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Aid Effectiveness: How Well is EU Aid Spent?

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Summary

- 1. European Commission aid over the years**
- 2. Towards more effective aid**
- 3. Towards faster, better, more aid: focus on results**

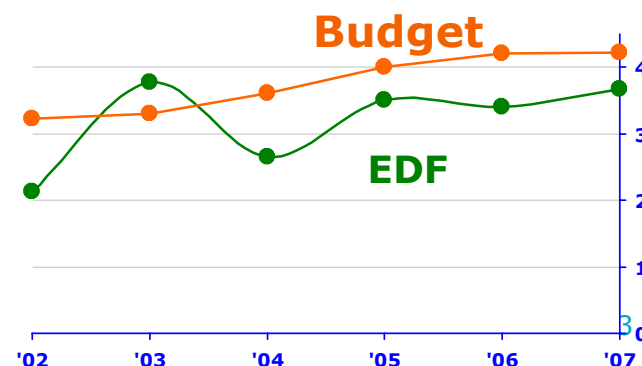
1. European Commission aid over the years (1)

Commitment, contracting and payment levels (?)

€ Million	2002	2003	2004	2005	2006	2007
Budget commitments	3.219	3.298	3.605	3.997	4.206	4.226
EDF commitments	2.125	3.769	2.648	3.511	3.408	3.636
Total commitments	5.344	7.067	6.253	7.508	7.614	7.862
Budget contracts		3.085	3.167	3.955	4.228	3.475
EDF contracts		3.062	3.038	3.057	3.654	3.816
Total contracts		6.147	6.205	7.012	7.882	7.291
Budget payments	2.708	2.846	3.237	3.693	3.664	3.759
EDF payments	1.922	2.345	2.464	2.544	2.826	2.920
Total payments	4.630	5.191	5.701	6.237	6.490	6.679

Commitments 2007

- Planned: €7.5 billion, we did €7.86 billion



1. European Commission aid over the years (2)

Development aid by sector

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Bilateral and Multilateral ODA flows 2001-2007

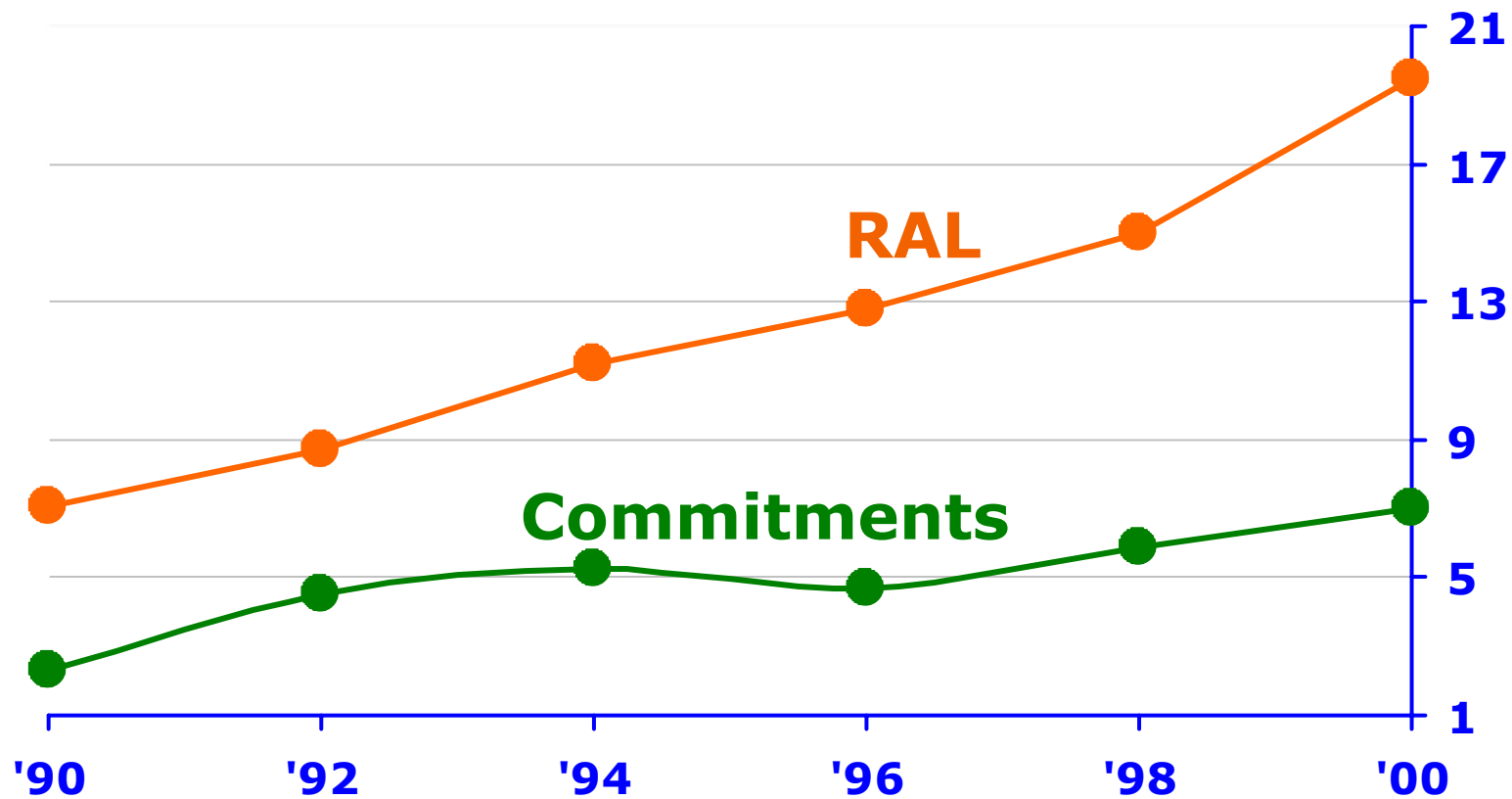
Sector of Destination	Commitments (M€)								sub-total 2001-2007	
	2001	2002	2003	2004	2005	2006	2007			
1 Social Infrastructures	1.850	2.053	2.871	3.293	3.832	3.933	4.263	43%	22.096	38%
2 Economic Infrastructures & Services	665	615	1.259	811	1.291	1.223	1.411	14%	7.274	13%
3 Production	861	925	558	445	455	806	718	7%	4.767	8%
4 Multisector/Crosscutting : Environment, Other	1.188	719	669	925	512	1.086	873	9%	5.972	10%
5 Budget Support, Food Aid, Food Security	567	1.272	1.134	890	1.275	698	988	10%	6.824	12%
6 Action relating to debt	76	89	574	5	0	0	23	0%	766	1%
7 Emergency assistance, Reconstruction Relief	609	613	636	684	1.386	1.403	1.064	11%	6.396	11%
9 Other/Unallocated	178	246	568	487	536	684	608	6%	3.307	6%
GRAND TOTAL	5.994	6.533	8.269	7.538	9.287	9.832	9.947	100%	57.402	100%

