication and subsequently in the legal instruments and regulations for the post-2013 MFF), as well as the implementation of an internal change programme (human resources) will be critical.

Additionally, **further studies may be useful to help identify appropriate mitigation strategies**:

Firstly, as regards sector focus, analysis of the risks of certain sectors no longer being directly supported (sector orphans) by Commission-managed aid. This analysis should notably take into consideration the extent to which such an approach could potentially affect the comprehensiveness of EU development policy (multidimensional poverty) and the reputation of the EU.
Secondly, as regards differentiation, analysis of the risks of some poor population groups in several countries (such as MICs) no longer being targeted by Commission-managed aid. This analysis should take into consideration the extent to which such an approach could potentially affect EU global presence and lead to a loss of influence in certain countries and regions.

Thirdly, an analysis from a legal, economic and fiduciary risk point of view, of the types of cooperation and partnership frameworks that the EU should establish with other key stakeholders such as emerging economies and donors, large international private foundations and the business sector.

### *8.2. Monitoring and evaluation*

The Commission already has regular monitoring and evaluation systems in place, covering the breadth of its aid programme. The information gathered enables the regular assessment of progress towards objectives and results to be achieved, aiming to improve the quality, effectiveness and consistency of implementation. National monitoring systems as well as joint monitoring systems with partner countries, Member States, international organisations or other bodies are particularly considered.

The Commission currently evaluates country and thematic strategies, individual programmes and projects. Larger evaluation exercises assess the complementarity and synergy between the different legislative instruments, including non-spending activities. Complex evaluations may also cover overarching political objectives as laid down in relevant political processes as well as address cross-cutting and transversal issues relevant to all or several legislative instruments.

As far as possible, the Commission associates all relevant stakeholders in the evaluation phase of the EU assistance, including joint evaluations.

The Communication will be implemented via the legal instruments for the post-2013 MFF (e.g. future equivalents of the DCI, EDF10, ENPI, etc). These instruments would be expected to include a mid-point or similar review or evaluation.

## 9. Conclusion

The Impact Assessment concludes that a sharpened focus, both sectoral and geographical, is the best option in view of increasing the impact of Commission-managed aid.

Increased specialisation and better division of labour should lead to greater efficiency, economies of scale and lower transaction costs whose benefits could be used to further reinforce the financial resources available and to enhance the EU's negotiating/bargaining power. In doing so, the Commission will remain a key global actor on development issues, while concentrating its aid on those sectors and countries where impact is the highest, assuring EU visibility and reputation.

.

# <u>Annex 1:</u> List of acronyms and glossary

## <u>Acronyms</u>:

BRICS: Brazil, Russia, India, China and South Africa

CODEV: Working Party on Development Cooperation

CSP: Country Strategy Paper

DAC: Development Assistance Committee

DCI: Development Cooperation Instrument

DEVE: Committee on Development (European Parliament)

DoL: Division of Labour

EDF: European Development Fund

EEAS: European External Action Service

EIDHR: European Instrument for Human Rights and Democracy

EMEs: Emerging Economies

ENPI: European Neighbouring and Partnership Instrument

FDI: Foreign Direct Investment

FTI: Fast Track Initiative

GDP: Gross Domestic Product

GNI: Gross National Income

IAB: Impact Assessment Board

IFIs: International Financial Institutions

IFS: Instrument for Stability

LDCs: Least Developed Countries

LICs: Low Income Countries

MDGs: Millennium Development Goals

MFF: Multi-Annual Financial Framework

ODA: Official Development Assistance

OOF: Other Official Flows

PCD: Policy Coherence for Development

SSA: Sub-Saharan African countries

TNCs: Transnational Corporations

## Glossary:

**Accra Agenda for Action**: (2008) Designed to strengthen and deepen implementation of the Paris Declaration, it takes stock of progress and sets the agenda for accelerated advancement towards the Paris targets. It proposes three main areas for improvement, i.e. ownership, inclusive partnerships and delivering results[78].

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

**Code of Conduct on Complementarity and the Division of Labour in Development Policy**: (2007) With a view to improving the performance of European Union (EU) cooperation policy, the Commission is proposing a voluntary Code of Conduct for better DoL among the EU donors in developing countries. The Code is based on eleven principles designed to reduce the administrative formalities, to use the funds where they are most needed, to pool aid and to share the work to deliver more, better and faster aid[79].

**OECD DAC members**: Australia, Austria, Belgium Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, United States, European Commission.

**Development effectiveness**: The term development effectiveness is meant to describe the level of achievement of overall development goals which are affected by a host of different factors. By adding the notion of effectiveness to the term development, the idea is to assess cooperation against official, long term and quantifiable development goals (e.g. the MDGs or national goals).

