



# **External Evaluation of the Development Co-operation Instrument (2014 – mid 2017)**

**Final Report  
June 2017**

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*Evaluation carried out on behalf of the European Commission*





*Lead company*

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## **External Evaluation of the Development Co-operation Instrument**

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# **External Evaluation of the Development Co-operation Instrument Final Report**

**The report consists of:**

**Short summary**

**Volume I: Main report**

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## **SHORT SUMMARY**

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## List of acronyms and abbreviations

AAP	Annual Action Programme
ACP	Africa, Caribbean and Pacific
AgriFI	Agriculture Financing Initiative
AIDS	acquired immune deficiency syndrome
ASEAN	Association of Southeast Asian Nations
AU	African Union
AUC	African Union Commission
BS	Budget Support
CIR	Common Implementing Regulation
CSO	Civil Society Organisation
DAC	Development Assistance Committee
DCI	Development Co-operation Instrument
DEAR	Development Education and Awareness Raising
DfID	Department for International Development
DG	Directorate General
DG DEVCO	Directorate General for International Cooperation and Development
EAMR	External Assistance Management Report
EC	European Commission
ECHO	European Civil Protection and Humanitarian Aid Operations
EDF	European Development Fund
EEAS	European External Action Service
EFI	External Financing Instrument
EIB	European Investment Bank
EIDHR	European Instrument for Democracy and Human Rights
ElectriFI	Electrification Financing Initiative
ENI	European Neighbourhood Instrument
EQ	Evaluation Question
EU	European Union
EUD	EU Delegation
EUR	Euro
FDI	Foreign Direct Investment
FNSSA	Food and Nutrition Security and Sustainable Agriculture
GAVI	Global Alliance for Vaccines and Immunization
GGDC	Good Governance Development Contract
GPGC	Global Public Goods and Challenges
HQ	Headquarters
IcSP	Instrument contributing to Stability and Peace
IFI	International Financial Institutions
IL	Intervention Logic
INSC	Instrument for Nuclear Safety and Co-operation
IPA	Instrument for Pre-Accession Assistance
JAES	Joint Africa-Europe Strategy
JP	Joint Programming
KfW	Kreditanstalt für Wiederaufbau

LA	Local Authorities
LDC	Least Developed Country
MDG	Millennium Development Goals
MFF	Multiannual Financial Framework
MIC	Middle-Income-Country
MIP	Multi-annual Indicative Programme
MS	Member State
MTR	Mid-Term Review
NGO	Non-Governmental Organization
NSA	Non-State Actor
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OPC	Open Public Consultation
PCD	Policy Coherence for Development
PFM	Public Financial Management
PI	Partnership Instrument
QSG	Quality Support Group
RF	Results Framework
SDAO	Sub Delegated Authorising Officer Report
SDG	Sustainable Development Goal
SMEs	Small and Medium-Sized Enterprises
TA	Technical Assistance
TBL	Thematic Budget Line (Report)
TVET	Technical and Vocational Education and Training
UMIC	Upper Middle Income Country
UN	United Nations
WHO	World Health Organisation

## Executive Summary

**Objectives and context of the evaluation:** The evaluation of the Development Co-operation Instrument (DCI) for the period 2014-2020 is being undertaken in parallel with evaluations of other External Financing Instruments (EFIs)<sup>1</sup> under the Multiannual Financial Framework (MFF) 2014-2020. Like them, it will feed into the Mid-term review (MTR) report. The MTR is required by the Common Implementing Regulation (CIR) Article 17, by the end of December 2017. This evaluation assesses whether the DCI is fit for purpose to deliver EU resources for the implementation of the EU's development and external action policy, and considers the place of the DCI, its complementarities and synergies, within the wider set of EFIs.

**Methodology and challenges:** The evaluation employs an evidence-based non-experimental mixed methods approach combining quantitative and qualitative data and is guided by Evaluation Questions (EQs) covering several criteria (relevance; effectiveness, impact and sustainability; efficiency; added value; coherence, consistency, complementarity and synergies; leverage).

The main analytical tools consist of a rigorous assessment of documentation, analysis of statistics and quantitative data and consultation of stakeholders (including four field missions, interviews, group consultations, an EU Delegation (EUD) survey and an Open Public Consultation). As a general rule, the situation on 1 January, 2014 is taken as the baseline. In addition, evidence from the previous MFF (2007-2013) was considered relevant when it shed light on the origins of innovations introduced in the 2014-2020 DCI or when conclusions earlier reached for 2007-2013 were judged to be valid for the subsequent period, as well.

### Main findings

**EQ 1 on relevance:** At the time the DCI was adopted in 2014, the DCI's objectives, component elements and design were relevant (i) from the perspective of EU development policy priorities and (ii) as concerns the management and administration of the instrument (essentially implementation issues). The DCI enables financing actions that contribute to promoting European norms and values (i.e. human rights, including gender equality, democracy, rule of law, social inclusion, etc.) in partner countries and regions. Yet the relevance of the DCI was less evident from the perspective of partner countries in cases where governments and/or civil society actors disagreed with the EU on the place and weight to be given to governance/human rights issues, global public goods such as migration and climate change participation of Civil Society Organisations (CSOs) or Local Authorities (LAs) in domestic policy and co-operation processes. This fact has resulted in challenges at implementation level.

Despite the overall policy environment, in which concerns such as migration and security are rising in prominence, the DCI has maintained its focus on poverty reduction. A mixed message emerges regarding the DCI's flexibility to adapt to major changes in the international/EU context. From a substantive point of view, the EU has been trying to integrate new policy agendas by mobilising the DCI. In the growing number of "graduated countries" (a modest trend so far but one sure to accelerate in the future), the loss of eligibility for bilateral geographic Official Development Assistance (ODA), the specific objectives of the DCI thematic programmes for which they continue to be eligible, and the fact that the Partnership Instrument is not a development instrument, constrain opportunities for development co-operation. New approaches such as blending, while starting to deliver results and promising to deliver more, require further work to enhance relevance to the poorest.

**EQ 2 on effectiveness, impact, sustainability:** Financial allocations related to the 2014-2020 programming exercise reflect the integration of emerging themes and priorities outlined in the DCI Regulation and other relevant EU policy documents, with the two priority areas: "Inclusive and sustainable growth for human development" and "Human rights, democracy and good governance." Yet, given low partner government interest, the thematic Global Public Goods and Chal-

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<sup>1</sup> The following EFIs are concerned: Evaluation of the Development Co-operation Instrument (DCI), European Neighbourhood Instrument (ENI), Instrument for Pre-Accession Assistance (IPA-II), European Instrument for Democracy and Human Rights (EIDHR), Partnership Instrument (PI), Instrument contributing to Stability and Peace (IcSP), Instrument for Nuclear Safety and Co-operation (INSC), Greenland Decision (GD), 11th European Development Fund (EDF), and the Common Implementing Regulation (CIR).

lenges (GPGC) programme played a key role in meeting DCI commitments for climate change and environment.

Despite the EU's increased results orientation, the DCI 2014-2020 is in too early a stage to credibly judge impacts to date. However, observing major trends, EU partner countries receiving DCI support have overall experienced considerable progress in poverty reduction and human and economic development.

One commitment of the DCI 2014-2020 is improved differentiation for enhanced impact and effectiveness. There has been increased financial allocation to fragile, crisis, and post-crisis states compared to DCI 2007-2013. The new Pan-African Programme opens up avenues of continent-wide co-operation in support of implementing the Joint Africa – Europe Strategy (JAES); it has high potential but also carries with it high risk due to the weakness of the principal partner, the African Union Commission.

**EQ 3 on efficiency:** DCI's Key Performance Indicators, reported on by EUDs and presented in the EU Results Framework (RF), are comparable to those of most other EFIs.

The decision to merge four of the five previous thematic programmes into one, the GPGC, has given rise to only modest efficiency gains for the EU, largely because compartmentalised budget lines remained (although in a lesser number, enabling increased flexibility under each GPGC sub-theme). Basic procedures have not changed greatly, although global calls for proposals have been rationalised by grouping budgetary allocations over several years and launching bigger calls comprising several lots. Another efficiency gain is the increase in the minimum thematic programme grant size. This has, however, had the unintended consequence of making it more difficult to work with civil society, although sub-granting schemes can provide an alternative solution to smaller CSOs within bigger grants.

The introduction of the RF under DCI 2014-2020 represents a step forward to monitor EU development co-operation in particular at the field implementation level. However, it needs to be noted that the RF is stronger on measuring the quantitative dimension of results than it is on measuring the qualitative side, such as the depth and quality of partnerships formed. It does not make provision for monitoring scope, policy relevance, complementarity or synergies within or between instruments.

**EQ 4 on added value:** Particularly in the geographic component of the DCI the EU's financial weight is a secondary factor in determining added value. EU added value through DCI arises mostly through the EU's status as a supranational organisation, which forms a solid basis for relations with both third countries and other regional organisations, as well as for political and policy advocacy. The EU is perceived as a reliable dialogue partner, more neutral than individual Member States because it has no national interest to defend or advance but act in the EU common interest, particularly in trade, investment, and commerce. This allows to promote reform processes and related political and socio-economic changes without following a specific national agenda. In technical terms, the EU under DCI has particularly added value to processes of regional co-operation and integration. In the thematic components of DCI, the EU's financial weight is a more significant source of added value, because the EU's share in total donor support (both European and global) for responses to global challenges and for civil society is large. The latter is of special importance in a time of widely acknowledged reduced voice for civil society. European expertise in the area of global public goods and challenges has also emerged as a source of added value, especially so when the activities are well adjusted to the geographic country/regional context, and operates in coherence with other geographic activities (see EQ 5).

**EQ 5 on coherence, consistency, complementarity and synergies:** Examples of complementarity have been found both between components of DCI and between DCI and other instruments. However, these have not resulted from a consistent overall strategy. There is only limited evidence that the DCI, particularly in implementation, facilitates and actively promotes coherence, consistency, complementarity and synergies internally between its various components and vis-à-vis other EFIs.

Within DCI, the overall strategic model of using geographic programmes for long-term country support, CSO-LA for supporting hard-to-reach partners, and GPGC to support work on problems requiring global action, is valid. However, country-level coherence and complementarity between the geographic components and GPGC in programming and implementation has been a fre-

quently cited problem. Failure to achieve synergies between bilateral and regional programmes is another problem. By contrast, complementarity of CSO-LA with other DCI components and EFIs has been found to be good.

**EQ 6 on leverage:** The main DCI achievement in the area of leveraging additional funds has been the successful development of blending, as called for by the DCI Regulation. Based on annual reporting for 2015, significant leveraging of private sector support has taken place. Less successful has been the broader engagement with the private sector, which remains underdeveloped. A response is the proposed External Investment Plan, which has among its objectives an enhanced engagement with the private sector. A recent evaluation found that blending, particularly for projects approved in the earlier phases, did not reach its full potential but it has, in many instances, added significant value to the EU's grants-based development co-operation and also brought added value to International Financial Institutions (IFI) loan operations. More rigorous analysis of additionality (whether a grant is really needed) was recommended, and the evaluation noted, as well, that the full potential to benefit the poorest countries and poorest populations within better off ones has not yet been reached.

DCI assistance can also be leveraged in the form of policy influence. The EU has actively engaged in policy dialogue under the DCI budget support. The synergies between budget support and reform are strongest when there is a wider strategic partnership. When there is no such broad engagement, policy dialogue under budget support has tended to become technical and limited to questions of conditionality and the fulfilment of targets. Leverage via policy dialogue tends to be stronger at the ministerial or technical level than at the higher political level, particularly when the reforms under discussion are controversial. An exception here is the application of State Building Contracts in fragile states, which occurs only after long high-level policy dialogue. Furthermore, policy dialogue under specific Sector Reform Contracts has allowed broadening strategic partnerships on other more "political" sectors such as decentralisation, public finance management or electoral reform. The diminishing importance of ODA (see Conclusion 6) and increasing resistance to models of development stressing democracy and human rights are factors limiting EU policy dialogue effectiveness in these areas. This draws attention to the increasing importance of trade, investment, and commerce as areas in which to seek policy leverage.

## **Conclusions**

**Conclusion 1 DCI design:** The design of the DCI 2014-2020 successfully addressed commitments in the Agenda for Change and concerns raised in the 2011 Impact Assessment of the DCI 2007-2013. Based on a synthesis of all the conclusions below, it remains reasonably fit for purpose.

**Conclusion 2 Implementation and results:** The DCI 2014-2020 is contributing to positive development results and there has been progress in developing a framework for monitoring them at implementation level.

Goals in alignment, results-orientation, and differentiation have overall been met, but sometimes with unintended consequences, such as the fact that due to the latter the EU now lacks an adequate basis for development co-operation with Upper Middle Income Countries (UMICs) despite the persistence of poverty. There has been insufficient progress in mainstreaming democracy and human rights, including gender equality. Progress has been noted in the areas of climate change and environment, but more remains to be done to systematically and effectively integrate these themes across all sectors.

**Conclusion 3 The DCI as part of the architecture of EU external action 2014-2020:** While examples of complementarity have been found both within the DCI and between the DCI and other instruments, the internal architecture of the DCI and the architecture of EFIs as a whole remains complex and compartmentalised. There has been progress on joint programming with Member States, although it is still in its early stages and faces challenges.

**Conclusion 4 Leverage and value added:** Sustained EU engagement under the DCI has resulted in leverage at the level of sector policy, largely through targeting and monitoring. However, DCI-based leverage at the political level is weakening (see Conclusion 6), particularly in areas such as democracy and human rights. The EU's main sources of added value through DCI are viewed as being free of national bilateral interests, defending the EU common interest (particularly in trade, investment, and commerce), with a long experience with regional political and economic



integration, and as having substantive expertise (particularly in the area of global public goods and challenges). The EU's ability to raise controversial issues due to its supranational nature is a double edged sword: on one hand, it unquestionably adds value, but at the same time, Member States might not feel compelled to raise the same issues on a bilateral basis, especially where potential national interests would be at stake. The EU also adds value as a major supporter of global public goods work and civil society. There has been significant financial leveraging of DCI grant resources via blending, but otherwise little progress has been achieved on the formation of effective partnerships with the private sector.

**Conclusion 5 Efficiency, flexibility, and capacity:** The DCI is a complex and administratively demanding instrument and, despite changes in the DCI 2014-2020 Regulation, has only limited flexibility to adapt to new conditions or emerging concerns. This limited flexibility is less at the instrument level than at the level of programming and implementation. Administrative efficiency gains from consolidating thematic budget lines have been modest. A significant factor hampering the DCI instrument's performance is understaffing both in EUDs and at Headquarters (HQ).

**Conclusion 6 The growing challenges to the DCI instrument:** The context in which the DCI operates has changed. Its political and operational foundations have been weakened by a number of recent trends: the declining number of countries eligible for ODA, (a limited trend to date but one sure to accelerate in the coming years), the diminishing role of ODA in overall resource flows, shrinking aid budgets, the availability of non-ODA aid resources from non-DAC donors, increasing resistance to models of development stressing democracy and human rights, a reduced voice for civil society, and the rising importance of EU internal policy agendas (as reflected in the field of security and migration). Moreover, while the Sustainable Development Goals (SDGs) call for universal multi-actor partnerships at national and regional levels built on mutual interests in areas such as trade, investment, security, exchange of know-how related to policy problems and solutions, among others, and informed by a shared vision of democracy and human rights, the DCI has remained essentially an instrument reflecting a donor-beneficiary relationship.

### **Recommendations**

**Recommendation 1 Promoting multi-actor partnerships on global goals:** Under the DCI, the EU may wish to consider investing more heavily in long-term, value-driven, multi-actor partnerships at country, regional, and global levels in line with the SDG agenda using non-development policies as well as ODA to promote action on common global concerns (e.g. climate change and environment, trade) with due recognition of European interests.

**Recommendation 2 Mitigating compartmentalisation between DCI components to enhance synergies:** The EU may wish to consider mitigating the compartmentalisation between the different DCI components and sub-components, by enhancing information flows and putting in place tools and processes to strengthen working across the DCI. To this end, greater involvement of EUDs in country-specific decisions in the framework of regional and global programmes would be beneficial for better enhancing the complementarity and synergies of such support with bilateral geographic programmes. At the level of thematic decisions, existing consultation schemes like the Quality Support Group should be made more visible to EUDs via their HQ geographic desks representing them, as there seems to be an information gap in that respect. Capacity needs at both HQ and in the EUDs would need to be reviewed in the course of such an assessment.

**Recommendation 3 Constructing a better platform for co-operation with Middle Income Countries (MICs) and Upper Middle Income Countries (UMICs):** The EU may wish to consider making adjustments to the framework for co-operation with graduated and soon-to-graduate countries. While graduation has served the purpose of quantitatively freeing resources for Least Developed Countries (LDCs) and has put the onus on UMICs to develop own-policies and mobilise own-resources for development, it has, on the whole, also restricted opportunities for development co-operation. The transition to MIC and UMIC status and the resulting need for a different partnership between the EU and those countries needs to be addressed in light of the persistence of widespread poverty in MICs / UMICs and the emphasis on universality in the SDGs.

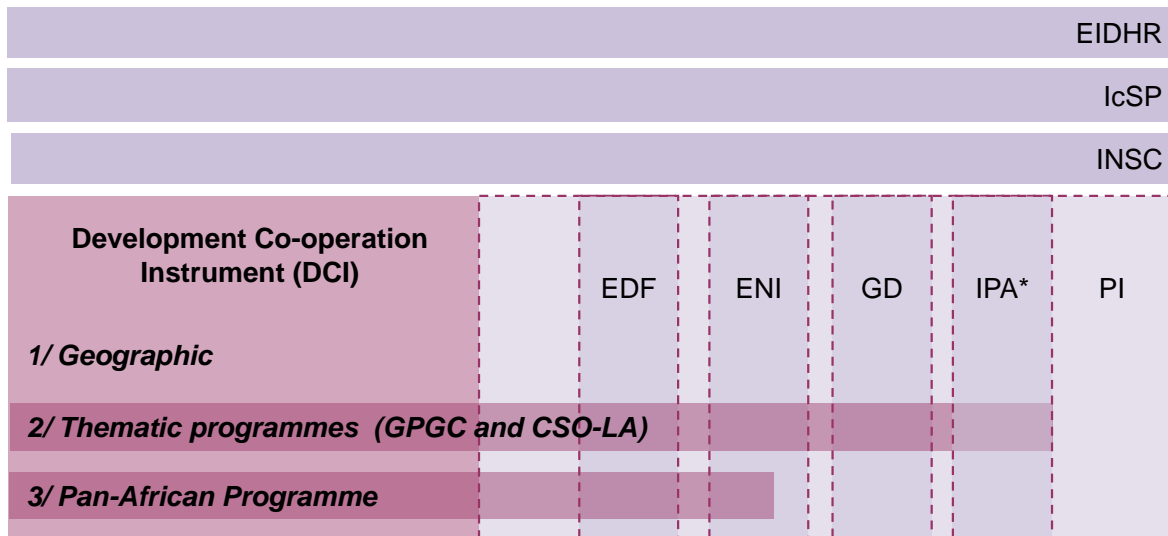
## 1 Introduction

The evaluation of the Development Co-operation Instrument (DCI) for the period 2014 to June 2017 will, together with parallel evaluations of other External Financing Instruments (EFIs)<sup>2</sup> under the Multiannual Financial Framework (MFF) 2014-2020, feed into the Mid-term review (MTR) report. The MTR is required by the Common Implementing Regulation (CIR) Article 17, by the end of December 2017.

The evaluation assesses whether the DCI is fit for purpose to deliver EU resources for implementation of the EU's development and external action policy, both at start of the planning period (2014) and currently (2017) and considers the place of the DCI - its complementarities and synergies - within the wider set of external financing instruments.

The DCI is one of the EU's instruments for development co-operation policy. The instrument is characterised by its wide geographic and thematic scope and its interfaces with other EFIs.

Figure 1 Scope and interfaces of DCI in relation to other EFIs



\*IPA countries are only eligible for CSO-LA Priority 3 Development Education and Awareness Raising initiatives fostering citizens' awareness of and mobilization for development issues.

The DCI is financially the largest instrument within the EU budget of the instruments providing support for the EU's external policies. The DCI covers all the developing countries except the countries eligible for the Instrument for Pre-accession Assistance (IPA II). The budget allocated under the DCI for the period 2014-2020 is EUR 19.6 billion. There are three specific components included:

- Geographic programmes aimed at supporting development co-operation with developing countries that are included in the list of recipients of ODA (EUR 11.8 billion).<sup>3</sup>
- Thematic programmes to address development-related global public good and challenges (GPGC with an allocation of EUR 5.1 billion) and support civil society organisations and local authorities (CSO-LA with an allocation of EUR 1.9 billion)
- Pan-African programme to support the strategic partnership between Africa and the EU to cover activities of a trans-regional, continental or global nature in and with Africa (EUR 0.8 billion).<sup>4</sup>

<sup>2</sup> The following EFIs are concerned: Evaluation of the Development Co-operation Instrument (DCI), European Neighbourhood Instrument (ENI), Instrument for Pre-Accession Assistance (IPA-II), European Instrument for Democracy and Human Rights (EIDHR), Partnership Instrument (PI), Instrument contributing to Stability and Peace (IcSP), Instrument for Nuclear Safety and Co-operation (INSC), Greenland Decision (GD), 11th European Development Fund (EDF), and the Common Implementing Regulation (CIR).

<sup>3</sup> Except for countries that are 1/ signatories to the ACP Partnership Agreement (excluding South Africa), 2/ eligible for the European Development Fund, 3/ eligible for the European Neighbourhood Instrument (ENI), 4/ beneficiaries eligible for funding under the Instrument for Pre-accession Assistance (IPA II).

## 2 Methodology

### 2.1 Key methodological elements

**The evaluation is evidence based** and employs a non-experimental mixed methods approach combining quantitative and qualitative data. A mixed approach is indicated by the fact that this evaluation is at the level of a financing instrument, not a specific action or programme of actions. The evaluation is being implemented between June 2016 and June 2017, taking place at the mid-point of the 2014-2020 MFF, with a focus on the design and implementation of the DCI between 2014 and 2016 (to the extent possible until 2017).

The **intervention logic (IL) which has been reconstructed plays an important role** in explaining the interfaces of the DCI with other instruments and actors, detailing underlying assumptions and illustrating how the DCI is expected to bring about the desired changes. The IL has been adjusted throughout the evaluation process to reflect discussions with key stakeholders and emerging findings.

The evaluation is **guided by Evaluation Questions (EQs)** covering EU evaluation criteria (relevance; effectiveness, impact and sustainability; efficiency; added value; coherence, consistency, complementarity and synergies; leverage). The main analytical tools consisted of a **rigorous analysis of relevant information in documents, analysis of statistics and quantitative data and the consultation of stakeholders** (via interviews, group consultations, an EU Delegation (EUD) survey and an internet-based Open Public Consultation or OPC).<sup>5</sup> As a general rule, the situation on 1 January, 2014 is taken as the baseline for all EQs, however, evidence from the previous MFF (2007-2013) was considered relevant to understand the origins of innovations introduced in the 2014-2020 DCI. Evidence from 2007-2013 was also considered relevant when it was judged that there was substantial continuity in trends between the two MFFs. In the specific case of the CIR the Terms of Reference called for experience in 2014-2020 to be compared with experience in 2007-2013.

To ensure a high level of data reliability and validity of conclusions, information has been triangulated to the greatest extent possible using various sources to generate and test findings. More precisely, the evaluation collected, reviewed and analysed more than 2,000 documents and conducted more than 150 interviews (including EU HQ staff, EUD staff, EU Member States (MS) representatives in the field and DCI Committee Members, Civil Society representatives, beneficiaries and others). An EFI-wide survey to all EU Delegations yielded 84 responses.<sup>6</sup> Moreover, to test findings, hypotheses and assumptions, field missions were conducted to Cambodia, Bangladesh, Bolivia and Ethiopia during October/November 2016.<sup>7</sup>

### 2.2 Intervention logic

An instrument-level IL with underlying assumptions was reconstructed in the inception phase based on major policy documents<sup>8</sup> and discussions with stakeholders. During the desk and validation phases that followed, information on the DCI's design, performance and interface with other instruments was collected and processed under the different EQs. The reconstructed intervention logic of the DCI was re-examined at the end of each of these two phases, aiming to update it or modify it to better present the links and assumptions underlying the logic of the in-

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<sup>4</sup> DCI Regulation (Regulation (EU) No. 233/2014 of the European Parliament and of the Council of 11 March 2014 establishing a financing instrument for development co-operation for the period 2014-2020).

<sup>5</sup> For more details on the Consultation Strategy, please refer to Annex 3.

<sup>6</sup> From a total of 131 EUDs contacted.

<sup>7</sup> Further information on the rationale for selection of field mission countries, persons interviewed and documents consulted can be found in volume II.