Around € 57.4 billion since 2001

1. European Commission aid over the years

Late Nineties: exponential growth RAL (3)

1990: €7 billion, 2000: €19 billion

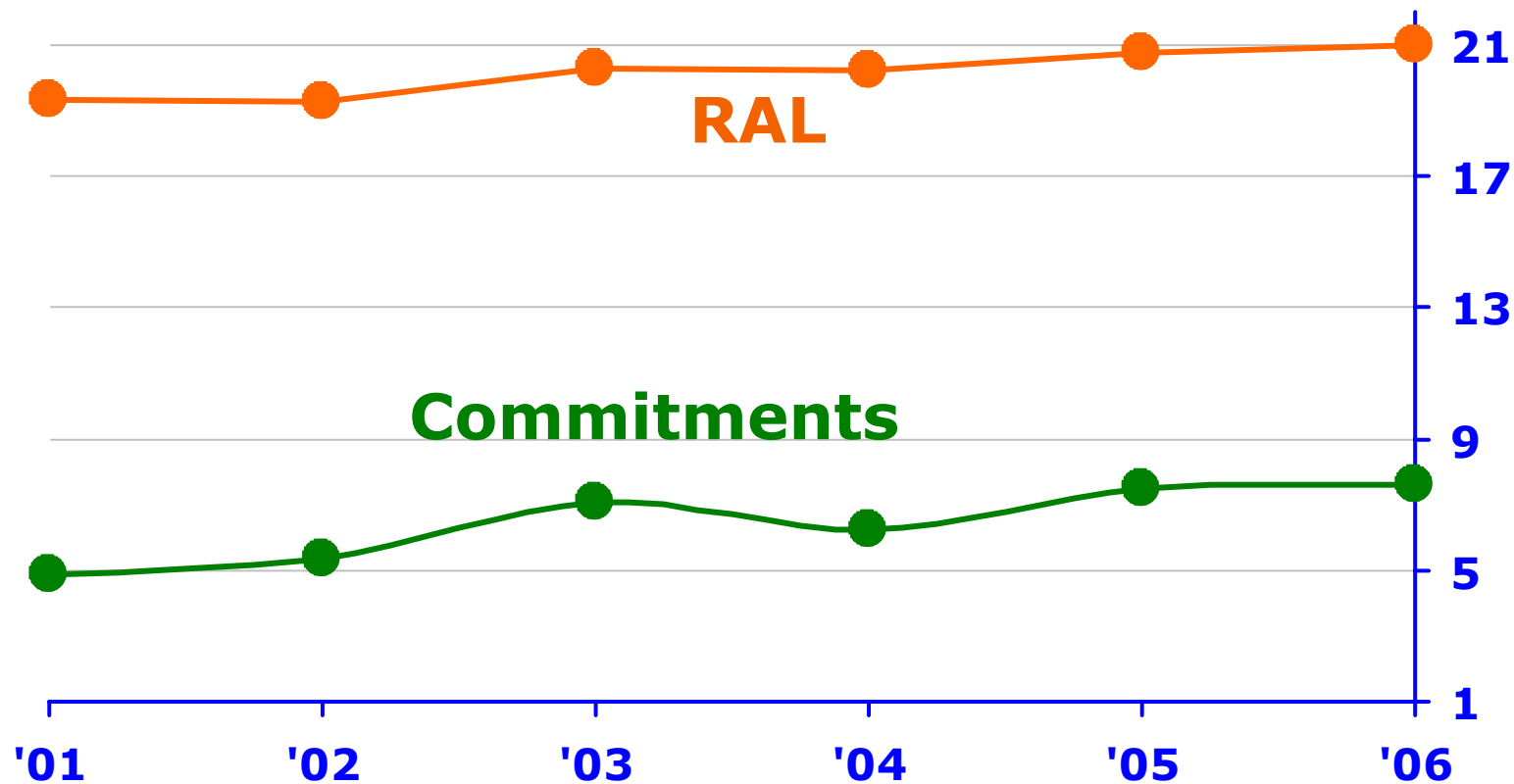


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1. European Commission aid over the years