**DCI (Development Cooperation Instrument)**: (2007) instrument which replaces a wide range of geographic and thematic ones. Under this instrument, the EU finances measures aimed at supporting geographic and thematic cooperation with developing countries (as included in the list of aid recipients complied by the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD/DAC). It covers three components: 1)<u>geographic programmes</u> supporting cooperation with 47 developing countries in Latin America, Asia and Central Asia, the Gulf region (Iran, Iraq and Yemen) and South Africa; 2)<u>thematic programmes</u> benefiting all developing countries and supporting actions in the fields of investing in people, environment and sustainable management of natural resources including energy; non-state actors and local authorities in development, food security, migration and asylum; 3) <u>programme of accompanying measures for the 18 African, Caribbean and Pacific(ACP) Sugar Protocol countries</u>, in order to help them adjust following the reform of the EU sugar regime. The budget allocated under the DCI for the period 2007-2013 is €16.9 billion[80].

[78] http://www.oecd.org/document/18/0,3343,en_2649_3236398_35401554_1_1_1_1,00.html#Paris
[79] http://europa.eu/legislation_summaries/development/general_development_framework/r13003_en.htm
[80] http://ec.europa.eu/europeaid/how/finance/dci_en.htm

**EIDHR (European Instrument for Human Rights and Democracy)**: (2007) instrument used to provide support for the promotion of democracy and human rights in non-EU countries. For the period 2007-2013 the EIDHR has a budget of €1.104 billion[81]

**EDF (European Development Fund)**: (1959) it is the main instrument for providing Community development aid in the African, Caribbean and Pacific (ACP) countries and the overseas countries and territories (OCTs). The 10th EDF (2008-2013) has a budget of €22 682 million[82].

**ENPI (European Neighbourhood and Partnership Instrument):** is the main source of funding for the 17 partner countries (10 Mediterranean and 6 Eastern European countries, plus Russia), replacing the co-operation programmes TACIS (for the Eastern European countries) and MEDA (for the Mediterranean countries). The ENPI has a financial envelope of €11.2 billion for the period 2007-2013[83].

**EU Development Policy:** refers to the total of collective and individual development policies of EU and its Member States, with the same scope as the current European Consensus on Development.

**Fast Track Initiative on Division of Labour**: (2008) the purpose of the FTI DoL is to help implement the EU Code of Conduct on Division of Labour adopted by the Council of Ministers in May 2007. It intends to support a selected group of partner countries in the process of implementing in-country DoL[84].

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

**Green paper** "EU development policy in support of inclusive growth and sustainable development - Increasing the impact of EU development policy": The objective of this Green Paper was to launch a debate on how the EU can improve the impact of its development policy, and how it can best support poorest countries' efforts in promoting inclusive and sustainable growth, including by leveraging new opportunities to speed up progress towards the Millennium Development Goals (MDGs) and to reduce poverty[85].

**Impact**: the end-result of an analytical evidence-based process by which the effect of aid activities is quantified, where possible. Impact may refer to programme targeting: how to reach the poorest and most vulnerable, to programme scaling.

**Inclusive and sustainable Growth**: the meaning is generally referred to the labour intensity of growth, its geographical or distributional impact or its sectoral pattern. It supports the case that growth associated with progressive distributional changes will have greater impact in

[81] http://ec.europa.eu/europeaid/how/finance/eidhr_en.htm
[82] http://ec.europa.eu/europeaid/how/finance/edf_en.htm
[83] http://ec.europa.eu/europeaid/how/finance/enpi_en.htm
[84] http://www.oecd.org/dataoecd/36/35/46836584.pdf
[85] http://ec.europa.eu/europeaid/how/public-consultations/5241_en.htm

reducing poverty[86]. The concept of sustainability implies the idea that growth needed to satisfy present needs should not compromise the ability of future generations to meet their own needs.

**IFS**: (2007) The Instrument for Stability (IfS) is a strategic tool designed to address a number of global security and development challenges in complement to geographic instruments[87].

**Least Developed Countries**: they represent the poorest countries as identified periodically by the UN on the basis of established criteria (low income, weak human assets, economic vulnerability). The current list of LDCs includes 48 countries; 33 in Africa, 14 in Asia and the Pacific and one in Latin America[88].

**MDGs**: Adopted by world leaders in the year 2000 and set to be achieved by 2015, the Millennium Development Goals (MDGs) provide concrete, numerical benchmarks for tackling extreme poverty in its many dimensions. They also provide a framework for the entire international community to work together towards a common end – making sure that human development reaches everyone, everywhere[89].

**ODA**: Flows of official financing administered with the promotion of the economic development and welfare of developing countries as the main objective, and which are concessional in character with a grant element of at least 25 percent (using a fixed 10 percent rate of discount)[90].

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

1) <u>Ownership</u>: Partner countries exercise effective leadership over their development policies and strategies and co-ordinate development actions
2) <u>Alignment</u>: Donors base their overall support on partner countries' national development strategies, institutions and procedures
3) <u>Harmonisation</u>: Donors' actions are more harmonized, transparent and collectively effective
4) <u>Managing for Results</u>: Managing resources and improving decision-making for results
5) <u>Mutual Accountability</u>: Donors and partners are accountable for development results[91].