<sup>8</sup> The IL was constructed based on three main sets of documents. The first consists of general statements of principle such as the Consensus (2006) and the Agenda for change (2011). The second set is more specific and consists of the DCI Regulation (Regulation (EU) No. 233/2014 of the European Parliament and of the Council of 11 March 2014 establishing a financing instrument for development co-operation for the period 2014-2020) and the CIR Regulation (Regulation laying down common rules and procedures for the implementation of the Union's instruments for financing external action). The final set consists of programming / strategy documents, including MIPs 2014-2020 for the Pan-African Programme, CSO-LA, and GPGC instruments and selected regional and country MIPs for the geographic instrument.



strument. This process also included assessing findings and conclusions against the assumptions identified in the IL. This IL, presented in Figure 2, visualises the interfaces of the DCI with other EFIs and identifies actors and assumptions underlying the DCI logic. The overarching goal of DCI is to support endogenous processes towards the achievement of the Millennium Development Goals (MDGs) until 2015 and the Sustainable Development Goals (SDGs) as from 2016.

### *Rationale and context*

The DCI 2014-2020 provided the EU with a financing instrument to respond to the European Consensus on Development and Agenda for Change principles, objectives and priorities, specifically to establish a framework for development co-operation with:

- Countries and regions not eligible for the European Development Fund (EDF), European Neighbourhood Instrument (ENI), IPA (largely through geographic bilateral and regional programmes);
- At global level, to address shared challenges requiring a shared approach (largely through GPGC) and with CSOs and LAs in partner countries and (when appropriate) in EU and other countries (largely through CSO-LA);
- Africa in its continental dimension through the Pan-African Programme.

Underlying this set of actions is the principle of complementarity and coherence, enshrined in the Preamble of the DCI Regulation.<sup>9</sup> In accordance with the Lisbon Treaty, the programmes and policies promoted by the DCI must be coherent with other initiatives for external action. At the same time, the EU's commitment to Policy Coherence for Development (PCD) calls for consideration, in all EU policies, of likely impacts on the objectives of development co-operation. The DCI Regulation 2014-2020 called for a significant change in structure compared to its predecessor, of which the most important was the consolidation of the previous five thematic programmes into two thematic programmes. According to the DCI Regulation 2014-2020 (Art. 6), at least one of the following conditions should be satisfied to justify the programming of thematic actions:

- Policy objectives cannot be achieved in an appropriate or effective manner through geographic programmes (including non-existence, suspension or non-agreement on actions with partner countries);
- Actions address global initiatives supporting internally agreed development goals or global public goods and challenges;
- Actions have a multi-regional, multi-country and/or cross-cutting nature;
- Actions implement innovative policies or initiatives with the objective of informing future actions;
- Actions reflect a European Union policy priority or an international obligation or commitment of the Union relevant to development co-operation.

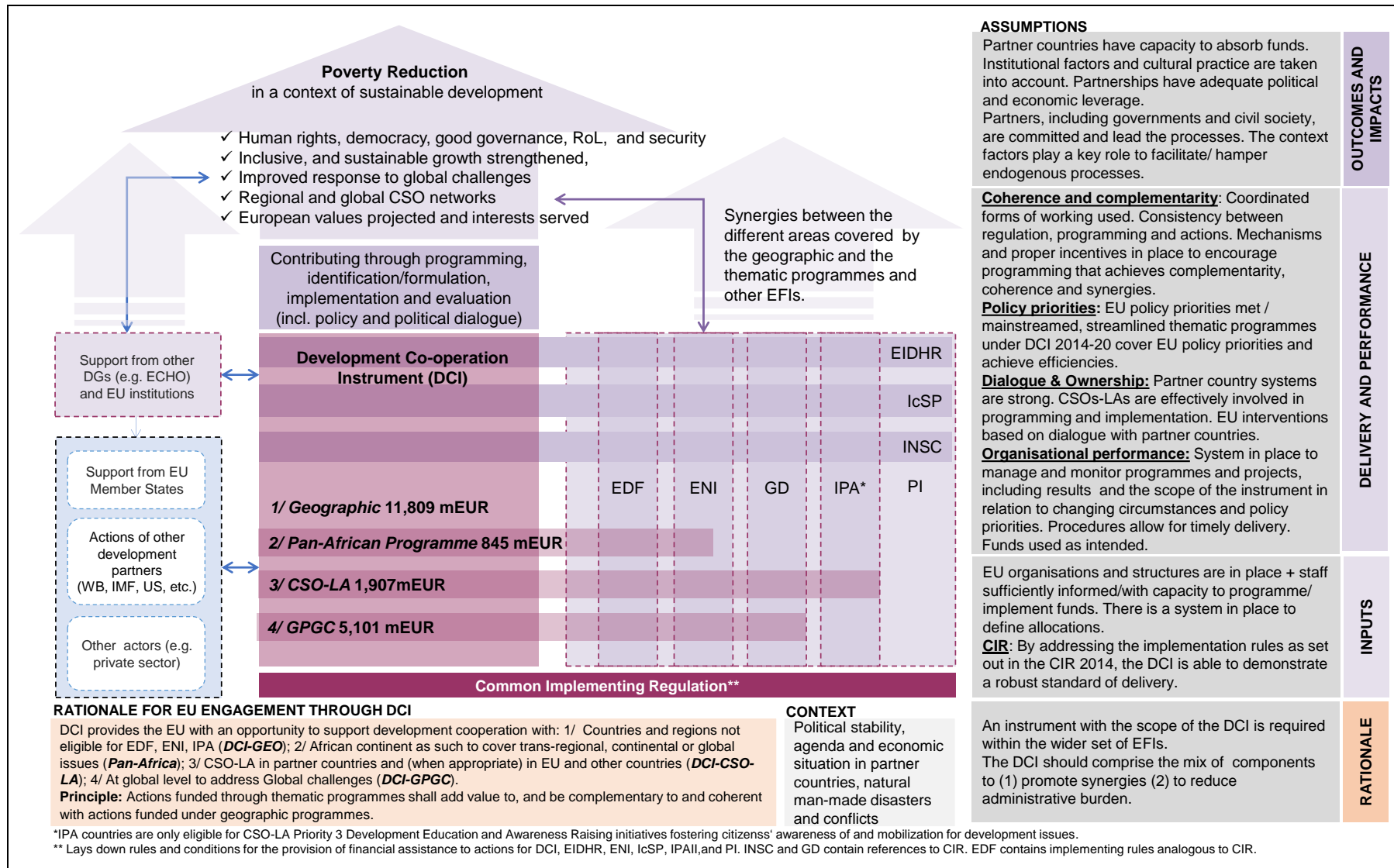
The DCI 2014-2020 also involved significant changes in content such as the addition of the Pan-African Programme to support continent-wide co-operation for implementation of the Joint Africa-EU Strategy. In contributing to the design of the DCI 2014-20, a Commission Staff Working Paper<sup>10</sup> had identified a number of issues experienced in DCI 2007-2013 to be addressed.<sup>11</sup> It also suggested objectives for the new instrument to respond to these issues.

<sup>9</sup> Regulation (EU) No. 233/2014 Preamble Paragraphs (8), (10), (16) and (17).

<sup>10</sup> Commission Staff Working Paper Impact Assessment accompanying the document "Regulation of the European Parliament and of the Council establishing a financing instrument for development co-operation," SEC(2011) 1469 Final, 7 December, 2011.

<sup>11</sup> These were (i) the need for better alignment with policy developments, (ii) better differentiation between partner countries, (iii) better embedding of good governance, democracy, human rights, and rule of law, (iv) improved strategic co-operation with Africa as a whole, (v) over-fragmentation of thematic programmes, (vi) crisis, post-crisis, and fragile state problems, the need for greater flexibility in funds allocation, and (viii) the need for more flexible programming processes and streamlined implementation rules.

Figure 2 DCI logic 2014-2020



The DCI Regulation emphasises the leadership of the partners<sup>12</sup> in the implementation of development processes. Therefore, contextual factors whose shape and dynamics will facilitate or hinder DCI in achieving its results include:

- Conditions of political stability in partner countries;
- Existing political agendas in partner countries, including governments and/or NGOs;
- Specific economic situations in partner countries;
- Existence of natural or man-made disasters, catastrophes, and conflicts.

### **Inputs**

DCI relies on the financial and human resources of the European Commission, the European External Action Service (EEAS) and the EUDs. Important assumptions are thus (i) that EU organisations and structures are in place and that there is staff sufficiently informed/with capacity to programme/ implement funds, (ii) there is a system in place to define allocations, and (iii) by addressing the implementation rules as set out in the CIR 2014, the DCI is able to achieve a robust standard of delivery. (*Link with EQ 1, 2 and 3*)

### **Delivery and performance**

DCI's structured programming process includes joint programming with EU MS and co-operation agreements with other development partners and actors (e.g. third countries, UN organisations). Key actors in such activities are EEAS, the Directorate-General for International Cooperation and Development (DG DEVCO) HQ, EUDs, line DGs, and - when joint programming applies - EU MS and other donors. Key actors in the identification and formulation process are DEVCO HQ, EEAS, etc. as above, partner country governments and actors such as civil society, as well as European advocacy groups. Implementation is governed by the CIR.<sup>13</sup> Implementation modalities are adaptable, flexible, and may be combined: these include general and sector budget support and projects (grants and blending). Key actors in implementation are partner countries, CSOs-LAs, international organisations and EU MS.

The following main assumptions have been identified:

- **Coherence and complementarity:** Coordinated forms of working (e.g. within HQ, between HQ and EUDs and with partners) used. Consistency exists between regulation, programming and actions. Mechanisms and proper incentives are in place to encourage programming that achieves complementarity, coherence and synergies.
- **Policy priorities:** EU policy priorities met / mainstreamed, streamlined thematic programmes under DCI 2014-20 cover EU policy priorities and achieve efficiencies.
- **Dialogue & Ownership:** Partner country systems are sufficiently strong to undertake co-operation. CSOs-LAs are effectively involved in programming and implementation. EU interventions based on dialogue with partner countries.
- **Organisational performance:** Systems are in place to manage and monitor programmes and projects, including results and the scope of the instrument in relation to changing circumstances and policy priorities. Procedures allow for timely delivery and funds are used as intended.

(*Link with EQ 2, 3 and 6*)

As a result of these activities, programming documents respond to key EU standards. Projects and programmes are aligned with partner government policies, policies of other recipient institutions, they respond to EU and international priorities and principles, and they evolve according to the changing context. Efficient and effective implementation, in line with the CIR, is ensured so as to provide partners with new opportunities, increased capacities and tools to strengthen their progress toward sustainable development. Coherence, complementarity, and

<sup>12</sup> See Art 3, 8 (a).

<sup>13</sup> The 2014 CIR was designed to unify procedural and some substantive provisions for financing, implementation and evaluation that existed already in the pre-2014 Regulations. It also introduced a number of modifications aiming at simplification, harmonisation and increased flexibility.

synergies both between the components of DCI and between DCI and other EFIs will be attained. (*Link with EQ 5*)

Taken as a whole, EU development co-operation through the DCI is expected to add value through (i) the EU's impartiality and leading role on the international stage, (ii) its critical mass, (iii) its ability to co-ordinate (particularly the co-operation actions of its MS), (iv) its financial leverage, and (v) its commitment to transparency and accountability. (*Link with all EQs 4 and 6*)

It is assumed that new opportunities (for co-operation), capacities (e.g. in areas of concern such as gender equality) and tools (e.g. thematic toolkits and means of leveraging resources) will be created through the DCI 2014-2020 and that these will be appropriated by partners and enhance their own processes for pursuing sustainable development. In particular, at country level they will be used to put in place stronger policies and strategies, improve public investment and enhance the role of CSOs-LAs as development actors. At Pan Africa level, they will contribute to strengthen continental peace and security, infrastructure development and trade, science and technology, and strengthen implementation of the Joint Africa-Europe Strategy (JAES). At the level of GPGC, it is assumed that the global coalitions will be empowered to address the global challenges.

### **Outcomes and impacts**

Combined, the outputs should lead to the following outcomes in the short to medium term:

- Improvements in human rights, democracy, good governance and security;
- Strengthening inclusive, participatory and sustainable growth for multidimensional human development in DCI countries and regions and on the African continent;
- Improved responses delivered to address global challenges;
- Strengthening of regional and global CSO networks;
- European values projected and interests served.

A number of assumptions underlie these outcomes. First, partner countries must have the capacity to absorb funds and benefit from programmes/projects. Second, cultural practices as well as the political context must be taken into account. Third, partnerships need adequate political and economic leverage and the partners must be committed and lead the processes. Where contextual factors would negatively affect endogenous changes, it is assumed that these are identified and appropriately mitigated. Where contextual factors would facilitate endogenous changes, their effects are strengthened through appropriate measures.

Once the outcomes are consolidated through continued political commitment and adequate policies, so as to become resilient to adverse factors in the longer term, the SDGs should be achieved, *in primis*, the eradication of the poverty. (*Link with EQ 1 and 2*)

### **2.3 Challenges and limitations**

**Point in the MFF:** The current DCI came into being on 1 January, 2014. As a number of projects under DCI 2014-2020 only started in 2015 or later, it is too early to assess their results, impact, and sustainability. Where there was continuity with, and carry-over from, the DCI 2007-2013, evaluations referring to that time period as well as data from the EU Results Framework (RF) on DCI projects were utilised. Moreover, to the extent feasible, the evaluation assessed if implementation is on track against a number of indicators (see EQ 2 and EQ 3 for more information).

### 3 Responses to the evaluation questions

#### 3.1 EQ 1 on relevance

**To what extent do the overall objectives (DCI Regulation, Article 2) and the objectives of each of its three components, the designated areas of co-operation (DCI Regulation, Annexes I, II, III) and the design of the DCI respond to:**

**(i) EU priorities and beneficiary needs identified at the time the instrument was adopted (2014) and (ii) Current EU priorities and beneficiary needs, given the evolving challenges and priorities in the international context (2017)?**

DCI objectives, component elements and design were relevant from the perspective of EU development policy priorities as well as aid management concerns at the time the DCI was adopted (2014). Lessons of the past as reflected in the 2011 Impact Assessment of the DCI, were incorporated in the new Regulation. The political choice for a DCI with three main components (geographic programmes, thematic programmes, the Pan-African Programme) was strategically justified. The DCI was a comprehensive tool for EU policy-driven co-operation that can be applied in different country contexts, providing a good balance between geographic and thematic components– a document review finding confirmed by EU staff both at HQ and in EU Delegations. Strategic congruence with partner countries' needs could be observed in a growing alignment of EU support to national development plans as well as an enhanced use, where possible, of national systems (as documented in responding to EQ 2). Yet the relevance of the DCI was less evident from the perspective of many partner countries as stakeholders often disagreed on the place and weight to be given to governance/human rights issues, core global public goods such as migration and climate change, or CSO-LA participation in domestic policy and co-operation processes.

Regarding the DCI's flexibility to adapt to changes in the international/EU context (i.e. Agenda 2030, the Paris Agreement on Climate, the EU Global Strategy on Foreign Policy and Security, pressing EU internal policy priorities) a mixed finding emerges. From a substantive point of view, the EU has been trying with some success to integrate these new policy agendas and internal priorities by mobilising the DCI. Yet in a number of graduated but also soon-to-graduate countries, the geographic programmes can no longer be applied to poverty reduction.<sup>14</sup> The blending modality, while progress has been made, needs to better strive for relevance to the poorest countries and the poorest populations within better-off ones.

##### 3.1.1 Relevance of the DCI as designed to EU priorities and beneficiary needs

**The formulation of the DCI Regulation 2014-2020 was the product of a complex negotiating process between EU institutions and MS, reflecting compromise between the interests of the various parties involved.** Under the DCI, the EU may finance: (i) geographic programmes; (ii) thematic programmes (i.e. the Global Public Goods and Challenges (GPGC) and Civil Society and Local Authorities (CSO-LA)); and (iii) the Pan-African Programme to support the strategic partnership between Africa and the Union (Article 1, DCI Regulation).

The 2011 Commission Staff Working Document related to the DCI Impact Assessment<sup>15</sup> shines a light on what was at stake during the formulation of the DCI 2014-2020. It reviewed successes, areas of needed improvement and lessons learnt – including the need to integrate a growing number of EU internal policies (e.g. justice, security) into external actions. Based on this, it identified several “*drivers of DCI problems*,” including: (i) limited alignment of objectives to latest EU policy developments; (ii) lack of differentiation; (iii) insufficient integration of human rights, democracy, and good governance concerns; (iv) absence of a framework to sup-

<sup>14</sup> “Graduation” refers to the rise from lower middle income to upper middle income country status according to the OECD classification. Graduated countries are no longer eligible for ODA. See a current listing at <https://www.oecd.org/dac/stats/documentupload/DAC%20List%20of%20ODA%20Recipients%202014%20final>.

<sup>15</sup> SEC(2011)1469 final Commission Staff Working Paper Impact Assessment. Accompanying the document Regulation of the European Parliament and of the Council establishing a financing instrument for development co-operation.



port strategic co-operation with Africa as a whole; (iv) a fragmentation of thematic programmes hampering a comprehensive response to global problems; (v) limited consideration of specific needs in crisis, post-crisis and fragility situations; (vi) insufficient flexibility in fund allocation; and (vii) a complex programming process and stringent implementation rules.

In order to assess the relevance of the DCI 2014-2020, this response to the first evaluation question focuses on the extent to which these issues were addressed in the 2014 Regulation. To this end, the following section will examine how relevant the DCI 2014-2020 was in the light of (i) EU policy priorities; (ii) EU managerial (i.e. aid management and operational) reforms; and (iii) evolving partner country agenda. Effectiveness in implementation is covered in EQ 2.

### (i) Relevance of DCI (when adopted in 2014) with regard to core EU policy documents

Document analysis<sup>16</sup> shows that the **objectives of the overall DCI Regulation** and its three types of programmes **were in line with the EU's seminal policy document *Agenda for Change* (2011)**, as reflected in the reaffirmation of poverty reduction as the primary aim of DCI (in line with EU treaties and the MDG agenda) and in a stronger focus on inclusive growth and governance as vehicles to reduce poverty. The DCI list of objectives (Art. 2) was further enriched by the Communication *Global Europe: a New Approach to Financing EU external action* (2011)<sup>17</sup> which stressed the need to include "European interests" in all forms of EU external action (e.g. by promoting values, addressing global challenges or dealing with security). The specific relevance of the **geographic, thematic, and Pan-African components of DCI** is discussed below.

**Evidence from the EUD survey largely confirms that the DCI is a relevant, comprehensive tool for policy-driven development co-operation.** Almost all participating EUDs (87%) indicate that the DCI offers a suitable menu of options to deal with development priorities, to engage in different policy areas and to reach out to a variety of partners (e.g. public actors, civil society, private sector). In EUD field mission interviews, the point was made that problems with the DCI were not in instrument design, but rather implementation (in the form of heavy administrative and procedural requirements; see EQ 3). When the DCI cannot be deployed, other EFIs such as the European Initiative for Democracy and Human Rights (EIDHR), the Instrument contributing to Stability and Peace (IcSP) or the Partnership Instrument (PI) are available to complement the EU response strategy at various levels (national, regional, continental) (see EQ 5 for examples of successful complementarity as well as opportunities missed). The existence of instruments that can be used by the EU for interventions in sensitive areas (e.g., human rights, gender equality, civil society) is particularly important, as these types of issues cannot often be easily mainstreamed in bilateral programmes to which government is a party.

Thus, document analysis and evidence from EUDs suggests that the DCI 2014-2020 was well aligned to EU policy objectives prevailing in 2014. Furthermore, both the analysis of the Multi-annual Indicative Programmes (MIPs) and the field missions indicate that the above-mentioned **EU development policy / DCI objectives were, on the whole, translated into the national, regional and thematic programming documents.** EQ 2 addresses how effectively these commitments were translated into implementation.

Looking at the details of the various components of the DCI, the following specific observations can be made regarding relevance:

- Building on the Agenda for Change, **the DCI Regulation 2014-2020 upgraded the status of democracy, rule of law and human rights (including gender equality).** These principles are seen to be "essential for the development of partner countries" and should therefore be "mainstreamed in the Union's development policy" (see pre-

<sup>16</sup> Based on comparison between DCI Regulation (Regulation (EU) No 233/2014) and other important policy documents. Examples include COM(2011) 637 final: *Increasing the impact of EU Development Policy: An Agenda for Change*, COM(2011) 865 final *Global Europe: A New Approach to financing EU External Action*.

<sup>17</sup> EU (2011): Joint Communication to the European Parliament and the Council *Global Europe : A New Approach to financing EU external action/COM/2011/0865 final*.

amble, paragraph 7 of the DCI Regulation). However, while relevant from a European perspective (i.e. promotion of core EU values in external action), a recent external review of 148 strategic evaluations managed by DEVCO in the period 2000-2015, suggests that many partner governments across regions are reluctant to engage with the EU on this governance / human rights agenda.<sup>18</sup> The EUD survey confirms how challenging it can be in particular DCI countries to address controversial human rights related issues in a meaningful way. Academic literature confirms increasing resistance to the European model of liberal democratic development – a model calling for respect for human rights, rule of law, freedom of expression and association, political plurality, etc.<sup>19</sup>

- The DCI Regulation **acknowledged the EU priority to address global challenges as a core European interest** in a more structured manner, using both the geographic and thematic programmes.<sup>20</sup> It further specified that the Regulation should contribute *“to the objective of addressing at least 20 % of the Union budget to a low carbon and climate resilient society, and the ‘Global Public Goods and Challenges’ programme should use at least 25 % of its funds to cover climate change and environment”* (preamble, paragraph 21).<sup>21</sup> In principle, strategic congruence could be expected on this global agenda with partner countries. Yet in practice, these internal Union policies and global challenges (e.g. climate change) were often considered **less strategic and relevant by DCI partner countries**. This obliged the EU to push some of these agenda mainly through the regional programmes and the GPGC thematic programme.<sup>22</sup>
- The DCI focus on **countries most in need, in particular least developed countries (LDCs) and fragile states / countries in crisis or post-crisis was relevant as it helped to operationalise the core objective of poverty reduction**. However, despite the availability of more policy guidance, HQ support, training opportunities for staff and greater procedural flexibility, implementation in fragile, crisis, and post-crisis

<sup>18</sup> Review of strategic evaluations managed by DEVCO to assess the European Consensus on Development. Final Report, October 2016. While the review also looked at evaluations outside the DCI (e.g. country level evaluations which receive bilateral allocations via the EDF), more than 20 DCI country /regional level evaluations were taken into account. In addition, the majority of thematic evaluations analysed contain DCI programmes on various topics (e.g. health, environment, private sector). The review concludes (p. 47) that *“the results are mixed. PFM-related reforms have been rather successful, as has the support to electoral processes. The results in the area of HR are often fragmented and compartmentalised. In judiciary and security reform, results are conditioned by the political commitment of the partners, the limited leverage of the EU, and the difficult mainstreaming (as in the other areas). They are also affected by the quality of the strategy, which has been strongly state-centered and supply driven, with limited attention to the involvement of the non-state actors and the participation of the end-beneficiaries.”*

<sup>19</sup> See Youngs R. 2015. *Exploring Non-Western democracy*. Journal of Democracy, October 2015, Vol 26, Issue 4, pp. 140-155. The issue of the “global pushback” of Western models of democracy is also analysed in Carothers, T and S. Brechenmacher. 2014. *Closing Space: Democracy and human rights support under fire*. Carnegie Endowment for International Peace.

<sup>20</sup> The DCI preamble (paragraph 18) states unambiguously that *“in a globalised world, different internal Union policies such as environment, climate change, promotion of renewable energies, employment (including decent work for all), gender equality, energy, water, transport, health, education, justice and security, culture, research and innovation, information society, migration and agriculture and fisheries are increasingly becoming part of the Union’s external action.”*

<sup>21</sup> In Annex IV of the Regulation it was further stipulated that, taking mainstreaming into account, (e.g. in Food and Nutrition Security and Sustainable Agriculture, Human Development, etc., at least 50% of GPGC funds should be devoted to climate action and environment-related objectives.

<sup>22</sup> As also discussed under EQ 2. In the area of environment and climate change, a large role was played by the thematic line GPGC (EUR 1,327 m) as well as by the regional programme actions such as “Green economy” in Asia (EUR 441 m) and “Environmental Sustainability and Climate Change” in Latin America (EUR 300 m). GPGC has been a major source of finance for the Global Climate Change Alliance and its successor GCCA+. However, at national level, only four DCI countries include environment and climate change as a focal sector (Bolivia, Nicaragua, Maldives, and Tajikistan). In health, GPGC plays a dominant role for financing global health initiatives such as the Global Fund Against AIDS, Tuberculosis and Malaria; the Global Alliance for Vaccines and Immunisation, and global diseases of poverty research programmes implemented by the WHO. However, the prominence of health as a national focal sector has been declining, and at present only two national programmes (Afghanistan and Tajikistan) include health as focal sector. On food and nutrition a more balanced picture emerges, with substantial contributions from both GPGC (e.g., to the Consultative Group on International Agricultural Research) as well as geographic programmes.

states continues to be hampered by the difficult national / local situation, the sometimes weak or inconsistent quality of analysis of the political economic landscape by donor agencies including the EU as well as by a host of operational limitations to effective action linked to the difficult environment (further discussed under EQ 2).

