



EUROPEAN COMMISSION

Brussels, 7.12.2011
SEC(2011) 1460 final

COMMISSION STAFF WORKING PAPER
EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT

Accompanying the document

COMMUNICATION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

**Preparation of the multiannual financial framework regarding the financing of EU
cooperation for**

**African, Caribbean and Pacific States and Overseas Countries and Territories
for the 2014-2020 period
(11th European Development Fund)**

**and covering the subsequent implementing and financial regulations of the 11th
European Development Fund (EDF)**

{COM(2011) 837 final}
{SEC(2011) 1459 final}

1. PROBLEM DEFINITION

This impact assessment relates to the preparation of the 11th European Development Fund (EDF) covering EU funding for cooperation with African, Caribbean and Pacific (ACP) States and Overseas Countries and Territories (OCTs).

The problem to be tackled in ACP States is the **high-level poverty**, and the need for the EU to support their efforts towards reducing poverty, attaining sustainable development and achieving integration into the world economy, whereas **OCTs continue to face specific economic and social development problems** which can have serious implications for their specific environments. The external dimensions of EU internal policies have been taken into account in the Commission's analysis.

2. ANALYSIS OF SUBSIDIARITY

The EU has **clearly identified the areas where it can offer added value in the EDF** and has focused its funds strongly on budget support, governance and infrastructure. The 10th EDF has also demonstrated its added value in the form of strong responsiveness. By keeping unallocated funds in the EDF to cover unforeseen needs and by using innovative instruments such as FLEX and V-FLEX, the EU has been able to play a key role vis-à-vis ACP States facing disasters or food, economic and financial crises.

For EU Member States, the ACP-EU partnership and the EDF offer a global reach and a means of implementing a consistent set of objectives across 77 ACP States. **In terms of presence, scale and focus, EDF operations offer significant benefits over national actions.** This critical mass puts the EU in a better position to conduct political dialogue with partner governments. The EU also has a long-standing reputation and role as a promoter of inclusiveness and multilateralism. Thanks to its large scale, the EU can deliver help to the poor in some of the world's most remote areas, where most of the Member States have no strategic interest and their presence is limited.

EU interventions through the EDF in OCTs have added value because, in many cases, it is the only other donor apart from the Member States to which the OCTs are constitutionally linked. It has ensured both that OCT-EU cooperation has sufficient funding available and that it is consistent with EU cooperation with ACP countries, of which most OCTs are direct neighbours.

3. OBJECTIVES OF EU INITIATIVE

The **general objectives of the 11th EDF** remain those laid down in the revised Cotonou Agreement (Article 1) and in Part IV of the Treaty on the Functioning of the European Union (Article 198) for OCTs.

In addition, as regards the **specific objectives for the revision of the instrument**, the policy framework for the preparation of the 11th EDF consists of the communication **'Increasing the impact of EU development policy: an Agenda for Change'** adopted on 13 October 2011 on the one hand, and the guidelines for the **revision of the Overseas Association Decision (OAD)** on EU-OCT relations on the other hand. The tools for implementing this framework are the 11th EDF Internal Agreement and the related Implementing Regulation,

Financial Regulation and programming guidelines. **The impact assessment logic (underlying drivers, objectives, options and impacts) is based on the following themes** stemming from the framework: differentiation, concentration, coordination with Member States, innovative instruments, flexibility, and regional cooperation (which is specific to OCTs).

4. POLICY OPTIONS

For each theme, two scenarios (the status quo and an alternative option) are considered. For the alternative option, the implications of the following changes for the various elements of the EDF ‘package’ (internal agreement, implementing and financial regulations) are underlined:

