

EUROPEAN COMMUNITY (EC)

This profile refers to aid delivered multilaterally by European Community institutions rather than by member states of the European Union, which have their own separate profiles. A very good overview of EC and member state aid activities can be found in EC (2008a).

1) QUANTITY OF AID

1.1 Current/Recent Quantity Performance:

Net ODA US\$m	13,412
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Source: OECD/DAC, preliminary 2008 data

Since 2002, ODA delivered through the EC has increased by more than 173% in nominal terms (up from US\$4912m).

1.2. Future Quantity Intent

In future years, aid growth via the EC will slow markedly. Under current budget plans, the EC budget for all external actions (i.e. not only ODA) will increase by 4.5% annually between 2007 and 2013. An additional € 22.7bn (roughly US\$ 28.47bn using the average rate for 2006) was allocated for ACP countries for 2008-2013 under the 10th European Development Fund (EDF). EDF resources are committed by individual member states on a voluntary basis and are as such not part of the EC budget. Although absolute levels of EC aid are rising over this period, the proportion of EU aid delivered via the EC will decline from 20% in 2005 to 15% in 2010, and to 13% in 2013 (EC, 2006b, p5).

2) KEY AGENCIES/MECHANISMS

For a more in-depth overview see DAC (2007), especially chapter 4.

2.1 Agencies and Structures

RELEX (Relations Exterieures) Family of institutions, including Directorate General Development (DGDEV) of the European Commission

The 'RELEX Family' comprises the European Commission's Directorates General (DGs) for External Relations, Development, Trade and Enlargement, along with EuropeAid (see below) and ECHO, the European Commission's Humanitarian Aid Department. These DGs oversee the EC's external relations policy, including ODA. DGDEV is particularly important for ODA – taking the lead on policy with respect to the ACP countries. DAC (2007, chapter 3) describes in detail the recent rationalisation of the EC's aid instruments from a total of 35 to a more manageable 10 (see table). EDF and DCI account for the bulk of ODA (instruments 1 and 2), with instruments 9 and 10 hardly involving any ODA at all. For ease of interpretation, the table also shows the old instruments that were replaced. Thematic budget lines, which are part of the annual EC budget process are programmed by DG RELEX or DG DEV

and managed by EuropeAid. 5 such budget lines fall under DCI (see table below), but thematic budget lines can also be programmed in ACP countries.

	INSTRUMENT	INFORMATION	FUNDING (2007-13; M EUR)	Est. % of total (2007-13)
1	10th European Development Fund (EDF)	Funds : Africa, Caribbean and Pacific (ACP) and Overseas Countries and Territories (OCT)	22 682 (2008-13)	32
2	Development Co-operation Instrument (DCI)	Funds: Asia, Latin America; some Commonwealth of Independent States; South Africa, sugar restructuring in ACP states; and five thematic budget lines	16 897	24
3	Humanitarian Aid	Immediate response to humanitarian crises	5 613	8
4	Instrument for Stability (IfS)	For crisis response and preparedness, global and trans-regional border challenges	2 062	3
5	European Instrument for Democracy and Human Rights (EIDHR)	For democracy, rule of law and human rights	1 103	2
6	Instrument for Pre-Accession (IPA)	Funds: Six Western Balkan countries and Turkey	11 468	16
7	European Neighbourhood and Partnership Agreement (ENPI)	Funds: 17 countries in Mediterranean, Eastern Europe, Caucasus, Russia and the Middle East	11 181	16
8	Macro-economic assistance	Largely unchanged. Used on a case by case basis to meet exceptional financial requirements (since 2002 used mainly for Western Balkans and NIS)	Not program-mable	-
9	Instrument for Co-operation with Industrialised Countries (ICI)	Modest size: Co-operation and exchange programmes	172	-
10	Instrument for Nuclear Safety Co-operation (INSC)	For Nuclear Safety	Average 75 million per annum	1

Source: DAC (2007, p38)

EuropeAid – Cooperation Office (EC, 2009)

EuropeAid is the agency which implements most of the EC's ODA policy, as set by DGDEV and RELEX. In general, it manages project, sector and budget support outside of Europe with several exceptions. In 2007, EuropeAid commitments (including EDF) accounted for 76% of all EC commitments while EDF commitments accounted for 45% of total EuropeAid commitments (2008b). In 2007, EuropeAid managed all EDF spending. EuropeAid is responsible for all phases of the project cycle (identification and appraisal of projects and programmes, preparation of financing decisions, implementation and monitoring, evaluation of projects and

programmes). Programming, project appraisal and approval take place at HQ, but tendering, commitments and payments, and monitoring and evaluation take place in EU Delegations in recipient countries.