- In line with international and EU policy commitments<sup>23</sup>, **the DCI Regulation has defined clear ambitions to reach out to “all segments of society” in development and dialogue processes.** This holds particularly true for parliaments, local authorities and CSOs regarding participation, oversight and accountability (see Article 3, par. 8, point c). **The DCI 2014-2020 could therefore be considered as relevant** and coherent with the EU’s stated participatory agenda. Yet, as in the case of governance and human rights, the **operational relevance of these provisions is less evident.** Document analysis, including the external review of EU strategic evaluations in the period 2000-2015 (referenced above), shows that EU co-operation under DCI (and other EFIs) remains centralised, leaving **limited space for meaningful participation** of non-governmental national actors (civil society organisations, local authorities, and the private sector) in domestic policy processes and strategic dialogue and co-operation with donors. The EU has made specific efforts to create, as well as defend, space for effective involvement of these other actors in development (confirmed, for example, in meetings with civil society organisations during field missions). Under EQ 5, the good complementarity between the CSO-LA programme and DCI-geographic is discussed. Yet the DCI, and specifically its geographic component, despite ambitions for fostering multi-actor approaches, remains centred largely around EU-government partnerships.<sup>24</sup>

### **(ii) Relevance of DCI (at the time of its adoption in 2014) with regard to core EU aid management reforms**

Most of the “*drivers of DCI problems*” identified by the 2011 EU’s Impact Assessment are linked to managerial / implementation challenges that reduced the **operational relevance** of the instrument. This resonates with field mission interviews, where concerns expressed regarding the DCI had less to do with its design than with challenges in implementation (see also EQ 3). In this section it is examined how the new DCI Regulation sought to address the managerial concerns that negatively affected the relevance of the DCI 2007-2013.

One of the key managerial reforms introduced by the Agenda for Change was the need to (i) differentiate EU co-operation responses between countries and (ii) concentrate aid resources in a limited number of sectors in order to enhance the chances of leverage and impact.

As found under EQ 2, the DCI 2014-2020 has succeeded in applying graduation and adjusting the financial allocations to DCI countries still eligible for Official Development Assistance (ODA) (i.e. “quantitative differentiation”). Yet, **the shift towards new forms of co-operation partnership between the EU and graduated countries (as well as countries close to graduation) has been challenging.** This is linked to several factors, including the need to find areas of common interest and translate these into concrete programmes; the need for more effective use of EFIs other than the DCI; the new skills required to forge such partnerships, etc. The EU confronts a dilemma: these countries are no longer suitable targets for classic ODA but they nonetheless experience significant poverty problems, play a major role in the production of global public goods, and present significant challenges in areas such as human rights, gender equality, and rule of law.

**Guidelines on concentration in a limited number of focal sectors**, developed jointly by EEAS and DEVCO, **have been largely respected although not without some reluctance from EUDs and HQ staff** who felt constrained by such instructions. Furthermore, while programming originates at country level, priorities are sometimes adjusted at EU HQ, with the attendant risk of reducing relevance to partner needs and priorities. Many persons inter-

<sup>23</sup> Such as the Busan Outcome Document (2011) and the EU’s Agenda for Change (2011).

<sup>24</sup> As confirmed by the above-cited Review of Strategic Evaluations (October 2016) which concluded that the “consolidation and mainstreaming of the strategic role of CSOs, non-state and decentralised actors in development processes – including in the identification of the country priorities and the association to the main programmes - is still a challenge.”



viewed, perhaps not surprising at EUD level during field missions, but in EU HQ as well, have characterised the priorities of the DCI instrument, at least at programming level, as largely HQ-driven.

For the MFF 2014-2020, **the EU standardised the programming processes to be applied in EDF and DCI – with one goal among others being to ensure stronger alignment with national and regional development strategies as a prerequisite for greater ownership and impact.** Document analysis and field visits indicate that this has encouraged alignment of EU programming with national development plans, at least in formal terms (including the flexibility to deviate from them when EU and governmental priorities differ) and has been well received by partner countries. While budget support has been extensively used (see EQ 2), the traditional project modality is still dominant in some countries, and it is sector budget support that is increasingly favoured, not general budget support (arguably the most aligned of all forms of support). This reflects a growing recognition by EUDs that the choice of a suitable mix of aid modalities depends on context-specific realities; it reflects, as well, EU MS concerns (revealed in MS representative interviews) about the transparency and accountability of some national systems.

### **(iii) Rationale for including three different components**

**Because of their political weight and ability to provide long-term support to governments, the geographic programmes are central to the DCI.** Yet during the formulation of the DCI it was deemed useful by the EU institutional actors involved in the negotiation process to add three complementary components: two thematic programmes and the Pan-African Programme.<sup>25</sup>

Based on document analysis, the EUD survey and field visits, **the two thematic programmes (GPGC and CSO-LA) are relevant and coherent with EU policy objectives.** These build on a longstanding EU tradition of providing transversal thematic support.<sup>26</sup> This is justified by the need (i) to focus strategically on core EU priorities by flexibly complementing geographic interventions or (ii) to target actors that could otherwise not easily be reached. An advantage is that spending on thematic lines does not require the prior authorisation of the partner government. This gives the EUDs leeway to work on sensitive issues or engage with critical civil society / human rights organisations, even in difficult environments. GPGC ensured that the EU could, regardless of government priorities, support work in areas (i) of direct impact on the EU via global public good logic or (ii) central to inclusive and sustainable development in accordance with European values. The complementarity of these thematic programmes contributed to the relevance of the DCI. **In sum, the complementarity of the geographic and thematic programmes of DCI enhanced the relevance of the instrument.**

However, in implementation, the thematic CSO-LA programme has struggled to fulfil its mandate when confronted with a reduced voice for civil society, which is closely related to increasing resistance to models of development stressing democracy and human rights. While 104 EU Delegations together with the MS adopted their EU roadmap for engagement with Civil Society and started implementing it between July 2014 and December 2016, the need for tighter, more politically driven and integrated implementation of the roadmaps has been flagged. On the whole, there has been progress on increasing the involvement of actors. However, there has been less progress on increasing the involvement of LAs as compared to CSOs, a finding confirmed by both HQ and field interviews. This holds particularly true for participating in dialogue and programming processes, as well as access to EU funding. The latter is in part due to the use of the call for proposals modality which is not compatible with how LAs operate (as public authorities) and their capacities (to respond to complex donor procedures). EU staff interviewed acknowledge the problems and have described steps being taken to address the issue: among them capacity building and pairing LAs with more experienced

<sup>25</sup> As mentioned before, there were political economy considerations as well as factors of convenience that explain why these various components were 'lodged' in the DCI.

<sup>26</sup> Political economy factors also explain the popularity of thematic lines, as they tend to reflect the pressing concerns from specific interest groups (e.g. European Parliament, civil society, local authorities).

national NGOs. In the area of global public goods, while GPGC has enabled the EU to develop and finance appropriate global responses to problems that require global collective action, it has been less successful at encouraging partner countries in large numbers to prioritise these issues in bilateral geographic co-operation programmes. The GPGC and CSO-LA components can play a valuable role but cannot substitute for a more comprehensive and strategic EU action under the geographic programmes through a mainstreaming strategy (further discussed under EQ 2). Moreover, thematic lines are tied to specific programming and allocation processes, potentially reducing flexibility and bringing along the risk of managing these funds in a compartmentalised fashion.

**The introduction of the Pan-African Programme - responding to the need to give the JAES a dedicated financial instrument - has been relevant.** It filled a critical gap in the strategic partnership between Africa and the EU, particularly to cover activities of a trans-regional, continental and global nature in and with Africa. It thus complements activities funded through the EDF at national and regional levels and has, for example, played a significant role in promoting migration dialogue aimed at encouraging a more holistic approach to all forms and aspects of migration, not just Africa-to-Europe migration. It allows for capacity building at the African Union and for establishing linkages between North Africa and the rest of the continent (see EQ 2 with regard to the effectiveness of EU action along these lines and EQ 5 on complementarity aspects of the Pan-African Programme).

**There has not been much progress in strengthening ties with the private sector, despite interesting innovative approaches and projects in some countries.** The exception to this is the use of blending, an innovative instrument that allows the strategic use of EU development assistance in the form of grant finance to leverage additional loan finance, usually for infrastructure projects. Blending is specifically called for in the DCI Regulation. The progress of blending through regional investment facilities in Latin America, Asia, Central Asia, and the Pacific is discussed under EQ 6. As discussed there, a recent evaluation of blending identified progress and came to a generally positive assessment while concluding that the full potential for poverty alleviation has not yet been fully achieved, particularly for projects approved in the earlier phases.<sup>27</sup>

While the EU is involved in a number of high-profile global public-private partnerships (e.g., the Global Alliance for Vaccines and Immunizations – GAVI), these tend to be platforms for dialogue rather than operational arrangements for identifying opportunities, mobilising capital, and sharing risk.

### 3.1.2 Flexibility of the DCI to adapt to evolving needs and challenges in the international/EU context

**In line with the aid effectiveness agenda for accountability, transparency, and predictability, the DCI is implemented under a multi-annual financial framework spanning seven years. As a result, it has only limited flexibility at the programming level.**<sup>28</sup> The continuing relevance of the 2014 DCI was quickly tested, as the initial period of implementation coincided with important changes in the international context.

Midway through the life of the instrument, **five push factors in the international context merit special attention to assess whether the DCI remains “fit for purpose”** to address current needs and priorities of both the EU and partner countries/regions:

- (i) The adoption – after a long period of consultation and negotiation in which the EU assumed a prominent role - of the 2030 Agenda for Sustainable Development (i.e. the SDGs);
- (ii) The refugee and migration crisis which propelled the “internal” EU policy concerns to the forefront of EU external action and development co-operation;

<sup>27</sup> EU (2016) Evaluation of Blending, p ii, available at [https://ec.europa.eu/europeaid/evaluation-blending\\_en](https://ec.europa.eu/europeaid/evaluation-blending_en).

<sup>28</sup> MIPs are, as their name implies, indicative, and there is room for adjustment in the Annual Action Programme which defines more precisely the actions to be implemented, as well as within shorter programming programmes covering two to three years within the bigger programming, such as under CSO-LA. However, the broad directions and dimensions of the MIP are difficult to shift.

- (iii) The successful conclusion of Conference of the Parties (COP) 21 and resulting Paris Agreement on Climate (2015);
- (iv) The EU Global Strategy for Foreign Policy and Security (2016); and
- (v) The search for a new European Consensus on Development.

### (i) The DCI and the 2030 Agenda

**The first key change at global, policy and institutional levels is the transition from MDGs to SDGs (Agenda 2030). This has gone relatively smoothly in substantive terms,** largely because the central goal of poverty reduction remained intact and the various SDGs relate to policy areas of high relevance for EU development co-operation. Furthermore, the EU was an important player in discussions culminating in the SDGs, which helped to build ownership for this global agenda. A recent EU Communication (November 2016) spells out the “*Next steps for a sustainable European future: European action for sustainability.*” Beyond explaining how the EU itself will promote sustainable development on the European continent, the Communication captures the implications of this new Agenda for EU external action and development co-operation. It recognises that “*17 SDGs and their 169 associated targets are global in nature, universally applicable and interlinked. All countries, developed and developing alike, have a shared responsibility to achieve the SDGs.*” It also acknowledged that the “*Agenda 2030 is based on a global partnership involving all stakeholders, requires mobilisation of all means of implementation.*” It expects that the “*2030 Agenda will further catalyse a joined-up approach between the EU’s external action and its other policies and coherence across ECI financing instruments.*”

While there is conceptual alignment between Agenda 2030 and current EU development policies, some areas will be particularly challenging for the EU, including in DCI countries.

**First, it remains to be seen whether the 2030 Agenda can promote stronger joint action between EU and the MS.** There is still a lack of clarity on how the EU will implement this new and, most importantly, now universal agenda; in addition to which, some MS express/indicate doubts on the integration of SDGs in their policies.

**Second, SDG 16 (on peaceful societies), though drafted with delicacy, integrates the clearly political aspects of co-operation, including sensitive issues related to human rights, governance, accountability and justice.** These topics are relevant from an EU perspective, but they are increasingly contested and controversial in the EU relations with many DCI partner countries. The above cited external review of Strategic Evaluations (October 2016) recognised that the EU had pursued the governance agenda with “*new means and increased determination.*” However, it also observed that “*good governance as a whole [...] is not an area of particularly high commitment of the partner countries, and it is not systematically addressed in the political dialogue.*” Furthermore, effective implementation of SDG 16 could be challenging for DCI, as it may include peace and security operations which are not covered under the Regulation and related DAC criteria that apply to expenditures under the DCI (Art. 2).

**Third, SDG 17 (on means of implementation) calls for a fundamental diversification of the means of implementation, making it particularly relevant for the evaluation of a financing instrument.** It puts a premium on new financial instruments including blending (discussed under EQ 6), as well as on domestic resource mobilisation (a priority to be found in the DCI Regulation 2014-2020 but one that has so far received relatively limited attention in EU response strategies apart from support for Public Financial Management (PFM) reform). Furthermore, a central tenet of SDG 17 is the need for “*multi-actor partnerships*” to carry forward the Agenda. This is problematic from an EU perspective, as the dialogue, priority setting and management of resources in the DCI context (and in other regions) remain centralised with limited space outside the thematic programmes for development actors other than governments to meaningfully participate (see discussion above).

### (ii) The DCI and the growing importance of EU internal policy priorities

A key aspect of flexibility is integrating internal EU policy concerns into actions implemented under DCI. Also to be taken into account is the instability of the European Neighbourhood

(South and East) and the refugee crisis. These developments have propelled issues like migration, security and the fight against terrorism to the centre of EU external action, as reflected in recent EU Communications.

**The EU has sought to mobilise different instruments of EU external action to cope with these core areas of concern.** The Pan-African Programme is financing work on migration, in addition to which DCI made a significant contribution to the new EU Emergency Trust Fund for Africa, which aims to address the root causes of migration. However, **this policy domain is fraught with competing priorities and interests**, some internal to EU institutions, others involving the MS and others partner countries. All this tends to jeopardise the scope for truly effective and coherent EU action responding to both EU priorities and partner country needs, making it more difficult for DCI to effectively and coherently integrate EU internal policies with the EU's external action (as envisaged in preliminary point 18 of the DCI Regulation). In this context, the point was made during interviews, in the EUD survey, and in the OPC<sup>29</sup> that a tension increasingly exists between the long-term nature of DCI – with seven-year MIPs that can be reviewed and modified but nevertheless include a certain degree of inertia – and the need to adapt co-operation to rapidly changing contexts and EU political priorities.

### (iii) The Paris Agreement on Climate

This major international agreement, concluded in 2015, will also require adequate political, institutional and financial responses from the EU, both internally and in its external action. In this context, the question will arise whether the DCI is a relevant EFI to address climate as both a core SDG and internal EU policy concern. From an instrument point of view, the DCI allows to accommodate this agenda. Yet as mentioned above, DCI partner countries do not necessarily attach the same strategic priority to this agenda, making for challenges to implementation. This has hampered mainstreaming of climate and environment issues. While the EU has increasingly taken on board lessons of the DCI 2007-2013 regarding the importance of adopting a “*partner-led and demand-driven*” approach over a longer period of time to achieve sustainable results<sup>30</sup>, the GPGC programme (whose actions do not require Government signature) has provided a valuable alternative to geographic bilateral programmes. Although significant positive examples of work under the DCI instrument have been found, further work is required to increase the commitment of partner countries to environmental governance and ensure a mainstreaming of environmental sustainability in country strategies, including a link between the environment and poverty.<sup>31</sup>

The geographical scope of the DCI may be a factor that reduces its overall relevance in this area. The root causes for climate change largely lie with industrialised countries, including the EU. Yet, as it is a development co-operation tool, only one DCI sub-programme (Development-Education, and Awareness-Raising (DEAR) under CSO-LA) can finance operations inside the EU (notably awareness raising). This is very limited and will probably not allow for addressing these issues in a comprehensive, coordinated and effective way inside the EU at scale sufficient to have a meaningful impact on developing country populations.

### (iv) The DCI and the new EU Global Strategy on Foreign Policy and Security

Another key policy document is the June 2016 EU *Global Strategy on Foreign and Security Policy*.<sup>32</sup> It spells out a shared vision for common action, based on EU interests and role as a

<sup>29</sup> From the OPC, on the question “To what extent do you think the DCI has been able to adapt to shifts in policy and the external environment?”, the majority of contributions provide a mainly mixed assessment. There seems to be a feeling that the DCI has managed to address EU's internal policy concerns “such as climate change and environment, especially through its thematic programme Global Public Goods and Challenges” (EU platform, network, or association) and scaled up migration work through the adoption of Trust Funds (EU platform, network, or association, research/academia). Yet, some concerns were expressed emphasising that EU's internal policy concerns (especially related to migration) should not interfere too much with DCI's primary objective of poverty reduction.

<sup>30</sup> Thematic evaluation of the EU support to environment and climate change in third countries, p. ii.

<sup>31</sup> Review of strategic evaluations managed by DEVCO to assess the European Consensus on Development. Final Report, October 2016.

<sup>32</sup> European Union. Shared Vision, Common Action: A Stronger Europe A Global Strategy for the European Union's Foreign and Security Policy. June 2016.



global player in a multi-polar world. The core EU strategic priorities are security, state/societal resilience, integrated regional orders and global governance. It is too early to assess whether the DCI instrument is in line with the Global Strategy and can help to deliver on its objectives. Yet it is clear that an effective implementation of the Global Strategy will require careful analysis of the adequacy of the existing EU partnership frameworks as well as the toolbox of available financial instruments (including the DCI).

### (v) The DCI and the proposal for a new European Consensus on Development

**The fifth DCI test of fitness for purpose to deal with the evolving trends in international co-operation is the search for a new European Consensus on Development.** The Commission issued a proposal<sup>33</sup> to start this debate that will shape the nature of the financial instruments that will need to ensure effective implementation of this agenda.

The Communication looks at future EU development policy from the perspective of the 2030 Agenda for Sustainable Development and stresses the need for more effective EU action around the “5 Ps” (People, Planet, Prosperity, Peace and Partnership). There is a perceptible link with the *Global Strategy*. The proposed new Consensus aspires to build on the vision provided by the Strategy for Europe’s engagement in the world, including its “*main interests and priorities*,” to be pursued through various policies, amongst others development policy. There is a strong emphasis on the values underpinning EU external action, including the application of rights-based approaches as a way to mainstream issues of democracy and human rights in development processes. The DCI is consistent with this, but the increasing emphasis suggests that some of the shortfalls of the DCI in action identified above may become more serious. Security issues and EU interests (e.g., related to migration) appear more forcefully now, although they are not occupying the dominant position feared by development constituencies – again suggesting that the DCI continues to be relevant. However, increased attention will need to be placed on integrating EU internal policy priorities into external action. The document also sees a crucial role for MS to achieve greater impact.

**The challenge will be not to fundamentally re-design the DCI as a financing instrument: it is still an instrument fit for purpose.** The challenge will be rather to deliver, in implementation, on this ambitious and in many ways innovative agenda in an increasingly fragmented geopolitical context and a situation of decreasing EU leverage and overstretched capacities. There is no reference in the Consensus to the sort of EFIs that may be required, with the notable exception of the new modality of EU Trust Funds, whose potential benefits are lauded.<sup>34</sup> This suggests that the EU institutions are aware that the current EFIs (including DCI) have limitations in terms of quick and flexible interventions. Yet, as discussed under EQ 6 on leverage, EU MS are by no means unanimously enthusiastic about Trust Funds.

## 3.2 EQ 2 on effectiveness, impact, sustainability

### To what extent does the DCI deliver results against the instrument's objectives, and specific EU priorities?

Financial allocations related to the 2014-2020 programming exercise reflect the priorities outlined in the DCI regulation and other relevant EU policy documents, with the two priority areas being “Inclusive and sustainable growth for human development” and “Human rights, democracy and good governance.” Both the thematic and geographic components of the DCI 2014-2020 successfully integrate emerging themes which were defined in recent EU policy documents, such as resilience of the most vulnerable groups to external shocks (including climate change), nutrition, smart growth (including science and technology), and employment. Atten-

<sup>33</sup> COM(2016)740 final, Proposal for a new European Consensus on Development. Our World, our Dignity, our Future.

<sup>34</sup> “EU Trust Funds provide opportunities for effective joined-up action by the EU, Member States and other development partners. EU Trust Funds allow the EU and its Member States to pool resources and apply quick and flexible decision-making and implementation and maximise the impact, effectiveness and visibility of EU development co-operation for delivering on the SDGs. They offer administrative efficiency and high added value, including by engaging those donors willing to contribute financially but without the capacity to act locally”.

## To what extent does the DCI deliver results against the instrument's objectives, and specific EU priorities?

tion is also given to migration and mobility in the GPGC and the Pan-African Programme and DCI provides funding to the EU Emergency Trust Fund for Africa. However, these themes are not prominently addressed, at least in direct terms, in the geographic programmes.

While financial targets related to policy priorities established in the DCI regulation are within reach, the actual mainstreaming of such priorities in implementation remains less than desirable. Mainstreaming has benefited from development of toolkits in certain areas. But it still suffers from staff capacity constraints in EUDs and at HQ, as well as weak partner government interest.

Despite an increased results orientation, the DCI 2014-2020 is in too early a stage of implementation to credibly judge impacts.<sup>35</sup> However, major progress trends to which DCI 2007-13 contributed can be observed. Overall, EU partner countries receiving DCI support have experienced considerable progress in poverty reduction and human and economic development, even though poverty still remains high in many contexts, inequalities are often growing and new challenges (climate change, pollution, national and regional conflicts) are threatening recent achievements. DCI interventions have played a positive role in this progress although there has been great variation in effectiveness and sustainability across types of interventions and geographical contexts. The most effective and sustainable DCI interventions at geographic level have been those rooted in a strong partnership framework with the partner country supported by a continuous engagement of the EU over time.

One commitment of the DCI 2014-2020 was improved differentiation for enhanced impact and effectiveness. Graduation has led to a reallocation of DCI resources to countries most in need, i.e. fragile, crisis, and post-crisis states as called for in the DCI Regulation. However, a consequence has been the emergence of an unfilled gap in the EU's co-operation with graduated, i.e. Upper Middle Income Countries. Co-operation in fragile, crisis, and post-crisis countries remains difficult in view of the challenging conditions encountered. One response has been the use of State Building Contracts in partner countries in situation of crisis or fragility to ensure vital state functions and continued delivery of basic services. The new Pan-African Programme opens up avenues of continent-wide co-operation in support of implementing the JAES; it has the potential to deliver important results given the importance of the JAES, but also carries with it high risk due to the weakness of the principal partner, the African Union Commission.

### 3.2.1 DCI mainstreaming of EU policy priorities (including delivery on commitments to focus resources on core EU priorities)

**Financial allocations related to the 2014-2020 programming exercise<sup>36</sup> reflect the priorities outlined in the DCI regulation and other relevant EU policy documents.**

The two overall priority areas identified in the Agenda for Change, "*Inclusive and sustainable growth for human development*" and "*Human rights, democracy and good governance*" receive 77% and 23% of the DCI 2014-2020 planned financial allocations, respectively. 25 out of the 29 DCI countries with a bilateral programme have at least one concentration sector related to each of the two overall priority areas. The sector "*Food and Nutrition Security and Sustainable Agriculture*" (FNSSA), which alone accounts for 30% of the allocations going to the first overall priority area of "*Inclusive and sustainable growth for human development*" and around 23% of total DCI allocations, represents the largest area of co-operation.<sup>37</sup> This focus is con-

<sup>35</sup> It is difficult to measure the impact of the DCI 2014-2020 on development outcomes, as these mostly involve slow-moving variables and the DCI has been really operational only for two years (less than 30% of the overall DCI envelope has been committed in 2014 and 2015).

<sup>36</sup> If not specified otherwise, the figures represent the team's own calculations based on data presented in the DCI multi-annual indicative programmes (MIPs) 2014-2020 (covering both thematic and geographic components).

