Between 2004 and 2009, development assistance from the European Union helped vaccinate more than **five million children against measles;** provided **7.7 million people with insecticide-treated bed nets;** and made sure that **750,000 people living with HIV received life-saving antiretroviral combination therapy.***

*According to figures provided by the European Commission. This information should not be interpreted as reflecting the entirety of EU development aid results. For more information, see 'EU contribution to the Millennium Development Goals. Some key results from European Commission programmes'. European Commission, EuropeAid Co-operation Office, 2010.

European Union Institutions

As many European governments consider cuts to their bilateral development spending, the European Union is negotiating its next seven-year budget – the Multi-Annual Financial Framework (MFF), which will focus for the most part on addressing Europe's economic crisis. However, current proposals also include significant resources for development assistance, including €51 billion earmarked for development assistance to the poorest countries.[i]

With pressure on leaders to keep overall spending levels down, the battle over the allocation of available resources will be intense. However, these negotiations could not be more timely. This budget covers the period 2014–20, thereby determining funding for the crucial Millennium Development Goal (MDG) years of 2014 and 2015, along with the five years beyond. Ensuring that the EU contributes to collective targets by increasing ODA in the coming years will be critical during the negotiations over the next few months. Since Member States count EU development assistance as part of their individual ODA, the MFF decision will have a direct bearing on how close Member States get to their 2015 targets. The larger the share of the EU budget for development, the larger the proportion that Member States will count towards their contributions.

As negotiations proceed over the next year, the 2012 DATA Report analyses the EU institutions, one of the world's largest development budgets and the progress that EU aid has made over recent years in terms of both quality and quantity. This chapter outlines how much of Member States' ODA contributes to EU aid, and also considers the EU's funding and development policy proposals for the forthcoming seven-year budget.

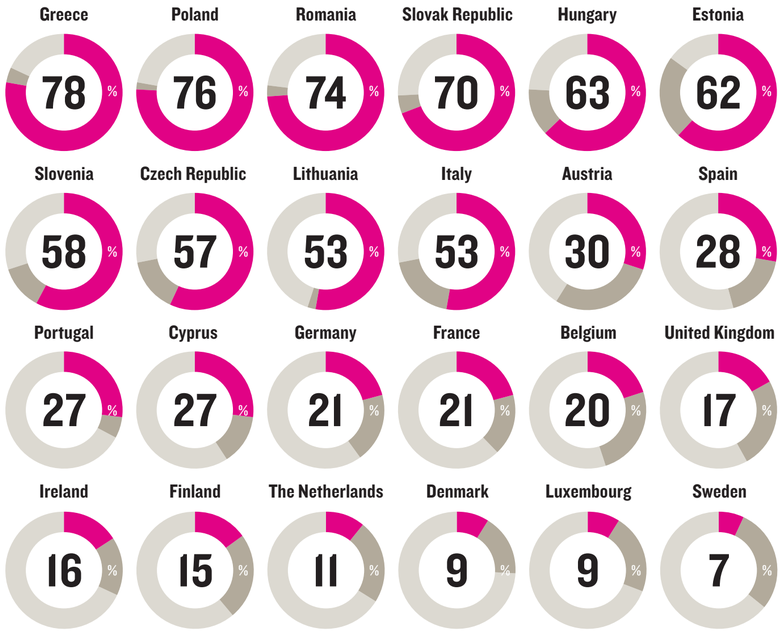
Proposed Increases to the EU Development Budget

On average, between 2005 and 2010, development assistance constituted 8% of the total EU budget. The initial proposal for external assistance in the 2014–20 MFF is €100 billion, of which the majority will be ODA. The €100 billion proposal includes €70 billion for the 'Global Europe' budget (a 25% increase above current levels, in 2011 prices), which includes €21 billion for developing countries under the Development Cooperation Instrument (DCI). The remaining €30 billion will be channelled through the European Development Fund (EDF), a separate instrument dedicated solely for African, Caribbean and Pacific countries (a 13% increase over existing EDF levels, in 2011 prices).[ii] It is the proposed DCI and EDF, which together add up to €51 billion, that are the main focus of this report.