EDF

The European Development Fund (EDF) is the main instrument for EC aid to the 42 African, Caribbean and Pacific (ACP) countries (for a list see www.acpsec.org/en/jpa/edinburgh/ACP_PA_members_e.htm) and the Overseas Countries and Territories (OCT). The OCT is those countries and territories which depend constitutionally on certain members of the EC, but which do not form part of the Community territory (for a list see <http://europa.eu/scadplus/leg/en/lvb/r12300.htm>). The EDF is funded by the Member States (rather than from the EC budget) and managed by a specific committee. Its rules and regulations are in general different from DCI, even though, as a result of the recent reforms, EDF now uses the same financial and administrative procedures as the DCI (DAC, 2007, p38). The Member States set the EDF budget in the Council via agreements that are subsequently ratified by the national parliament of each Member State. Each EDF is concluded for a period of over five years – the 10th EDF was agreed in 2005, and will cover 2007-2013.

European Investment Bank (EIB)

The EIB operates like a development bank making long-term loans for capital investment projects, but does not provide grants. During 2008-13, the EIB is expected to channel €5.5 billion (approx. US\$ 7.1 billion) to ACP countries that promote the business sector or to private sector projects operated on a private sector footing. The EIB also uses risk capital to buy shares in the companies and development banks of ACP countries. Such shareholding has always been minority and temporary, for ultimately, the shares must be transferred preferably to an institution or national of the ACP country concerned (see EIB, 2008). The Investment Facility is a financing instrument (loans and risk capital) that falls under the EDF, but is managed by the EIB

2.2 Key Policies and Documents

Cotonou (ACP countries and EC, 2000 and 2005)

The Cotonou Agreement governs the relationship between the EC and the ACP countries. Signed in 2000, it is a 25 year agreement, which is renewed every 5 years, and covers trade and aid. On aid, Cotonou set out five principles:

- Coherence, flexibility and efficiency in Community assistance to each ACP State and region. One programming exercise per country/region, rolling programming involving regular reviews allow for flexibility.
- Evolution in the nature of aid towards budgetary assistance/sector programmes.
- Indications, not entitlements. Allocations are no longer automatic and will be subject to revision in the light of developments in need and performance.
- Inclusive approach. Involvement of non-state actors in the formulation of strategies.
- Dialogue at local level. The principle of carrying out the dialogue as far as possible in the partner country, and the completion of reviews within set time-frames.

The European Consensus on Aid (European Parliament, Council and Commission, 2006)

Signed in December 2005 by the European Parliament, the Council of Ministers and the European Commission, this document represents the first European-level agreement on common principles, objectives and means for development. Part I sets out the EU's common vision on development. Part II sets out the EC Development Policy including commitments to aid effectiveness (ownership, harmonisation and alignment etc) and an emphasis on the least developed countries. The EC's role is envisaged as being one of promoting good practice in the EU (e.g. direct budget support, aid untying etc).

EU Strategy for Africa (EC, 2005)

Its purpose is to give the EU a comprehensive, integrated and long-term framework for relations with Africa. The strategy sets out aspirations for EU aid to Africa in the next 5 years, based around budget support, coordination and simplified procedures.

Other

Similar to its Africa strategy, the EU now has regional (and thematic) strategies complete or under construction for the other areas addressed by Community Development action (see http://ec.europa.eu/development/GeographicalGen_en.cfm). It is expected that these regional strategic perspectives will be reflected at the country level in each CSP (see DAC, 2007, chapter 4).

3) RECIPIENT COUNTRIES AND ALLOCATION CRITERIA

3.1. Recipient Countries

Top recipient countries	% of EC aid	US\$m
Turkey	4.5%	486
Palestinian Adm. Areas	3.7%	397
Morocco	3.1%	337
Serbia	2.8%	303
Ethiopia	2.6%	284
Sudan	2.6%	277
Egypt	2.5%	271
Afghanistan	2.5%	264
Mozambique	2.0%	212
Tanzania	1.8%	194

Source: OECD/DAC, 2006-2007 data.

The top ten recipients listed above received 28.1% of EC ODA in 2006-07. EC aid (ODA and OA) goes to over 160 countries, with no country receiving more than 5% of the total. No priority countries as such are identified, although many funds are regionally limited (e.g. EDF for ACP countries).