<sup>37</sup> It is also the biggest sector of the GPGC programme and the main area of concentration in bilateral programmes. The comparison between 2007-2013 and 2014-2020 bilateral programmes show that the FNSSA sector makes its appearance (or re-appearance) as a concentration area in several DCI countries, e.g.: Bhutan, Cambodia, Myanmar, Nepal, Nicaragua, Sri Lanka.

sistent with the significant weight of the agriculture sector in many DCI partner countries and the importance of rural socio-economic development in the fight against poverty. Together with “*Education*”; “*Environment, natural resources and climate change*” and “*Sustainable energy*” are other key sectors representing an important financial share under the first priority area.<sup>38</sup> The two main sectors directly related to the second overall priority area of “*Human rights, democracy and good governance*” are “*Civil society & local authorities*” and “*Democracy, Human rights, Rule of Law*”, which account for 48% and 25% of the envelope allocated to this priority area, respectively.<sup>39</sup> The actual amounts committed for interventions launched in recent years indicate that the implementation of the various DCI programmes is likely to respect the importance given to EU policy priorities in initial programming documents.<sup>40</sup>

**Allocations made in DCI programming documents are likely to allow the EU to meet most of the financial targets set in the DCI regulation.** Given the importance of the overall DCI allocations made to sectors such as “*Environment, natural resources and climate change*” and “*Sustainable energy*” (see above), the target of having 20% of actual DCI interventions support objectives related to climate change is likely to be respected. The data available from the Mid-term review of the MFF indicate that the climate change target has not been met for 2014 (16% of overall commitment), but was on track for 2015 (20%). Given estimated commitments for upcoming years, an upward trend can be observed, indicating that targets are likely to be met until 2020.<sup>41</sup> The “*Human development*” sector accounts for 21% of total DCI allocations and 25% of the specific allocations going to the GPGC thematic programme. However, allocations made to *Education* and *Health*<sup>42</sup> alone, will not be sufficient to meet the target of having at least 20% of the DCI assistance going to “*basic social services, with a focus on health and education.*” In particular, the importance given to health in the thematic programmes<sup>43</sup> is not sufficient to compensate the disappearance of the sector as a concentration area in bilateral programmes.<sup>44</sup> That said, several bilateral programmes<sup>45</sup> foresee large interventions focusing on the provision of basic services in rural areas (including activities related to nutrition and water and sanitation), which will contribute to meeting the target.

**The DCI 2014-2020 integrates the emerging themes – including those that have long been present but have increased in prominence - identified in recent EU policy documents.** For instance, *Nutrition*<sup>46</sup>, while still very much linked to food security, is given increased attention in its own right, i.e., beyond health- or food security-specific interventions, in the DCI portfolio. The DCI programming exercise also gave particular prominence to the *Resilience* agenda developed in recent policy documents<sup>47</sup>. Resilience is a key dimension of many bilateral programmes in the FNSSA sector<sup>48</sup>. It is also becoming increasingly linked to new EU interventions launched in the area of climate change adaptation. With respect to *Smart growth*, the EU is, in particular, increasingly recognising the essential role of research and

<sup>38</sup> They represent 14% and 8% of total DCI allocations, respectively.

<sup>39</sup> They represent 11% and 5% of total DCI allocations, respectively.

<sup>40</sup> Given the fact that less than 30% of the overall DCI envelope has been committed during the first two years of the current MFF, it is too early to come up with final firm statements on whether the initial plans are being fully respected.

<sup>41</sup> “*The Commission's method for tracking climate related expenditure across the EU budget is based on using the so-called climate markers which distinguish ‘primary’ and ‘significant’ expenditure with respective assigned values of 100% and 40% that are counted as climate related spending. Given the range of implementing procedures (centrally managed, shared management, programmable/bottom - up), the approach to implementation varies across programmes and the general methodology is refined to reflect the specific circumstances*” EU (2016) SWD accompanying the document Communication from the Commission to the European Parliament and the Council. Mid-term review/ revision of the multiannual financial framework 2014-2020.

<sup>42</sup> These two sectors represent 11% and 5% of total DCI allocations, respectively.

<sup>43</sup> Health should receive more than 40% of the envelope allocated to the GPGC’s human development component.

<sup>44</sup> Health is a concentration area in only two (Afghanistan and Tajikistan) of the 29 DCI countries.

<sup>45</sup> E.g. Myanmar or Sri Lanka (FNSSA is a concentration sector of co-operation in both cases).

<sup>46</sup> A specific EU policy framework for nutrition was developed in the 2013 Communication “Enhancing Maternal and Child Nutrition in External Assistance: an EU Policy Framework”. Following this Communication the European Commission has developed its Action Plan on Nutrition, adopted on July 2014 and for which Council Conclusions have been adopted in December 2014.

<sup>47</sup> See the “EU approach to Resilience: Learning from Food Security Crises” (COM(2012)586).

<sup>48</sup> As an illustration, resilience is an explicit dimension of seven out of nine of the DCI countries in Asia which have FNSSA as a sector of concentration.

innovation in food and nutrition security. The theme is a key dimension of strategic areas in the Pan-African Programme.<sup>49</sup> The theme also features prominently in the interventions focusing on sustainable energy in both geographic programmes (e.g. regional programmes in Asia) and thematic programmes (e.g. GPGC). *Employment* also appears as an important theme in the DCI, with an increasing emphasis put on Technical and Vocational Education and Training (TVET) in several bilateral programmes.<sup>50</sup> In the DCI 2007-2013, the EU was not recognised as a “major contributor” to *Private sector development*.<sup>51</sup> The area has been given renewed prominence in the EU policy framework by the Agenda for Change and a specific Communication in 2014.<sup>52</sup> In the DCI 2014-2020, a thematic sub-programme focusing on the support to the private sector has been introduced in the GPGC and the theme is now explicitly addressed in several bilateral and regional programmes.<sup>53</sup> Finally, the DCI 2014-20 ensures substantial support to the implementation of the EU Global Approach to *Migration and Mobility*<sup>54</sup> although this thematic area is only rarely included in direct terms in bilateral programmes.<sup>55</sup>

**Although this was not meant to be the main purpose of the programme, the GPGC programme has enabled the EU to honour its financial commitments.** Health and, to a lesser extent, Environment/Natural resource management are sectors which are mainly addressed under the GPGC programme in the DCI 2014-2020. Seeing these sectors as related to global problems requiring global solutions can justify the fact that they are addressed through the GPGC programme but this does not explain why they are not addressed more often at the level of bilateral programmes.<sup>56</sup> The decisions opting for a different focus between DCI geographic and thematic programmes was to some extent driven by the fact that concentration in three focal sectors in the geographical programmes meant that a number of sectors to which the EU had made strong political commitments no longer found their way into bilateral programming. Also to be factored in is that global problems such as climate change are by no means always at or near the top of partner countries’ priority list. GPGC has allowed the EU to honour its main financial commitments in these areas which could not be addressed through geographic programmes.<sup>57</sup> This is more evidence that, as discussed under EQ 5 on coherence and complementarity, at the instrument level (although not always in implementation at country level), the geographic and thematic components of DCI are complementary.

The **mainstreaming of EU priorities during programme implementation** has benefited from the impetus given by new EU policy commitments and the development of specific toolkits in certain areas. However, it remains sub-optimal and suffers from staff capacity constraints in EUDs and at HQ, as well as limited partner government interest. Specific guidance documents or toolkits<sup>58</sup> were developed to guide EUDs and task managers at HQ. Overall pos-

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<sup>49</sup> The two strategic areas are: “Human development” and “Sustainable and inclusive development and growth”.

<sup>50</sup> TVET is mentioned as a key area of intervention in at least the following countries: Kyrgyzstan and Turkmenistan in Central Asia, Pakistan in Asia or Nicaragua in Latin America. Employment (including support to decent work and social protection policy) is a concentration area in Honduras.

<sup>51</sup> See the 2013 evaluation of the EU support to private sector development. This evaluation also shows that the support in this area was limited to a few specific interventions often disconnected from employment creation and poverty related objectives.

<sup>52</sup> COM(2014) 263: A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth.

<sup>53</sup> It is a concentration area in some Latin American countries (e.g. El Salvador and Paraguay). It is also being directly addressed through the “green economy” lens in various bilateral (e.g. Ecuador, Vietnam) and regional (e.g. Asia) programmes.

<sup>54</sup> The wide range of programmes related to migration financed through the DCI include regional interventions (focusing on aid to uprooted people in Asia or border and migration management in Central Asia), thematic interventions (under the GPGC component on Migration and Asylum), specific support to the Africa Migration and Mobility Action Plan (under the Pan-African Programme), and direct financial contributions to the EU Emergency Trust Fund for Africa, etc.

<sup>55</sup> It explicitly features as an area of co-operation only in a few countries such as Nepal.

<sup>56</sup> The GPGC MIP 2014-2017 acknowledges the fact that “*the most effective EU instrument for health sector support are the geographic programmes, as they are country-specific and backed up by comprehensive policy dialogue.*”

<sup>57</sup> The GPGC MIP 2014-2017 includes sentences such as “*this priority will provide support to countries where there will not be bilateral programmes under geographical programming*” which point in this direction.

<sup>58</sup> E.g. 2013 Guidance document on “*EU Country Roadmaps for a more strategic engagement with civil society*”, 2014 “*Tool-box on right-based approach*”, 2014 Approach paper on “*Research and innovation for sustainable agriculture and food and nutrition security*”, 2015 Handbook on “*operating in situations of conflict and fragility*”, 2016



itive trends can be observed in several areas<sup>59</sup> and several EUDs managed to better integrate civil society in political / policy dialogue in sectors of concentration (e.g. South Africa, Georgia, Morocco, Indonesia), including in countries in fragile situation or where the environment is not conducive for CSOs (e.g. Chad, Madagascar, Kazakhstan).<sup>60</sup> Yet the track record is uneven, as a considerable number of EUDs struggle to turn the CSO roadmap into a practical tool used strategically across sectors and instruments. Line DG staff interviewed see potential for more systematic and effective mainstreaming under DCI, but view it as underexploited, in part due to capacity constraints both at EU HQ and in EUDs and in part due to absence of institutional commitment on the partner country's side.

In the environment sector, the establishment of a dedicated Environment and Climate Change Mainstreaming Facility in 2015 and strategic video-conferences between DEVCO HQ specialists and EUDs has resulted in the stepping-up of mainstreaming efforts but a more comprehensive response to the challenges related to environment and climate change mainstreaming is needed.<sup>61</sup> According to interviews both at HQ and in EUDs, EU staff are facing capacity constraints to actively monitor how objectives related to climate change or biodiversity are being addressed during implementation and the application of tick-box approaches during formulation is still widespread.

The evidence showing progress in mainstreaming EU priorities related to *democracy and human rights* is even more limited. While references to rights-based approaches are increasingly made in DCI programming documents (including MIPs), they often remain general and show only partial application of the related concepts in the planning of DCI interventions. Despite the dissemination of tools (e.g. a guide to rights-based approaches), managers at HQ acknowledged that the mainstreaming of these new concepts is still “work in progress.” Documentary evidence (including a review of External Assistance Management Report (EAMRs)) shows that several EUDs (e.g. Iraq on human rights, Bolivia on justice) are facing important obstacles to effectively address issues related to democracy and human rights in their portfolio of interventions and in their dialogue with partner authorities. National government partners' weak interest in or outright resistance to these themes often represents the major obstacle. While the initial risk management frameworks of almost all recent DCI sector budget support operations has covered an assessment of risks related to human rights, democracy and the rule of law, these themes are usually not prominent during implementation if there are no direct links to the operations' focal areas.<sup>62</sup>

### 3.2.2 DCI programmes' contribution toward the overarching goal of poverty reduction

**Over the past decade, most EU DCI partner countries have experienced considerable progress in poverty reduction and human and economic development. These positive trends, however, hide persisting development challenges.** The analysis under this section takes into account the potential effect of recently launched interventions but relies mainly on information related to the DCI 2007-2013. It is difficult to measure the impact of the DCI 2014-2020 on development outcomes, as these mostly involve slow-moving variables and the DCI has been really operational only for two years. However, Box 1 provides illustrations of the achievements while highlighting the main challenges which prevail.

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Guidelines on “*Integrating the environment and climate change into EU international co-operation and development*”.

<sup>59</sup> For instance, the 2015 worldwide thematic evaluation of the EU support to environment and climate change notes that: “*In line with its policy objectives related to mainstreaming of environment and climate change in its development co-operation, and to promoting a green economy,(...), the EU has significantly increased its capacity and developed solid approaches to ensure that environmental considerations are addressed. As a result, EUDs have increasingly engaged in mainstreaming [environment and climate change] in the agriculture/rural development sector and in the infrastructure sector*”.

<sup>60</sup> “The EU Roadmap process: taking stock – Capitalisation report”, EPRD study for the EU, September 2015.

<sup>61</sup> The Environment and Climate Change Mainstreaming Facility has essentially a support role in the deployment of a variety of tools aimed at enhancing the integration of environment and climate change in EU financed interventions (e.g. mainstreaming guidelines, training materials, workshops, screening and review of action documents submitted to the QSG, etc.). It is not meant to replace the role of relevant EU units in promoting and monitoring environment and climate change mainstreaming.

<sup>62</sup> “Sector reform contract” in the new EU terminology (see 2012 Budget Support guidelines).

*Box 1 Overall achievements and development challenges in EU partner countries*

Most EU DCI partner countries have experienced considerable progress in terms of poverty reduction and human and economic development. Remarkable changes have occurred in countries such as Vietnam (90% reduction in the incidence of poverty in the last decade), Cambodia (88%), Peru (74%), Bolivia (50%)<sup>63</sup>, all countries where the EU has been actively engaged in large DCI-financed interventions. Notable achievements have been made in the area of human development with, in particular, substantial increase in access to education on all continents. Gender parity has been achieved in both primary and secondary education in Latin America and Asia and important improvements have been made in other regions. Maternal and child mortality declined in all regions, with Asia experiencing the most positive evolution. In particular, the maternal mortality ratio declined by more than 55% since 1990 in all Asian sub-regions and the under-five mortality rate fell by more than 60% in the whole region. Democratic processes have also strengthened in several countries with open elections and peaceful political transition processes taking place in an increasing number of countries as illustrated by the case of Myanmar and Sri Lanka in 2015.

While most countries have experienced significant decrease in the incidence of (extreme) poverty, the “magnitude” of poverty (measured by the overall number of poor) has actually increased in several countries (e.g., the Philippines). Many Asian countries which have made important strides in poverty reduction still face important challenges in terms of access to basic services (e.g., sanitation in India). In many countries experiencing improvement in income equality, there remain pervasive inequities in access to basic social services.<sup>64</sup> Overall, changes in inequalities over time have followed different trends depending on the indicators and countries.<sup>65</sup> Unemployment, especially youth unemployment, is increasingly posing major social problems. In the governance area, results in terms of human rights remain weak and fragmented. There were also setbacks in the form of new laws restricting civil society and a worldwide trend of a reduced voice for civil society and resistance against democracy supporters. The surface of protected areas has increased in most regions of the world. But, according to the last MDG reports and the most recent data from the World Bank World Development Indicators database, overall environmental degradation is escalating, emissions of CO<sub>2</sub> are steadily increasing and many environmental indicators (forest cover, biodiversity) are dramatically declining.

**The DCI has had positive effects in all three pillars (social, environmental and economic) of sustainable development as set out in the DCI Regulation.** The outputs of EU support reported in Level 2 of the EU Results Framework provide numerous examples of positive contributions made by EU external assistance.<sup>66</sup> Given the wide range of sub-sectors covered and the large size of the support provided in many of these sub-sectors, it is not a surprise that recent EU strategic evaluations also show that the DCI support at the global, national and local level has achieved at least some positive effect in all key sectors of co-operation.<sup>67</sup>

**However, there has been great variation in effectiveness across types of interventions and geographical contexts.** Recent strategic evaluations<sup>68</sup> offer a nuanced picture of the effects of the EU external assistance in the various areas of DCI-financed co-operation. They highlight important achievements in areas such as social infrastructure and services, but only mixed results in the support to productive sectors – namely, in boosting employment for the poor, in agriculture and rural development, energy, and private sector development in general.

<sup>63</sup> Data from MDG reports, 2015.

<sup>64</sup> See the 2015 IMF report on “Causes and Consequences of Income Inequality: A Global Perspective”.

<sup>65</sup> For instance, the 2015 WHO report on the “State of inequalities in Reproductive, maternal, new-born and child health” shows how patterns of change in inequality over time varied by health indicator, and according to country and dimension of inequality. In particular, comparing the pace of change in stunting prevalence among children aged less than five years in the poorest and richest subgroups revealed divergent patterns across countries.

<sup>66</sup> The Results Framework database accessed by the team mainly covers the results of EU-financed interventions which were completed during the period 1 July 2013 and 30 June 2015. These interventions were financed under the DCI 2007-2013 but it is expected that a substantial level of continuity can be observed with the DCI 2014-2020.

<sup>67</sup> See the 2016 DEVCO review of strategic evaluations to assess the European Consensus on Development.

<sup>68</sup> E.g. 2015 evaluation of the EU co-operation with Yemen, 2014 synthesis of budget support evaluations, 2013 evaluation of the EU support to private sector development, 2012 evaluation of the EU support to health.

Moreover, while civil society organisations, non-state and decentralised actors have been mobilised through ad hoc programmes and specific budget lines, the consolidation and mainstreaming of the strategic role of these actors in development processes has remained an unachieved goal. Results in the area of human rights have been fragmented and of questionable sustainability. In the area of peace and security, the effects of conflicts have often been successfully mitigated, but, in general, their root causes (e.g. geographical inequalities, political fracture, and ethnic discrimination) have not been effectively addressed.<sup>69</sup> Finally, EU support has contributed to tangible results across the environment and climate change sector, including within biodiversity conservation, use of sustainable energy, mitigation of greenhouse gases, improved resilience and ability to adapt to climate change, management of natural resources, control of pollution, and the promotion of sustainable consumption and production. However, there is still a long way to go before this will lead to transformative change. In general, the scale of the support – even though the thematic EU support has been largely harmonised with global efforts – has not been sufficient so far to reverse worsening trends and to combat the strength of forces working against sustainable development.<sup>70</sup>

**In general, DCI support provided at the local level has helped to provide effective short-term responses to demands and needs of beneficiaries. But, where no link existed with broader national or regional strategic frameworks, contributions to sustainable solutions changes have remained limited.** Recent evaluations<sup>71</sup> and annual reports on the EU's development and external assistance present numerous positive examples of DCI geographic and thematic programmes having contributed to increasing food production for poor households in rural areas (e.g., Haiti), protecting vulnerable refugees (e.g., Myanmar and Pakistan) or addressing failures in basic service provision in situations of conflict or fragility (e.g., Afghanistan). However, the documentary evidence also shows that these needed short-term responses have often failed to provide a solid basis for the provision of solutions to the long-term development challenges faced by the partner countries. In particular, many interventions financed under the previous food security thematic programmes have faced structural limitations, with resources being spread thin and results failing to achieve sustainability.<sup>72</sup>

**The most successful DCI interventions have been those rooted in a strong partnership framework with the partner country supported by a continuous engagement of the EU over time.** In most instances, the continuity of the DCI geographic support over the long term has enabled pro-active staff in EU delegations to build on lessons learned from previous interventions and use new opportunities created by changes in context (e.g. adjustments in policy orientations due to a change in government). In addition, the deep understanding of the sector gained over time allowed EU staff to make judicious use of the EU mix of instruments to intervene at multiple levels in parallel. Geographic programmes have been key to penetrate, where necessary, the political sphere while thematic programmes provided useful support to bottom-up approaches and ensured the achievement of concrete short-term results, a theme also explored under EQ 5.

#### Box 2      *Examples of successful DCI interventions*

Some examples of successful interventions linked to a continuous engagement of the EU over time and build around a strong strategic framework:

- Bolivia (cocoa sector): The EU has been supporting the successive governments of Bolivia in the fight against drugs and economic development in the coca producing areas since at least 1998. *“three findings were identified: (a) a significant contribution was made to the impending fulfilment of MDGs related to water and sanitation, nutrition and food security; (b) the coca production was substantially reduced; and (c) contribution was provided to employment generation.”*<sup>73</sup>

<sup>69</sup> See the 2016 DEVCO review of strategic evaluations to assess the European Consensus on Development.

<sup>70</sup> See the 2015 worldwide thematic evaluation of the EU support to environment and climate change.

<sup>71</sup> E.g. 2014 evaluation of the EU co-operation with Haiti.

<sup>72</sup> This is highlighted in several EU country strategy evaluations such as the one focusing on Nepal or Haiti.

<sup>73</sup> Evaluation of EU Cooperation with Bolivia, p.67.

- Cambodia (education sector): The EU has been providing budget support to Cambodia in the education sector since 2003. According to interviews carried out during the field visit, EUD officials are of the opinion that budget support under DCI, principally in education, has worked well in Cambodia. Despite lack of high visibility, behind the scenes, the EU has substantial sector influence. Based on successful budget support in education, the EU is moving from a Multi-Donor Trust Fund administered by the World Bank to Budget Support in PFM.<sup>74</sup>
- Nepal (education sector): Country Strategy Evaluation *“By staying totally engaged with the Government of Nepal in fighting poverty, the EC has helped to keep the Government of Nepal poverty reduction strategy on track in achieving the MDGs.”*<sup>75</sup>
- Vietnam: Through the joint provision of continued and substantial support at macroeconomic level and specific interventions focusing on regional integration, the EU, together with international partners (e.g. the World Bank), has contributed to remarkable economic transformation processes in countries such as Vietnam.<sup>76</sup>

Other evidence:

- *“There are few country cases where the EU development co-operation strategy has not been assessed as being aligned with partners’ strategy and/or consistent with the Consensus objectives and principles. There are, however, many cases where the mutual commitment on the objectives stated in such strategy is assessed as not adequate to ensure continuous dialogue and convergent action for effective implementation. The lesson is that strong partnerships are needed between the EU and the key partner actors (governments, non-state and decentralised actors) to ensure ownership and mutual accountability, since the identification of the programmes and throughout their implementation.”*<sup>77</sup>
- *“Budget support, both general and sectoral, is a modality particularly suitable to ensure and build ownership, as it includes a negotiated framework of shared strategic objectives, supported by continuous policy dialogue. General Budget Support has supported comprehensive partnerships, especially in the 2000s, as in the case of the Association Agreements (e.g. Tunisia), or in ACP cases (e.g. Burkina Faso, Mozambique, Uganda, Tanzania). In several cases, Sector Budget Support has also been used to support key government policies with a comprehensive political and economic effect (as in Bolivia, Georgia and other ENI countries, or even in South Africa).”*<sup>78</sup>

**The Pan-African Programme shows potential to deliver results against the four strategic objectives of the Joint Africa-EU Strategy<sup>79</sup>.** By making available an instrument for continental co-operation on an EU-AU / EC-AUC basis, the Programme aims to contribute to the effectiveness of EU external assistance in the region. Prior to the Pan-African Programme, the Joint Africa-EU strategy was more an opportunity for dialogue than an operational strategy. As

<sup>74</sup> *“The EU-Cambodia Education Sector Policy Support Programme 2011-13 has shown that budget support disbursements coupled with continued policy dialogue and capacity development could prove to be very effective in accompanying the implementation of important reforms in the sector, while ensuring full ownership and sustainability of those reforms.”* 2014 Action Document for EU-Cambodia Education Sector Reform Partnership 2014-16

<sup>75</sup> Evaluation of the European Union’s Co-operation with Nepal, 42. Limited effectiveness of short-term interventions: Nepal (Agriculture sector): *“The sustainability of the interventions funded under the [EU-Food Facility] is low. This is basically due to the short duration of the programme (18-22 months in actual implementation), to resources that are spread thinly (many activities, and very high numbers of beneficiaries, VDCs/districts covered), to the low institutional embedding of the actions, and to the absence of an exit strategy.”* (Evaluation of the European Union’s Co-operation with Nepal, 42).

<sup>76</sup> 2009 Vietnam CSE and 2015 IEG - World Bank Poverty reduction support credits 6-10 Project performance assessment report.

<sup>77</sup> 2016 Review of strategic evaluations managed by DEVCO to assess the European Consensus on Development

<sup>78</sup> 2016 Review of strategic evaluations managed by DEVCO to assess the European Consensus on Development.

<sup>79</sup> The four objectives are: 1) to reinforce and elevate the Africa-EU political partnership to address issues of common concern; 2) to strengthen and promote peace, security, democratic governance and human rights, fundamental freedoms, gender equality, sustainable economic development; 3) to jointly promote and sustain a system of effective multilateralism, with strong, representative and legitimate institutions; 4) to facilitate and promote a broad-based and wide-ranging people centred partnership.



