

Multilateral Aid Review: Assessment of European Commission Budget

Summary	
Organisation: European Commission Budget	Date: February 2011
Description of Organisation	
<p>This assessment focuses primarily on the development-focused external instruments of the European Union (EU): the Development Cooperation Instrument (DCI) for Asia and Latin America and some thematic programmes, the neighbourhood, pre-accession and thematic instruments. Except for the DCI geographic and most of its thematic programmes, none of the Commission budget instruments are 100% development focused; they bring in broader aims like political stability, security, economic reform and enlargement, which are wider HMG objectives. Even though the budget instruments are assessed in a single review, they have very different objectives. The narrative tries to bring this out, while retaining a single score.</p> <p>As a political and economic union of 27 Member States, the EU is significantly different from other multilateral donors. The EU must act on consensus to balance Member States' individual political, geographic and thematic interests in its external actions. And these external actions have a political dimension beyond more traditional aid given by other multilaterals organisations (MOs), for example in EU neighbourhood and pre-accession countries.</p> <p>The EU budget (which is implemented by the European Commission) is made up of Member State contributions based on GNI, and funded through certain indirect taxation and duty revenue. The budget is set for in 7-year Multi Annual Financial Framework, currently 2007-2013. This results in an annual EU budget of around €140 billion. The UK contribution to the total EU budget is approximately 15%.</p> <p>The main instruments assessed are:</p> <p>The Development Cooperation Instrument (DCI) covers country and regional programmes in Asia, Central Asia, South America, the Middle East and South Africa. The DCI also includes thematic programmes providing support for Non-State Actors, food security, human development, etc. Country and regional activities are required to be 100% ODA. For 2007-2013 the financial envelope for DCI, including thematic programmes, is €16.9 billion.</p> <p>The European Neighbourhood and Partnership Instrument (ENPI) covers Eastern Europe, the South Caucasus, the near Middle East (including the Middle East Peace Process), the Palestinian Authorities and North Africa. It is designed to support the implementation of the European Neighbourhood Policy. Activities are around 95% ODA. For 2007-2013 the financial envelope for ENPI is €11.3 billion.</p>	

The Instrument for Pre Accession (IPA) covers all countries that are candidates and potential candidates for EU membership. Currently these include the Western Balkan countries, Turkey and Iceland. IPA covers all aspects of preparations for membership such as preparations for structural and regional funds. Activities are around 90% ODA. For 2007-2013 the financial envelope for IPA is €11.5 billion.

The Instrument for Stability (IFS) supports both short term and longer term projects on conflict prevention, crisis management and peace building. For 2007-2013 the financial envelope for IFS is €2.1 billion.

The European Development Fund (EDF) and ECHO (humanitarian aid) are reviewed separately from the Commission budget instruments in their own MAR assessments. However, as in-country implementation for the budget instruments, EDF and ECHO is all done by the Commission, a number of components, particularly organisational strengths, are similar. Development is a 'shared competence' in the Lisbon Treaty, which allows both the Commission and Member States to act independently on development issues.

Use of acronyms: the review refers to the 'EU' where it talks about shared development policies with the Member States; the 'Commission' where the focus is on the European Commission's work as a donor and implementer. Although the budget is formally the 'EU budget implemented by the European Commission', for the sake of brevity in this assessment it is referred to as the 'Commission budget' or 'budget instruments'.