**Policy Coherence for Development**: The EU seeks to build synergies between policies other than development cooperation that have a strong impact on developing countries, for the benefit of overseas development. In 2005, the EU agreed to apply the Policy Coherence for Development approach in 12 policy areas (trade, environment and climate change, security,

---

[86] Many factors affect the distribution of income or consumption, and there is no clear link between economic growth and changes in income distribution. World Bank Social Indicators Report 2010.
[87] http://ec.europa.eu/europeaid/how/finance/ifs_en.htm
[88] http://www.unohrlls.org/en/ldc/25/
[89] http://www.undp.org/mdg/basics.shtml
[90] www.oecd.org
[91] http://www.oecd.org/document/18/0,3343,en_2649_3236398_35401554_1_1_1_1,00.html

agriculture, bilateral fisheries agreements, social policies, migration, research/innovation, information technologies, transport and energy) that could accelerate progress towards the Millennium development goals for development[92].

[92] http://ec.europa.eu/europeaid/what/development-policies/policy-coherence/index_en.htm

# Annex 2: Summary of the public consultation

**Green Paper on "EU development policy in support of inclusive growth and sustainable development – Increasing the impact of EU development policy"[93]**

There was a rich and healthy participation in the public consultation on the Green Paper "EU Development Policy in support of inclusive growth and sustainable development – Increasing the impact of EU development policy." The public consultation was launched after the publication of the Green paper on the Europa website and ran for the period 15 November 2010 – 17 January 2011. In addition to the questionnaire contained in the Green Paper itself, several events were organised in parallel to present and discuss the Green Paper with different categories of stakeholders.

240 written responses were received. The total documentation of responses amounted to more than 2,000 pages. All contributions have been made publicly available on the Commission EuropeAid website[94]. The following table lists the number of responses by each category of respondent.

| CATEGORIES | # responses |
|---|---|
| **MEMBER STATES** | |
| *CENTRAL GOVERNMENTS/MINISTRIES* | 22 |
| *NATIONAL AGENCIES* | 3 |
| **LOCAL AND REGIONAL AUTHORITIES** | 17 |
| **PARLIAMENTS** | 6 |
| **NON-EU DONORS** | 3 |
| **NON-STATE ACTORS** | |
| *NGOs* | 97 |
| *TRADE UNIONS / PROFESSIONAL BODIES* | 7 |
| *PRIVATE SECTOR / BUSINESS* | 24 |
| *THINK TANKS/ ACADEMIC INSTITUTIONS* | 16 |
| **INTERNATIONAL/REGIONAL ORGANISATIONS** | 8 |
| **PARTNER COUNTRIES** | |
| *GOVERNMENTS/MINISTRIES* | 8 |
| *LOCAL/REGIONAL GOVERNMENT* | 3 |
| **INDIVIDUALS** | |
| *EU* | 14 |
| *NON-EU* | 5 |
| **OTHER/UNSPECIFIED** | 7 |
| **Total** | **240** |

[93] The full report is accessible at: http://ec.europa.eu/europeaid/how/public-consultations/5241_en.htm
[94] http://ec.europa.eu/europeaid/how/public-consultations/5241_en.htm

The Green Paper contained 26 open questions relating to a set of four main concerns:

- **How to ensure high EU impact development policy;**
- **How to facilitate more, and more inclusive, growth in developing countries;**
- **How to promote sustainable development as a driver for progress; and**
- **How to achieve durable results in the area of agriculture and food security**

The following report summarises the main issues raised in the responses.

**General comments/cross-cutting issues**

The EU is the world's largest provider of Official Development Assistance (ODA), totalling almost € 54 billion in 2010. It is also the world's largest economic bloc with 501 million inhabitants and a total GDP of over € 12 trillion in 2009; its annual imports from third countries exceed € 1.3 trillion (Euro zone only).

Most respondents welcomed the Green Paper as a very **timely initiation of a broader reflection and debate on EU development policy**, especially against the backdrop of recent geopolitical and institutional as reflected, *inter alia*, in the setting up of the G20 and the creation of the new European External Action Service. The consultation also tied in with the discussions that precede the next EU financial framework 2014-2020.

Respondents recognised that the current financial and economic crisis creates additional need to ensure that ODA funds, since they derive from donor governments' budgets, are used **with the aim of maximizing the impact on poverty.** This will be necessary to secure continued support from taxpayers for future increases in development aid.

Most respondents therefore **endorsed the increased emphasis on inclusive economic development, growth and employment creation** for which ODA plays a catalytic part, since it mobilises additional domestic and international funding needed to achieve the MDGs and the ultimate goal of eliminating poverty. This was, however, contested by some respondents, especially from the NGO community, who pointed out that there is **little evidence to suggest that economic growth without active redistributive policies and social protection systems has had an impact on poverty in the past**.

A number of respondents stated that **the Green Paper provided insufficient analysis and evaluation of the impact of current policies**. Many of the terms used in the Green Paper needed definition and further clarification, including "high impact", "added value" and "inclusive growth", none of which appear in current EU development policy legislation.

Several respondents therefore **called for current policies to remain in place as outlined in the Lisbon Treaty and the European Consensus on Development.** These define the eradication of poverty as the overarching objective for the use of EU ODA. Policy coherence should be assessed against this goal alone, it was argued. In addition, some contributions recalled that, while the Treaty calls for the EU and Member States development policy to complement and reinforce each other, development is not, unlike trade and climate change, an EU responsibility.