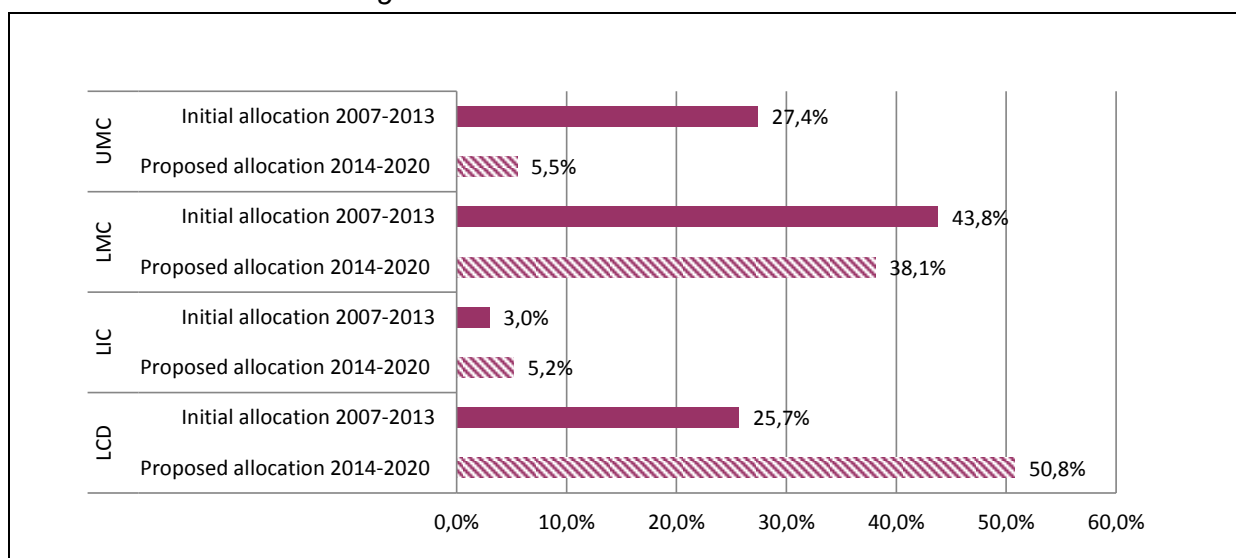
discussed under EQ 5, a number of instances of complementarity between the Pan-African Programme and other instruments including DCI have been identified. More generally, by building capacity at the African Union and supporting African institutional development in a range of sectors – civil society, human rights, the Pan-African Parliament, research and higher education, etc. – the Pan-African Programme aims to provide leverage to projects funded by other instruments. Concrete examples include supporting development of a continental approach to migration, supporting Pan-African statistical and economic analysis, supporting the African Union’s Continental Agricultural Development Programme, and generally strengthening the AU’s ability to fulfil its mandate. No evaluations are yet available to judge the effectiveness and impact of this support. The Programme promises high return, but is also high risk, since the African Union lacks institutional capacity (as indicated by the fact that it failed three pillars of the internationally recognised seven-pillar assessment of aid management) and has only limited ability to translate its continental activities into Member State level policies and actions.

### 3.2.3 The process of differentiation (including graduation)

**The differentiation process has led to a substantial re-allocation of DCI funds to countries most in need – the LDCs and countries in situation of crisis, post-crisis or fragility.**

Under DCI 2007-13, LDCs accounted for a quarter of total DCI finance, whereas under the 2014-20 allocations, they account for over half. However, most of this re-allocation was due to graduation, not to application of the new algorithm for allocation of resources among countries still eligible for ODA.<sup>80</sup> The share of UMICs in DCI declined from 27.4% to 5.9%.

*Figure 3 DCI- Total national allocations per type of country (%) 2007-2013 vs 2014-2020- All regions*



*Source: Methodology for country allocations: European Development Fund and Development Co-operation Instrument 2014-2020*

Since the list of countries categorised by the EU as in situation of crisis, post-crisis or fragility is adjusted every year and important changes in EU programming regularly occur in these countries<sup>81</sup>, it is difficult to measure precisely the evolution of their DCI allocations. However, the analysis of some countries which have been and are still in situation of crisis or fragility

<sup>80</sup> Under the DCI 2014-2020, a new country aid allocation mechanism taking into account human development factors as well as progress in good governance has been implemented. Aid allocations emerging from the algorithm are then adjusted upward or downward; however, about three-quarters of allocations are within plus or minus 10% of the allocation originally calculated by the algorithm.

<sup>81</sup> E.g. in Yemen, a transitional two-year multi-annual indicative programme was used in 2014-2015; in Myanmar, the financial allocations to the country programme has increased more than tenfold since the normalisation of relations with the country in recent years (the EU had substantially limited the volume and type of assistance to Myanmar due to the political situation which prevailed in the country for decades); etc.

(e.g., Afghanistan) shows that the differentiation process has favoured these countries. Co-operation continues to be challenging there, and the EC has developed approaches to deal with difficult conditions encountered in implementation.<sup>82</sup> State Building Contracts, a new aid modality initiated in 2012 under DCI (e.g., Nepal) and EDF, aim to increase government financial capacity and improve democratic governance in order to stabilise a country in situation of crisis or fragility and help qualifying it for subsequent forms of support.

**As the differentiation process was mainly about improving resource allocation, it did not focus on adjusting the EU external assistance to the specific contexts of operation.**

There is very little in the DCI regulation about the diversity of contexts in which the EU is operating (including the specific history of co-operation in the different regions and countries and the diversity of actors active in development processes) and the resulting need to design specific co-operation approaches. The differentiation process as applied in the DCI has been mostly about adjusting the level of financial assistance to the partner countries' overall needs and capabilities. While the DCI leaves great flexibility during programming to develop approaches aiming to increase aid effectiveness in the specific contexts of co-operation, it does not give any overall strategic guidance on how to adopt a genuinely differentiated approach (e.g., by emphasising the importance of context analysis and the development of long term strategic partnership). Nor does it strongly promote innovative forms of co-operation. However, a number of tools (e.g., the country civil society roadmaps or the analysis of vulnerability under the Pro-resilience Action / PRO-ACT programme) have been developed under the DCI to make a finer analysis of the context in which the EU is operating and adjust accordingly its approach to co-operation in these areas.

**The EU has yet to establish a firm basis for development co-operation with graduated countries (and, by extension, soon-to-graduate ones) (see also EQ 1).** Thematic programmes, 20% of whose DCI 2014-2020 funds decided to date have been devoted to UMICs, are one important means of maintaining co-operation after graduation. However, the opportunities they offer fall short of the goal to engage in strong partnerships with graduated countries, because their objectives are limited to supporting civil society and LAs in the case of CSO-LA and to addressing global issues in the case of GPGC.<sup>83</sup> The conundrum is that, despite the widespread persistence of poverty in graduated countries, the most significant avenue for direct bilateral co-operation on poverty reduction, DCI bilateral geographic financing, is no longer available to these countries. The Partnership Instrument is designed to pursue mutual EU-country partner interests and raise EU visibility, but not as a development instrument, in addition to which, it involves a relatively small amount of money and staff. While an increasing range of countries are eligible, in 2014 and 2015, the PI was largely limited to Strategic Partners. Innovative though it is, and despite progress that has been made, it cannot (and was not designed to) substitute for the loss of DCI bilateral ODA eligibility in graduated countries.

### 3.2.4 DCI principles (Article 3), programmes (DCI Regulation, Articles 4-9), processes related to programming (Articles 5-15), and post-Busan principles of development effectiveness

**As also discussed under EQ 3, there has been a strengthening in results orientation under the DCI 2014-2020.** This was achieved via better differentiation and concentration (see EQ1 and above), as well as by putting in place the Results Framework monitoring system. The Results Framework is a good step, and specifically responds to the need for a monitoring framework identified in the Agenda for Change and by donor peer reviews (DfID and OECD-DAC). However, it has limitations, as well, and suffers from the weaknesses of all such systems. In particular, while it successfully aligns to the quantifiable goals of the SDGs, the Results Framework is less capable of monitoring the qualitative dimension of results and the depth of partnerships. Many of the indicators tracked, while some have been adapted to the

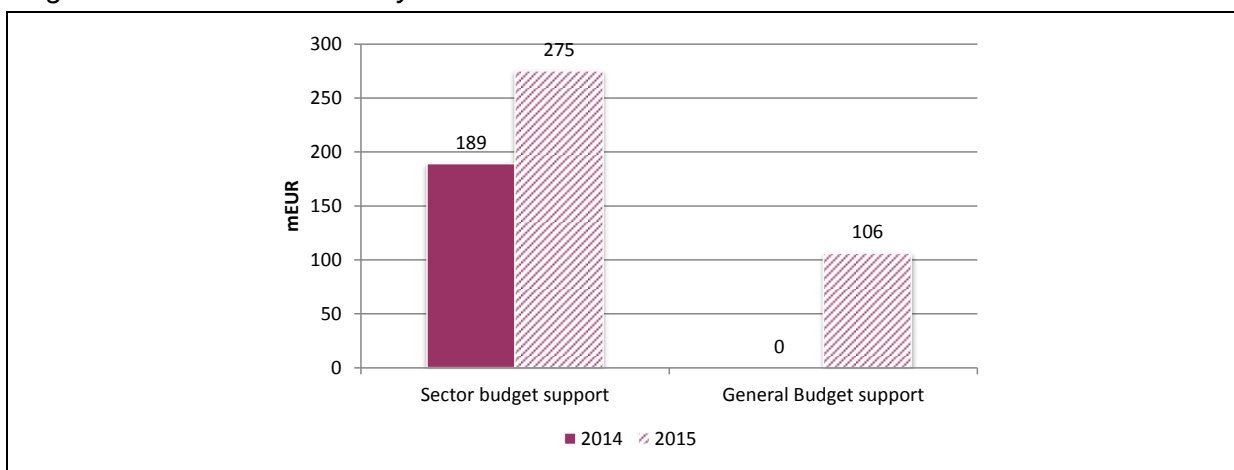
<sup>82</sup> See e.g. Operating in situations of conflict and fragility: EU staff handbook, June 2015; also <http://capacity4dev.ec.europa.eu/public-fragility/document/operating-situations-crisis-and-fragility-eu-staff-handbook#sthash.LrTRB6OD.dpuf>.

<sup>83</sup> Moreover, since DEVCO staff in some EUDs has been lost with graduation, these EUDs are sometimes reluctant to take on thematic programme projects because of capacity constraints.

SDGs, are familiar quantitative poverty and human development measures that have served the development community for many years. . Finally, as they are not scaled by population in need or money expended, some results data are of limited use in themselves to judge relevance, effectiveness, impact, or efficiency.

**While the project modality is still dominant in many countries, the EU has strongly promoted the use of country systems and there has been an increase in the use of budget support in several DCI countries.** Overall, the use of General Budget Support has been declining under the DCI<sup>84</sup> and more than 65% of DCI commitments in 2015 are still made in the form of projects.

Figure 4 Breakdown by aid mechanism - DCI commitments 2014 and 2015



Source: Annex Annual Report 2016, 2015 Breakdown by aid mechanism - commitments

However, various sources (EU Statistical Dashboard extractions, DEVCO annual reports, interviews) show that the use of (sector) budget support, an indicator of alignment to national priorities and concerns, has been increasing in DCI countries. Even in countries which did not meet all conditions for budget support in the past (e.g., Bangladesh), the EU has been actively contributing and advocating for the development of an environment conducive to sector wide approaches supported via budget support. In some cases, EU budget support has represented a significant political endorsement at international level, has provided a base for dialogue between government and donors, with EUDs playing a leading role among the EU MS, and has ensured important financial and technical means for successful policy implementation. At the same time, some MS have expressed concerns with the adequacy of national PFM for such a modality (despite strengthened risk assessment and management systems put in place). State Building Contracts are a new budget support modality that has been developed to strengthen PFM and other governance-related areas in fragile, conflict, and post-conflict states in order to prepare them for a transition to “normal” budget support. Challenges to budget support include the often limited engagement of stakeholders and the fact that, when government is not fully committed to reforms (particularly at sector level), policy dialogue tends to focus on technical issues. There is also very limited evidence of the Good Governance Development Contract (GGDC) modality having been used as an important form of support to partner countries under the DCI.<sup>85</sup> However, the EU’s provision of budget support when other donors are increasingly reluctant has been viewed as a source of EU value added (see EQ 4).

<sup>84</sup> Since 2014, only one GBS programme has been launched under DCI geographic programmes. A General Budget Support intervention in the form of a State Building Contract has been implemented in Nepal to respond to the post-crisis situation following the earthquake which hit the country in 2015.

<sup>85</sup> The only GGDC foreseen concerns a contribution to Cape Verde national development strategy provided in the context of Pro-Resilience Action (PRO-ACT) thematic programme.

### 3.3 EQ 3 on efficiency

#### To what extent is the DCI delivering efficiently?

Instrument design can affect implementation efficiency. While there is no system in place to monitor the DCI instrument per se (e.g., its flexibility and fitness for purpose), mechanisms have been put in place to monitor implementation under the instrument.

The Key Performance Indicators reported on by EUDs and presented in the RF<sup>86</sup> portray a satisfactory situation despite the fact that the EAMRs prepared by the EUDs cite a range of inefficiencies to implementation. DCI's performance is comparable to that of most other EFIs. Yet, EUD survey results presented in Volume 2 and in the CIR report indicate that EUDs regard the DCI as an administratively heavy instrument, both in itself and in comparison with comparable instruments.

A major initiative to improve DCI efficiency was the decision to merge four of the five previous DCI thematic programmes into one, GPGC. Actual efficiency gains have, however, been modest. The compartmentalised budget line programmes that existed before have been assembled, still compartmentalised, under one thematic programme. Thematic lines are tied to specific programming and allocation processes, potentially reducing flexibility and bringing along the risk of managing these funds in a compartmentalised fashion. Where there has been an increase in flexibility is under each "sub-theme," where the number of budget lines has been reduced.

Basic procedures have not greatly changed. One efficiency gain between the DCI 2007-2013 and DCI 2014-2020 is the Commission's political decision to increase in the minimum thematic programme grant size, although that has had the effect of excluding small, low capacity local CSOs: The system of sub-granting and encouragement of local NGO consortia may provide some solution to this problem.

The introduction of the EU Results Framework under DCI 2014-2020 represents a step forward, but a limitation to the RF's ability to monitor efficiency is that it does not compare results obtained with funds expended. While the "contribution approach" used acknowledges that multiple actors contributed to a result, it also implicitly credits the EU with the entire development results of an action in which it was not the only player. In common with all such frameworks, the RF is stronger on measuring the quantitative dimension of results than it is on measuring the qualitative side, particularly the quality of partnerships formed. It does not make provision for monitoring scope, policy relevance, complementarity or synergies within or between instruments.

Staffing levels are inadequate both at EUDs and in HQ desks (particularly thematic)<sup>87</sup> in DEVCO and EEAS. In some cases, this is due to lack of posts; in others, it is due to rotations. Staff turnover is high and, combined with the complexity of the programming process, multiplies the possibilities for lessons learnt to disappear.

#### 3.3.1 Trends in indicators of administrative efficiency<sup>88</sup>

**Despite the fact that EUDs in their EAMRs cite a number of challenges, both internal and external, DCI 2014-2020 has performed well on standard administrative efficiency measures,** EAMRs from both 2013 and 2015 cite a range of constraints, from macroeconomic instability and poor PFM to low internal capacity to manage projects and funds. The EUD survey and interviews at EUDs during field missions indicate that the DCI is viewed as labour intensive and administratively cumbersome, in implementation, including in comparison with

<sup>86</sup> EU (2016) Results Report. First Report on Selected Results, July 2013 – June 2014, July 2016.

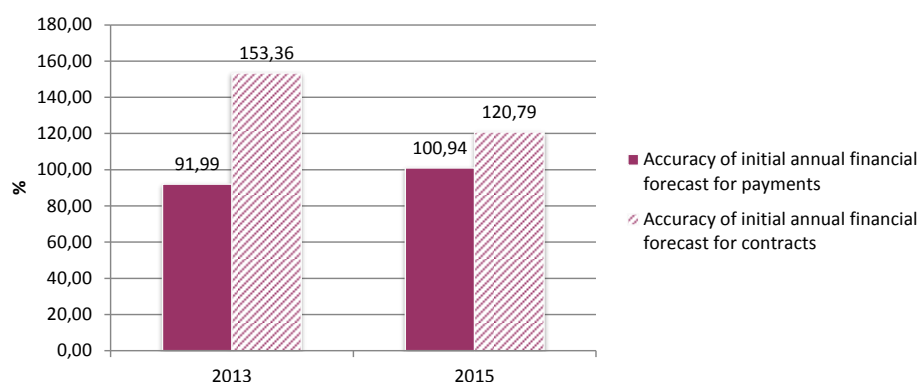
<sup>87</sup> Particular overstretch was noted on thematic desks. This was reported to be largely the case due to the fact that, contrary to what was foreseen at the outset, the thematic services are no longer mainly policy services but also spending ones (30% of total DCI funds). They are therefore obliged to allocate a large proportion of their staff to operational and financial duties.

<sup>88</sup> Administrative efficiency is defined with reference to administrative costs per EUR of total programme expenditure, the accuracy of financial forecasts, the proportion of projects experiencing implementation problems.



other instruments. The same point was raised by range of participants in the OPC<sup>89</sup>. Yet, looked at from the standpoint of several indicators (e.g. from the Annual Report<sup>90</sup> and Key Performance Indicators used in the EAMRs and RF), **DCI 2014-2020 compares reasonably well with other instruments** on administrative costs as a share of budget (3%).

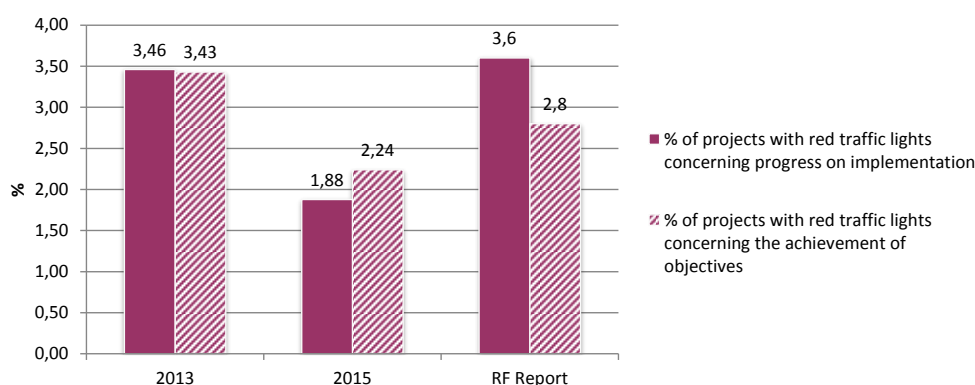
Figure 5 Accuracy of initial annual financial forecast (forecast as % of actual) (DCI)



Source: EAMRs 2013 and 2015

A comparison of five key indicators is made for 2015 and 2013<sup>91</sup>, i.e. between the latest year of DCI 2014-2020 and the final year of DCI 2007-2013. Beginning-of-year financial forecasts for both payments and contracts improved between 2013 and 2015, quite significantly in the latter case, falling from about 153% to 121% (see Figure 5). Between 2013 and 2015, the proportion of DCI projects with red traffic lights (i.e., showing signs of poor performance) on implementation and on achievements of objectives fell from about 3.4% to about 2% (see Figure 6). For all EFIs combined, the First Report on Selected Results (2016)<sup>92</sup> shows that the proportion of projects with red traffic lights for implementation was 3.6% (see Figure 6) and for objectives was 2.8%, suggesting that the DCI 2014-2020 is in line with the other instruments. The percentage of invoices paid by DCI within 30 days worsened between 2013 and 2015, from 66% to 61%, however, the latter was still better than the RF statistic for all instruments combined, 65%.

Figure 6 % of projects with red traffic lights (DCI vs. all EFIs)<sup>93</sup>



Source: EAMRs 2013 and 2015, EU Results Report 2016

<sup>89</sup> Regarding efficiency, several OPC comments noted that the DCI is an administratively demanding instrument posing significant burden on the stakeholders involved, Linked to this, a number of contributors identified a lack of human resources in EU Delegations and lack of transparency and flow of information between EU MS, HQ and EU Delegations as factors limiting efficiency of the DCI.

<sup>90</sup> See Annex Annual Report 2016, Annex 13A Breakdown by aid mechanism and by instrument 2015 – Commitments.

<sup>91</sup> On the basis of EAMRs 2013 and EAMRs 2014 for countries using DCI 2014-2020 bilateral support.

<sup>92</sup> EU (2016) Results Report. First Report on Selected Results, July 2013 – June 2014, July 2016.

<sup>93</sup> The last column presents data from the 2016 Results Framework report to allow for a comparison with the average numbers retrieved from all financing instruments.

### 3.3.2 Opportunities for consolidation and rationalisation

**While there have been efficiency gains from consolidation, these have been modest.** One of the most important initiatives to increase efficiency was the consolidation of five thematic programmes under DCI 2007-2013 into only two under DCI 2014-2020. Since the NSA-LA programme was essentially unchanged (transformed into CSO-LA) this really involved merging four into one (GPGC). Administrative efficiency was one goal, but so also was permitting better coordination and coherence and allowing the EU to respond quickly and at scale to emergent crises and problems that are global in scope. This ability had been found lacking, in the 2011 Impact Assessment, regarding response to the avian influenza and food price crises. The addition of Flagship programmes also marked a move in the direction of coherence and flexibility<sup>94</sup>, although EU HQ staff interviewed differed sharply on how effectively Flagship programmes have been implemented. An example of successful flexible response to crisis is the increase, in the 2015 Annual Action Programme (AAP), of the allocation for the Migration and Asylum under GPGC.

**Every sub-theme of the four DCI 2007-13 thematic programmes found a home in GPGC.** In part because thematic programmes are responsive to European advocacy agenda, streamlining is difficult. Also contributing to the difficulty of streamlining is the expanding development agenda, for example, the addition of the disabled to the list of groups to be given special attention (i.e. the list of sub-themes under GPGC). There has also been a tendency of EUDs to use thematic budget lines to fill gaps left by concentration of geographic programmes into three focal sectors (see also EQ 2).

**The consolidation resulted in conceptual efficiency gains in that previously separate budget lines were consolidated under one umbrella covering public good issues that directly affect both partner countries and Europe.** In this important sense, the consolidation was logical. Yet, the thematic budget lines that once occupied independent compartments now occupy compartments grouped under a single programme. No tangible improvement in dialogue between officials responsible for the various components is reported in interviews, because the basic procedures and processes regarding thematic programmes were not significantly changed. Global Calls for Proposals were long a point of discussion between EUDs and the thematic desks at HQ, with the former feeling that they were not sufficiently consulted so that projects were not coherent with geographical programmes. However the global call process already foresees the involvement of EUDs at two levels<sup>95</sup> –which suggests that there might be simply lack of knowledge or use of existing procedures and possibilities. While this complaint is still heard during EUD interviews and expressed in the EUD survey, the reduced number of Global Calls for Proposals, reported by DEVCO thematic desk officials, has potential to improve the situation. There is still, however, a lack of capacity at EUDs to handle thematic programmes (based on EUD interviews), and the thematic desks at HQ are also stretched thin (based on, e.g., head counts and HQ interviews with DEVCO and other DG staff).

**One efficiency gain is that the proliferation of small projects translating into a correspondingly high administrative burden (particularly in EUDs) has been reduced by the Commission's political decision to raise the minimum project size.** This has come at the cost of small local CSOs who do not have the capacity to handle large projects, but there has been an attempt to alleviate the situation by proposing rules on sub-contracting as well as integrating capacity building into CSO-LA. **The EU has attempted, with limited success, to encourage the formation of horizontal partnerships** (allowing small NGOs to pool their efforts), vertical partnerships between small and large NGOs and collaborative arrangements, particularly between Local Authorities with insufficient capacity to apply for and manage funds

<sup>94</sup> “Flagship programmes aim to address key issues that go beyond traditional sectors and seek to address global challenges such as multi-sectoral or cross-cutting approaches and/or approaches that involve linking various actors in different regions.” Working document for programming - strategic dialogue with the European Parliament on the Global Public Goods and Challenges thematic programme under the DCI, p.12.

<sup>95</sup> i) at the Quality Support Group (QSG) level on the Call guidelines, in which participation and comments of the geographic Directorates are systematically requested; and ii) when the proposals are assessed, which is done both by HQ and EUDs for their relevant countries –EUDs' assessment accounting for 50% of the score.

and more experienced NGOs. Another EU response has been to ease the use of Support Measures (Capacity building of applicants to EU procedures) and promoting the use of sub-granting schemes. All evidence gathered, confirmed by EU HQ staff interviews and the OPC, is that the LA component of CSO-LA has experienced difficulties in getting off the ground. **Another efficiency gain has been reducing the number of budget lines under each “sub-theme.”**

Field interviews and EUD survey results indicate that EUDs (and partner governments) **still view the DCI as a labour intensive, administratively heavy instrument.** The same point was raised in the OPC. To a large extent, this is unavoidable given the long process that intervenes between initial programming and final signature of contracts, and there is no evidence that DCI is considered more demanding than other available instruments with the potential to provide long-term, sustained support. Despite the increased flexibility built into the 2014-2020 DCI (i.e., the ability to more easily shift financial allocations and add / delete actions during the seven-year life of the MFF), EUDs call for further decentralisation of decision-making authority and consider DCI decision and business processes to be largely headquarters-oriented. Information flow to the EUDs (e.g., information on activities being implemented by projects managed from HQ or from another EUD) is characterised as insufficient and the elapsed time between programming and the beginning of project activities excessive.