Contribution to UK Development Objectives	Score (1-4)
<p>1a. Critical Role in Meeting International Objectives</p> <ul style="list-style-type: none"> + Sheer size (€7 bn pa) and regional coverage make the Commission an important development player + There is high complementarity with UK bilateral ODA as the instruments assessed fund some 90 country programmes, many of which are HMG priorities but do not receive UK aid + There is a comprehensive set of instruments covering a continuum from crisis response to long term development + The impact of broader EU non-development policies in trade, agriculture, fisheries, migration and climate change, make the EU a key actor - More than 85% of budget instruments' ODA is spent on middle income countries, so there is limited focus on the poorest countries - The Commission is in an excellent position to ensure better policy coherence, promote best practice and ensure more donor coordination, though so far the picture is mixed = The size, comprehensive reach and cross-cutting impact of the budget instruments make them very significant for the UK's development objectives 	<p>Satisfactory (3)</p>

<p>1b. Critical Role in Meeting UK Aid Objectives</p> <ul style="list-style-type: none"> + The budget instruments are key for wider HMG priorities on EU enlargement, neighbourhood and Middle East (e.g. support to Palestine) + They support wider cross-cutting HMG policies on climate change, trade, crisis response, peace-keeping and stability + They play a strong role in wealth creation, governance and security – There is limited evidence of how spend in neighbourhood and enlargement countries (50% of total budget) contributes to the MDGs and poverty reduction = The budget instruments provide key support for HMG objectives in UK priority countries, though the MDG focus is mixed 	<p>Satisfactory (3)</p>
<p>2. Attention to Cross-cutting Issues:</p> <p>2a. Fragile Contexts</p> <ul style="list-style-type: none"> + There is a strong mandate and policy framework for dealing with fragile and conflict-sensitive situations + Procedures are in place for ensuring fast response and flexibility + Frequent political dialogues make the Commission uniquely placed to address conflict and fragility at country level – Even with a global in-country presence, fragility work may be affected by the uneven availability of relevant skills in EU Delegations and incoherence with wider EU policies = There is a strong framework for support to fragile states but mixed capacity to implement this consistently <p>2b. Gender Equality</p> <ul style="list-style-type: none"> + The Commission is committed to gender equality with a mainstreaming approach across numerous policy areas – The 2010-15 Gender Equality Action Plan commits the Commission to ambitious development targets, but the impact is not yet known – There is little evidence of a uniform approach to gender equality in country, and no gender-disaggregated data is available = The impact of the ambitious policies in place is uncertain <p>2c. Climate Change and Environmental Sustainability</p> <ul style="list-style-type: none"> + A strong policy framework is in place for addressing and prioritising climate change and sustainable development. A strategy to set and monitor specific objectives will be developed in 2011 + Results on environmental and sustainability concerns are reported on a country-by-country basis, but not aggregated 	<p>Satisfactory (3)</p> <p>Weak (2)</p> <p>Satisfactory (3)</p>

<ul style="list-style-type: none"> - Guidance on climate change and the environment is mainstreamed across all external assistance, although it is too early to judge impact = There is a strong policy framework and guidance but there is not yet evidence of impact 	
<p>3. Focus on Poor Countries</p> <ul style="list-style-type: none"> + This was assessed centrally by comparing the multilateral's country by country spend with an index that scores developing countries based on their poverty need and effectiveness (the strength of the country's institutions). This score only reflects the European Commission budget expenditure from its Development Cooperation Instrument. On the positive side, it spends some of its resources in parts of Asia with large amounts of poverty. - However, given the resources it spends in middle income countries in Asia and Latin America, 40% of its resources are spent in the countries that are in the top quartile of the index. 	Weak (2)
<p>4. Contribution to Results</p> <ul style="list-style-type: none"> + Evidence of delivery is variable, but is strong in regions close to the EU - Budget instruments are more risk averse than the EDF, with fewer innovative schemes - Commission rules are inflexible and cumbersome and this hampers management's ability to strive for results, though comprehensive project monitoring helps turn around problem parts of the portfolio - There is variable quality of output monitoring at country level; data is not sufficiently aggregated across countries and instruments as a whole = There is variable evidence of impact: work is needed to systematically demonstrate delivery and aggregate results 	Weak (2)
Organisational Strengths	
<p>5. Strategic and Performance Management</p> <ul style="list-style-type: none"> + The Commission works from a clearly articulated mandate and strategies + There is strong internal management, though with complex oversight structures (Council, European Parliament, Court of Auditors etc.) - No clear overall results-framework is in place - HR policies are transparent and based on merit, though there is a continued challenge with recruiting development-specific expertise - There is a strong evaluation function, though insufficient uptake of recommendations = Despite strong strategies, there is no results framework 	Score (1-4) Weak (2)