From 2001 onwards: RAL under control (4)

2001: €19 billion, 2006: €21 billion

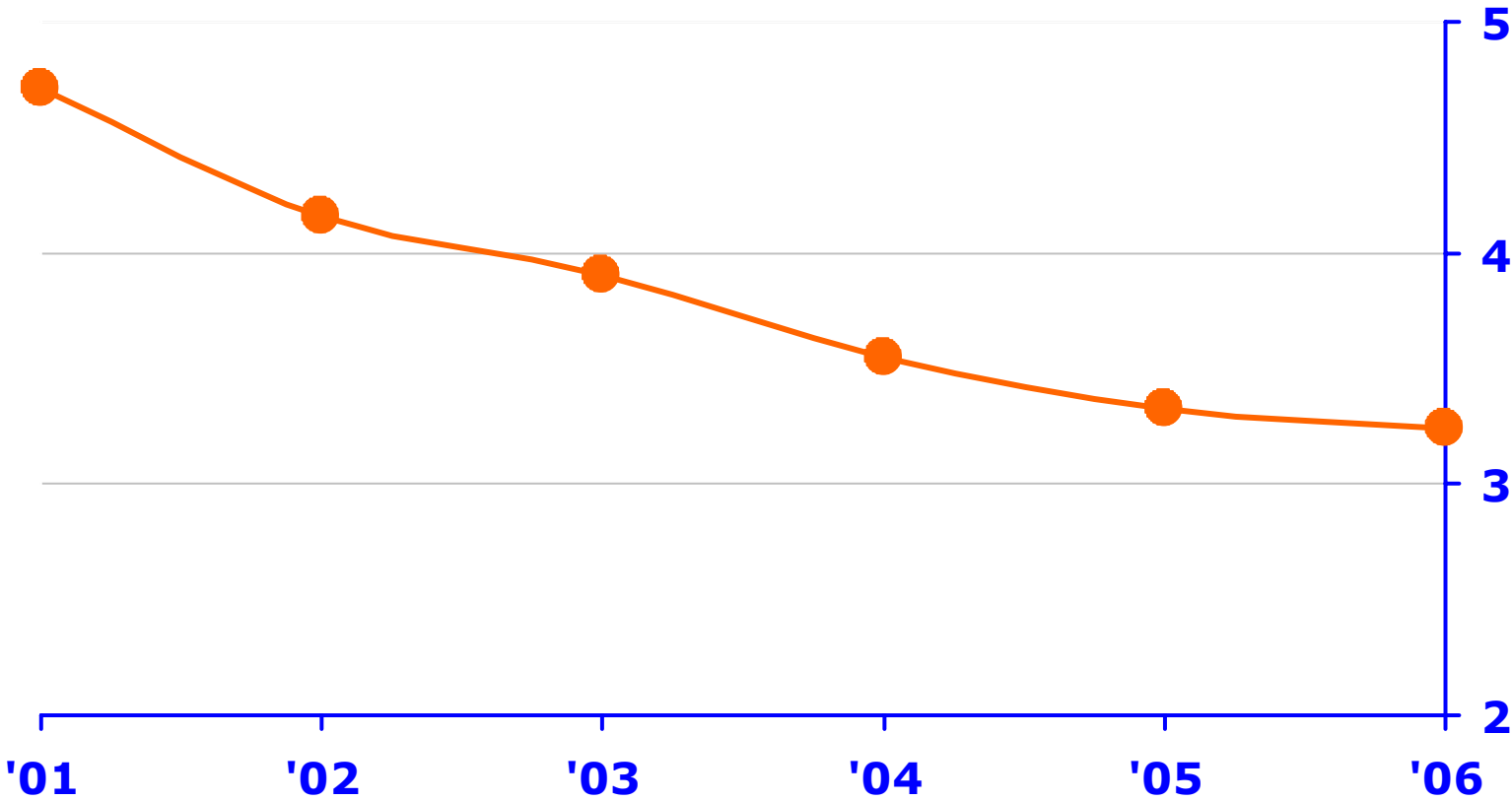


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1. European Commission aid over the years