### 3.3.3 Results monitoring<sup>96</sup>

Both the 2012 DfID peer assessment on EU aid to low income countries<sup>97</sup> and the 2012 DAC peer review<sup>98</sup> pointed out that the EU did not have a results monitoring framework in place. DfID commented that, while the EU monitored for financial accountability, it did not monitor for development results. Moreover, Art 12 of the CIR called for regular monitoring of action.<sup>99</sup> **DCI 2014-2020 has seen the introduction of the EU Results Framework, a tool to strengthen results orientation. While recognising this as a step forward, the evaluation notes limitations.** First, a caveat: the RF is not a means of monitoring the DCI instrument as a whole, e.g. its scope, flexibility and fitness for purpose, or complementarity and synergies within the instrument and between it and other instruments.

The RF is structured around three levels: Level 1, development progress in EU partner countries; Level 2, EU contributions to development progress in EU partner countries; and Level 3, DG DEVCO’s organisational performance. It is difficult, in any such monitoring framework, to capture the qualitative dimension. This includes the institutional dimension, where the RF is unable to assess the quality of partnerships formed. This may pose difficulties when it comes to monitoring SDG 17 on partnerships. At Level 1 on development progress made by partner countries, the RF is filled with traditional poverty and human development indicators taken from standard international statistical sources.<sup>100</sup> These are virtually all slow-moving variables which cannot be expected to track progress on a year-to-year basis. At Level 2, development results (indicators on EU contribution) are not scaled by population (or, more accurately, population in need) or money expended. By adopting, mostly on pragmatic grounds, a “contribution approach” (i.e. not attempting to pro rate the result by the EU’s proportional contribution to a programme), the RF, while it truthfully acknowledges that multiple actors contributed, implicitly credits the EU with the entire result. Another point that needs to be made is that the aggregation of results by region and financial instrument is only as strong as the project, programme, and country data collected at EUD level from end-of-project results. This can be expected to

<sup>96</sup> The RF serves two principal purposes, one monitoring programme efficiency and the second programme effectiveness, including EU contribution. Both aspects are dealt with under EQ 3. For analysis of RF data on effectiveness, see EQ 2.

<sup>97</sup> ICAI (2012) DFID’s Oversight of the EU’s Aid to Low-Income Countries.

<sup>98</sup> OECD (2012) European Union, Development Assistance Committee (DAC) Peer Review 2012.

<sup>99</sup> “The Commission shall regularly monitor its actions and review progress made towards delivering expected results, covering outputs and outcomes.” Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union’s instruments for financing external action.

<sup>100</sup> E.g. World Bank World Development Indicators, IMF World Economic Outlook, World Health Organisation WHOSIS database, UNICEF and UNESCO databases.

improve over time as EUDs gain experience with the system. It should be stressed that the weaknesses identified above are limited to Level 1 and Level 2 indicators; at Level 3, the administrative efficiency indicators provide an adequate snapshot of performance.

### 3.3.4 Staffing levels and turnover pose issues for efficiency and may impair quality

The DCI programming process involves multiple actors (DEVCO, EEAS, EUDs, partner country stakeholders, MS). The first three of these are simultaneously affected by understaffing – some due to shortage of posts, some due to rotation, etc. -- and high staff turnover. A consistent theme of evaluations over the years, confirmed by EAMRs, Sub Delegated Authorising Officer Reports (SDAOs)<sup>101</sup> and EUD interviews in the framework of this evaluation is that EUDs are often understaffed for the tasks assigned to them. In critical situations this can be addressed by the use of “floaters” – temporarily assigned EU HQ staff. Thematic desks at both DEVCO and EEAS are stretched thin, as evidenced in the first case by the low number of staff as compared to the amount of aid administered and number of requests for EUD support that need to be turned down (according to thematic desk staff interviewed). **Staff shortages and turnover, combined with the complexity of the programming process, mean that there are risks that lessons learnt are lost or diluted.**

## 3.4 EQ 4 on added value

### To what extent do the DCI programmes add value compared to interventions by Member States or other key donors?

The DCI Regulation incorporates different principles that are related to the added value of the EU, particularly as compared to its MS: e.g. in fostering human rights and democracy (Article 3, 1), promoting a multilateral approach to global challenges (Article 3, 6) or sharing reform and transition experiences of MS in its development co-operation (Article 3, 12). Also relevant is the lead role that the EU takes in promoting coordination among MS, by participating in (often leading) donor working groups and supporting joint programming (Article 11).

The EU's financial weight via DCI is a secondary factor in determining added value. DCI is far from being financially dominant in the overall European contribution. While provision of DCI budget support has been cited in evaluations as an important source of EU value added, as discussed under EQ 6, the leverage resulting from budget support is higher at the technical or sector level than at the political level, particularly in areas related to controversial policy reforms or political issues. An exception to the general observation that size in itself does not drive value added is the case of thematic programmes: GPGC adds value as a leading source of support for global initiatives. The EU is also the largest supporter of civil society and local authority participation in democratic governance.

The comparative advantage of the EU (through DCI) arises mostly through the EU's status as a supranational organisation, which forms a solid basis for relations with third countries and other regional organisations as well as for political and policy advocacy. The EU is perceived by partners as having no national interest to defend or advance, particularly in the areas of trade, investment, and commerce. In democracy, human rights, and related areas, it is less clear that the EU's agenda is distinguishable from that of its MS. The issue of EU value added in such contested areas is complex: some MS may be loath to raise issues vigorously due to bilateral interests; at the same time, in raising them, the EU risks “crowding out” the MS.

Processes of regional co-operation and integration have constituted the most visible area in which the support provided under DCI enjoys comparative advantage. Other regional bodies perceive the EU as a source of inspiration and a credible actor to support these processes. The comparative advantage is particularly strong in trade, but also in related areas like standards, border management and cross-border law enforcement. Strong examples of the EU add-

<sup>101</sup> E.g. “Staff issues are recurrently raised by Delegations as a major concern, notably to ensure business continuity. (...) Many Delegations (Pakistan, Uzbekistan, Timor-Leste) are affected as well by high turnover, rotations, and understaffing, which sometimes make challenging the delivery of our assistance while ensuring full implementation of the financial circuits.” SDAO DEVCO H (2016), p.41.



## To what extent do the DCI programmes add value compared to interventions by Member States or other key donors?

ing value through its supranational status and knowledge of regional integration can be found in Asia and via the Pan-African Programme.

In line with the *Agenda for Change* and *Global Europe*, actions under the DCI contribute to promoting European norms and values. Despite the overall environment in which concerns such as migration and security are rising in prominence and partner countries have increasing access to non-ODA resources, the DCI has maintained its focus on poverty reduction.

### 3.4.1 DCI contribution compared to EU Member States

The EU Better Regulation (Section 3.6 question 6) defines value added as value resulting from EU interventions that are additional to the value that would have resulted from interventions initiated at regional or national levels, by both public authorities and the private sector. Where national and regional MIPs explicitly identify the value added or comparative advantage of the EU, this is mainly related to:

- Previous experience and knowledge of a given sector derived from long-term experience, commitment and diversity of partnerships;<sup>102</sup>
- Specific technical/regulatory expertise or knowledge of best practices;<sup>103</sup>
- Departure of other donors;<sup>104</sup>
- The EU's status as a supranational organisation, as a result of which it is perceived by dialogue partners as a neutral agent not defending or advancing the interest of a particular country.<sup>105</sup>

It is the latter aspect of value added that has emerged most strongly from field mission interviews and interviews of Member State Delegates to the Development Committee. **The EU is perceived as a stakeholder not bound by a specific national set of priorities.** The attraction of the EU as a partner not bound by a national interest is strongest in the areas of trade, investment, and commerce, where the EU has no bilateral interest to promote. It is weakest in areas such as human rights and democracy, where its support comes with strong expectations that are largely indistinguishable from those of its MS. Moreover, the instrument's emphasis on democracy and human rights carries with it the risk of "crowding out" MS initiative in these areas.

Supranational status provides a particularly solid basis for relations with other regional organisations. Regional MIPs<sup>106</sup>, as well as evaluations<sup>107</sup>, stress the importance of the EU's supranational status and expertise in regional integration due to its history as sources of credibility

<sup>102</sup> E.g. "comparative advantage in terms of long-term experience, commitment and diversity of partnerships and is recognized as a key player by the Government, donor partners and other stakeholders [...] It ensures continuity with successful EU on-going and past programmes and complementarity with other DPs, and especially with the EU Member States" (Bangladesh MIP, pp.6 and 8).

<sup>103</sup> E.g. in the Philippines (p. 4): "The EU is considered a leader in the area of regulation for renewable energy and climate change mitigation. Relevant energy efficiency technologies can be shared with the Philippines (this constitutes EU value added)."

<sup>104</sup> E.g. in the Vietnam MIP (p. 2) "In a context of increased disengagement and gradual phasing out of several traditional (European) grant donors over the coming years, the EU aims at playing an important role in supporting Viet Nam to address its remaining development challenges."

<sup>105</sup> For example, in the Nepal MIP (p. 5): "Largely considered to be a "neutral" actor in Nepal, the EU is in a unique position to support the political transition process including support to the elaboration of a new Constitution." In the Pakistan MIP (p. 5): "Recognized as an objective and transparent partner without any historic legacy, the European Union has the potential to play a significant role vis-à-vis Pakistan." In the Iraq MIP (p.8): "In the case of Iraq in particular, the EU might also be seen as an independent broker. This fact is believed to increase the likelihood of impact."

<sup>106</sup> According to regional MIPs, regional or sub-regional partners (e.g. ASEAN, SAARC, SIECA, CARIFORUM) consider the EU, as a supranational organisation, to be a dialogue partner at an equal level.

<sup>107</sup> E.g. Evaluation of the EU's Co-operation with Asia, Central America and European Union's Trade-related Assistance in Third Countries. Specific example: In Asia "[...] the EU is seen as ASEAN's most trusted and relevant partner, given the importance of the European integration process as a reference point (but not necessarily a model) for ASEAN's own regional integration." (Evaluation of the EU's Co-operation with Asia, p. 29-30).



with regional or sub-regional partners. A case where supranational status and historical experience have crystallised is the Pan-African Programme, where, as noted under EQ 1, the partnership is Union-to-Union and Commission-to-Commission. As also stated there, while the potentially high return to the Pan-African Programme comes with commensurately high risks attached, the value added by the EU relative to actors lacking supranational status is clear.<sup>108</sup> The potentially high return comes in the form of effective implementation of the JAES, a strategy crucially important to the EU because of Africa's proximity, demographic weight, and continuing challenges in the form of instability and weak institutions. The high risk comes from the magnitude of the challenges facing the continent and the institutional weakness of the main partner, the African Union.

**While the size of DCI contributes to, it does not determine EU comparative advantage.**

The EU makes a substantial financial contribution to the development support of the EU as a whole (i.e. EU institutions and MS collectively) but is far from being dominant if measured against total ODA flows. In 2015, EU institutions ranked third (USD 13,848 million) behind the UK (USD 18,700 million) and Germany (USD 17,779 million).<sup>109</sup> The volume of DCI funding was not often mentioned in Member State interviews as a source of value added, except for making the EU an obvious leader for the MS in negotiating operational / technical issues such as tax treatment, per diems, etc. In the EUD survey, responding delegations were evenly split between size, expertise, and political / policy leverage as the source of value added for DCI geographic programmes.

**While the total volume of support through DCI is not a decisive source of value added, the type of support can contribute to value added.** The willingness of the EU to support global responses to public good challenges and to strengthen the role of civil society and local authorities in democratic governance, an area in which it is the largest global donor, can be viewed in itself as a source of value added. Specialised expertise was defined as the clearest added value for the GPGC programme.<sup>110</sup>

Several evaluation reports have highlighted EU budget support as a source of value added in comparison with other donors.<sup>111</sup> Budget support is a mainly successful modality, but some cautionary notes are in order. First, the increase in budget support noted under EQs 1 and 2 as evidence of improving alignment with partner country policies is occurring via sector budget support – general budget support is, in fact, shrinking; in large part because of concerns (expressed in MS representative interviews and evidenced by shifts away from budget support in MS such as the UK and Germany) regarding PFM and other governance issues. As discussed under EQ 6, DCI sector budget support can give policy leverage at the sectoral, Ministry, and technical level, but does not necessarily translate into equally substantial influence at the higher, political level. While DCI budget support can be quantitatively significant at the sector level, it rarely is (at least in DCI countries) at the macroeconomic level, and even at the sector level, it is fungible with other funds. Finally, DCI support must be considered in the context of the overall diminishing demand for ODA, a theme confirmed in field interviews.

### 3.4.2 Joint Programming

As stipulated in Article 11 of the DCI Regulation, the EU is committed to adding value through joint programming, particularly with MS, an approach to which the European Council called for “renewed effort and commitment by the EU and the MS” in its May 12, 2016 Conclusion “Stepping up Joint Programming.” The recently published Review of Strategic Evaluations to assess the European Consensus on Development (October 2016) found that **EU added value has been highest when co-ordination and complementarities with EU-MS and other donors have been high.** Major DCI programmes are co-financed by partners such as Germany, the UK, and Sweden; as well as smaller MS. MS report in interviews that it is unlikely that they

<sup>108</sup> Based on field mission interviews with HQ, EUD and AUC staff.

<sup>109</sup> See Volume 2, Table 35. Includes EDF.

<sup>110</sup> EUD survey: 52% (or 17 of 33) EUDs using the GPGC selected *particular expertise*.

<sup>111</sup> E.g. in Evaluation of Budget Support in South Africa, Evaluation of the Commission of the European Union's co-operation with Ecuador where the provision of aid through budget support allowed the EU to “*Have access to a privileged dialogue, exchange of information (i.e. on PFM) and relations of trust with the GoE.*” (p. 69).

would be able and willing to fund these and other large programmes in partner countries and regions entirely on their own and appreciate the coordination lead that the EU is willing to take. While actual implementation of joint programmes has started in only a few countries, EEAS identifies 55 countries (not all DCI countries) as being in some stage of developing the approach and 17 as having finalised JP strategies at the beginning of 2017. Progress in DCI countries should, nonetheless, be kept in perspective. Six DCI countries have finalised joint strategies are: Bolivia (2016), Cambodia (2014), Guatemala (2013), Laos (2016), Myanmar (2014), Paraguay (2015). The loss of national visibility is a disincentive for MS to participate in joint programming, but particularly for smaller MS, the choice is between having some impact as part of a joint programme or none acting alone. Despite progress and promise, JP is still in its early stages of development. According to EAMRs and evaluations and also external studies conducted before 2014<sup>112</sup>, while committed to the aid effectiveness agenda in high-level forums, **some representatives of MS fear that their national interests and priorities will become diluted in aid co-ordination**. According to the studies cited, some partner countries also give EU JP a mixed reception due to **concern that JP might be part of donor strategies to decrease overall aid levels**. A recently-completed evaluation of JP concluded that, while joint programming has encouraged better coordination and harmonization between the EU and its MS with positive impact on coherence, it has enjoyed greater support from donors at field level than at capital. The benefits of JP so far have accrued more to the EU and MS than to local partners, i.e. national governments and civil society. Partners have not been sufficiently implicated, and there is persistent fear that JP will lead to a reduction in total aid resources (not necessarily a bad thing from donor perspective if there are overlaps and inefficiencies). To summarise, the evaluation reached mixed conclusions: *“The ambitions of Joint Programming in terms of aid effectiveness (reduced aid fragmentation, increased transparency and predictability, reduced transaction costs) have thus not as yet been realised. However, it is argued on the basis of findings in the field, that other results (better coordinated and more strategic EU aid with joint understanding, shared objectives and joint positioning) are being obtained, which are valuable contributors to better development effectiveness of European Union aid.”*<sup>113</sup>

### 3.4.3 DCI, European values, and regional integration

**DCI-funded actions promote and support, *inter alia*, democracy, political transition, free and fair elections, good governance, human rights, gender equality, labour and environmental standards, empowerment of citizens and community-driven socio-economic development, accountability of decision-making and political rule, rule of law, transparent dispute resolution, human development, and reduction of inequality.** These issues have been largely discussed under EQ1 and EQ 2, asking whether the DCI 2014-2020 as designed and implemented to date has been consistent with European concerns and priorities. Prominent among these, as made explicit in the Agenda for Change, Global Europe, and other statements of policy, are the encouragement of good governance, democracy, human rights, gender equality, and rule of law consistent with inclusive and sustainable development. While MS (in interviews and during the OPC) express increasing concern about how DCI will address core EU concerns such as security, the fight against terrorism, migration, and climate change, these have not so far shifted DCI's primary concern with poverty reduction. An example is migration under DCI and the Pan-African Programme, where the EU despite pressure from some MS has so far adopted a migration and development perspective in which migration is seen as a potentially positive force for development, rather than a strictly European-interest driven perspective dominated by migration and security considerations.

<sup>112</sup> Reference is made to 1) Galeazzi, Helly & Kratke, 2013, All for One or Free for All? Early experiences in EU joint programming, ECDPM; 2) The European Parliament 2013 The Cost of Non-Europe in Development Policy: Increasing co-ordination between EU donors (European Parliament 2013); 3) Carlsson, Schubert & Robinson, 2009, The Aid Effectiveness Agenda. Benefits for a European Approach, HTSPE; 4. Bigsten, Platteau & Tengstam, 2011, The Aid Effectiveness Agenda: the benefits of going ahead, SOGES.

<sup>113</sup> EU (2017) Evaluation of EU Joint Programming Process of Development Cooperation (2011-2012), p. iii available at: [https://ec.europa.eu/europeaid/evaluation-eu-joint-programming-process-development-cooperation-2011-2015\\_en](https://ec.europa.eu/europeaid/evaluation-eu-joint-programming-process-development-cooperation-2011-2015_en).

European approaches extend not only to fundamental freedoms, but also to technical issues of economic and other aspects of public policy. **Throughout its history, the EU has been seen as a reference point for integration processes elsewhere and has actively promoted regional integration around the world.** According to evaluation reports,<sup>114</sup> the DCI has supported regional integration issues in Central, South and Southeast Asia; Central America, and the Trade-related Assistance sector. In Southeast Asia (ASEAN) and Africa (African Union and a range of other regional organisations), the EU sees itself as the natural partner of regional organisations which have also received substantial EU support.

For example, the Evaluation of the European Union's Trade-related Assistance in Third Countries concluded that *"The EU has made strong contributions to the fostering of regional integration processes, albeit with significant geographical variations."* The EU's support of ASEAN through the DCI regional programme is widely perceived as one of the most effective cases of the promotion of EU norms (approaches, standards, etc.) and values (human rights, democracy, and rule of law). In this case, the DCI has contributed to the implementation of regional standards, preferential trading agreements, customs harmonisation, regional statistics, and Intellectual Property Rights - and in non-economic areas - health, disaster management and border-related issues.

### 3.5 EQ 5 on coherence, consistency, complementarity and synergies

**To what extent does the DCI facilitate coherence, consistency, complementarity and synergies both internally between its own set of objectives and programmes and vis-à-vis other EFIs?**

Examples of complementarity in implementation between components of DCI and between DCI and other instruments have been found, e.g. DCI thematic (CSO-LA and GPGC) and DCI geographic, (at least at the overall strategic level), DCI geographic and thematic and IcSP / EIDHR. The potential for complementarity between the Pan-African Programme (policy development at continental level) and EDF (policy implementation at country level) is present. There are systems and procedures in place to enhance internal consistency and promote linkages with other EFIs, and they have been consolidated over time. Internal reporting has been improved. Despite this, the evaluation has found only limited evidence that the DCI actively encourages coherence, consistency, complementarity and synergies between its various components and vis-à-vis other EFIs. Risks of thematic overlaps with other EFIs were not well identified in DCI policy and regulatory documents (e.g. security and development shared out over the EU Emergency Trust Fund for Africa, IcSP, the Pan-African Programme, and EDF). While the Regulation and Programming Instructions (for geographic programmes) make calls for coherence and complementarity, these do not give specific guidance. Procedures to promote complementarity via consultations and review are in place, but programming is still largely compartmentalised and decision making is centralised. The need for better information flow between EUDs and HQ has been frequently cited in interviews and evaluations. Taken as a whole, the evidence suggests that the interesting examples of complementarity identified were not the result of a consistent overall strategy.

Within DCI, the broad strategic vision of complementarity between geographic bilateral programmes for building country partnerships and GPGC for addressing problems requiring global solutions was and is valid; however, coherence and complementarity between the two components at country level is a frequently-cited problem. Earlier evaluations have called for greater complementarity between regional and bilateral programmes, but there is some evidence of this from the DCI 2014-2020, particularly in the context of blending, which promotes access to infrastructure. Blending is also complementary to GPGC because a substantial amount of the infrastructure financed is related to climate change and environmental sustainability. In the case of CSO-LA there is evidence from interviews and the EUD survey that the programme complements and reinforces geographic co-operation.

<sup>114</sup> E.g. Evaluation of the EU's Co-operation with Asia, Central America and European Union's Trade-related Assistance in Third Countries.

### To what extent does the DCI facilitate coherence, consistency, complementarity and synergies both internally between its own set of objectives and programmes and vis-à-vis other EFIs?

Joint programming, designed in part to promote coherence and consistency between the EU and MS, is discussed mostly under EQ 4. While the Commission and most EU MS are committed to the JP, the approach is still in its early stages at country level (see also EQ 4).

#### 3.5.1 DCI promotion of coherence, consistency, complementarity and synergies

**The Regulation for the DCI 2014-2020 emphasises the need for coherence, consistency, complementarity and synergies in stronger terms than did its predecessor (DCI 2007-2013).** It was shaped by provisions laid down in the 2011 Agenda for Change, which emphasised the need for EU policy coherence and coordinated EU Action. The roots of these provisions go back to the 3-Cs (coherence, complementarity and coordination) of the 1992 Maastricht Treaty, the 2006 European Consensus on Development as well as the 2007 Code of Conduct on Complementarity and the Division of Labour in Development Policy. Country ownership is emphasised as particularly important for coherence.

**DCI displays good overall internal consistency.** As highlighted in EQ1, the objectives pursued by the different components of the DCI show a strong degree of coherence and alignment with EU development objectives. In particular, there is good overall complementarity between the geographic and thematic programmes, with the GPGC allowing the EU to address specific issues at the global level and the CSO-LA component allowing EU country support address sensitive issues or cover critical civil society / human rights organisations, even in difficult environments.

**However, the Regulation provides only general guidance for how its different components should relate to each other and to other EFIs.** In the Regulation for the DCI 2014-2020, provisions related to consistency, coordination, complementarity and synergies are mostly mentioned in the preamble and the general principles<sup>115</sup> and, to a lesser extent, in the more specific sections dealing with geographic or thematic programmes. Basic principles set forth in the DCI Regulation were translated into guidance in the 2012 EDF and DCI Programming Instructions<sup>116</sup>, but elements related to coherence, coordination and complementarity remained general.

**Regulations of other EFIs (e.g. ENI, EIDHR, IcSP and INSC) make broad references to complementarity between EFIs and the need for synergies, but similarly contain few details in this regard.** Regulations provide very few elements on how synergies between EFIs could be achieved.

**Although they reflect extensive consultation processes, DCI programming documents (geographic, regional and thematic MIPs) remain general as far as the need for coherence and complementarity between EFIs is concerned, lacking a clear vision as called for in the programming instructions<sup>117</sup>.** While some exceptions were identified (e.g. MIP South Africa), most of the geographic bilateral MIPs analysed only briefly refer to other EU EFIs and regional / thematic programmes, in the sense of laying claims to complementarity rather than providing details on expected synergies. The MIPs for the CSO-LA (2014-2020) and GPGC (2014-2017) state the need for complementarity with other EU development activi-

<sup>115</sup> E.g. DCI 2014-2020 Preamble, Paragraph 8 *“The Union and the Member States should improve the consistency, coordination and complementarity of their respective policies on development cooperation, in particular by responding to partner countries’ and regions’ priorities at country and at regional level. To ensure that the Union’s development cooperation policy and that of the Member States complement and reinforce each other, and to ensure cost-effective aid delivery while avoiding overlaps and gaps, it is both urgent and appropriate to provide for joint programming procedures which should be implemented whenever possible and relevant.”*

<sup>116</sup> EU (2012) Instructions for the Programming of the 11<sup>th</sup> European Development Fund (EDF) and the Development Co-operation Instrument (DCI) – 2014-2020.