and inconsistent use of lessons learned	
<p>6. Financial Resources Management</p> <ul style="list-style-type: none"> + The Commission allocates transparently at country level on a needs and performance basis, based on published criteria. There are highly predictable, seven-year programming cycles + Funds are generally released on schedule and this continues to improve. Annual disbursement levels are now close to commitment levels. + Financial accountability is strong and well established - The amounts allocated per region are partly based on political considerations. Yearly adjustments can be politically motivated - The number of non-performing projects remains well below 10% of the portfolio, but there is limited leeway to redirect these funds - There is limited flexibility to use the Commission budget margins for quickly developing needs and to re-programme funds. There is an unresolved cliff-edge issue at the end of the funding cycle. - There are continued complaints of cumbersome procedures. = There is a mixture of good and less optimal practice in allocating funds and some inflexibility once decisions are made. Financial management is broadly effective. 	Weak (2)
<p>7. Cost and Value Consciousness</p> <ul style="list-style-type: none"> + There are increasing levels of budget support, with performance-related tranches, that encourage partner countries to look at value for money issues + The sweeping reforms ten years ago make the Commission work as 'One': programming, peer reviews, planning, procurement, independent implementation monitoring and evaluation are the same across the board for budget instruments and EDF and partly allow the Commission to reduce the number of development staff + Administration costs are moderate at 6%, and the number of staff working on development has dropped, with outputs remaining at same level - The focus on cost control (procurement, cap on consultancy fees, etc) can minimise cost but can also limit quality and value for money - Non-budget-support assistance has less of a focus on value for money = There is a growing focus on value for money, though there is still room for improvement 	Satisfactory (3)
<p>8. Partnership Behaviour</p> <ul style="list-style-type: none"> + The budget instruments demonstrate good partnership 	Satisfactory (3)

<p>behaviour, though the model varies from instrument to instrument. There are no joint institutions or ownership as in the EDF</p> <ul style="list-style-type: none"> + Budget support is based on mutually agreed targets rather than invasive conditions and allows for alignment with country priorities - There is limited financial delegated authority in-country: decisions are mainly taken in Brussels. There is still insufficient use of country systems, though this is improving = There are good partnership principles and increasing signs of alignment 	
<p>9. Transparency and Accountability</p> <ul style="list-style-type: none"> + The Commission's full disclosure policy is based on a justifiable list of exemptions + The Quality of ODA report ranks the Commission as the second highest on transparency of 32 donors + The Commission has signed up to the International Aid Transparency Initiative + Good levels of aid are on-budget, helped by the use of budget support, though this is not consistent across different budget instruments - There is no formal structure for recipient country oversight of budget instruments - There is mixed feedback on CSO involvement = There is a strong commitment to both transparency and accountability, though application could improve 	<p>Satisfactory (3)</p>
<p>Likelihood of Positive Change</p>	
<p>10. Likelihood of Positive Change</p> <ul style="list-style-type: none"> + The Commission has a track-record of capacity for change + The Lisbon Treaty, External Action Service, update of EU development policy, merger of Commission development Directorate-Generals, and next Financial Framework negotiations/updating of instruments all offer substantial opportunities for change. It is unclear how this will affect day-to-day management of the budget instruments + There is a commitment and willingness among EU Member States for reform - The EAS could lead to more external funding being appropriated for non-development objectives - The Commission is slow in shifting towards a results-focus = Within the Commission there is a strong track record of delivering change, and there is an EU-wide interest in further reform, though future scope and speed of change is uncertain 	<p>Score (1-4)</p> <p>Likely (3)</p>