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From Purse to Policy to Practice

Six initiatives to future-proof EU development cooperation for 2014-2020 and beyond?

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In the wake of the negotiations on the European Union (EU) budget for 2014-2020, much attention has gone to the proposed funding for external action. With the final agreement on the budget approaching, it is time to focus on the 'how?' question rather than dwell on 'how much?' Discussions on who to give aid to, in what form and under what conditions, how global partnerships should be shaped and how the development effectiveness agenda can be taken forward are the order of the day. What steps has the EU taken to 'future-proof' its development policy and practice by anticipating and acting on global trends and developments, both for the current budgetary period as well as for the longer term?

To answer this question, the Briefing Note surveys six on-going initiatives and discussions in EU development policy and practice to increase the effectiveness and relevance of the EU's development aid and cooperation. They highlight changes in the EU's bi- and multi-lateral engagements with developing partner countries and new aid instruments and modalities. These initiatives offer ample scope for policy-makers and practitioners from EU member-states and also its major development partners to engage with the EU in order to enhance its future cooperation efforts.

The purse: the essentials on funding and programming of EU external action 2014-2020

Council Conclusions regarding the MFF[2] confirm European leaders' intentions to cut the overall EU budget for 2014-2020, also affecting resources for EU external action. The section of the budget covering the majority of the EU's instruments and programmes for development cooperation and external action (Heading 4) has suffered the largest share of the reductions in relative terms compared to the original European Commission (EC) proposal, amounting in total to € 58,7 billion[3]. The previous EU budget (for the period 2007-2013) however allocated € 56.8 billion to EU external action – the new budget therefore still represents a 3.4% increase in funding for external action though the scope and ambition are also larger.

Alongside the EU budget, an amount was agreed for the 11th European Development Fund (EDF), the EU's main instrument for development cooperation with the African, Caribbean and Pacific (ACP) group of states[4]. The fund has been increased by 0.6% from the 10th EDF, though the annual funding for the EDF will be slightly lower in real terms given that the fund now spans an additional year. See Table 1 for an overview of the annual and total commitment appropriations for the new budget.

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2 See European Council 2013.

3 All amounts, including in the tables, are given in 2011 prices.

4 See European Commission 2011b.

Table 1. Annual commitment appropriations for EU external action 2014-2020[5]

Commitment appropriations	2014	2015	2016	2017	2018	2019	2020	Total
Heading 4 - Global Europe	7,854	8,083	8,281	8,375	8,553	8,764	8,794	58,704
Emergency Aid Reserve*	280	280	280	280	280	280	280	1,960
11th EDF*	2,952	3,868	3,911	3,963	4,024	4,094	4,174	26,986[6]
Total	**11,086**	**12,231**	**12,472**	**12,618**	**12,857**	**13,138**	**13,248**	**87,650**

(EUR million – 2011 prices) * outside the MFF

Whereas final agreement between the EU institutions on the budget is still to be reached[7], the Commission has put forward a proposal on the allocations to the various instruments and programmes[8]. The proposal and relevant calculations are summarised in Table 2, and give an early indication of which areas of external action the EU wishes to prioritise in terms of financial resources for the period 2014-2020, notably:

Table 2. Comparison of funding for EU external action programmes[9]

Heading IV instrument	2014-2020 MFF	2011 EC proposal	Change from 2011 EC proposal	16.14% cut applied evenly to EC proposal	Change from even cut	2007-2013 MFF	Change from previous EU budget
IPA	10,576.0	12,520.0	-15.5%	10,499.3	0.7%	11,468.0	-7.8%
ENI	13,682.6	16,097.0	-15.0%	13,498.9	1.4%	11,181.0	22.4%
EIDHR	1,182.5	1,400.0	-15.5%	1,174.0	0.7%	1,104.0	7.1%
IfS	2,075.1	2,510.0	-17.3%	2,104.9	-1.4%	2,062.0	0.6%
CFSP	2,075.1	2,510.0	-17.3%	2,104.9	-1.4%	1,980.0	4.8%
PI	844.3	1,000.0	-15.6%	838.6	0.7%	172.0	390.9%
DCI	17,390.4	20,597.0	-15.6%	17,272.6	0.7%	16,897.0	2.9%
Humanitarian aid	5,877.9	6,405.0	-8.2%	5,371.2	9.4%	5,614.0	4.8%
CPFI + ERC	128.4	210.0	-38.9%	176.1	-27.1%	56.0	129.3%
EVHAC	130.1	210.0	-38.0%	176.1	-26.1%	-	-
INSC	200.0	560.0	-64.3%	469.6	-57.4%	524.0	-61.8%
Macro-financial assistance	501.0	593.0	-15.5%	497.3	0.7%	753.0	-33.5%
Guarantee fund for external actions	1,063.1	1,257.0	-15.4%	1,054.1	0.9%	-	-
Agencies	136.7	137.0	-0.2%	114.9	19.0%	-	-
Other	840.8	995.0	-15.5%	834.4	0.8%	-	-
Margin	2,000.0	3,000.0	-33.3%	2,515.8	-20.5%	-	-
TOTAL	58,704.0	70,000.0	-16.14%	58,704.0		56,815.0	3.35%
11th European Development Fund	26,984.0	30,319.0	-11%	-	-	26,826.0	0.6%
Emergency Aid Reserve	1,960.0	2,450.0	-20%	-	-	1,697.0	15.5%