EU Member States channelled 21.5%[iii] of their total development assistance through EU institutions in 2011,[iv] making the EU the fourth largest global donor (in volume terms). As Figure 1 illustrates, Member States with the smallest development assistance budgets typically channel a larger proportion of their ODA through the EU, while Member States with larger bilateral programmes channel a smaller proportion of development assistance through the EU system.

The proposed MFF increases will be pivotal for bolstering Member States' efforts to reach their development assistance targets by 2015. As Figure 2 shows, if the proposed increase was already in place, based on 2011 ODA figures, Member States would be proportionally closer to reaching their 2015 ODA/GNI targets.[v] Moreover, the impact of MFF budget levels (e.g. the leveraging effect) is most significant for Member States with smaller development assistance budgets that channel a large share of ODA through the EU institutions, such as Portugal (total ODA as a % of GNI from 0.29% in 2011 to 0.33%), Poland (from 0.08% to 0.12%) or Ireland (from 0.52% to 0.55%), and for the smaller EU accession economies, such as Slovenia (from 0.13% to 0.2%) and Cyprus (from 0.16% to 0.22%). Those Member States with the largest development assistance budgets can leverage a greater overall effect towards the collective EU 0.7% target through their comparatively low contributions on a relative basis, just by protecting and supporting development assistance in the EU MFF.

FIGURE 1: Share of Global Aid Going Through EU Institutions in 2011, Per EU Donor



KEY:

● EU Institutions (Percentage Shown) ● Other Multilateral ● Bilateral Excluding Debt

Note: No data are available for Bulgaria, Latvia or Malta. Data for Cyprus, Lithuania and Romania refer to 2010 global ODA figures.

Overview of EU Aid Programmes and Select Policies

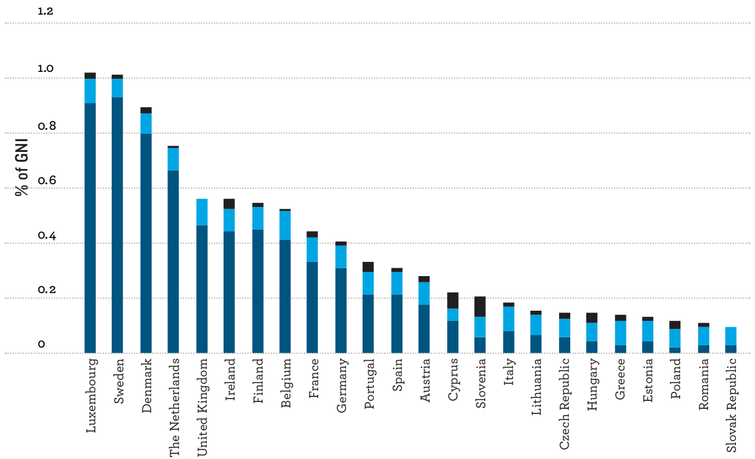
EU development assistance is channelled through two main streams:

- **External spending within the EU budget:** One of the EU's five budget areas – Heading 4 ('Global Europe') – is dedicated to external programmes. This stream includes two large, geographically focused development funds: the Development Cooperation Instrument (DCI), for Asia, Latin America and the Middle East, and the European Neighbourhood Policy Instrument (ENPI), for North Africa and Eastern Europe. The 'Global Europe' budget also provides additional thematic funding (e.g. health and education) to advance progress towards the MDGs (via the DCI) as well as resources to support human rights, democracy, humanitarian aid, stability, conflict prevention as well as significant spending for countries preparing to join the EU. Proposals for the 2014–20 budget allocate the largest amount of resources to the DCI.
- **The European Development Fund (EDF):** The EDF supports African, Caribbean and Pacific (ACP) countries through country-specific and regional programmes. The EU manages the EDF on behalf of Member States. Though the EDF is funded by voluntary contributions (not through the EU's budget), EDF and EU budget negotiations occur simultaneously. EDF proposals total €30 billion over the 2014–20 period.