Distribution among different groups of recipients (% gross disbursements):

Least Developed Countries	33.4%
Other Low Income Countries	10.6%
Sub-Saharan Africa	37.8%
Europe	13.3%

Source: OECD/DAC, 2006-2007 data

3.2. Allocation Criteria

3.2.1. *Pre-selection criteria*

As EC aid funds are organised by groups of countries, the only pre-selection criterion is that a country should be part of one of the groups concerned.

3.2.2. *Allocation criteria:*

Resources from the EDF grant facility are allocated on the basis of an evaluation of needs and performance. In order to allow for planning of resource flows, each ACP State and region receives an indication of the amount of resources it may benefit from during a five-year period. The allocation is, however, not an entitlement and may be reduced or increased at the mid-term and end-of-term reviews of the Country Strategy (As expressed in the CSP).

The allocation of EDF funds to each country is divided into two elements. A Base Case (Envelope A) is reserved to cover the forecasted, regular support the Community will provide. The second element is a High Case (Envelope B) to cover unforeseen needs, debt relief and additional support in case of fluctuations in export earnings. Resources can also be drawn from the High Case and transferred to the Base Case if the country is performing very well and needs a replenishment to finance the regular programme. This mainly happens through the mid-term review. Compared to EDF 9, EDF 10 has a relatively lower level of Envelope B resources that is actually allocated to individual countries, with a large percentage remaining unallocated to facilitate interventions and retain flexibility.

The National Indicative Programme (NIP) Envelope A resources for EDF 10 are divided between the allocations as they appear in the CSPs and a so-called ‘tranche-incidentive’. The latter is an innovation in the EC’s allocation policy in that it will reward countries according to their governance performance (summarised in a ‘governance profile’) and commitments, i.e. it takes into account both current governance levels and prospects for governance improvements. At the time of the publication of EDF 10 programming guidelines, this was to cover 20% of total NIP resources (DAC, 2007, p64).

The other 80% are allocated in 5 steps. In step 1, half of the resources available are allocated pro rata EDF 9 allocations. The other half is allocated according to population and per capita income. In a second step, the following additional needs criteria are taken into account: (i) demographic dynamics, (ii) HIV/AIDS prevalence, (iii) UNDP’s human development index, (iv) vulnerability (including landlockedness, GDP variability, etc). In step 3, country performance is added. These are (i) aid absorption capacity (mainly disbursements / commitments ratio for the 9th EDF), (ii) Investment Climate, (iii) macroeconomic performance, and (iv) performance in the social sectors (health and education). The fourth step adds a correction linked to envelope A reallocations that happened during the mid-term review of EDF 9. This mainly includes EC aid performance related reallocations. The last step makes sure that country totals are not lower than under EDF 9 (EC, 2006d).

4) AID POLICIES

4.1. Concessionalality

Most EC agencies and departments now provide only grants to low-income countries. The exception is the EIB, which provides loans. On these loans, the maximum interest rate is 6% and the minimum 3% (though 3% is the maximum for loans on risk capital). The rate can be adjusted based on the market Euro rates to ensure that where necessary the loans are within at least a 35% grant element threshold. The maturity period is up to 25 years, and the grace period is a maximum of 2 years depending on the nature of the project (for example industrial sector maturity is 12 years while infrastructure is 20). As well as the advantageous lending rates, the EIB normally charges neither commitment fees nor non-utilisation fees, but fees for project appraisal and required legal services may be applicable in certain cases. The maturity, repayment terms, currencies, amortisation profile, etc of each draw down instalment can be chosen by the borrower at the time of disbursement, facilitating active treasury management (EIB, 2001).

4.2. Types of Assistance

Where conditions allow, the preferred modality for support to economic reforms and implementation of Poverty Reduction Strategies in the future will be budget support, for specific sectors or for the general public spending programme (European Parliament, Council and Commission, 2006). From 2008-13, 28% of EDF funds will be disbursed in the form of general budget support with an additional 15% to be disbursed in the form of sector budget support. However, in 2007 only 7.1% of all EC (EDF and non-EDF) ODA commitments were allocated to general budget support while 10.7% went to humanitarian aid (EC, 2008b).

The greater use of budget support is reflected in the HIPC-CBP indicator showing higher scores for more recent evaluations. 22 out of 24 of the countries participating in the survey gave the EC a mid-point or just below the highest score.

Paris Indicator 9 shows highest % of Budget Support in Benin (70%), Dominican Republic (68%) and Zambia (69%).