Furthermore, it was argued that the **EU is a value-based organisation** and that its development policies should be based on promotion of democracy, fundamental human rights and freedoms, including those of women, children, disabled people and minorities.

Most of the Member States underscored in their contributions that they saw the Green Paper, together with the consultations on the funding of EU external action after 2013 and on EU budget support, as the starting points of a longer process of elaborating and agreeing a new EU development policy. Development research institutions call for the **EU to take the intellectual leadership** in this process.

## 1. High Impact development policy

Many respondents underlined that **ODA constitutes only a fraction of funding for development**, and needs to be seen as a complement to domestically mobilised resources, foreign investments, trade and remittances. At the same time, in low-income and/or fragile countries ODA can provide up to half of development resources available. These respondents therefore called for **traditional ODA development programmes to be primarily reserved for the Least Developed Countries** (LDCs). However, they also called for an overhaul and redefinition of the classification of countries that are eligible to receive ODA, as it is defined by the OECD-DAC.

Consistent with the call for reserving ODA for the LDCs was the demand for **greater coherence in EU development policy** especially with regards to MICs. The establishment of the EEAS provides an opportunity for **a more holistic approach to external action**, including all aspects of EU action: trade, commerce, agriculture, fisheries, intellectual property, security, climate change etc.

Many answers **endorsed the notion of more focused aid** and a consolidation of the currently more than 45,000 projects funded by EU donors, combined with further cross-country and in-country division of labour among EU donors. **Aid should be consolidated into multi-donor, sector/thematic sector wide approaches (SWAp) with long-term, predictable and reliable funding commitments** based on strengthened PEFA and other assessment systems. Apart from education and health, energy infrastructure, agriculture/food security and aid for trade are identified as focus areas.

While **joint EU country programming** of assistance was endorsed in principle, it should be introduced gradually starting with countries where it would yield demonstrable added value. Conflict analysis should be a mandatory part of the joint assessments that precede country programming exercises.

A number of contributions underlined that **development cooperation must be a reciprocal partnership**. In exchange for long-term EU commitments, partner countries need to commit to allocating a sufficient part of their budgets to priority areas such as social sector reform, health and education.

Many respondents called for **increased direct involvement by elected parliamentary assemblies** at national, regional and local levels in both EU and partner countries as part of a broadened partnership between democratic institutions. There were equally-strong calls for **broader involvement of civil society** organisations – North and South – including private sector organisations, in the programming, monitoring and evaluation of assistance.

## 2. Inclusive and sustainable growth

While most respondents **recognised economic growth as a necessary condition for development, many also pointed out that growth alone is not sufficient**. International agreements on transparency, decent work and environmental standards, as well as effective, transparent monitoring of actual behaviour combined with effective sanctions should form part of EU development policy, as outlined for example in the Initiative on Extractive Industries.

However, there was almost **universal support for active promotion of local SMEs**, especially in the agricultural sector, by supporting necessary infrastructure in transport, energy and communications (ICT). Even more important, is the strengthening of the legal and financial frameworks that are necessary to entice the informal sector into the official economy and to broaden the development resource base.

A case was made for **reinvigorating the creation of cooperative enterprises**, especially producer-cooperatives in the agricultural and fisheries sectors, as a stakeholder alternative to the shareholder company model currently predominant in the West. It was pointed out that the democratic structure of cooperatives brings with it in-built training in participatory democracy and governance.

Many respondents called for **increased ODA support for direct funding of social protection systems**, especially targeted to the poor.

## 3. Sustainable development

Some respondents suggested that the term **“green development”** should replace “sustainable development” because it has greater universal recognition.

**Climate change adaptation was seen as a priority** and the work of OECD/DAC in developing guidelines and accounting rules for assistance to climate change was considered of particular relevance to promote coherence and to leverage financing.

It was suggested that the EU should **conform to the Natural Resource Charter** when providing development assistance. Equally, the EU should support the goal of the CBD Nagoya Strategic Plan towards stopping global deforestation by 2020.

There were diverging views on how to strike the right balance between support for mitigation and adaptation measures in the area of climate change. **Programmes need to be designed for different circumstances in different countries**. However, countries’ exposure to natural hazards is generally not underlined to the extent it should be in Country Strategy Papers, with disaster risk reduction – or prevention - measures rarely included in agreed programmes.

Support to sustainable energy cannot be seen apart from the EU strategy on climate change and development. There are Council Conclusions (May 2009) and an Energy Facility, which should be implemented.

It was pointed out that reliable, sustainable, and renewable sources of energy are among the necessary conditions for enhancing economic activities and reduction of poverty. The priority of the EU’s efforts should therefore be **support for accessible sources of energy at the local**

**level**, energy self-sufficiency, with emphasis on the diversification of energy sources, clean technologies, emission reduction, know-how exchanges in the sphere of energy efficiency, and the sustainable use of water and soil, including minerals.

Many respondents, especially NGOs, advocated that all actions relating to **Climate Change measures should be funded separately from ODA** and not counted under ODA.