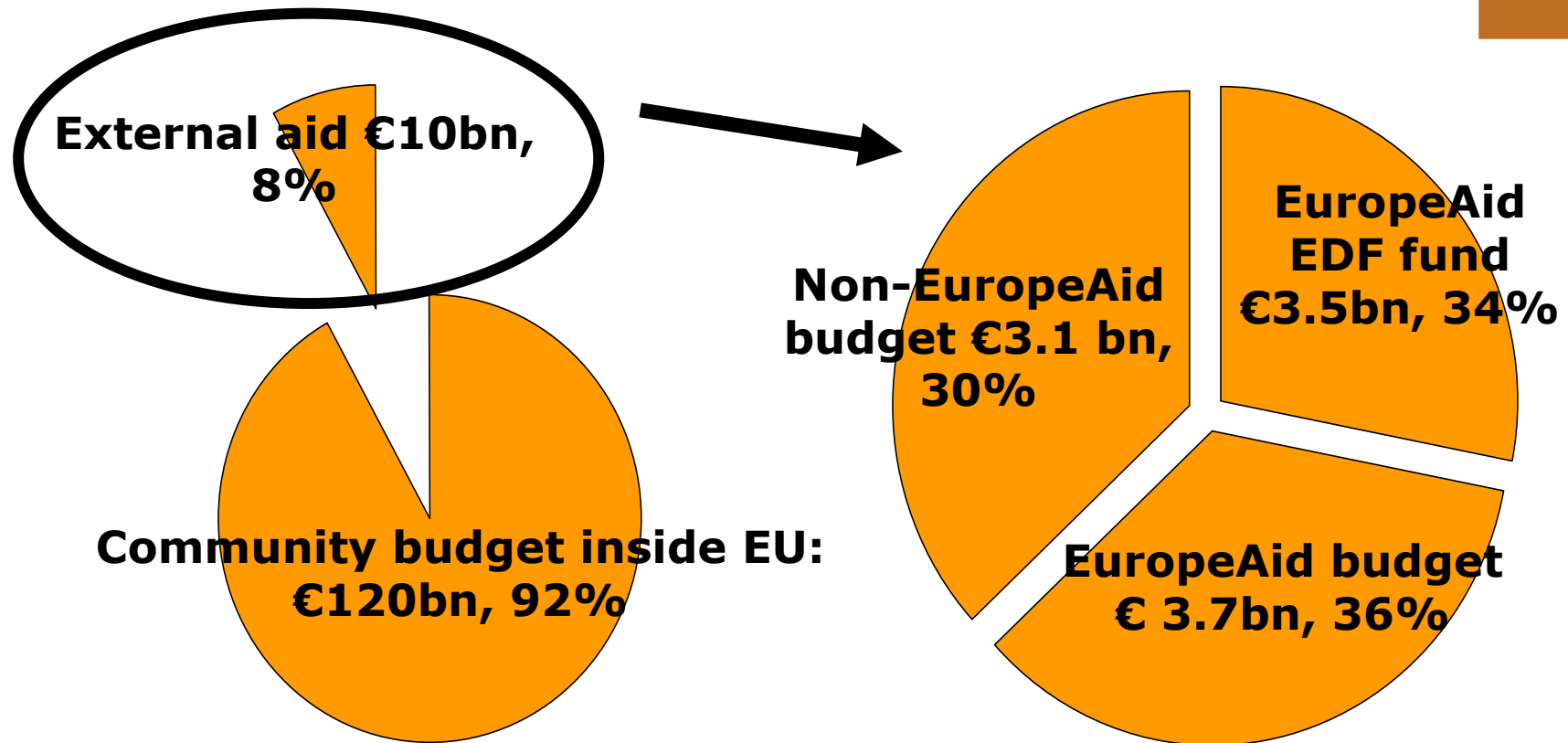
RAL in payment years (5)

2001: 4.71 years, 2006: 3.23 years



1. European Commission aid over the years (6)

External aid budget 2007



Based on planned expenditures, including EDF. Non-EuropeAid budget includes pre-accession, humanitarian and emergency aid and Common Foreign & Security Policy.