(EUR million, 2011 prices)

- Funding is being substantially increased for the European Neighbourhood Instrument (ENI) and the Partnership Instrument (PI, compared to the ICI - see below). The EU might therefore be said to be concentrating a larger part of its external action efforts on its immediate (South and Eastern) neighbourhood, as well adapting its instruments to new forms of partnership and cooperation with (more) advanced countries, accounting for approximately 25% of funding for EU external action.

- The Development Cooperation Instrument (DCI), the EU's principal instrument for development cooperation with non-ACP developing countries (as well as ACP countries through its thematic programmes) remains the largest of the instruments, accounting for approximately 30% of the funding for EU external action. In other words, given the DCI's focus, one third of MFF funding for EU external action directly addresses poverty reduction and eradication.

- Funding for programmes with a peace and security-focus, such as the Common Foreign and Security Policy (CFSP) and the Instrument for Security (IfS) will increase only modestly, particularly in comparison with more 'traditional' development-oriented instruments and programmes. These programmes make up 7% of the budget for EU external action.

In addition, the proposed regulations for the various instruments give some further hints as to the amounts allocated to particular priority areas:

[5] See European Council 2013.
[6] In current prices, the 11th EDF comprises € 30,506 mln.
[7] Trialogues between the European Parliament, Council and Commission are ongoing. Though it has always been held that 'nothing is agreed until everything is agreed', negotiations are unlikely to affect the amount(s) of the budget and negotiators are aiming for a deal on the budget before the end of June 2013, though might last to the end of the year.
[8] See Council of the European Union 2013.
[9] Figures retrieved from see Council of the European Union 2013, see European Commission 2011d and see European Parliament 2011.

- At least 20% of EU aid should support social inclusion and human development[10]. The European Parliament (EP) has suggested that 20% of each instrument for development cooperation, including the 11th EDF, should support basic social services in line with MDGs 2-6[11].

- The DCI regulation is to contribute to the Europe 2020 target of addressing at least 20% of the overall EU budget to low carbon and climate resilient society. The DCI's new Global Public Goods programme is likely to contribute 20-25% of its funds to address development-related aspects of environment, climate change and biodiversity.

Whereas the various instruments for development cooperation have yet to acquire a formal legal basis and an agreed financial allocation, programming in partner countries is currently on-going. EU Delegations were instructed to submit their first reports on selected priority sectors by September 2012 (following local consultations) before receiving confirmation and feedback from the EC's Directorate General for Development and Cooperation (DEVCO) and the European External Action Service (EEAS). Reports from the country level on the programming process indicate that sustainable agriculture, energy and health have been noted as priority in a majority of countries in West and Central Africa and Asia, whereas for Caribbean countries macroeconomic management, reform and diversification are noted in addition. Infrastructure and transport is widely being downgraded as a priority sector.

Table 3. Estimated funding for programmes under the DCI and EDF[12]

DCI	**€ 17,390.4**
Geographic programmes (60,1%)	€ 10,451.6
Global public goods and challenges (25,6%)	€ 4,451.9
- Environment and climate change (25% of programme)	€ 1,112.99
- Sustainable Energy (12,7%)	€ 565.40
- Human development (25%)	€ 1,112.99
- Food security and sustainable agriculture (30,2%)	€ 1,344.49
- Migration and asylum (7,1%)	€ 316.09
Civil society organisations and Local authorities (10%)	€ 1,739.04
Pan-African Programme (4,3%)	€ 747.79
EDF	**€ 26,984.0**
ACP Group of States (95,4%)	€ 25,742.74
- National and regional indicative programmes (83,8%)	€ 21,572.41
- Intra-ACP and intra-regional cooperation (12,3%)	€ 3,166.36
- ACP Investment Facility (managed by EIB) (3,9%)	€ 1003.97
Overseas Countries and Territories (1,2%)	€ 323.80
Administrative and support expenditure (for EC) (3,4%)	€ 930.95

(in EUR millions, 2011 prices)

The programming process remains fraught with uncertainty due to the aforementioned lack of clarity on funding allocations. Most EU Delegations are thus still awaiting DEVCO and EEAS approval to begin translating the sector priorities into multi-annual indicative programmes (MIPs), and regional programming for these instruments (including intra-ACP programming for the EDF) is yet to formally start. Rough estimates can however be given as to how much funding goes to particular regions or thematic areas in the EDF and DCI, as noted in Table 3. The estimated allocations for the DCI are based on the European Parliament's consolidated negotiating position on the DCI and the draft Internal Agreement for the 11th EDF. Final agreement on the MFF (and consequently on these figures) is expected by the end of June yet could run late into 2013.