### 4. Agriculture and Food Security

Most respondents strongly endorsed incorporating **sustainable agriculture and food security in the priority areas** for EU development policy. Strategic areas should encompass support for smallholders, including land tenure rights and provision of knowledge, supplies and equipment.

It was pointed out that the EU possesses extensive expertise relating to sustainable agriculture under changing conditions, which it should use to support initiatives in poor countries with the aim of optimising use of agricultural production means, integrated plant protection, improved land and water resource management and the introduction of resistant species.

**EU countries have broad experience when it comes to carrying out systemic and economic transformations**, also in the agricultural sectors. In developing countries, such experience should be used to promote ownership relations and the right to use land for rural populations. These are pre-requisites for greater efficiency.

Support for agro-ecological solutions, applied research and capacity building for extension services were emphasised as priority areas. Support to smallholder farmers was widely endorsed as well as the special targeting of women farmers.

### 5. Missing areas

Many respondents pointed out that **the Green Paper did not pay sufficient attention to fundamental issues, such as democracy and human rights, the important role of women in development, or to the rights of children, minorities, indigenous peoples or the disabled**. Similarly, it was felt that issues related to HIV/AIDS, pervasive corruption and lack of transparency were inadequately covered in the Paper.

## **Annex 3:** EU country aid allocations (2007-2013)

| | Country | Pop mill | GNI capita | Total ODA million $ | ODA per Capita | ODA %GNI | HDI Ranking | EU AID Country envelope mill EURO |
|---|---|---|---|---|---|---|---|---|
| ACP | | | | | | | | |
| 1 | Angola | 18,5 | $3.490 | 239 | $12,92 | 0,4 | LHD | 173,0 € |
| 2 | Antigua e Barbuda | 0,1 | $12.070 | 6 | $60,00 | 0,6 | n.a. | 3,4 € |
| 3 | Bahamas | 0,3 | $21.390 | n.a. | | | HHD | 4,7 € |
| 4 | Barbados | 0,3 | $9.140 | 12 | $40,00 | | HHD | 9,8 € |
| 5 | Belize | 0,3 | $3.740 | 28 | $93,33 | 2,0 | HHD | 9,8 € |
| 6 | Bénin | 8,9 | $750 | 683 | $76,74 | 10,3 | LHD | 267,0 € |
| 7 | Botswana | 1,9 | $6.240 | 290 | $152,63 | 2,5 | MHD | 56,0 € |
| 8 | Burkina Faso | 15,8 | $510 | 1084 | $68,61 | 13,5 | LHD | 423,0 € |
| 9 | Burundi | 8,3 | $150 | 549 | $66,14 | 41,2 | LHD | 150,5 € |