EU development aid provides both Member States and partner countries with a number of concrete, comparative benefits:

- **Donor coordination:** The EU often plays a coordinating role in countries where several EU Member States have a large presence. In 2011, the EU launched a joint programming strategy in developing countries. The EU institutions also play a critical role in the coordination of large-scale projects, particularly for investment-heavy projects (e.g. infrastructure) in cooperation with the African Union and African sub-regional bodies.
- **Long-term, predictable aid:** The EU's unusually long seven-year budget cycle allows it to make extended partnership commitments and helps to dramatically increase aid predictability.
- **Far-reaching influence:** Through the EU's network of 136 delegations across the world, the EU institutions have programmes in almost every developing country. Therefore, the EU development budget enables Member States to support countries in which they are not physically present. This is especially critical for fragile and post-conflict states.
- **Collective action:** The EU's regional approach means that EU development funds can reinforce political objectives beyond the reach of individual Member States (such as regional integration, trade and peace-keeping), as well as flexible response mechanisms such as the €1 billion EU MDG Initiative (see Box 2 on page 30).[41]

FIGURE 2: 2011 ODA and 2015 MFF Leverage Effect

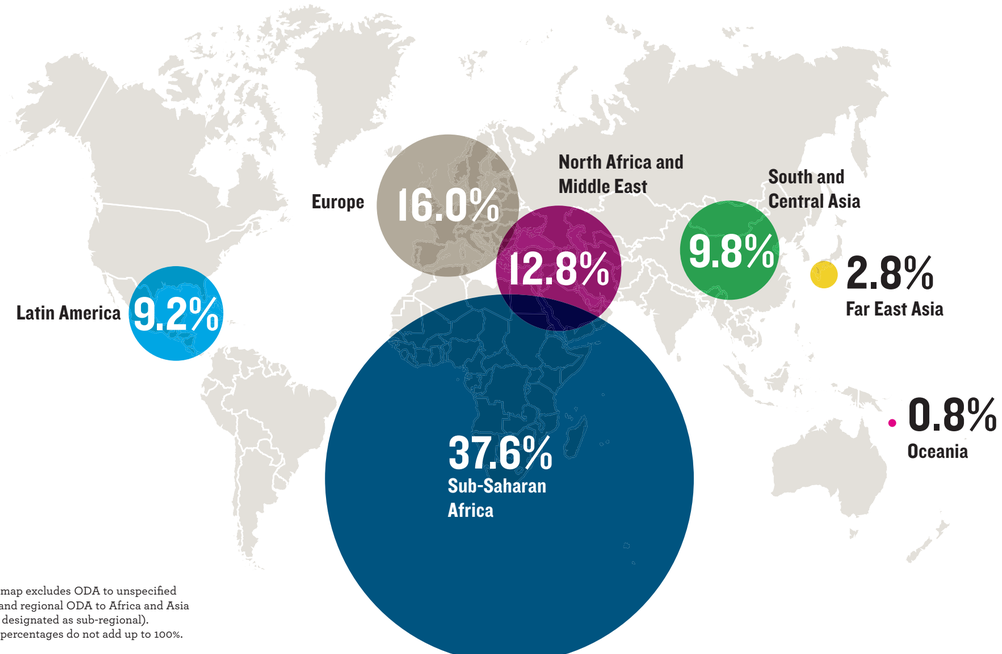


KEY:

2011 Non-EU ODA 2011 EU ODA 2015 MFF Leverage

Figure 3 illustrates the geographical focus of EU aid. Under the Commission's existing MFF proposals, the EU budget's focus on the world's poorest countries would increase substantially. The Commission's proposal would also eliminate bilateral aid to 19 upper middle-income country governments in Asia and Latin America. In principal, this prioritisation towards countries most in need, particularly least developed countries (LDCs) and low-income countries, would be welcome.

FIGURE 3: EU Development Assistance by Region (2008–10)[vii]



Note: The map excludes ODA to unspecified countries and regional ODA to Africa and Asia (that's not designated as sub-regional). Therefore percentages do not add up to 100%.

BOX I: Linking EU Development Programmes to Concrete Results

Development assistance from the EU institutions has helped developing countries to achieve a number of impressive results.[viii] At the same time, however, more work is required to link all EU spending to concrete, measurable outcomes. According to Commission figures, the EU development budget delivered the following results between 2004 and 2009:

- More than 9 million pupils were enrolled in primary education;
- More than 720,000 primary school teachers were trained;
- More than 85,000 new female students were enrolled in secondary education;
- More than 5 million children were vaccinated against measles;
- More than 4 million births were attended by health personnel;
- More than 5,000 health centres and facilities were built or renewed;
- 750,000 people with HIV received antiretroviral combination therapy;
- 7.7 million people were given insecticide-treated bed nets;
- More than 31 million people were connected to drinking water and 9 million to sanitation facilities;
- 36,000 kilometers of roads were constructed or maintained.