The policy: current EU discussions

The EU budget negotiations underpin a number of policy processes and discussions. Not only is the EU still settling into the new institutional architecture provided by the Lisbon Treaty, but the global aid and development architecture is evolving in an attempt to respond to economic, political and social trends. These include: the emergence of new donors; a growing 'middle class' in developing countries and; increased interest of donor

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10 See Council of the European Union. 2012.
11 See European Parliament. 2013.
12 Own calculations, based on percentage estimates taken from see European Parliament 2012a and see Council of the European Union 2013b. Final figures may differ.

and developing countries in global public goods. These affect the EU's bi- and multi-lateral relations with developing partner countries, its development policy priorities and those it promotes in multilateral fora, as detailed below.

Differentiation[13]

The EU's new development policy framework, the Agenda for Change[14], makes explicit the EU's intention to differentiate between developing partner countries[15]. The Agenda summarises this rationale in stating "several partner countries have become donors in their own right, while others are facing increasing fragility. The EU must now explore new ways of working with them and promote a more inclusive international development agenda". For development cooperation, 'differentiation' is likely to affect partner countries':

1. **Access to aid**; bilateral grant assistance will no longer be provided to upper-middle income countries (UMICs) and high-income countries (HICs), and countries representing more than 1% of the global Gross Domestic Product (GDP). Applied to the DCI, this means that 19 countries will no longer receive bilateral grant assistance[16], although they continue to receive funding through the thematic programmes and other instruments. The EU institutions have yet to agree on whether there can be exceptions to this rule, and whether aid should be cut or phased out[17]. Furthermore, the EC has stated that this policy will not be applied to the EDF;

2. **Levels of aid**; effectively already the norm in EU development cooperation, as country aid allocations are differentiated according to the partner countries' needs, capacity, commitments and performance, and potential impact of aid. For the current programming cycle, the EU will likely concentrate over 90% of its funding for the EDF and the DCI on Least Developed Countries (LDCs) and lower-middle income countries (LMICs). Funds for the two instruments are allocated to countries based primarily on their income per capita and population size, and to a lesser extent based on measurements for governance, human assets, economic vulnerability and state fragility. UMICs will consequently be faced with large reductions in bilateral grant aid[18];

3. **Policy frameworks and instruments for cooperation**; the Agenda for Change calls for the use of an optimal mix of policies, approaches and instruments adapted to countries' development situation. This is particularly relevant for UMICs, whose partnership and cooperation with the EU is likely to undergo significant changes, both for the upcoming and future programming cycles[19]. For these countries, differentiation would imply furthering cooperation in areas 'beyond aid' (e.g. trade, knowledge transfers, climate change etc.) and the use of innovative sources of financing (e.g. blending grants and loans and other risk-sharing mechanisms) when appropriate.

Parallel to discussions on the EU budget, DEVCO and the EEAS headquarters have started the process of designing and programming aid allocations to individual countries and to regions. The first proposal for the allocation of funds from the EDF and DCI to countries was agreed internally in December 2012, though the EC and EEAS have not yet completed their reflection on how to implement differentiation for the 11th EDF. The ACP countries, on their side, maintain that there is no legal basis for the differentiation policy in the Cotonou Partnership Agreement (see also below) – they perceive it as a policy 'imposed' by the EU without prior consultation. Matters are further complicated by the existence of other differentiation policies.[20]

Discussions on the EU's institutions aid differentiation policy will concern the criteria or indicators used for differentiating between countries; the way these are used and weighted against one-another; the resulting aid allocations, and; the instruments and forms of cooperation employed. Negotiations on the country allocations

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13 See Keijzer et al. 2012.
14 See European Commisson 2011a.
15 Aside from development cooperation, the EU is pursuing a differentiated approach in other policy areas, such as trade and climate change.
16 Namely: Argentina, Brazil, Chile, China, Colombia, Costa Rica, Ecuador, India, Indonesia, Iran, Kazakhstan, Malaysia, Maldives, Mexico, Panama, Peru, Thailand, Uruguay and Venezuela.
17 See Herbert 2013.
18 The EP has proposed that some UMICs remain eligible for bilateral grant aid under the DCI based on their scores on the Human Development Index, poverty headcount ratio, Poverty Gap Index and Gini coefficient. The EC is however likely to base their allocation decisions primarily on broadly-supported, widely available, consistent and reliable data.
19 See also Keijzer et al. 2013a.
20 The EU also differentiates between countries in its trade, environment and neighbourhood policies, as noted in Keijzer et al 2013a. See also http://acp.int/content/meeting-acp-ministers-european-development-fund-deep-concern-about-amount-edf-and-ownership-.

are yet to be entirely concluded, though discussions on specific indicators and methodologies for allocating funds are likely to be strained due to the divergent interests even among the ACP states. For instance, Sub-Saharan African states strongly support the inclusion of and emphasis on poverty and human development indicators, while Caribbean states emphasise measures of economic vulnerability.