| 10 | Cameroun | 19,5 | $1.170 | 649 | $33,28 | 3,0 | LHD | 190,8 € |
| 11 | Cap Vert | 0,5 | $3.010 | 196 | $392,00 | 13,1 | MHD | 38,4 € |
| 12 | République Centrafricaine | 4,4 | $450 | 237 | $53,86 | 11,9 | LHD | 109,0 € |
| 13 | Tchad | 11,2 | $610 | 561 | $50,09 | 9,2 | LHD | 299,0 € |
| 14 | Comores | 0,7 | $870 | 51 | $72,86 | 9,2 | LHD | 45,0 € |
| 15 | RDC | 66 | $160 | 2354 | $35,67 | 23,5 | LHD | 514,0 € |
| 16 | Congo | 3,7 | $1.830 | 283 | $76,49 | 4,7 | MHD | 85,0 € |
| 17 | Cook (islands) | n.a. | n.a. | n.a. | | 8,0 | n.a. | 3,0 € |
| 18 | Cote d Ivoire | 21,1 | $1.060 | 2366 | $112,13 | 10,7 | LHD | 218,0 € |
| 19 | Cuba | 11,2 | n.a | 116 | $10,36 | n.a | n.a | |
| 20 | Djibouti | 0,9 | $1.280 | 162 | $180,00 | 14,5 | LHD | 40,5 € |
| 21 | Dominica | 0,1 | $4.870 | 36 | $360,00 | 10,1 | n.a. | 5,7 € |
| 22 | République Dominicaine | 10,1 | $4.510 | 120 | $11,88 | 0,3 | MHD | 179,0 € |
| 23 | East Timor | 1,1 | n.a. | 217 | $197,27 | n.a. | MHD | 63,0 € |
| 24 | Guinée Equatoriale | 0,7 | $12.420 | 32 | $45,71 | 0,5 | MHD | 12,5 € |
| 25 | Eritrea | 5,1 | n.a. | 145 | $28,43 | n.a. | n.a. | 122,4 € |
| 26 | Ethiopia | 82,8 | $330 | 3825 | $46,20 | 13,4 | LHD | 644,0 € |
| 27 | Fiji | 0,8 | $3.950 | 71 | $88,75 | 2,3 | MHD | ?? |
| 28 | Gabon | 1,5 | $7.370 | 78 | $52,00 | 0,8 | MHD | 40,8 € |
| 29 | Gambia | 1,7 | $440 | 128 | $75,29 | 18,5 | LHD | 63,2 € |
| 30 | Ghana | 23,8 | $700 | 1586 | $66,64 | 10,4 | LHD | 282,0 € |
| 31 | Grenada | 0,1 | $5.550 | 48 | $480,00 | 8,3 | n.a. | 6,0 € |
| 32 | Guinea | 10,1 | n.a. | 215 | $21,29 | n.a. | LHD | 189,6 € |
| 33 | Guinea-Bissau | 1,6 | n.a. | 146 | $91,25 | n.a. | LHD | 77,0 € |
| 34 | Guyana | 0,8 | n.a. | 173 | $216,25 | n.a. | MHD | 40,8 € |
| 35 | Haiti | 10 | n.a. | 1121 | $112,10 | n.a. | LHD | 291,0 € |
| 36 | Jamaica | 2,7 | $4.490 | 150 | $55,56 | 1,1 | HHD | 110,0 € |
| 37 | Kenya | 39,8 | $770 | 1788 | $44,92 | 5,9 | LHD | 306,0 € |
| 38 | Kiribati | 0,1 | $1.890 | 27 | $270,00 | 115,4 | n.a. | 10,6 € |
| 39 | Lesotho | 2,1 | $1.030 | 123 | $58,57 | 5,8 | LHD | 108,8 € |
| 40 | Liberia | 4 | $160 | 505 | $126,25 | 78,3 | LHD | 119,6 € |
| 41 | Madagascar | 19,6 | n.a. | 445 | $22,70 | n.a. | LHD | 462,0 € |
| 42 | Malawi | 15,3 | $280 | 778 | $50,85 | 17,6 | LHD | 349,0 € |
| 43 | Mali | 13 | $680 | 988 | $76,00 | 11,0 | LHD | 426,5 € |
| 44 | Marshall Island | 0,1 | $3.060 | 59 | $590,00 | 32,1 | n.a. | 4,5 € |
| 45 | Mauritania | 3,3 | $960 | 287 | $86,97 | 9,4 | LHD | 124,8 € |