<sup>117</sup> The 2012 EDF and DCI Programming Instructions emphasise *“a need for an assessment of the overall situation of the partner country/region with a view to defining a vision regarding the EU’s relationship with, and support to, a partner country/region. This vision should guide all the EU’s relations with that country/region, including its cooperation and assistance under different instruments”*.



ties but provide few details. In the 2014-2017 MIP for the Pan-African Programme there are references to the need for complementarity with other EFIs and consistency with other EU development policies but again at a high level of generality.<sup>118</sup>

**Some procedures and mechanisms to ensure complementary and synergies between DCI components and between EFIs during programming and implementation are in place, e.g. the Quality Support Group (QSG) process.** EU Regulation No 236/2014 governing the CIR lays down common rules and procedures for EFIs (e.g. on financing, programming and evaluation). The CIR Regulation, states that the common rules and procedures need to be consistent with the Financial Regulation and that harmonisation across instruments should be on the basis of the instrument with the simplest rule.

**However, the common rules and procedures defined in the CIR do not require Committees to systematically assess coherence and complementarity of proposed DCI projects with actions under other EFIs.** The CIR does not contain provisions as to coordination among DCI programmes or between DCI and other EFIs. Recent changes in comitology rules concern higher thresholds as compared to the situation in 2007-2013, above which decision-making by Committees composed of MS representatives is required.

In addition, **decision-making on EFIs in general and many DCI programmes in particular remains centralised and still occurs to a large extent in programme- and instrument-specific compartments, in spite of efforts to associate geographic and thematic desks in QSGs.** Responses to the EUD survey and also interviews conducted during field missions (Bangladesh, Bolivia and Cambodia) suggest that EUD staff feel that they are not informed or consulted early and extensively enough. Many survey responses from EUDs call for greater devolution of decision-making to the field. Moreover, interviews show that consultations in QSGs often take place mainly to check adherence to broad transversal themes, e.g. democracy, human rights and fundamental freedoms, gender equality or climate change and environment. A similar compartmentalisation characterises the consideration of programmes and measures in EFI Committees composed of representatives of MS.

**Internal reporting requirements address complementarity issues, but reporting has remained variable in the level of detail.** EUDs are required to report on how DCI geographic programmes complement other EU development support in DCI countries (including other EFIs) through EAMRs. An analysis of EAMRs from a selection of 25 countries shows that all EAMRs refer to the complementarity between bilateral, regional and thematic programmes. However, reporting on complementarity and synergy issues has been largely anecdotal.

**External reporting has played a role in promoting coordination between managers involved in DCI programming and implementation.** External reporting requirements (e.g. the Annual Report on EFIs to the European Parliament and the Council), as well as reporting to the OECD or the UN, also require co-operation and consultation among Units.

### 3.5.2 Results in coherence, complementarity and synergies

**No major overlaps between EFIs or between DCI programmes have been identified.** DEVCO Annual Reports 2014 and 2015 emphasise major efforts to ensure complementarity between bilateral, regional and thematic components of DCI. Survey results show a good level of complementarity between EFIs in most countries. Migration has been a theme where the EU has mobilised various EFIs including DCI while avoiding overlaps. The evidence gathered

<sup>118</sup> E.G. in the MIP for Pan-African Programme (p.7) *“The PanAf will work within the frame of this continental/trans-regional strategy. It will not replace but complement where relevant, through a continental or trans-regional approach, the other EU instruments and programmes that address the priority areas of the EU development policy in the African continent. These are the 11<sup>th</sup> European Development Fund (EDF) covering Sub-Saharan Africa through the National Indicative Programmes (NIPs), the Regional Indicative Programmes (RIPs) and Intra-African, Caribbean and Pacific (ACP) programme; the European Neighbourhood Instrument (ENI) covering North African countries, DCI geographic programmes covering South Africa and the thematic programme Global Public Goods and Challenges (GPGCs) covering global issues concerning Africa, and the support to Civil Society Organisations and Local Authorities (CSO-LA), the European Instrument for Democracy and Human Rights (EIDHR), and the Instrument contributing to Stability and Peace (IcSP).”*



from interviews, documentary review (e.g. EAMRs, Thematic Budget Line (TBL) Reports, programming documents) and the EUD survey show that, within the DCI:

- **The overall strategic concept of complementarity between GPGC and bilateral geographic has remained valid during the programming of specific interventions.** GPGC, which addresses problems that require a global approach, is complementary to bilateral geographic programmes which sustain long-term engagement with partner countries.<sup>119</sup>
- **The Pan-African Programme was reported in field interviews to have been complementary to EDF in a number of countries; however, this has not been confirmed by other evidence.** A limitation is that, while the Pan-African Programme may support the African Union to perform policy analysis, it is ultimately up to AU Member States to decide whether they wish to use EDF funds to implement the policies developed at national level.
- **Synergies between regional and bilateral support are still not fully exploited.** There have been positive examples of synergies between regional and bilateral support as illustrated by the Asia Regional Strategy Evaluation.<sup>120</sup> However, complementarity between regional and bilateral geographic programmes has by and large been found by evaluations to be rather limited.<sup>121</sup>

With respect to the complementary with other EFIs:

- **DCI and IcSP show a good level of complementarity.** According to interviews at HQ and the EUD survey, the main complementarity arises from the fact that the IcSP flexibly intervenes in situations with risks for stability and peace. IcSP is an “instrument of last resort,” i.e. it should not be used to support activities that can be supported by other instruments. Ironically, it can also be characterised as an “instrument of first resort,” because it can be flexibly and quickly mobilised in crisis situations to provide an emergency response and lay the groundwork for later actions under the DCI. Sustainability of results of IcSP support may be ensured by the DCI (and the EDF) through integration in the respective intervention packages. Interviews with EU staff at HQ level suggest that there are regular consultations among Directorates and Divisions as well as with EUDs regarding how to ensure the sustainability of IcSP initiatives (which are time-bound by nature), whereby integration into DCI (and EDF) projects and programmes is a preferred option.
- **The interfaces between DCI and humanitarian assistance are a subject of increasing interest.** DEVCO and the DG for European Civil Protection and Humanitari-

<sup>119</sup> The GPGC MIP 2014-2017 includes sentences such as “*this priority will provide support to countries where there will not be bilateral programmes under geographical programming*” which point in this direction. The TBL report DEVCO H (2016) mentions: “*As far as possible, we should ensure that thematic programmes come as an effective top up to our geographic operations and do not undermine coherence and complementarity with MIP/NIP and RIP actions.*”

<sup>120</sup> E.G. “*EU regional-level support and interventions within bilateral co-operation contexts cross-fertilise each other. In a similar vein, there is no doubt about the existence of well-functioning communication channels and co-ordination mechanisms between the EU, EU MS and other donors to maximise the value added stemming from programmes under the Regional Strategy for Asia. Evaluation reports and stakeholder interviews confirm the existence of complementarity and synergies between different levels and approaches within the overall framework of EU development co-operation with Asia. It is evident, though, that the EU has put little effort into outlining and discussing linkages between regional and national programmes in strategic and programming documents.*” (Evaluation of the EU’s Co-operation with Asia, p.69-70).

<sup>121</sup> To provide examples from evaluations, “*Coordination between the many aid instruments and modalities implemented in the country was weak, even non-existent.*” (Evaluation of the Commission of the European Union’s Co-operation with Colombia, p. 76-77); “*There could be better co-ordination and complementarity between the multiple interventions that are supported by the EC through multiple instruments, modalities and channels.*” (Thematic evaluation of the European Commission support to the health sector, p. x-xi); “*The EC has not systematically ensured a complementary use of the various instruments and modalities available to support GEWE outcomes.*” (Evaluation of EU Support to Gender Equality and Women’s Empowerment in Partner Countries, p. 62). “*(...) There is particularly room for improvement in linking the support of the thematic and geographic instruments for implementing international conventions.*” (p. ii) Thematic evaluation of the EU support to environment and climate change in third countries (2007-2013).

an Aid Operations (ECHO) have taken increasing interest in the potential for combining their efforts. For example, in Ethiopia, what began as an emergency humanitarian food aid programme has evolved, with DCI support, into a comprehensive conditional cash and in-kind transfer programme and is considered to be a rudimentary but potentially sustainable social protection programme.

- **The PI has complemented DCI** by financing policy dialogue through Policy Support Facilities, both at national and global level, technical assistance via the instrument for Technical Assistance and Information Exchange (TAIEX), stand-alone projects focusing e.g. on clean energy and trade related technical assistance.
- **While not being an instrument, the blending modality has also been reported to be complementary to GPGC.** This is mainly explained by the fact that the infrastructure projects it finances often have to do with energy, water, and climate change; by increasing access to infrastructure, they have also been complementary to bilateral projects more directly aimed at reducing poverty.

Evidence from 2013 and 2015 EAMRs as well as 2014 and 2015 AAPs for CSO-LA, interviews at EU HQ and during field visits, TBLs and the EUD survey suggest that **the decentralised components of the CSO-LA systematically seek complementarity and synergies with other EFIs dealing with similar partners (notably with EIDHR and IcSP).** EU Roadmaps for engagement with Civil Society are helping several EU Delegations and MS to bring innovations to the engagement practices by combining bilateral and thematic funds. In South Africa, for example, this was the case particularly in the area of human rights, where the Country Based Support Scheme of the EIDHR was useful, adding value to the Human Rights dialogue. In general, the CSO component of DCI supports longer-term capacity-building of civil society, whereas the EIDHR provides direct support to selected organisations. Other examples of complementarity identified were between DCI and IcSP, DCI and PI, and the Pan-African Programme and EDF (in particular, the Africa Peace Facility). There is potential for complementarity between the Pan-African Programme (continental policy development) and EDF (country-level policy implementation).

**While there has been a good overall level of complementarity, there have been several missed opportunities for synergies between DCI components and between EFIs.** For instance, there have been missed opportunities of synergies between a GPGC-funded global programme on education and support to the education sector through bilateral co-operation, between a GPGC-funded global initiative on nutrition and the national sector policy supported by DCI bilaterally, and between GPGC and Pan-African Programme financed projects in research and innovation.

### 3.5.3 Complementarity between DCI and EU MS support

**The EU has been committed to the overall aid effectiveness agenda and in particular to adequate coordination among donors at least since 2011.** This is expressed in the Common EU position in relation to the 2011 High Level Forum on Aid Effectiveness, which emphasised *strengthening aid as a catalyst for effective delivery of development results and seeking a new consensus on an inclusive development partnership.* At the same time, **the EU with its more than 20 bilateral aid programmes is also a major source of aid fragmentation.** Addressing this problem is a new commitment in the 2016 Consensus on Development Coherence.

According to EAMRs, evaluations and also external studies conducted before 2014<sup>122</sup> while also committed to the aid effectiveness agenda in high-level fora, **some representatives of MS fear that their national interests and priorities would become diluted in aid co-**

<sup>122</sup> Reference is made to 1) Galeazzi, Helly & Kratke, 2013, All for One or Free for All? Early experiences in EU joint programming, ECDPM ; 2. The European Parliament 2013 The Cost of Non-Europe in Development Policy: Increasing co-ordination between EU donors (European Parliament 2013); 3) Carlsson, Schubert & Robinson, 2009, The Aid Effectiveness Agenda. Benefits for a European Approach, HTSPE; 4. Bigsten,, Platteau & Tengstam, 2011, The Aid Effectiveness Agenda: the benefits of going ahead, SOGES. While these studies have been carried out before the evaluation period, the analysis and discussions are still considered to be of relevance.

**ordination.** Based on interviews with MS' representatives both in the field and among DCI Committee members, interest in donor co-ordination and complementarity is more pronounced among MS with small and medium-sized programmes. The initiative is sometimes perceived to be cumbersome with little added value, and in some cases, duplicating existing donor co-ordination efforts.

A good example of a new and promising integrated EU external action approach is the EU Emergency Trust Fund for Africa, to which the DCI makes a contribution along with other EFIs. This initiative, which involves close coordination with MS, is the **follow-up to the 2015 Valletta Summit on Migration resulting in an Action Plan**. According to HQ staff interviewed, compacts have been negotiated since the Valletta Summit with a number of countries of migrant origin (Nigeria, Senegal, Niger, Mali and Ethiopia, for example), and the same approach will be attempted with DCI countries like Afghanistan and Bangladesh in the future. However, MS express concerns about the multiplication of ad hoc trust funds, in addition to which there are issues of visibility and governance. In the case of the EU Emergency Trust Fund for Africa, MS contributions were initially disappointing (see also EQ 6 on DCI leverage).

### 3.6 EQ 6 on leverage

#### To what extent has the DCI leveraged further funds and/or political or policy engagement?

During recent years, donor-beneficiary development co-operation has been in the process of reducing, supplemented by a broad set of resource flows in which grant aid plays a diminishing role in all but the poorest countries. It is crucial that scarce DCI resources encourage “buy in” from other sources, including domestic resources in partner countries and from the private sector.

The main DCI success in financial leverage has been the successful development of blending as called for by the DCI Regulation (Art. 3, 8d). All regional, and about half of national MIPs reviewed see blending playing a significant role in the 2014-2020 MFF period. Though blending is still a relatively new mechanism, reports<sup>123</sup> of regional investment funds show significant private sector involvement and the leveraging of substantial sums. Blending has the potential to divert development expenditure into infrastructure, but at the same time, in addressing priority infrastructure needs, it may free up grant resources to finance actions more directly addressing poverty. A recent, largely positive, evaluation recommended that blending be better deployed to address the needs of the poorest countries and poorest populations within better-off ones; and that the need for grant resources to leverage investment be more thoroughly analysed.

DCI contributions to EU-led Trust Funds<sup>124</sup> have helped to leverage MS funds to deal with critical situations. However, the degree of leveraging has been limited by MS concerns over visibility, governance and the ad hoc nature of the instruments. While DCI has aimed to strengthen PFM in a number of countries (notably through State Building Contracts) and has promoted national ownership through budget support, there is no evidence that domestic fiscal resource mobilisation was a significant factor in the DCI allocation process.

“Leverage” is also used to refer to policy influence. The EU has actively engaged in policy dialogue under the DCI, often but not always under budget support. Evaluation findings point to a mutually reinforcing relationship between political/policy dialogues and development co-operation. The synergies between budget support and reform are strongest when there is a wider strategic partnership. When there is no such broad engagement, policy dialogue under budget support has tended to become technical and limited to narrow questions of conditionality and the fulfilment of targets. Leverage via policy dialogue tends to be stronger at the ministerial or technical level than at the higher political level, particularly when the reforms under

<sup>123</sup> EU (2016) 2015 Operational Report for Asia Investment Facility (AIF), Investment Facility for Central Asia (IFCA) and Asia Investment Facility for the Pacific (IFP).

<sup>124</sup> Specifically the Madad Fund for Syria and the EU Emergency Trust Fund for Africa.

## To what extent has the DCI leveraged further funds and/or political or policy engagement?

discussion are controversial and there is no convergence of political views. An exception here is the application in fragile states of State Building Contracts, which occurs only after long high-level policy dialogue.

The diminishing importance of ODA and resistance in the form of decreasing acceptance of the Western liberal democratic model of development are factors limiting EU policy dialogue effectiveness in areas such as civil society and human rights. Policy leverage in these areas can come through supporting multi-agent partnerships with civil society; it can also come indirectly via policy dialogue related to trade, investment, and commerce (e.g., adherence to international conventions).

### 3.6.1 DCI leverage of additional resources

**Blending has been the main point of engagement with the private sector from the financial leveraging point of view.** The Agenda for Change emphasises the support of inclusive growth and job creation as a key priority of EU external co-operation. In this context, blending is recognised as an important vehicle for leveraging additional resources and increasing the impact of EU aid.<sup>125</sup> Likewise, the DCI Regulation highlights the importance of promoting “*innovative instruments such as blending.*” (Article 3, 8d). Blending typically occurs in the context of regional investment facilities that finance infrastructure projects and also brings support to private sector development. In this way, blending can achieve synergies with bilateral geographic collaboration, utilising regional funds to meet governments’ demands for infrastructure while freeing up bilateral resources for actions directly fighting poverty. While only about half of the national MIPs mention the possibility of blending the EU DCI resources with investment for increasing leverage, all *regional* programming documents foresee opportunities to use blending as an implementation mechanism. References in national MIPs are made often in fairly exploratory terms. Among others, this includes expected blending with EIB lending.

#### Box 3 Use of blending in geographic MIPs<sup>126</sup>

*‘Blending mechanisms will be pursued in trying to unlock public and private resources and thereby increasing the impact of external co-operation and development policy.’ (Afghanistan MIP, 2014, p. 5)*

*‘In order to guarantee best use of resources, the EU envisages blending grants with [Asian Development Bank] loans for the Secondary Education Sector Investment Programme (SESIP).’ (Bangladesh MIP, 2014, p. 8)*

*‘The EU will explore options to deploy a higher percentage of funds through new financial instruments, such as blending grants and loans and other risk-sharing mechanisms, in order to leverage further resources, and respectively strengthen access to finance.’ (Mongolia MIP, 2014, p. 9)*

*‘Through blending loans and grants, significant investment of renewable energy technologies such as wind or solar can be generated; saving millions of tons of carbon emissions and moving the Philippines towards the path of a Green Economy.’ (Philippines MIP, 2014, p. 6)*

*“Blending, based on the experience of the facility for Latin America (LAIF), will be a major mechanism of implementation in particular for supporting investments complementing the above mentioned objectives, and clearly linked to the overall EU objectives and policy priori-*

<sup>125</sup> 2016 Annual Report on the implementation of the EU instruments for financing external actions in 2015 SWD(2016)456final states “*In line with the AAAA, the EU’s actions go beyond ODA and help to bring together aid, investment, trade, domestic resource mobilisation and good policies. Such examples include (...) blending facilities to leverage more private sector investment in developing countries and continuation of ‘duty free and quota free’ market access to the Least Developed Countries.*”

<sup>126</sup> While blending is usually thought of as a means of implementing geographic funds, from 2016-September 2016, about Euro 180 million of GPGC thematic programme funding has been allocated to blending, as well, covering actions in energy, agriculture, and climate change.



*ties in the region. Innovative investment operations and pilot initiatives could also be supported.”* (Latin America MIP, 2014, p. 11)

Three major regional investment facilities set up under the DCI 2007-2013 in 2010 are currently implemented in DCI regions<sup>127</sup>: the Latin American Investment Facility, the Asian Investment Facility and the Investment Facility for Central Asia. To give an example, the combined 2015 annual report for Asia, Central Asia, and the Pacific estimates that **in the eight years that the blending mechanism has been in place, EUR 2.7 billion in EU assistance has been used to unlock an EUR 50 billion in investment.**<sup>128</sup> While it is a theoretical possibility, there is no empirical evidence of “crowding out” (i.e., blending simply substituting for public or private funds that would otherwise have been forthcoming). Equally persuasive is the argument that blending “crowds in” by reducing information asymmetries, particularly as regards risk. Blending might divert grant funds into favoured sectors, but as many of these have close links to clean energy and the environment, it is unclear that this would be inconsistent with EU policy priorities. Moreover, by addressing partner government priorities in infrastructure, blending may free up grant resources for actions more directly addressing poverty. In addition to the regional facilities, two new thematic initiatives, Electrification Financing Initiative (ElectriFI) and Agriculture Financing Initiative (AgriFI) have been recently set up. They both aimed at enhancing private sector engagement with a focus on blending.<sup>129</sup>

**Blending** has been the subject of a recent evaluation<sup>130</sup>, which concluded that the modality **encouraged a more strategic approach to co-operation, particularly in lower-middle and middle-income countries.** The evaluation found that, by using grants in combination with loans, blending allowed projects to go ahead that would not have been possible if financed purely by loans or purely by grants. It had a positive effect on DCI potential policy leverage by giving the EU a seat at the table with large donors (including MS agencies such as KfW and AFD) and a voice in strategic infrastructure-related policy areas such as energy, transport, and water and sanitation. While the full potential of blending to mobilise the private sector have not been realized, there is evidence of at least some generation of private finance. New initiatives recently developed, such as ElectriFI and AgriFI, noted before, have the potential to extend the reach of blending approaches and lead to longer term private sector development.<sup>131</sup> One of the recommendations of the evaluation is that additionality issues, and particularly the case that a grant element was necessary for the project to succeed, be better analysed and stated at the outset. In general, the potential for blending in the poorest countries and in favour of the poorest populations in better-off ones could be further developed.

**Another approach to leveraging additional resources quickly and flexibly in rapidly evolving situations is the use of EU-led Trust Funds.** DCI participation has been limited as compared to other instruments such as the EDF, but the DCI made significant contributions to the EU Regional Trust Fund for Syria (Madad Fund) and the EU Emergency Trust Fund for Africa, helping to leverage contributions from MS and finance a quick response. However, MS interviewed have expressed concern that Trust Funds are rapidly proliferating in ad hoc fashion. MS contributions to both the Madad Fund and Emergency Trust Fund for Africa were difficult to mobilise. This was in part due to MS visibility concerns and in part due to governance

<sup>127</sup> i.e., regions eligible under the DCI geographic instrument.

<sup>128</sup> EU (2016) 2015 Operational Report for Asia Investment Facility (AIF), Investment Facility for Central Asia (IFCA) and Asia Investment Facility for the Pacific (IFP).

<sup>129</sup> ElectriFI, elaborated in close cooperation with representatives of the private sector and development financiers, is a flexible tool aiming to support investments providing access to reliable, affordable and sustainable electricity and energy services for populations living principally in rural, underserved areas as well as areas affected by unreliable power supply. The G7 Leaders' Summit in Germany explicitly acknowledged ElectriFI in the Declaration of July 2015. AgriFI is a new initiative that aims at increasing investment in smallholder agriculture and agribusiness MSMEs in order to achieve inclusive and sustainable agricultural growth. A central feature of AgriFI is that the provision of EU support will mobilise additional public and private investment, in particular through the provision of risk capital, guarantees or other risk-sharing mechanisms. EU support will contribute to de-risking the investment or close a financing gap.

<sup>130</sup> EU (2016) Evaluation of Blending, available at [https://ec.europa.eu/europeaid/evaluation-blending\\_en](https://ec.europa.eu/europeaid/evaluation-blending_en).

<sup>131</sup> EU (2016) Evaluation of Blending, p. iv.



issues, specifically, that the incentive was to contribute just enough to obtain a seat on the Trust Fund board, but no more.

The DCI Regulation attaches great importance to national resources, particularly government fiscal resources. While in EQ 2 a trend towards the use of (sector) budget support whenever possible was identified, **there is no evidence that that DCI resource allocation was influenced by the extent of national mobilisation of resources.** However, in MIPs national public resources are systematically taken into consideration for each priority sector (although with various level of detail) together with the government's policy commitments. Other reviewed documents, particularly evaluation reports<sup>132</sup>, refer to budget support as the appropriate aid modality to foster government ownership and support reforms, thus putting in place the conditions to mobilise national resources. **PFM reform, which can be seen as an important component of fiscal resource mobilisation, has been a major focal sector in DCI (e.g., Cambodia).**

While the EU has been involved via the GPGC programme in financing the Global Fund against AIDS, Tuberculosis, and Malaria, the Global Alliance for Vaccines and Immunisation, the Global Education Partnership, the Global Climate Change Alliance and similar endeavours, these **high-profile EU global public-private partnerships tend to be platforms for dialogue rather than risk-taking and sharing partnerships which can leverage DCI grant funds, e.g. by addressing information asymmetries (as in the case of blending) (see also EQ 2).**<sup>133</sup> The Global Fund and GAVI make significant contributions to supporting national operational activities, but this does not imply that they leverage additional resources. In the area of leveraging remittances, a significant endeavour is the support provided under the Pan-African Programme to the African Centre for Remittances, an institution designed to advise governments on how to best to mobilise remittances for development. In the case of climate change, the ambition that GPGC projects supporting countries to participate in global fora or to finance pilot projects can lead to significant geographic bilateral projects is difficult to realise as the theme is not high on most partner governments' priority list (as evidenced by the handful of countries in which climate change is a focal sector).

### 3.6.2 Use of DCI policy and political dialogue to leverage reforms

**The EU engages in policy dialogue through DCI programmes, especially budget support, with the main stakeholders in all partner countries in an effort to leverage policy reforms.** Both national and regional MIPs frequently identify DCI as providing an opportunity and framework for political and policy dialogues with key partners. Reviewed EAMRs stress the EU's engagement in policy dialogue in a broad range of thematic areas through DCI programmes. The Pan-African Programme 2014-2020 elaborates in detail how policy and political advocacy are embedded within the overall development co-operation framework. A number of reviewed evaluations<sup>134</sup> come to positive conclusions on the reinforcing link between development co-operation and high level dialogues, yet not necessarily related to budget support. Likewise, the EUD survey strongly confirms the importance of policy dialogue as one of the most critical factors needed to ensure EU leverage through DCI.<sup>135</sup>

Based on evaluations (e.g., Evaluation of BS in South Africa and Paraguay) and field mission interviews (e.g., in Bolivia), **when partners' ownership is strong, BS helps strengthen**

<sup>132</sup> E.g. Strategic evaluation of EU co-operation with Nepal, Strategic evaluation of EU trade-related assistance in third countries, Strategic evaluation of EU support to health in third countries.