Critically, discussions on the 'destination' of differentiation are still to be had, regarding the forms of cooperation beyond aid employed to give further effect to the partnership between the EU and UMICs affected. Options range from preferential access to some development budget lines and modalities, such as regional or thematic budgets as well as blending instruments and joint programming, to closer strategic and political dialogue with the EU. A number of relevant changes in EU development cooperation for countries affected by differentiation are discussed throughout this Briefing Note.

The EU's selection and 'differentiation' of countries is also relevant to EU Member States. Some perceive the EU as being the 'donor of last resort' that maintains a presence in a very wide range of developing countries (including UMICs) when many European Member States are narrowing their focus to fewer countries (e.g. Denmark, Germany, the Netherlands), effectively justifying cuts to bilateral aid of EU Member States. However, these same countries maintain aid relations with strategically selected middle-income countries[21]. In other cases, Member States see the EU institutions as a more efficient and effective development actor, particularly in 'traditional' sectors of operation of the EU institutions, namely education, health and infrastructure. These arguments could provide justification for Member States to end their bilateral programmes with particular developing countries, though there is little evidence to be derived from the opaque prioritisation criteria noted in their development strategies to support that this is in fact the case.

ACP-EU relations post-Cotonou

While differentiation will affect the EU's cooperation with individual (groups of) ACP countries, the wider relationship between the EU and ACP is also changing at multilateral level. An increasingly pressing issue on the agenda is whether and how the agreement between the EU and ACP states, the Cotonou Partnership Agreement[22], will continue to exist beyond its expiration in 2020. The agreement currently provides the legal framework for political dialogue, economic cooperation and trade, and development cooperation between the EU, its member states and the African, Caribbean and Pacific states.

The Agreement is set for another five-yearly revision in 2015, which should give some indication as to the changing ACP-EU relations. Seeing as neither contracting party (the ACP and EU Member States, as well as the European Parliament) have fully ratified the Agreements 2010 revision, however, an ambitious agenda is unlikely to materialise. In the meantime, certain stakeholders in the EU feel that the Cotonou Agreement should not be extended beyond 2020.[23] The relevance of the ACP Group, notwithstanding the importance of the African, Caribbean and Pacific countries themselves, is increasingly being called into question. Instead, continental and regional organisations, such as the African Union or the Regional Economic Communities, have gained prominence in the EU's political engagement with the ACP - the on-going negotiations on Economic Partnership Agreements (EPAs) underscore the EU's increasing tendency to continentalise / regionalise its partnerships.[24] The ACP-EU partnership furthermore too closely resembles a donor-recipient relationship that no longer reflects the manner in which the EU wishes to undertake development cooperation.

The strained EPA negotiations have cast a pall over the current agreement, which serves neither party in advancing political nor policy dialogue. Trust and the pursuit of mutual interest have been in decline in recent years, with the current budget- and development instrument negotiations adding further pressure. The principle of solidarity and shared identity among the ACP countries enshrined in the agreement is also under stress: intra-ACP cooperation has been poor, due to a rather uneasy grouping of increasingly divergent states. With the EU's differentiation policy, outlined above, the erosion of intra-ACP solidarity is underlined as countries and regions seek to secure a good deal for themselves. Conversely, the EU will have to contend with the rising political influence of emerging powers, which offer the ACP countries (if not the ACP group) an alternative political and development partner, which increasingly challenge the EU in its economic diplomacy. [25]

These discussions take place alongside those of the value and nature of the European Development Fund. Recent assessments have found the EDF to be a generally well-performing instrument. Notably, the EDF

21 See Thomas 2013.
22 See http://ec.europa.eu/europeaid/where/acp/overview/cotonou-agreement/
23 See Keijzer et al. 2013b.
24 See Laporte 2012.
25 See Keijzer at al. 2013b.

provides a stable, predictable source of funding for development cooperation with ACP countries. The instrument's financial and project management procedures, while often criticised for being cumbersome and leading to lengthy procedures, have ensured that the EDF is a comparatively transparent aid instrument with a good degree of accountability and a high regard for 'value for money'.[26]

As both the EC and ACP are involved in programming, implementing and reviewing the Fund, national ownership and accountability of funding decisions are to some degree better guaranteed than in other instruments. Political dialogue between the EU and (individual) ACP countries is governed by the Agreement, and although not entirely reliant on its contractual nature, stakeholders have felt that this factor provides a useful fail-safe for the accountability of the EDF. Nevertheless, at present the EDF is strongly geared towards LICs and LMICs – should the ACP-EU partnership evolve beyond aid and trade, any financial instrument tied to the new framework would need to provide support for both aspects of the partnership while retaining the strengths of the EDF.