- the **differentiation principle** i.e. allocating more funds to the least developed partners and less development grant aid to the more advanced;
- the **concentration of EU aid on sectors** where it can have the greatest impact, i.e. on a limited number of areas;
- increased **coordination with the Member States**: for ACPs, the **joint programming** process could result in a single, joint programming document for each partner country or, as a minimum option, an agreement on division of labour. For OCTs, this alternative option would seek — where possible — a better alignment of the EU and Member States’ programmes. In addition, the possibility of **creating EU Trust Funds managed by the Commission for ACPs** could be introduced;
- reinforcement of the use of **innovative financial instruments, i.e. blending mechanisms** to boost financial resources for development. In certain ACP countries or regions, an increasing percentage of EU development resources could be used through (existing or) new financial tools, such as blending grants with loans from European financing institutions or other risk-sharing mechanisms;
- reinforcement of the **flexibility elements of the EDF**, including: (i) allowing **initial allocations to be limited** in order to keep more funds aside (reserves) for topping-ups or special allocations for specific sectors or initiatives; (ii) defining specific **forms of support for countries in situations of fragility, transition or crisis**; (iii) focusing EU efforts on **response strategies directly linked to existing partner countries’ policies, in the programming phase**;
- making the use of OCT resources for regional cooperation conditional upon their added value with regard to **furthering regional cooperation with ACPs and outermost regions**.

5. ASSESSMENT OF IMPACTS

Regarding **differentiation**, under the status quo option, the Commission-managed aid would continue to contribute to the general objectives, particularly poverty reduction, with a global reach and a global presence, but its impact and efficiency would not be maximised in certain countries, resulting also in lower progress on Millennium Development Goals (MDGs). Under

the alternative option, a sharpened geographical focus would lead to targeting resources where they are most needed and have the greatest possible impact and value added in ACPs and OCTs. With the more advanced partners, the EU would define alternative forms of cooperation and dialogue through the most appropriate policy mix.

Regarding **concentration**, under the status quo option, the Commission-managed aid would continue to be delivered in a relatively wide range of sectors, without tackling the problem of aid fragmentation. Under the alternative option, a sharpened sectoral focus would contribute to the higher impact of EU aid by concentrating resources on a limited number of sectors, thus increasing the EU's critical mass. The risk of losing visibility for the EU in certain sectors at country level would have to be mitigated by effective division of labour and increased coordination with other funding sources.

Regarding **coordination with EU Member States**, under the status quo option the problem of aid fragmentation and the risk of overlaps would not be tackled. Under the alternative option, the efficiency and the political leverage of EU aid could be reinforced through increased division of labour among donors, joint programming and the use of EU Trust Funds.

Regarding the use of **innovative financial instruments**, under the status quo option the impact and efficiency of EU grants would not be maximised. Under the alternative option, the financial leverage of EU grant resources would be increased through blending and other risk-sharing mechanisms, as would the critical mass, particularly for large-scale projects.

Regarding **flexibility**, under the status quo option, some 'flexible' features of the EDF would remain but in some cases it would not be flexible enough to respond to partners' specific situations. Under the alternative option, aid allocations could be adapted rapidly to take into account evolving circumstances or specific situations (such as crisis, fragility or transition), or to implement a more incentive-based approach, thereby increasing not only the effectiveness and reactivity of EU aid but its ownership by partners.

Regarding **regional cooperation with OCTs**, under the status quo option the interaction and integration of OCTs in regional cooperation with ACPs and outermost regions would remain limited. Under the alternative option, the efficiency and impact of EU resources would be reinforced both through better articulation between EDF and EU regional cooperation resources and through the participation of OCTs in regional programmes with ACPs.

6. COMPARISON OF OPTIONS

The comparison of the options' impact on the chosen objectives concludes that for each specific objective, **the alternative option is preferred over the status quo** as the best approach to tackling the problems identified and to responding to the general and specific objectives. These options better reflect the revised policy orientations of EU development policy and the new orientations for the EU-OCT relationship, which would contribute to further increasing the effectiveness and maximising the impact of EU funding on ACP countries and OCTs.

7. MONITORING AND EVALUATION

The Commission already has **regular monitoring and evaluation systems** in place, covering the breadth of its aid programme. They involve both internal staff and external expertise. The systems evaluate country strategies, individual programmes and projects. In addition, external, independent experts are contracted to assess the performance of EU external action. The Commission also conducts strategic evaluations of its policies, from programming and strategy to implementation of interventions in a specific sector, a country or region, or a specific instrument. **Regarding the EDF**, the essential elements and the basis for the EU intervention are set out in the EDF implementing regulation. The results of EU assistance on poverty eradication are measured using as far as possible specific and measurable indicators. Particular attention is paid to progress made towards achieving the MDGs.