In the European Development Consensus (European Parliament, Council and Commission, 2006, p11), the EC and the member states committed “*to provide all capacity building assistance through coordinated programmes with an increasing use of multi-donor arrangements*” by 2010. Best practice (top scores, i.e. 100% of TA is coordinated through Government and between 75 and 100% of TA is considered as building capacity) as to EC Technical Assistance can be found in Guyana and Gambia (HIPC-CBP survey). Paris Indicator 4 shows that Chad, Mali and Uganda have 100% of their TA coordinated with national programmes, and Kyrgyz Republic (93%). In both surveys, there is however quite some variability between country scores, with more recent HIPC-CBP surveys scoring better.

EIB does not provide budget support, as all of its support is for specific projects. However, it does provide relief under the HIPC Initiative.

4.3. Channels of Assistance

As a multilateral institution, the EC does not allocate a large proportion of its funds to other multilaterals. In 2007, it channelled 5.6% of its gross ODA in this way. Of this assistance, roughly two-thirds is provided to UN agencies and one-quarter to the World Bank (EC, 2008b). The EC signed up to commitments in Paris in 2005 to channel 50% of government-to-government assistance through country systems (the

EC co-finances some projects with NGOs). This is reflected in the HIPC-CBP evaluation, according to which almost all aid is provided on-budget in Bolivia, Ethiopia, Guyana, Malawi, Mali, Mauritania, Sierra Leone and Zambia. The exception to most EC aid being on-budget, especially regarding ACP countries are so-called thematic budget lines, which are programs set and managed by Brussels and which follow the annual EC budgetary process, reducing alignment, flexibility and predictability (see DAC, 2007, p54 for a criticism). However, thematic budget lines mostly involve only small amounts of resources.

EIB gives financial institutions in certain countries lines of credit from which funds can be distributed to small and medium-sized enterprises (EIB, 2001).

4.4. Sectors and Projects

Sector	% of bilateral ODA (commitments)
Social and Administrative Infrastructure	39.2%
Of which: Education	5.7%
Health	3.0%
Population	0.7%
Water supply and sanitation	3.7%
Government and civil society	17.8%
Economic Infrastructure	15.1%
Of which: Transport and communications	7.7%
Energy	4.7%
Production	9.6%
Of which: Agriculture	3.4%
Industry, mining, construction	3.8%
Trade and tourism	2.3%
Multi-sector	10.2%
Programme Assistance	9.2%
Action relating to debt	0.2%
Emergency aid	10.7%
Administrative expenses	5.1%
Unspecified	0.9%

Source: OECD/DAC, 2007 data

The EC has specialised in transport and communications infrastructure and the productive sectors to a much greater degree than other donors. The 2005 Cotonou agreement placed new stress on good governance, MDG-related projects, HIV/AIDS, malaria and other major diseases, regional cooperation, information and communications technology and youth.

The principle of concentration will guide the EC in its future country and regional programming. This means selecting a limited number of areas for action when EC aid is being programmed, instead of spreading efforts too thinly over too many sectors (European Parliament, Council and Commission, 2006, p16). This was translated into EDF 10 programming guidelines as Delegations having to choose 2 focal sectors in their CSPs. A maximum of 15% of the A-envelope could be allocated to other (non-focal) sectors, which would typically include provisions for support to civil society, an EDF cell (see section 5.1. below) and governance where this had not been chosen as a focal sector.

The Commission further committed to a target of 1 billion euro in ‘aid-for-trade’ assistance at the WTO ministerial in Hong Kong (see EC, 2006e).

According to the HIPC-CBP evaluation, the EC scores very well in alignment with and willingness to fund PRSPs in recipient countries. Gambia, Malawi and Guyana scored the maximum possible on both these indicators (i.e. between 75 and 100% of EC aid aligned and between 75 and 100% going to PRSP priority sectors/areas).

The EIB can in principle cover every sector, but has defined as its priorities industry, agro-industry, tourism, mining, energy and transport.

4.5. Flexibility

The 2005 European Consensus insists that programming should allow for sufficient flexibility to enable a response to unforeseen needs, which provides wide scope for flexibility to meet changing government priorities (European Parliament, Council and Commission, 2006, p16). The EDF programming in particular will provide this flexibility through additional budget support, and a more flexible use of the B envelope of the NIP as explained in section 3.2.2.