Meanwhile, the reflection process on possible future scenarios for ACP-EU cooperation post-2020[27] is in full swing on both sides of the partnership, though discussions have so far followed a parallel track, with little to no inter-organisational dialogue. On the side of the ACP group, an Eminent Persons Group has been established to work on new ideas and concepts to strengthen the Group and provide "guidance to the future". On behalf of the EU, a joint DEVCO-EEAS informal working group was set up in 2010 to reflect on prospects for future cooperation (though it has yet to present any concrete position or proposal), while some EU Member States are also starting gear up their internal reflections on the issue.

The post-2015 development framework

Debates on the EU-ACP relations post-2020 and the allocation of EU aid cannot ignore the broader context of the discussions on the post-2015 global development framework. The EC has recently unveiled its proposal for an EU position on the principles and framework of the post-2015 development agenda, titled 'A Decent Life for All'[28]. It emphasises the need to integrate the three dimensions of sustainable development – economic, social and environmental – in bringing together the sustainability and poverty reduction agendas under one framework. The framework would include responsibilities for all countries, linked to a limited set of goals tailored and made operational first and foremost at the national level.[29]

The Communication states that the main drivers for development are domestic, noting numerous principles of social, political and economic good governance. Domestic reforms to make economic growth sustainable are presented as the catalyst for poverty eradication, equality and well-being. There are clear notes of a 'beyond aid' agenda in the Communication – for the EU, this presents a dilemma: the Agenda for Change, though a broad development framework, essentially remains an aid management strategy, more suited to pursue the current MDGs rather than to realise a forward-looking development vision. Certain aspects noted in the Communication are, therefore, not clearly reflected in the Agenda for Change or any recent EC Communication, and have very little traction at EU level (e.g. sustainable urban environments, corporate social responsibility). Vice-versa, regional integration, which is noted as a priority area in the Agenda for Change, and is one of the key objectives of the Cotonou Agreement, is not noted in the Communication.

Efforts must therefore be made to ensure that the EU's development cooperation commitments and efforts remain relevant within and aligned to a new global framework for development. The EU to some degree pre-empts this by restating new modalities for development cooperation (some of which are explored below) in the Agenda for Change and in its vision for a global development framework. These will most likely be addressed and explored in more detail following negotiations at the UN General Assembly in September-October 2013, from which also more clarity will emerge on whether the MDG and SDG processes will be merged. A follow-up Communication would likely propose an EU framework for financing and other means of implementation for the various sustainable development commitments.

Whereas the push for uniting the MDG and sustainable development agendas can be considered an effort to promote policy coherence for development (PCD) in its own right, the EC's Communication makes only opaque reference to the concept itself. A year earlier, the Council acknowledged that 'PCD is essential for the credibility of the EU as a global actor, and hence, a strong EU leadership on PCD issues at high levels of all parts of the

26 See Gavas, 2013.
27 See also Laporte 2012 and Keijzer et al. 2013b.
28 See European Commission 2013.
29 The UN High Level Panel's report on its views on the post-2015 global development framework reflects these principles, see United Nations. 2013.

EU and in Member States is important'[30]. Given that the EU is one of two institutions to promote PCD (alongside the OECD), its position in the negotiations for a new global development framework should reflect this if it is to be a framework that moves beyond aid and features shared international responsibilities and actions is to emerge. The urgency for promoting this agenda is heightened by the fact that EU Member States' progress on realising PCD has been piecemeal over the past decade[31].

In order to promote its vision for a new development framework, the EU must seek allies and like-minded actors. The recent United Nations Conference on Sustainable Development (Rio+20) saw a common ACP-EU position, negotiated the week before at a joint ministerial meeting. Both ACP and EU interlocutors feel that global issues such as climate change, peace and security and migration offer scope for alliances between the two parties to be built, while both parties are also conscious that strength in numbers is an important factor in global diplomacy. There is therefore traction for an ACP-EU common position on (aspects of) the post-2015 development framework, as is being discussed in consultative meetings between the ACP and the EU, involving also other stakeholders.

The practice: innovations in EU development cooperation

In addition to the above, related initiatives on the operational side - occurring both at headquarters and field levels – are likely to reshape EU development cooperation in the years to come. Whereas the dynamics of the process of programming the EU's development have not changed fundamentally, the sequence and configuration of stakeholders and underlying funding arrangements have changed since the entry into force of the Lisbon Treaty and the Agenda for Change[32]. It is therefore important that stakeholders take the opportunities to ensure that EU development cooperation may be 'future-proofed' to suit an evolving development policy context – the below discussions and developments are aimed at enhancing the impact of EU development aid in line with priorities set out in the Agenda for Change.