BOX 2: The EU Millennium Development Goals Initiative[xiv]

At the UN MDG summit in September 2010, European Commission President José Manuel Barroso announced that 'the EU is ready to offer to the most committed and needy countries an MDG initiative amounting to €1 billion to make progress on those [MDGs] we are furthest from achieving'. The initiative is funded from reserves of the 10th EDF and supports programmes to accelerate progress on MDGs 4 (child health), 5 (maternal health), 7 (water and sanitation) and 1c (malnutrition) by 2015 in sub-Saharan African, Caribbean and Pacific states. Allocations to the 36 selected countries – 29 of which are in Africa – began in early 2012.

Overall Progress 2005–12

The EU has made significant progress in defining its development strategy and mandate. The adoption of the European Consensus on Development[ix] in 2005 established poverty eradication as the primary objective for EU development assistance. In 2007, the EU and its Member States adopted the Joint Africa–EU Strategy,[x] which is intended to deepen links between the two continents.

In 2009, EU Member States adopted a new legal framework – the Lisbon Treaty[xi] – which required that all EU external policies (trade, security and foreign relations) take account of the eradication of poverty. This was a critical breakthrough for increasing the prominence of EU development priorities, and provided a strong legal basis for development cooperation within the EU's framework.[xii] The Lisbon Treaty also reconfigured the EU institutions to create the European External Action Service, comparable to a foreign ministry, which means that the EU now has a diplomatic presence in 136 countries. The challenge for the EU is to ensure that ODA is focused on poverty eradication and is not redirected to serve short-term foreign policy objectives.

There has also been impressive leadership on development issues at the highest levels of the EU institutions. José Manuel Barroso, President of the European Commission, was responsible for securing approval for €1 billion in assistance for farmers in developing countries during the food crisis in 2008.[xiii] The money was intended for seeds and fertilisers, safety-net measures that would improve agricultural productivity, as well as micro-credit investments, infrastructure and storage. Barroso also worked with Development Commissioner Andris Piebalgs to make a further €1 billion available for the MDGs in 2010 (see Box 2). Because the EU's seven-year budget is finalised far in advance, allocating extra funds for development mid-way through a funding cycle takes tenacity and political will, particularly in such a difficult economic climate.

This momentum has continued in 2012. On 14 May, the Foreign Affairs Council adopted Commissioner Piebalgs' Agenda For Change, which outlines a new EU development policy vision. The Agenda aims to concentrate resources in countries that are considered 'most in need' and includes a focus on agriculture, energy, health and natural resources management.

The Foreign Affairs Council also adopted Supporting Horn of Africa Resilience (SHARE) in 2012, a €250 million initiative, of which €125 million represented new money for agriculture programmes. Designed by Commissioner Piebalgs and EU Humanitarian Aid Commissioner Kristalina Georgieva, SHARE aims to break the vicious cycle of humanitarian crises in the Horn of Africa and to strengthen the population's resistance to future crises. This initiative is greatly needed, as is the proposal to create similar programmes in other food-insecure regions, such as the Sahel.

Aid Effectiveness

EU aid quality has improved in recent years and the EU is now a leader on aid effectiveness indicators. In 2010, 86% of the EU institutions' ODA was channelled as country programmable aid (CPA), placing the EU institutions ahead of all European donors assessed in this report. Publish What You Fund also ranked the EU third out of 30 donors in its 2011 Pilot Aid Transparency Index.

While the EU institutions have rightly been praised for their significant progress on aid effectiveness and transparency over the past decade, it will be imperative to ensure that the continuing issues of cumbersome procedures and often long, complicated and inflexible processes are addressed in the implementation of the next MFF. Moreover, the EU should increase its focus on development outcomes and impacts, not least to address increased public scepticism regarding external assistance across Europe.[xv]

The EU has agreed to reforms that are likely to further improve its aid effectiveness over the coming years. Ahead of the 2011 Fourth High Level Forum on Aid Effectiveness in Busan, for example, EU development ministers agreed to increase joint programming of EU institutions and Member States' development assistance at the country level. A related pilot exercise was launched in several countries earlier this year. This will reduce fragmentation of funding and transaction costs, as well as increasing the impact, transparency and accountability of EU funding. The new Agenda for Change has also introduced a number of additional effectiveness reforms, such as concentrating EU assistance on a maximum of three sectors in each country. The forthcoming negotiations on the MFF provide an excellent opportunity to embed aid effectiveness best practices into every aspect of EU development aid.