| | Country | Pop<br>mill | GNI<br>capita | Total ODA<br>million $ | ODA<br>per Capita | ODA<br>%GNI | HDI<br>Ranking | EU AID Country envelope<br>mill EURO |
|---|---|---|---|---|---|---|---|---|
| 46 | Mauritius | 1,3 | $7.240 | 156 | $120,00 | 1,8 | HID | 39,6 € |
| 47 | Micronesia | 0,1 | $2.220 | 121 | $1.210,00 | 44,7 | MHD | ?? |
| 48 | Mozambique | 22,9 | $440 | 2013 | $87,90 | 20,8 | LHD | 482,0 € |
| 49 | Namibia | 2,2 | $4.290 | 326 | $148,18 | 3,5 | MHD | 82,6 € |
| 50 | Nauru | n.a. | n.a. | 24 | | n.a. | n.a. | 2,2 € |
| 51 | Niger | 15,3 | $340 | 470 | $30,72 | 8,9 | LHD | 366,0 € |
| 52 | Nigeria | 154,7 | $1.140 | 1680 | $10,86 | 1,1 | LHD | 677,0 € |
| 53 | Niue | n.a. | n.a. | 9 | | n.a. | n.a. | 2,4 € |
| 54 | Palau | n.a. | $8.940 | 35 | | 18,3 | n.a. | 2,4 € |
| 55 | Papua New Guinea | 6,7 | $1.180 | 414 | $61,79 | 5,3 | LHD | 108,0 € |
| 56 | Rwanda | 10 | $460 | | $0,00 | 18,7 | LHD | 290,0 € |
| 57 | St. Kitts and Nevis | n.a. | $10.100 | 6 | | 1,1 | n.a. | 4,5 € |
| 58 | St. Lucia | 0,2 | $5.170 | 41 | $205,00 | 4,7 | n.a. | 8,1 € |
| 59 | St. Vincent and the Grenadines | 0,1 | $5.110 | 31 | $310,00 | 5,5 | n.a. | 7,8 € |
| 60 | Samoa | 0,2 | $2.840 | 77 | $385,00 | 16,1 | n.a. | 30,0 € |
| 61 | Sao Tome and Principe | 0,2 | $1.140 | 31 | $155,00 | 15,7 | MHD | 17,1 € |
| 62 | Senegal | 12,5 | $1.030 | 1022 | $81,76 | 7,9 | LHD | 288,0 € |
| 63 | Seychelles | 0,1 | $8.480 | 23 | $230,00 | 3,5 | n.a. | 5,9 € |
| 64 | Sierra Leone | 5,7 | $340 | 437 | $76,67 | 23,0 | LHD | 242,0 € |
| 65 | Solomon Island | 0,5 | $910 | 206 | $412,00 | 42,8 | MHD | 13,2 € |
| 66 | Somalia | 9,1 | n.a. | 662 | $72,75 | n.a. | LHD | 212,0 € |
| 67 | South Africa | 49,3 | $5.770 | 1078 | $21,87 | 0,4 | MHD | 980,0 € |
| 68 | Sudan | 42,3 | $1.220 | 2289 | $54,11 | 4,6 | LHD | 258,0 € |
| 69 | Suriname | 0,5 | n.a. | 157 | $314,00 | n.a. | MHD | 19,8 € |
| 70 | Swaziland | 1,2 | $2.350 | 58 | $48,33 | 2,1 | MHD | 63,0 € |
| 71 | Tanzania | 43,7 | $500 | 2936 | $67,19 | 13,6 | LHD | 555,0 € |
| 72 | Togo | 6,6 | $440 | 499 | $75,61 | 17,5 | LHD | 123,0 € |
| 73 | Tonga | 0,1 | $3.260 | 40 | $400,00 | 12,4 | HHD | 5,9 € |
| 74 | Trinidad and Tobago | 1,3 | $16.490 | 7 | $5,38 | 0,0 | HHD | 25,5 € |
| 75 | Tuvalu | n.a. | n.a. | 18 | | n.a. | n.a. | 5,0 € |
| 76 | Uganda | 32,7 | $460 | 1786 | $54,62 | 11,6 | LHD | 439,0 € |
| 77 | Vanuatu | 0,2 | $2.620 | 103 | $515,00 | 16,4 | n.a | 21,6 € |
| 78 | Zambia | 12,9 | $970 | 1272 | $98,60 | 11,2 | LHD | 475,0 € |
| 79 | Zimbabwe | 12,5 | n.a. | 737 | $58,96 | n.a. | LHD | 129,6 € |
| | | | | | | | | |
| **ENPI** | | | | | | | | |
| 1 | Algeria | 34,9 | $4.420 | 319 | $9,14 | 0,2 | HHD | 392,0 € |
| 2 | Armenia | 3,1 | $3.100 | 528 | $170,32 | 5,9 | HHD | 255,4 € |
| 3 | Azerbaijan | 8,8 | $4.840 | 232 | $26,36 | 0,6 | HHD | 214,5 € |
| 4 | Belarus | 9,7 | $5.540 | 98 | $10,10 | 0,2 | HHD | 84,2 € |
| 5 | Egypt | 83 | $2.070 | 925 | $11,14 | 0,5 | MHD | 1.007,0 € |
| 6 | Georgia | 4,3 | $2.530 | 908 | $211,16 | 8,6 | HHD | 300,7 € |
| 7 | Israel | n.. | n.a | n.a | | n.a | VHHD | 20,0 € |
| 8 | Jordan | 6 | $3.740 | 761 | $126,83 | 3,3 | HHD | 488,0 € |
| 9 | Lebanon | 4,2 | $7.970 | 641 | $152,62 | 1,8 | | 337,0 € |
| 10 | Libya | 6,4 | $12.020 | 39 | $6,09 | 0,1 | HHD | 60,0 € |
| 11 | Moldova | 3,6 | $1.590 | 245 | $68,06 | 4,2 | MHD | 482,8 € |
| 12 | Morocco | 32 | $2.790 | 912 | $28,50 | 1,0 | MHD | 1.234,5 € |
| 13 | Occupied Palestinian Territory | 4 | n.a. | 3026 | $756,50 | n.a. | n.a. | ??? |
| 14 | Syria | 21,1 | $2.410 | 245 | $11,61 | 0,5 | MHD | 259,0 € |