Joint programming[33]

Joint programming aims to bring together the EU Delegation and the various Member States' embassies in third countries to jointly assess the country's development progress and draft a single response strategy document, clearly linked to the national development strategy[34]. This document would detail the programming and division of labour in the different sectors of both EU and Member States' bilateral development aid. At the core of the exercise lies the effort to align the EC's and Member States' programming cycles with the partner country's national development plan or poverty reduction strategy. As a result, aid fragmentation and duplication of aid efforts would reduce, as would the administrative burden for both donors and partner countries, by creating a single framework against which the latter will have to report.

The process was launched in five countries in early 2012 – Ethiopia, Ghana, Guatemala, Laos and Rwanda - for the 11th EDF and the 2014-2020 DCI[35]. It has since been expanded to other countries, including those under the European Neighbourhood Instrument (ENI): first steps at joint programming are currently being undertaken in Bolivia, Senegal, Namibia, Cote d'Ivoire, Togo, Burundi, Chad, Bangladesh and Cambodia, among others. It can be counted among the EU's efforts to 'speak with one voice' in its external action. This exercise should therefore emphasise the coordinating role of the EU Delegations, specifically the Heads of Delegations and Heads of Operations. Guidelines for the process from DEVCO and EEAS, however, are not explicit as to whether the EU Delegations are expected to proactively pursue joint programming. The momentum for joint programming therefore varies greatly between countries.

Similarly, while EU Member States are in principle committed to joint programming, they have in practice shown varying levels of support for the initiative. Despite the potential benefits, Member States have expressed concern over the loss of visibility for bilateral aid. Such concerns are misplaced as joint programming is confined to the drafting and adoption of the joint strategy document by the parties involved – the various donors are still left to implement their bilateral aid as they see fit within this framework. Such arguments highlight the

30 See Council of the European Union 2012.
31 See Galeazzi et al, 2013a.
32 See Görtz and Keijzer, 2012.
33 See Galeazzi et al. 2013b.
34 Joint programming does not, therefore, involve the design and funding and implementation of joint programmes or projects.
35 For additional resources see the documents of the High Level Seminar on Joint Programming. Brussels: 8 November 2012. http://www.rpfrance.eu/Seminaire_programmation_conjointe/

need for clearer and more consistent communication of the aim, scope and potential benefits of joint programming.

Though the process is still in its initial stages, early experiences and indications from the first cases have been mixed. Some partner country governments have expressed concern that joint programming might lead to a reduction of funds and a loss of voice in and ownership of donors funding priorities. Others welcomed the efforts to reduce the bureaucratic burden of donor reporting. Interest for joint programming therefore depends on the partner country's existing relationship with donors – particularly, those governments already engaged in donor coordination efforts are likely to be more closely involved in the exercise (though this is the exception rather than the rule). Effective coordination managed by the EU could help dispel these doubts and promote local ownership. Furthermore, joint programming could facilitate an efficient 'aid exit' for those countries affected by the EU's differentiation policy. Indeed, the government of Namibia has expressed interest in the process for this reason.

Financial instruments beyond development: the Partnership Instrument and the Pan-African Programme

For the 2014-2020 period, the EC proposed two new budget lines for cooperation with developing and strategic partner countries. These present a departure from other aid instruments in that their principal objective, unlike the rest of the EU's array of development cooperation instruments, is not expressly poverty reduction or indeed development.

First, the **Partnership Instrument** (PI) is designed to support the external dimension of the EU's domestic policies and programmes, targeted mostly at emerging countries. It replaces the Instrument for Cooperation with Industrialised and high-income countries (ICI), incorporating some of its objectives, such as promoting opportunities for European businesses, EU public diplomacy and academic cooperation. The PI maintains the overarching goal of promoting EU and mutual interests and pursuing global public goods[36]. MEPs furthermore propose for the instrument to observe commitments made to PCD[37].

Whereas all third countries are technically eligible for funding through the instrument, the proposed regulation narrows the instrument's focus to emerging economies and strategic partners. Indeed, funding going to these countries does not count as ODA. The PI therefore appears to be an instrument for promoting and developing political partnerships and dialogue with emerging players in the global scene. As such the PI could "underpin new relationship with countries graduating from bilateral assistance"[38]. This might explain the marked increase in funding for the instrument, though it remains a small instrument given its global remit versus budget of less than € 1 bln. The legislative procedure for the adoption of the instrument's regulation is still at an early stage, pending on the outcome of the MFF negotiations between the Council and the Parliament. As such, the capacity of the PI to be used flexibly to support the evolving relationship between the EU and emerging actors is yet to be determined.