Looking Ahead

In the coming months, development champions within the EU will face two main challenges: first, protecting the ambitious development assistance increases proposed by the European Commission; and second, deciding how these funds will be allocated and channelled.

Firstly, the Commission's €30 billion proposal for the 11th EDF should be protected, regardless of the eventual agreement between Member States and the European Parliament on the structure of the future EU budget. Moreover, EU Member States should support the Commission's €21 billion DCI proposal for the 2014–20 period. This will be the primary vehicle for financing the Agenda for Change, which will support development programmes in priority sectors and improve overall aid reform and effectiveness efforts.

Secondly, it is critical that the European Parliament and the Council ensure that EU development assistance is invested in the most catalytic areas of development – particularly health, agriculture and infrastructure – and that aid effectiveness principles are prioritised throughout. Moreover, the EU should continue to channel an ever growing percentage of development funds for low-income countries with the greatest needs, particularly in sub-Saharan Africa. In particular, there are several budgetary envelopes, programmes and sectors that deserve special attention during the DCI allocation negotiations:

- **Global Public Goods and Challenges:** Under the Commission's proposal, roughly 28% of the total DCI budget would be spent on 'Global Public Goods and Challenges'. Within this envelope, the Parliament and Council should prioritise multi-annual funding for transparent, accountable, results-based mechanisms for health – particularly the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) and the GAVI Alliance. Moreover, the proposed €1.8 billion for sustainable energy and food security, with a focus on women and smallholder farmers, should also be supported.
- **Pan-African Programme:** The DCI proposal also includes a new Pan-African Programme worth €1 billion, which would mainly support the implementation of the Joint Africa–EU Strategy. This envelope would focus largely on African cross-regional (e.g. between regional economic communities), continental and global initiatives that support cooperation between Africa and Europe.
- **Health Programme Prioritisation:** The EU institutions should also continue to prioritise their commitments to health, including their 20% minimum target for health and education spending, in their development assistance envelopes.

In order for the EU and its Member States to make progress on their promises to the world's poorest countries, European leaders must protect the €51 billion of development assistance proposed for the DCI and the 11th EDF. By raising development funding levels within the EU institutions, the EU and its Member States will be further on track towards the 0.7% ODA/GNI target.

FIGURE 4: 2011 ODA and Projected 2015 MFF Leverage Effect

	2011 Non-EU ODA	2011 EU ODA	2015 MFF Leverage
Austria	0.18%	0.08%	0.02%
Belgium	0.41%	0.10%	0.01%
Denmark	0.78%	0.08%	0.02%
Finland	0.44%	0.08%	0.01%
France	0.33%	0.09%	0.02%
Germany	0.31%	0.08%	0.01%
Greece	0.03%	0.09%	0.03%
Ireland	0.44%	0.08%	0.03%
Italy	0.08%	0.09%	0.01%
Luxembourg	0.90%	0.09%	0.02%
The Netherlands	0.66%	0.08%	0.00%
Portugal	0.21%	0.08%	0.04%
Spain	0.21%	0.08%	0.02%
Sweden	0.92%	0.07%	0.02%
United Kingdom	0.46%	0.09%	0.00%
Cyprus	0.12%	0.04%	0.06%
Czech Republic	0.05%	0.07%	0.02%
Estonia	0.04%	0.07%	0.01%
Hungary	0.04%	0.07%	0.04%
Lithuania	0.06%	0.07%	0.02%
Poland	0.02%	0.06%	0.03%
Romania	0.02%	0.07%	0.02%
Slovak Republic	0.03%	0.06%	0.00%
Slovenia	0.05%	0.08%	0.07%

Note: EU12 GNI projections obtained using OECD DAC data. See the methodology section for more information about ONE's calculations.