1. European Union aid 2007 (7)

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EU largest donor in the world

- 27 + 1 donors together responsible for **70 % of all development aid** (EU27: €46.1 billions)
- EU to increase its contribution by more than €25 billions by 2010 (**MS responsible for 90% of increase**)

Commission on its own

- **Third largest donor** after USA and Germany, followed by France, UK, Japan (OECD April 2008)
- Second largest donor of humanitarian aid
- Present in more than **150 countries**

1. European Union aid: perspective (8)

More money

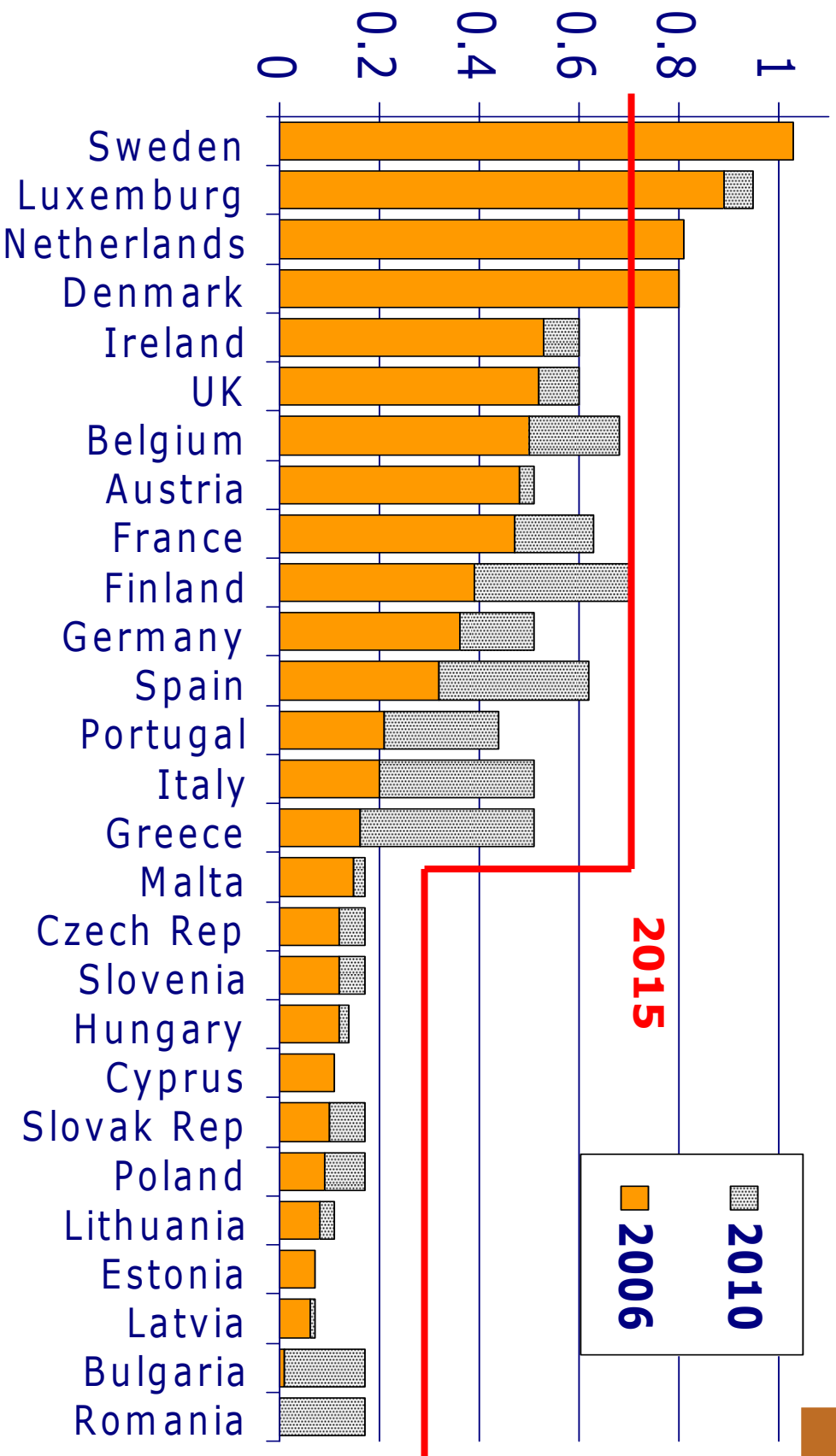


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- EU aid effort in transitional decline (EU27: €46,1b estimated in 2007 versus €47,7b in 2006)
- EU-15 to reach 0.70% ODA/GNI by 2015 (0.33% as individual target by 2006 and 0.51% by 2010)
- EU to channel **50% of collective aid** increases to Africa
- 8 Member states with a timetable that leads to **achieving agreed ODA targets**

1. European Union aid: perspective (9)

ODA - % of GNI: situation 2006,
forecast 2010, objective 2015



Source: European Commission, COM (2007) 164 of April 2007 (final draft)

2. Making aid more effective

Highlights of the European Consensus (1)