Second, a new programme has been proposed as part of the DCI, called the **Pan-African Programme** (PAP). It was designed to match the continental ambitions of the Joint Africa-EU Strategy (JAES) with a dedicated funding envelope. Originally envisaged as a funding mechanism to 'treat Africa as one', support for the PAP encountered some difficulties following the initial Commission's proposal in 2011.[39]

While some Member States supported the PAP, others expressed concerns on the added-value of the instrument in times of financial austerity, as the JAES is at times perceived as a strategy which failed to deliver on its promises. MEPs instead insist that at least 95% of the PAP funds must go to ODA activities. This underlines a fundamental contradiction of the PAP, being a 'beyond aid' instrument lodged under the DCI - an instrument with an unmistakeable poverty focus and high percentage ODA requirement. Furthermore, the EP has asked for a stronger participation of African stakeholders in the implementation of the PAP. Whereas the recent Joint JAES Task Force Meeting in Addis Ababa and AUC Chairperson Dlamini-Zuma visit to Brussels signal the desire for greater African involvement, African stakeholders currently remain at the sidelines of the EU-led process for setting priority areas and funding for the PAP.

36 See European Commission 2011c.
37 See European Parliament. 2012b.
38 *Ibid.*
39 See Aggad-Clerx and Tissi, 2012.

In all likelihood the EEAS and DEVCO will strive for closer alignment of the PAP to the JAES priorities and related Action Plans, as noted also in the recent EU-AU College-to-College meeting[40]. In terms of projects and programmes, the PAP is therefore likely to support existing continental and trans-regional cooperation frameworks (e.g. the CAADP or the AGA). Beyond that, the EU-Africa Summit in April 2014 might produce reforms of the JAES that will also inevitably be reflected in the subsequent programming of the PAP.

Both instruments signal the EU's ambition to adopt a more strategic vision towards external action, whose focus lies beyond (traditional approaches to) poverty reduction alone. Notwithstanding that they receive sufficient funding and political support, they could provide a useful complement to the EU's current array of development financing instruments, and could effectively prove to be the testing ground for some of the innovations noted in the Agenda for Change and elsewhere. Their limited funding, however, raises concerns as to the potential impact of these instruments, and their introduction does not resolve wider issues regarding the coherence and effectiveness of EU external action.

Blending facilities

The Agenda for Change notes the intention to promote blending, i.e. combining EU grant aid (channelled through a development finance institution) with other public and private sector resources such as loans, risk capital and/or equity. Grant aid provided can take a number of forms, most commonly direct investment grants, interest rate subsidies or technical assistance. Such grant aid is intended to leverage additional non-grant financing, generally for infrastructure, energy or private sector development projects, to meet unmet investment needs.

Increased interest in blending is partly motivated by the Eurozone crisis, which has put pressure on European spending on development, but for the most part to a) close the financial gap for development projects and b) improving the development impact of investments. Blending is also presented as a means of enhancing the partner country governments' ownership of the development assistance due to the loan component (though this argument comes dangerously close to justifying tied aid). The EC considers blending as a key value added of the EU to private sector development in its developing partner countries, and hopes to build on the experience of its European Investment Facilities[41].

Discussions are still on-going whether blended loans count towards ODA. In addition, a number of serious concerns on blending remain[42]:

- It remains unclear to what extent projects funded through blending have a development impact. Investors, including development finance institutions, will want to see a return despite development funds being invested. Efforts must be made to ensure and monitor that development objectives are kept on at least an equal plan with return-on-investment or return-on-equity, for instance by setting clear limits and conditions to the percentage of funding provided by the private sector for individual projects. Current methods of project selection and the monitoring, however, leave doubts as to who is leveraging whom. Critics argue that only one fourth of companies supported by blending facilities (EIB, World Bank and IFC) between 2006 and 2010 were domiciled in developing countries[43].

- Most private investment currently flows to middle-income countries with better-developed financial sectors and to sectors towards which private investment is already flowing. Whereas blending instruments can therefore prove useful to those UMICs affected by differentiation, it raises concerns whether the EU will be able to increase investment flows to LICs, LMICs and fragile states.

- ODA grant aid could crowd out private capital under certain circumstances where commercial loans would have been viable. Although not the best use of grant aid with negative side-effects (including a 'race to the bottom' by donors and financiers and distorted financial markets), such blended funds can still have a positive development impact.

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40 See http://www.africa-eu-partnership.org/sites/default/files/23-04-2013-c2c_final_joint_declaration_doc_en.pdf
41 The EC currently manages eight blending facilities, and the DG DEVCO website states that: "€1.5 billion grants from the EU budget, the European Development Fund (EDF) and Member States have financed more than 320 operations of EU blending mechanisms. The EU grant contributions to individual projects have leveraged more than €20 billion of loans by eligible finance institutions, unlocking project financing of at least €45 billion, in line with EU policy objectives." An additional amount of € 2.5 mln outside the 11th EDF will furthermore be made available by the EIB for the ACP Investment Facility in the form of loans from own resources for the period 2014-2020.
42 See Griffiths 2012; see Spratt 2013.
43 See Kwakkenbos 2012.