| | Country | Pop mill | GNI capita | Total ODA million $ | ODA per Capita | ODA %GNI | HDI Ranking | EU AID Country envelope mill EURO |
|---|---|---|---|---|---|---|---|---|
| 15 | Tunisia | 10,4 | $3.720 | 474 | $45,58 | 1,3 | HHD | 540,0 € |
| 16 | Ukraine | 46 | $2.800 | 668 | $14,52 | 0,6 | HHD | 964,1 € |
| DCI | | | | | | | | |
| 1 | Argentina G20 | 40,3 | $7.570 | 128 | $3,18 | 0,0 | HHD | 65,0 € |
| 2 | Bolivia | 9,9 | $1.620 | 726 | $73,33 | 4,4 | MHD | 249,0 € |
| 3 | Brazil G20 | 193,7 | $8.040 | 338 | $1,74 | 0,0 | HHD | 61,0 € |
| 4 | Chile | 17 | $9.420 | 80 | $4,71 | 0,1 | HHD | 41,0 € |
| 5 | Colombia | 45,7 | $4.930 | 1060 | $23,19 | 0,5 | HHD | 160,0 € |
| 6 | Costa Rica | 4,6 | $6.230 | 109 | $23,70 | 0,4 | HHD | 34,0 € |
| 7 | Cuba | 11,2 | n.a. | 116 | $10,36 | n.a. | n.a. | 20,0 € |
| 8 | Ecuador | 13,6 | $3.920 | 209 | $15,37 | 0,4 | HHD | 137,0 € |
| 9 | El Salvador | 6,2 | $3.370 | 277 | $44,68 | 1,3 | MHD | 121,0 € |
| 10 | Guatemala | 14 | $2.620 | 376 | $26,86 | 1,1 | MHD | 135,0 € |
| 11 | Honduras | 7,5 | $1.820 | 457 | $60,93 | 3,2 | MHD | 223,0 € |
| 12 | Mexico | 107,4 | $8.920 | 185 | $1,72 | 0,0 | HHD | 55,0 € |
| 13 | Nicaragua | 5,7 | $1.000 | 774 | $135,79 | 13,3 | MHD | 214,0 € |
| 14 | Panama | 3,5 | $6.710 | 66 | $18,86 | 0,3 | HHD | 38,0 € |
| 15 | Paraguay | 6,3 | $2.270 | 148 | $23,49 | 1,0 | MHD | 117,0 € |
| 16 | Peru | 29,2 | $4.150 | 444 | $15,21 | 0,4 | HHD | 132,0 € |
| 17 | Uruguay | 3,3 | $9.360 | 51 | $15,45 | 0,1 | HHD | 31,0 € |
| 18 | Venezuela | 28,4 | $10.150 | 67 | $2,36 | 0,0 | HHD | 40,0 € |
| 19 | Afghanistan | 29,8 | n.a | 6070 | $203,69 | n.a | LHD | 1.030,0 € |
| 20 | Bangladesh | 162,2 | $590 | 1240 | $7,64 | 1,2 | LHD | 403,0 € |
| 21 | Bhutan | 0,7 | $2.020 | 125 | $178,57 | 9,5 | n.a. | 14,0 € |
| 22 | Cambodia | 14,8 | $650 | 722 | $48,78 | 7,5 | MHD | 152,0 € |
| 23 | China G20 | 1331,5 | $3.590 | 1153 | $0,87 | 0,0 | MHD | 173,0 € |
| 24 | India G20 | 1155,3 | $1.180 | 2453 | $2,12 | 0,2 | MHD | 470,0 € |
| 25 | Indonesia G20 | 230 | $2.230 | 1050 | $4,57 | 0,2 | MHD | 494,0 € |
| 26 | Korea Dem People | 23,9 | n.a. | 67 | $2,80 | n.a. | VHHD | n.a. |
| 27 | Laos | 6,3 | $880 | 420 | $66,67 | 7,2 | MHD | 41,0 € |
| 28 | Malaysia | 27,5 | $7.230 | 144 | $5,24 | 0,1 | HHD | 17,0 € |
| 29 | Maldives | 0,3 | $3.870 | 33 | $110,00 | 2,6 | MHD | 10,0 € |
| 30 | Mongolia | 2,7 | $1.630 | 372 | $137,78 | 9,4 | MHD | 29,0 € |
| 31 | Myanmar/Burma | 50 | n.a. | 357 | $7,14 | n.a. | LHD | 65,0 € |
| 32 | Nepal | 29,3 | $440 | 855 | $29,18 | 6,7 | LHD | 120,0 € |
| 33 | Pakistan | 169,7 | $1.020 | 2816 | $16,59 | 1,6 | MHD | 398,0 € |
| 34 | Philippines | 92 | $1.790 | 310 | $3,37 | 0,2 | MHD | 130,0 € |
| 35 | Sri Lanka | 20,3 | $1.990 | 704 | $34,68 | 1,7 | MHD | 112,0 € |
| 36 | Thailand | 67,8 | $3.760 | -77 | -$1,14 | 0,0 | MHD | 17,0 € |
| 37 | Vietnam | 87,3 | $1.010 | 3744 | $42,89 | 4,2 | MHD | 304,0 € |
| 38 | Kazakhstan | 15,9 | $6.740 | 298 | $18,74 | 0,3 | HHD | 74,0 € |
| 39 | Kyrgyz Republic | 5,3 | $870 | 315 | $59,43 | 7,1 | MHD | 106,0 € |
| 40 | Tajikistan | 7 | $700 | 409 | $58,43 | 8,3 | MHD | 128,0 € |
| 41 | Turkmenistan | 5,1 | $3.420 | 40 | $7,84 | 0,2 | MHD | 53,0 € |
| 42 | Uzbekistan | 27,8 | $1.100 | 190 | $6,83 | 0,6 | MHD | 74,8 € |
| 43 | Iran | 72,9 | $4.530 | 93 | $1,28 | 0,0 | HHD | n.a. |
| 44 | Iraq | 31,5 | $2.210 | 2791 | $88,60 | 4,5 | n.a. | 58,7 € |
| 45 | Oman | 2,8 | n.a. | 212 | $75,71 | n.a. | n.a. | ??? |
| 46 | Saudi Arabia G20 | n.a. | n.a. | n.a. | | n.a. | HHD | ??? |

| | Country | Pop<br>mill | GNI<br>capita | Total ODA<br>million $ | ODA<br>per Capita | ODA<br>%GNI | HDI<br>Ranking | EU AID Country envelope<br>mill EURO |
|---|---|---|---|---|---|---|---|---|
| 47 | Yemen | 23,6 | $1.060 | 500 | $21,19 | 20,0 | LHD | 130,0 € |
| 48 | South Africa | 49,3 | $5.770 | 1078 | $21,87 | 0,4 | MHD | 980,0 € |

CSPs for Libya, Cuba, Iraq cover only the years 2011-2013