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- **Common development policy** of 27 Member States and EC for the first time in fifty years of cooperation
- **Common principles** for implementing development in the **spirit of complementarity**
- Primary goal of **poverty reduction** and achieving **MDGs** together with objectives related to **governance and human rights**
- **But broader than MDGs**: Links development with security, migration, trade, environment and social dimensions of globalisation
- Promotes: supporting performance of developing countries; participation of civil society; **commitment to fragile states and in-depth political dialogue**

2. Making aid more effective

Highlights of the European Consensus (2)

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- **Themes:** human rights; access to essential services; governance for development and security; environment and sustainable management of natural resources; economic growth and trade development; food security; and **combating in-equalities**
- **Operational principles** of coordination, complementarity and division of labour
- **Increasing aid:** target of 0.56% of GNI by 2010 and individual target of 0.51% (EU 15) and 0.17% (EU 12)
- **Increasing aid quality:** innovative, flexible mechanisms
- **Strengthening aid-effectiveness** and establishing work plan
- Ensuring **policy coherence for development.**

2. Making aid more effective (3)

Division of labour

- **Maximum of 3 sectors** in each country (+GBS + support to civil society)
- Redeploy funds in country **based on local negotiation**
- In each sector, establish **a lead donor** for all coordination
- In **priority sectors** relevant to poverty reduction, ensure adequate EU donor support
- **Limited number** of priority countries
- Address **orphan gaps** (often fragile states)
- **EU Donor Atlas**: Mapping Official Development Assistance

2. Making aid more effective (4)

Co-financing

- **Both ways** from EC to MS and vice versa
- **More political** than technical
- Agreement by **partner country**
- Not for small projects and should lead to combined **efficiency gains**
- Follows EC 'normal' AAP procedure, and **rules**
- Visibility and reciprocity

2. Making aid more effective (5)

Joint programming

- Joint analysis and multiannual planning moving forward **since April 2006**
- **Limited use** of EU Common Framework for Country Strategy Papers (CFCSP) – Somalia, Sierra Leone & South Africa
- Discussion of Joint Programming: a **good start** of preparation for a **division of labour** (examples of Ghana & Mali)

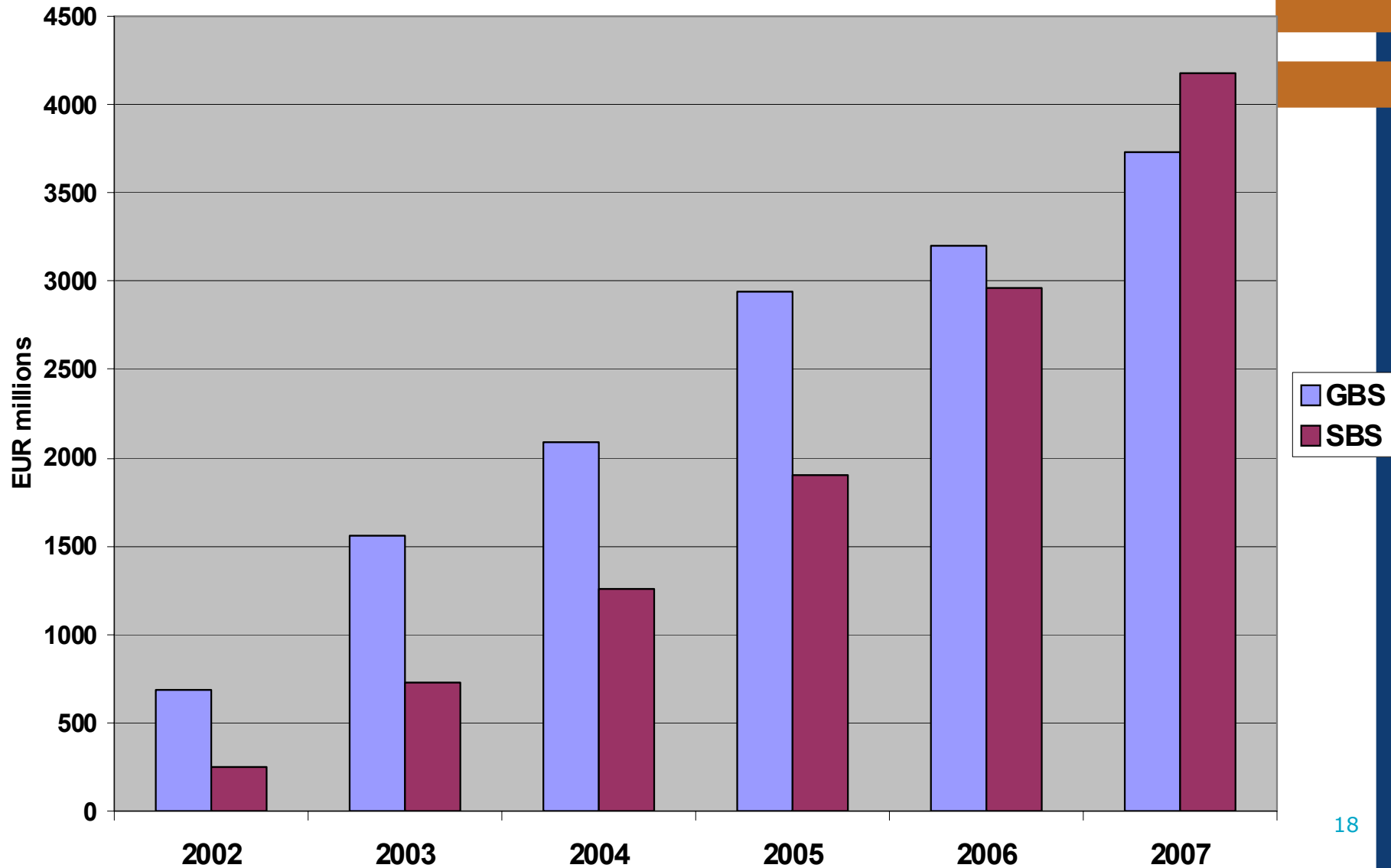
2. Making aid more effective (6)