- In addition to the transparency and accountability issues in the selection of projects and the flows of funds (sometimes through intermediaries in tax havens), it is at present not clear how blending facilities and the leverage they promise are monitored and evaluated. The principal measures used to assess whether blending facilities are successful is the ratio of investment raised against ODA invested, and the size of projects[44] – little attention is given to the impact of actual projects financed, including whether there is national or local ownership of such projects. For instance, there has been no assessment of whether projects funded through blending facilities are in line with the national development strategy of developing countries.

- Blending facilities primarily fund projects undertaken by developing country governments. Certain developing countries, particularly those in Sub-Saharan Africa and the Caribbean, have high debt ratios; introducing blending facilities could increase this further, as most projects funded through such facilities have a grant-to-loans ratio of 1:4. This may affect not only the national fiscal space but also countries' ability to attract other funding, such as IMF loans, and will force them to link more with volatile international financial markets.[45]

Taken together, these issues raise doubts about the 'additionality' of projects financed through blending facilities – what added value do they have beyond projects already funded by private investment, especially what concerns development objectives? What is the opportunity cost of investing in blending facilities instead of the more straightforward public investment?

There remain also practical issues and considerations with the implementation of blending instruments. First, having to leverage loans would take longer than simply disbursing the grant aid – projects (proposed by development banks) would need to be agreed upon by all parties involved, including investors, banks, the country government and the Commission. EU instruments including the DCI and EDF have already been criticised for having low disbursement rates. Furthermore, blending facilities do not guarantee that grant funding introduced into them will be matched by loans. While funds can of course be reprogrammed, this would further harm the disbursement rate.

An EU advisory platform on blending[46] was launched in December 2012, which will first review existing blending mechanisms and develop a common framework to measure their impact. Furthermore, the platform will produce recommendations and guidance on how to blend public and private resources to increase the impact of EU development cooperation using existing blending and financial instruments in time for the implementation of the EU's new budget in 2014. The platform will afterwards develop key principles for blending to ensure that blending activities are coherent, coordinated and flexible. Lastly, the platform will be tasked to develop new methods of funding. It was recommended that the platform should focus on sectors where funding can be most useful and where value added and impact of blending can be the highest given EU policy priorities (e.g. market failures, climate change and economic crises).

The platform is composed of administrative and diplomatic staff from the EU institutions (EC and EEAS), policy and technical staff from the European Investment Bank (EIB), representatives of the Member States and representatives from various development finance institutions. The European Parliament will act as an observer, and civil society organisations, beneficiary countries, representatives from the private sector and financial institutions could be consulted ad hoc (though do not currently have a seat on the platform).

Concluding Remarks

This Briefing Note has presented six current discussions in translating EU development funding to policy and practice in an effort to respond to a changing global context. It should be stressed that poverty reduction and eradication remains the clear focus of EU's external action in terms of both political and financial commitments. The EU furthermore continues to base its development cooperation around financial instruments. In this regard the EU does not seem prepared (and to a degree not permitted) to distance itself from the traditional 'aid logic'. Nevertheless, the EU is committed to improving its aid efforts by tweaking development instruments and

[44] See for instance ADE / EGEVAL 2010.

[45] However, not all projects funded through blending facilities need be undertaken by the government – public private partnerships would affect the debt ratio less.

[46] The EU Platform for Blending in External Cooperation: http://www.au.int/en/content/africa-eu-6th-college-college-meeting-addis-ababa-ethiopia-25-26-april-2013 .

partnerships employed to in some ways more effectively and efficiently target poverty. This may not be enough, however, in a global context in which the relevance of aid is increasingly called into question.

Whereas these discussions and initiatives push the boundaries of EU development cooperation in some respects, they are a relatively small part of the EU's potentially comprehensive development cooperation engagement. The EU – to a certain degree driven by the need to find consensus among its disparate internal stakeholders – can be said to be testing the water rather than pushing the envelope. Hopefully evolving debates and partnerships at the global level, be it in the context of a new development framework or more specific agenda's *du jour* (e.g. illicit financial flows, resilience or social protection), can encourage the EU institutions to evolve their development cooperation efforts beyond the current crisis-driven initiatives, and embrace a globally adaptive attitude which seeks to break through the habitual perspectives on the function of aid and the roles of the various parties and partners in development cooperation. At the same time, it is up to the EU's partners to demand and shape meaningful development partnerships extending beyond aid, and for the EU to be more open to such dialogue. The six discussions in this regard still offer opportune moments for stakeholders to shape and motivate the future-proofing of EU external action in general, and development cooperation in particular. The debate should however not be constrained to these issues alone – the contours of EU external action and its contribution to global development should not be determined by its purse-string.

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