<sup>133</sup> E.g. in Schaaf (2015): The Rhetoric and Reality of Partnerships for International Development. *Geography Compass* 9(2): 68-80.

<sup>134</sup> E.g. the Evaluation of the European Union's regional co-operation with Asia (2014) highlights "*Development co-operation and interregional policy dialogues, as the two main strategic approaches towards Asia, have mutually reinforced each other and increased the EU's lever-age on key agendas. It is a particular strength of the RSP that it is based on development co-operation and policy dialogues as mutually reinforcing pillars. The cross-linkages between the co-operation programme and institutionalised high-level political relations have increased the EU's and Asian partners' ability to respond more effectively to emerging challenges in political, economic, social and environmental fields.*" (Evaluation of the European Union's regional co-operation with Asia. Final Report Volume 1 March 2014, p. ix).

<sup>135</sup> 28 out of 29 countries that indicated to use DCI as a bilateral instrument identified policy and/or political dialogue as the most critical factor needed to ensure leverage through DCI.

**their commitment (politically, financially and technically) and leverage their own resources.**<sup>136</sup> Such leverage effect is particularly high when BS dimension goes beyond its limited financial size and is linked to wider strategic partnerships between the EU and partners. The same has been noted in countries with well-functioning Association agreements (e.g., South Africa), where BS leverages commitments to reforms that will open new visible opportunities to the national economies. The 2014 synthesis of BS evaluations concluded that, while policy influence can be strong through targets and monitoring (i.e., at technical level), it cannot be found at higher level unless there is a convergence of political views.

While dialogue through the DCI yields positive results overall, field mission interviews with EUD officials, confirmed by interviews with government officials, indicate that **policy dialogue is most effective at sector, technical, and Ministry level. At political level, its effectiveness is blunted by the fact that the importance of DCI ODA is dwarfed by the importance of trade, suggesting the need for closer links between the two.** The possibility of favourable trade treatment, for example, was seen by some EUD officials as a stronger leverage tool than DCI budget support for projecting EU values and expectations regarding country commitment to international labour conventions. An example of complementarity and synergy from the Central American region is the use of DCI-financed TA to advise countries on how better to take advantage of Free Trade Agreements. Another area where budget support can result in political leverage is in the process of preparing State Building Contracts in fragile states (e.g., Afghanistan and Myanmar), which only follow long high-level policy dialogue. The diminishing role of ODA in resource flows, the availability of new sources of finance, the lower than optimal visibility of the EU beyond sector level were all cited in interviews as constraints. In controversial areas such as civil society development and human rights, progress has been slowed by increasing resistance to models of development stressing democracy and human rights. Also constraining effective policy dialogue, particularly outside focal sector, are EUD staff constraints.

## 4 Conclusions

This section presents the main conclusions of the evaluation, based on the responses to the evaluation questions and main findings.

### 4.1 Conclusion 1: DCI design

The design of the DCI 2014-2020 successfully addressed commitments in the Agenda for Change and concerns raised in the 2011 Impact Assessment of the DCI 2007-2013. Based on a synthesis of conclusions below, midway through the MFF, it remains reasonably fit for purpose.

*This conclusion is based mainly on EQ 1 (Sentence 1) and a synthesis of all the conclusions below (sentence 2).*

**The DCI 2014-2020 responded well to the commitments made in the 2011 Agenda for Change** as well as the issues identified in the 2011 Impact Assessment with reference to the 2007-2013 DCI Regulation (EU) No. 233/2014.

**Geographic programmes were appropriately designed to address:**

- The need to **better align with country priorities** by aligning wherever possible to national development plans;
- The need to **emphasise results and impact** by concentrating on focal sectors in countries most likely to benefit from co-operation and through a Results Framework

<sup>136</sup> E.g., in South Africa, "... the provision of funds enabled the government to finance programmes that it would not otherwise have been able to finance at that time. The funds supported a government driven process policy and service delivery innovation, aimed at democratising public services and improving their impact on poverty, inequality and public governance. Where appropriate, the resulting innovations were scaled up and mainstreamed into national policy on water & sanitation, primary health care, access to justice, access to technology and employment." (Synthesis of budget support evaluations, Executive Summary, pp. 11-12, 2014).

monitoring system;

- The need for **better differentiation** between countries to maximise impact – by introducing a new allocation mechanism which takes into account graduation out of the group of countries eligible for ODA and accords greater importance to fragile, crisis, and post-crisis states.

**Thematic programmes have aimed at reducing fragmentation** by consolidating thematic budget lines under GPGC and better focusing CSO-LA action. The Pan-African Programme successfully provided **a framework to support implementation of the JAES**. All programmes of the DCI sought to achieve the following goals:

- **Better integration of European external/internal policies and priorities** (e.g., environment and climate change, migration, security) into external action through thematic programmes, mainstreaming in geographic actions, and vigorous policy dialogue;
- **Better integration of European values** (e.g., social development, role of civil society, importance of democracy, human rights including gender equality, fundamental freedoms, good governance) into external action by taking progress on such issues into account in deciding aid allocations;
- **Leveraging of non-ODA resources for development** by enhancing domestic resource mobilisation, involving the private sector, etc.;
- **Increased flexibility in fund allocation and implementation** by changes in implementation rules allowing for more flexibility in response to changing conditions and emergent needs.

In short, the DCI 2014-2020 included features to address the major gaps, weaknesses, and opportunities identified during the deliberations leading to its promulgation.

## 4.2 Conclusion 2: Implementation and results

The DCI 2014-2020 is contributing to positive development results and there has been progress in developing a framework for monitoring them at implementation level. Goals in alignment, results-orientation, and differentiation have overall been met, although sometimes with unintended consequences, such as the fact that due to the latter the EU now lacks an adequate basis for development co-operation with Upper Middle Income Countries despite the persistence of poverty. There has been insufficient progress in mainstreaming democracy and human rights including gender equality. Progress has been noted in the area of climate change and environment, but more remains to be done to systematically and effectively integrate these themes across all sectors of EU co-operation.

*This conclusion is based mainly on EQ 1, 2 and 3.*

Based on extrapolation of results identified in past evaluations and RF data for projects ending in 2013-14, there are **multiple examples of DCI making visible contributions to positive development and governance trends** – notably reductions in poverty rates, improvements in health indicators, and increases in school enrolment rates, improved PFM systems, etc.

Almost all **country programmes now reflect national development plans** and the use of country systems has increased, although this is constrained in countries lacking the required transparency and accountability.

**The major DCI objectives are reflected in bilateral, regional, and thematic programmes.** Allocations and commitments indicate that key European concerns are being addressed in areas such as climate change, democracy and human rights, education and health. The Pan-African Programme, in addition to financing projects in the area of economic growth, and institution strengthening, is addressing European priorities in migration and the peace-security nexus.

Differentiation has resulted in a major **transfer of resources to countries most in need** – the Least Developed Countries and fragile, crisis, and post-crisis states. However, **the EU has found it challenging to ensure adequate forms of development co-operation with UMICs following the cessation of bilateral geographic funding.** The thematic and regional programmes have provided opportunities to engage strategically in new forms of international co-

operation, yet they have shown limitations in terms of scope, agency and outreach. The Partnership Instrument is relatively small and was never designed as a development instrument. Overall, **differentiation has been more quantitative (e.g. increasing allocations to fragile, crisis, and post-crisis states) rather than qualitative** in the sense of attempting to devise innovative, tailor-made approaches to deal with widely differing contexts.

There has been **some success in mainstreaming climate change and environment**, but this still suffers from the fact that these subjects are lower on most countries' priority lists than on the EU's. Most work has been done through GPGC and regional programmes, not bilateral geographic DCI. There has been **insufficient progress in mainstreaming democracy and human rights including gender equality**, reflecting resistance from partner country governments to engage with the EU on the European value agenda.

The CSO-LA thematic programme allows the DCI to benefit hard-to-reach groups without government approval. However, **the EU has yet to find the best approach to promoting endogenous, sustainable development of civil society and local authorities as actors of governance**. This is partly due to opposition by partner governments (i.e. a reduced voice for civil society) and partly because of internal factors - including a lack of strategic approaches to engaging with CSO and LAs (by some albeit not all EUDs) as well as procedural bottlenecks hampering access to funding. Further thinking is required on how to provide more sustainable forms of support, both financial and in the first case political, to a diversified set of CSOs and LAs. **The EU's relationship with CSO-LAs is gradually shifting from being one of donor-beneficiary to that of a strategic engagement, based on elements such as permanent dialogue, inclusion into budget support committees, framework partnership agreements with umbrella organisations and strategic planning with the development of Roadmaps for civil society in countries.**

The DCI Regulation called for the EU to become more results focused. In response, a Results Framework reporting system was developed and the first report was issued in 2016. While it suffers from the weaknesses of all such systems, particularly the focus on quantitatively measurable outputs rather than on quality, **the Results Framework represents a significant step forward**. It is not, however, a framework designed to monitor the fitness for purpose of the DCI as a whole, but rather the performance of the DCI in implementation.

### 4.3 Conclusion 3: The DCI as part of the architecture of EU external action 2014-2020

While examples of complementarity have been found both within DCI and between DCI and other instruments, the internal architecture of the DCI and the architecture of EFIs as a whole remains complex and compartmentalised. There has been progress on joint programming with Member States, but the move towards JP is still in its early stages and faces challenges.

*This conclusion is based on EQs 1, 2, 3, 4, and 5.*

The DCI comprises a set of distinct programmes which largely operate in compartments without sufficient coherence and complementarity among each other and with other financing instruments supporting EU external action.

Since 2014, there have been more attempts than during the preceding programming period 2007 – 2013 to put in place procedures to avoid overlaps and seek synergies between EFIs. This has resulted in interesting examples of good interfaces, (e.g. between bilateral geographic programmes and CSO-LA, CSO-LA and EIDHR, DCI bilateral geographic and IcSP, the Pan-African Programme and EDF, between PI and DCI, between regional and bilateral programmes (e.g., via blending) and generally between thematic and geographic programmes). However, arrangements that were conducive to such synergies were mostly ad-hoc. **Institutional structures at the level of Committees, HQ units and EUDs were not sufficiently geared toward overcoming compartmentalised decision-making**. EFIs follow their own mandates and logic and largely act in isolation from each other. As illustrated by long-standing discussions about information flow, consultation, and decision-making between EUDs and HQ, there remain unresolved issues affecting the quality of DCI-financed actions.

The new European Consensus on Development proposed in November 2016 renews the im-



petus for better partnerships between the EU and MS. Coherence and complementarity with development actions of MS is to be achieved primarily through joint programming. While the evaluation found a high level of commitment both by the EU and by MS to the principle of joint programming, implementation still faces challenges (e.g. the limitation to three sectors in partner countries, the division of labour, visibility concerns, partner government resistance).

#### 4.4 Conclusion 4: Leverage and value added

Sustained EU engagement under DCI has resulted in leverage at the level of sector policy, largely through targeting and monitoring. However DCI-based leverage at the political level is weakening (see Conclusion 6), particularly in areas such as democracy and human rights. The EU's main sources of value added through DCI are being viewed as free of national bilateral interests, defending the EU common interest (particularly in trade, investment, and commerce), with a long experience with regional political and economic integration, and substantive expertise (particularly in the area of global public goods and challenges). The EU's ability to raise controversial issues due to its supranational nature is a double edged sword: on one hand, it unquestionably adds value, but at the same time, Member States might not feel compelled to raise the same issues on a bilateral basis, especially where potential national interests would be at stake. The EU also adds value as a major supporter of global public goods work and civil society. There has been significant leveraging of financial resources via blending, but its full potential for poverty alleviation has not yet been reached. While proposals are in place, there has been little progress so far on the formation of effective partnerships with the private sector.

*This conclusion is based mainly on EQ 1, 4 and 6.*

**There has been a substantial increase in the leveraging of resources via the blending of grants and loans from regional investment funds.** Blending has been mainly applied in middle-income countries and its full potential to address poverty remains to be reached. **The EU has not succeeded so far in forming large-scale operating partnerships with the private sector.** There is an abundance of “public-private partnerships,” often at the regional or global level, but these tend to be platforms for consultation and dialogue rather than opportunity-seeking, risk-sharing arrangements that ensure leverage at a political level.

**The main source of DCI leverage at the policy and political level has been through policy dialogue,** often under budget support. This leverage can be strong at the ministerial or technical (i.e. sector) level, largely through the setting of targets and monitoring of progress. While there are exceptions where government ownership is unusually strong, leverage is weak at the political level, particularly on issues where European goals and values are at odds with those of the partner government. **The EU has as a whole faced difficulties addressing fundamental issues of democracy and human rights.**

As discussed under Conclusion 6, a number of trends tend to weaken the leverage that can be derived from ODA. Yet, **there remains significant unexploited potential for increasing DCI leverage by exploiting links with trade-, investment-, and commerce-related cooperation and dialogue.**

DCI value added through policy dialogue derives not so much from its financial mass as from the fact that the EU, as a supranational institution, is regarded as speaking without bilateral interest, particularly in areas related to trade, investment and commerce. At the technical level, **the EU adds value through its unique expertise in regional economic and political integration and areas related to global public goods and challenges.**

#### 4.5 Conclusion 5: Efficiency, flexibility, and capacity

DCI is a complex and administratively demanding instrument and, despite changes in the DCI 2014-2020 Regulation, has only limited flexibility to adapt to new conditions or emerging concerns. This limited flexibility is less at the instrument level than at the level of programming and implementation. Administrative efficiency gains from consolidating thematic budget lines have been modest. A significant factor hampering DCI instrument performance is understaffing both in EUDs and at HQ.



*This conclusion is based mainly on EQ 1, 2 and 3.*

Due to the variety of DCI components, each with its own procedures, **the instrument remains confusing for some EUDs and even some HQ staff**. It operates in many different countries with a wide range of programmes reflecting multiple objectives, central to which is poverty reduction, but expanded in all post-2011 policy documents to include other objectives deemed necessary to achieve sustainable and inclusive growth. The Common Implementing Regulation (CIR) has sought to simplify and harmonise procedures, but **administrative procedures and reporting requirements are still cumbersome** due to the complexity of the instrument and the high degree of scrutiny to which it is subjected.

**While the consolidation of thematic programmes under GPGC has resulted in efficiency gains, these are limited**, as formerly compartmentalised independent budget lines remain compartmentalised under the omnibus instrument and there has been no fundamental change in procedures and processes.

The DCI Regulation 2014-2020 allows for more autonomy and flexibility to choose suitable areas of implementation and the amounts of unallocated funds have been increased. However, in general, there remains **tension between the long-term programming process in DCI and the need to adapt co-operation** to a rapidly changing context and priorities. This is particularly the case in fragile, crisis, and post-crisis states, where the security and political situations can shift rapidly while donors are under pressure to be seen to be taking decisive action.

Despite reforms and evidence that DCI has incorporated concerns that have increased in importance (migration, security, climate change, etc.), **only limited flexibility has been observed under the DCI**. This represents a trade-off between the need for accountability and consultation in a stable multi-annual programming context and the need for rapid response and adjustment. It is, moreover, a problem more at the programming level than at the level of the instrument as a whole.

**EUD capacity is constrained** in many countries, sometimes by post allocations, sometimes due to rotation, etc. This impairs the implementation of bilateral geographic programmes, of GPGC and CSO-LA thematic programmes, weakens policy dialogue outside focal sectors, and hampers the mainstreaming of political commitments (e.g. climate change and gender equality). **Thematic desk capacity at EU HQ is also limited**, adversely affecting the ability to support geographic desks and EUDs.

#### 4.6 Conclusion 6: The growing challenges to the DCI instrument

The SDGs call for universal multi-actor partnerships at national and regional levels built on mutual interests in areas such as trade, investment, security, exchange of know-how related to policy problems and solutions, etc. and informed by a shared vision of democracy and human rights. Yet the DCI has remained essentially an instrument reflecting a donor-beneficiary relationship. Its political and operational foundations have been weakened by a number of recent trends, such as the shrinking number of countries eligible for ODA (a modest trend so far but sure to accelerate in coming years), the diminishing role of ODA in overall resource flows, the shrinkage of aid budgets, the availability of non-ODA aid resources from non-DAC donors, increasing resistance to models of development stressing democracy and human rights, a reduced voice for civil society, and rising importance of EU internal policy agenda.

*This conclusion is based on all EQs.*

The 2014 DCI reflects a longstanding European concern with development. It integrated the policy priorities of its time (Agenda for Change) and created further space to address global public goods (GPGC), strengthen civil society organisations and local authorities (CSO-LA) and deepen relations with Africa (the Pan-African Programme). It stresses the need to accommodate internal EU policy concerns, such as migration and climate change, in external action. Yet in essence, the DCI was conceived as a traditional development tool geared at reducing poverty in the wide mix of DCI countries and at the global and regional levels. Despite ambitions to form the basis for universal multi-actor partnerships as now called for by the SDGs, **the DCI remains an instrument reflecting the donor-beneficiary relationship that underpinned ODA until recent calls for change**. It has, subject to this limitation, delivered

results as described above. However, at the same time, the conceptual and operational foundations of the instrument are being weakened by a number of trends that have become more prominent over the years.

**Six major factors contribute to the weakening of the DCI's foundations:**

- The financial crisis and resulting **pressure on aid budgets** across Europe. This affects particularly MS who pull out from development co-operation in many (DCI) countries – thus reducing the scope for joint action and complementarity. Further cuts are to be expected in coming years. This will oblige the EU to make difficult decisions on funding allocations in the future.
- The **decreasing EU political leverage** in today's multipolar world. This is linked to the growing availability of non-DAC resources, the increased attention to trade, FDI, and remittances rather than aid, and the reduced attractiveness of ODA carrying with it conditions based on a model of development emphasising human rights, democratic governance, rule of law, and civil society. Increasing resistance to democracy and human rights weakens the EU's capacity to effectively promote its core values abroad. The political crisis of the Union ("Brexit," widespread anti-Brussels populism, etc.) further compounds the problem.
- The **shrinking number of DCI countries eligible for traditional development co-operation** (a modest trend so far but one sure to accelerate in the future) and the resulting challenge for the EU to devise a different, mutually beneficial international co-operation portfolio with graduating partners.
- The new EU Global Strategy on Foreign Policy and Security and the global development agendas (including the Paris Agreement on climate change) call for innovative forms of **"interest-driven" co-operation** involving a **wide range of public and private partners** at different levels. Despite the progress on and promise of blending to leverage private sector resources, these requirements cannot easily be accommodated in the current DCI, which remains largely focused on financial (ODA) transfers and organised around central government actors. It also does not allow to adequately address the **universal** nature of the SDG agenda, including the need to deal with the EU's own internal responsibilities regarding global public goods (e.g. limited funds available under DCI to work on EU's role in climate change).
- The current **fragmentation of EU policy frameworks** for external action makes it difficult to engage strategically and coherently with regional groupings, build bridges between sub-regions (e.g. EU relations with the Caribbean/Latin America) or become involved in triangular engagement with South-South co-operation.
- The **growing weight of internal EU policy priorities** on external action (as reflected in the field of security and migration). The EU has so far not clearly defined how to reconcile these *de facto* predominant internal interests with its stated development objectives (as re-affirmed in the proposal for a new European Consensus on Development, November 2016).

## 5 Recommendations

Modifying the DCI, and possibly the entire set of EFIs, to overcome all challenges identified in Conclusion 6 will require substantial time. In this section, we propose three recommendations for the instrument as it is now constituted with elements that could be addressed within the framework of the MTR. We identify individual conclusions to which recommendations are primarily linked. All are linked to Conclusion 6 on the growing challenges to the DCI instrument.

### 5.1 Recommendation 1: Promoting multi-actor partnerships on global goals

Under DCI, the EU may wish to consider to invest more heavily in long-term, value-driven, multi-actor partnerships at country, regional, and global levels in line with the SDG agenda using non-development policies as well as ODA to promote action on common global concerns (e.g., climate change and environment, trade) with due recognition of European interests.

*This recommendation is mainly linked to conclusions 2, 4, and 6. Conclusion 2 identified a need for new forms of partnership with CSOs and LA. Conclusion 4 noted that EU policy leverage was greatest on global public goods and the sphere of economic and political integration, with special leverage arising from its status as a major trade partner not identified with a national commercial interest. Conclusion 6 identified the need for new approaches to partnership going beyond the donor-beneficiary relationship.*

*Main implementation responsibility: DG DEVCO, EEAS and other relevant DGs*

The evaluation has concluded that the DCI remains, at its core, an instrument based on a donor-beneficiary aid effectiveness paradigm involving a limited set of EU institutional players. The former model by which dialogue in the context of ODA would give rise to significant political leverage is becoming progressively less valid for reasons raised in Conclusion 6. The aid effectiveness paradigm is replaced by a development effectiveness paradigm based on common concerns for global issues. For instance, by leveraging its experience in political and economic integration, its expertise relevant to global public goods and challenges, and its weight in trade, the EU can respond more forcefully to increasing resistance to models of development stressing democracy and human rights and a reduced voice for civil society than through ODA-based dialogue. The EU's supranational status can add particular value in a world that is increasingly fragmenting into relationships based on bilateral interests.

### 5.2 Recommendation 2: Mitigating compartmentalisation between DCI components in order to enhance synergies

The EU may wish to consider mitigating the compartmentalisation between the different DCI components and sub-components. This could be accomplished by enhancing information flow and putting in place tools and processes to strengthen working across the DCI. To this end, greater involvement of EUDs in country-specific decisions in the framework of regional and global programmes would result in projects better tailored to national needs. It would contribute, as well, to greater complementarity and synergies with bilateral geographic programmes. At the level of thematic decisions, existing consultation schemes like the Quality Support Group should be made more visible to EUDs via their HQ geographic desks representing them, as there seems to be an information gap in that respect. Capacity needs at both HQ and in the EUDs would need to be reviewed in the course of such an assessment.

*This recommendation is mainly linked to Conclusions 3 and 5. Conclusion 3 stated that decision-making procedures are still compartmentalised and noted long-standing discussions of information flow, consultation and decision-making between field and HQ. Conclusion 5 emphasised that the DCI is complicated and administratively cumbersome. Staff capacity issues, in particular but not limited to thematic programmes, were identified.*

*Main implementation responsibility: DG DEVCO, EEAS, EUDs*

Economies of scale, the need to engage partners at the global level, and the need to ensure overall compatibility with EU policies and priorities require an appropriate involvement of EU

HQ in decision making. At the same time, appropriate involvement of the field level is needed in order to deepen national partnerships promote dialogue, encourage the formation of country-specific knowledge, and nurture long-term relationships among the partners. Implementing this recommendation would require bolstering capacity in the field (particularly addressing staff constraints, enhancing transparency and providing toolboxes), forming more dynamic relations with MS (e.g. increasing joint programming), and better engaging local CSOs / LAs and the private sector. Ensuring the coherence of GPGC and CSO-LA with country and regional partnerships, as described under Recommendation 1, would require overcoming the present compartmentalised approach.

### 5.3 Recommendation 3: Constructing a better platform for co-operation with Middle Income Countries and Upper Middle Income Countries

The EU may wish to assess the current situation and consider making adjustments to the framework for co-operation with graduated and soon-to-graduate countries. While graduation has served the purpose of quantitatively freeing resources for LDCs and has put the onus on UMICs to develop own-policies and mobilise own-resources for development, it has on the whole also restricted opportunities for development co-operation. The transition to UMIC status and the resulting need for a different partnership between the EU and those countries needs to be addressed in light of the persistence of widespread poverty in UMICs and the emphasis on universality in the SDGs.

*This recommendation is mainly linked to Conclusions 2, 3, and 6. Conclusion 2 flagged the need to find new forms of co-operation with graduated countries, Conclusion 3 suggested that the EFIs including DCI are too compartmentalised to achieve coherence and complementarity, and Conclusion 6 called for new forms of partnership in the context of the diminishing importance of ODA.*

*Main implementation responsibility: DG DEVCO, EEAS and other relevant DGs*

In the assessment, particular attention should be paid to whether the twin objectives of EU external co-operation (poverty reduction and sustainable and inclusive development) are being effectively addressed in UMIC partners and countries soon to graduate, as well as whether potentials for partnership are being sufficiently realised.

This should include a critical judgment of the extent to which partner countries are adopting appropriate policies and mobilising domestic resources, and the extent to which EU policy dialogue is effectively addressing deficits in these areas. A phasing-out strategy for DCI ODA, rather than an arbitrary exit point cut-off (inevitably giving rise to negotiated ad hoc adjustments) may be called for. In cases where countries have ambitions to become donors in their own right under South-South Co-operation (e.g., China, Brazil, South Africa), triangular forms of co-operation may be considered, whereby the EU could generously share best practices and lessons learned while engaging these countries in development policy and practitioner dialogue. This dialogue could be part of a comprehensive engagement with such countries (if needed financed through the Partnership Instrument), not a specific engagement on development policy.