MDG contract – better predictability

- Targeted at **strong performing** countries
- **Six year duration**, annual monitoring and medium - term performance assessment
- **Long-term predictability** in return for greater **commitments to results** by partners

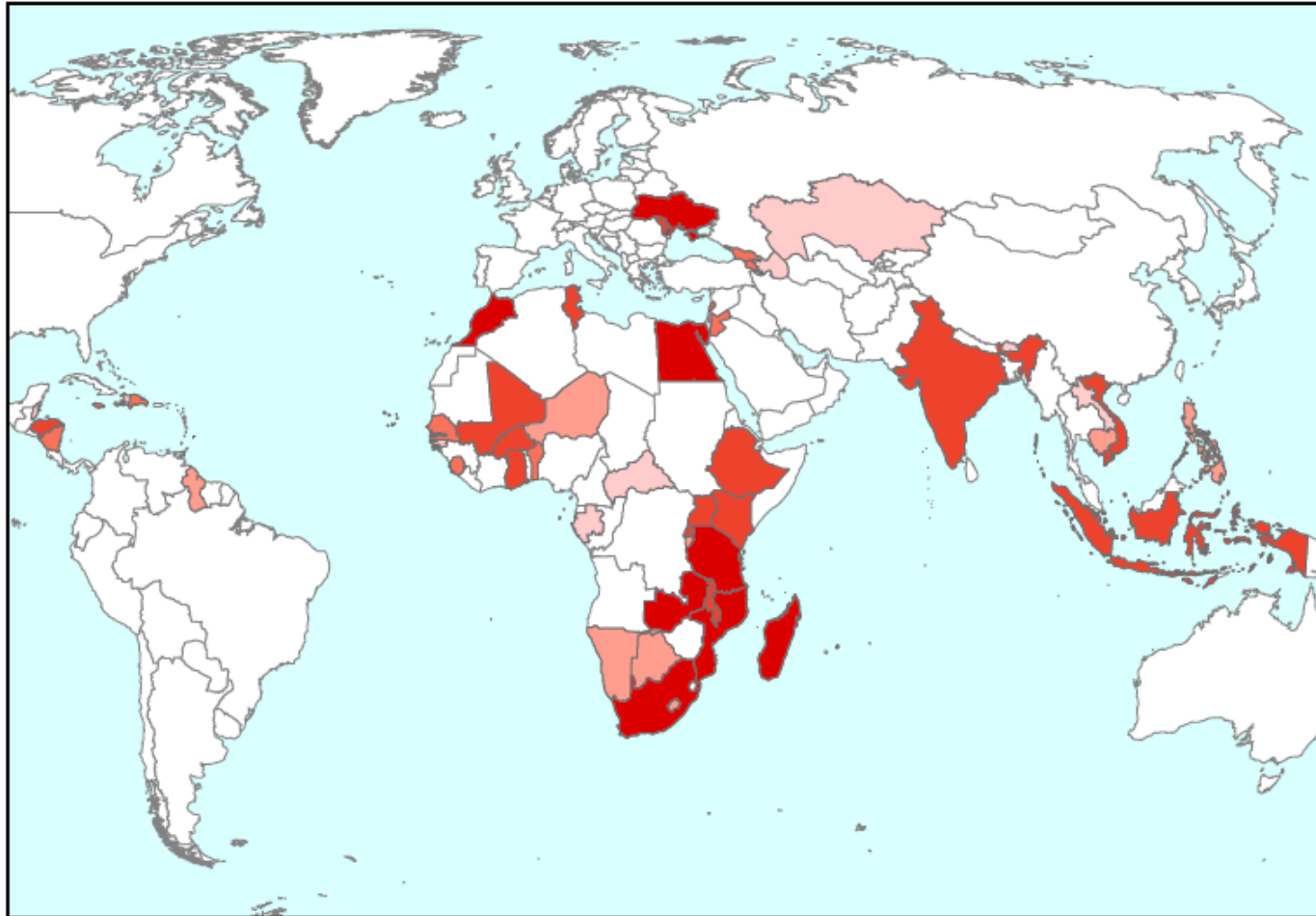
2. Making aid more effective (7)

General & sector budget support – cumul. from 2002



2. Making aid more effective (8) General & sector budget support (programmed for 2008-2013)

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Darker shades: more budget support (up to €125 million)

2. Making aid more effective (9)

Paris Declaration

- set of goals and **12 measurable indicators** for donors and partner countries to increase aid effectiveness
- 60 developing countries and 50 multilateral and bilateral donors signed up
- The EC added **4 more commitments**

2. Making aid more effective (10)

EU Also Agreed More Ambitious Targets

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Provide **all** capacity building assistance through co-ordinated programmes with an increasing use of multi-donor arrangements

Channel **50%** of government-to-government assistance through country systems, including by increasing the percentage of our assistance provided through budget support or sector-wide approaches

Avoid the establishment of any new Project Implementation Units (PIUs)

Reduce number of un-coordinated missions by **50%**

2. Making aid more effective (11)

Road to Accra

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- Accra will not revise the Paris Declaration but **will table a small set of high impact actions** by partner countries and donors, essential for meeting the Paris Targets
- Expected to be turning point for less 'donor driven agenda' and **increased partner country voice** in aid effectiveness (South Africa playing lead role in DAC)
- Also **increased CSO involvement**: left out of PD they will hold their own forum just prior to the HLF and bring out separate Accra document; thrust is 'not aid effectiveness but development effectiveness'

2. Making aid more effective (12)

Donor coordination / three Cs debate

- More **coherence**: development and other policies (trade, agricultural) should be in line with each other
- More **coordination**: EU Member States and the Commission should work more closely together
- More **complementarity**: less overlap between actions, better spread of work

2. Making aid more effective (13)

Improving EU policy coherence

- Outstanding issues to be followed up in 12 policy areas to ensure better coherence
- **New elements** for exploring the development potential
 - from the **biofuel market** for fighting poverty
 - from challenges related to **migration and brain drain**
 - from **research** (collaboration on topics directly related to MDGs)

2. Making aid more effective (14)

Aid for trade

- EU pledge to **commit €2 billion annually** to trade related assistance by 2010:
 - €1b from MS + €1b from COM)
- **MS** invited **to increase efforts** by almost 56%
- Joint work in progress towards the development of **regional ACP packages**
- Strong interest for regional funds noted

2. Making aid more effective (15)

OECD/DAC more positive view of EC than in 2002:

- **Consensus is major strategic achievement** (but raises issues on priorities, institutional challenges and oversight issues)
- **Aid effectiveness agenda:** budget support, interest in governance
- **Administrative improvements,** stronger financial management

2. Making aid more effective (16)

OECD/DAC recommendations:

- **Focus resources** on priority objectives
- Focus on **geographic use** of ODA in context of EU division of labour
- Focus on more **explicit frameworks** with multilaterals, including clearer role in relation to member states
- **Work on greater field authority** on project approval, results reporting, delegated cooperation

3. Towards faster, better, more aid: focus on results (1)

We Need to Do A lot More....

- **No of donors present:**
 - ✓ Countries with 40+ official donors **ballooned** from zero in 1990 to over 30 today
 - ✓ In Vietnam 11 UN agencies account for only 2% of aid
 - ✓ 20 UN agencies active in Island of Zanzibar alone
- **Size of programmes:**
 - ✓ average **size of aid programmes dropped** from \$2.5 million in 1997 to \$1.5 million in 2004
- **Number of programmes:**
 - ✓ Total **number of activities surged** from 20,000 in 1997 to 60,000 in 2004
- **Missions:**
 - ✓ Paris baseline survey: “the total number of missions is **strikingly high** for some countries and some donors”



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3. Towards faster, better, more aid: focus on results (2)

But We Need to Do A lot More....

Aid effectiveness

- We **all** need to become 'aid effective'
- Driving **Division of Labour** forward
- Putting **co-financing** into practice
- Progress needed for High Level Forum **Accra**

Meeting Paris and EU targets

- **Technical cooperation** better aligned
- Fewer parallel **PIUs**
- More use of country systems
- More **programme-based approaches**
- More joint missions

3. Towards faster, better, more aid: focus on results (3)

- MDGs prove to be a powerful incentive for result orientation.
- **If donors and recipients are not able to show progress and results the MDGs could become a Trojan Horse.**
- No donor in the whole world can provide in an easy and comprehensible way reliable information on output of its activities, let alone on outcome and impact over the years.
- Donorland is characterized by an unsustainable analog arrogance in a digital era.
- **Results are imperative for keeping the momentum for increased aid.**