The Cotonou agreement also contains provisions for additional support in case of fluctuations in export earnings. No set amount has been earmarked for this purpose; monies will be drawn as appropriate from the allowance for long-term assistance (e.g. EDF Envelope B, DCI), through a system known as FLEX. Eligibility for such support is linked to safeguarding “*macroeconomic and sectoral reforms that are at risk as a result of a drop in revenue and remedy the adverse effects of instability in export earnings*” (ACP Countries and EC, 2000, articles 68.1 and 68.2).

An additional € billion (approx. \$US 2.6 billion) has been earmarked for crisis response from 2007-13 through the Instrument for Stability (EC, 2008b).

Best practice on the EC’s flexibility policies according to recipient countries (HIPC-CBP evaluation) can be found in Rwanda.

EIB does not finance contingencies or financing gaps.

4.6. Predictability

The EC makes indicative agreements with recipient countries for EDF funds which span 5 years, but these allocations can be varied according to performance (see section 3.2.2 above). However, with the exception of budget support the EC remains fairly slow at disbursing aid – on average implementation takes over 3 years. Currently, budget support commitments under EDF 10 can be made for 3 years, i.e. the time before the mid-term review. After the mid-term review, total EDF resources are then reviewed and it is not always clear how the allocation formula is worked out. Recently, there has been a proposal to make EC Budget Support more predictable with possible commitments up to 6 years (see section 4.2).

According to recipient countries (HIPC-CBP evaluation), the EC gets the top score on predictability indicators (multi-year commitments, disbursement timetable consistent with national budget process and disbursements matching pledges) in Guyana and Malawi. However, scores show quite some variability, especially with respect to

disbursements matching commitments. Paris indicator 7 shows EC aid to be most predictable (as measured by the ratio of disbursements recorded by Government to aid scheduled by donors) in Niger (98%), Moldova (96%), Ghana (95%) and Ethiopia (94%)..

4.7. Conditionality

The EC has historically maintained a relatively close relationship between its budget support disbursements and IMF programmes being on-track. Currently, Budget support disbursements are split up in a fixed tranche (usually around 70% of the total) and a variable tranche. Budget Support is officially only programmed in countries which have in place or are developing: (i) a PRS; (ii) a stability oriented macroeconomic policy (basically an IMF programme on-track) and (iii) a credible programme to improve PFM (DAC, 2007, p55). The variable tranche of GBS is mostly linked to indicators in the health and education sectors, which are reviewed annually. At the moment these are mostly a mix between input (e.g. budget execution rates) and output (e.g. school enrolment ratio's) indicators, even though there is a willingness to move further toward more output-based variable tranche conditionality (see also EC, 2007a and section 4.2 above). These indicators are taken from PRSP Monitoring & Evaluation frameworks and/or Budget Support Performance Assessment Frameworks (PAFs) where possible. Hence, the variable tranche part of the budget support agreement is not linked to an IMF programme, but the fixed tranche is. IMF 'dependence' is thus linked to the relative sizes of the tranches, and discussions are currently ongoing within the EC as to how big these should be (see also EC, 2007a).

The EIB does not fix any additional macro conditionality, rather focussing on general respect for the undertakings in the Cotonou Economic Partnership Agreements.

4.8. Policy Dialogue

Especially in the countries where it has the strongest presence and is a major budget support donor, the EU plays a major role in the policy dialogue, especially insisting on human rights and transparency issues. The EC normally refers assessment of the macro framework to the IMF, but has been very active on Public Financial Management issues (e.g. through PEFA, see PEFA, 2005). LIC experience (HIPC-CBP survey) of the EC's disbursements being linked to BWI conditionalities varies, with least dependence noted in Sao Tome & Principe and the Gambia.

The EIB does not play any significant role in the policy dialogue.

5) AID PROCEDURES

5.1 Conditions Precedent

The EDF programming process typically involves Delegations preparing a Country Strategy Paper (CSP), in consultation with recipient governments, non-state actors and Brussels HQ. The CSP is subsequently 'translated' into a National Indicative Programme (NIP), which lays out in budgetary terms programmes and projects to be undertaken. Certain projects have cross-national budgetary implications and hence fall under the Regional Indicative Programmes (RIP). The EDF financing envelope is

further made up of intra-ACP and intra-regional cooperation and Investment Facilities (EC, 2007b).

To carry through a programme, the National Indicative Programme (NIP) must first be ratified latest at the end of the 12th month following signature of the funding agreement.

The decision making process comprises the normal procedure and an accelerated procedure. The normal procedure is engaged at the official request of the Finance Minister who will then forward the identified project to the EU delegation. For projects of less than 2 million Euros (where the project does not exceed 25% of CSP), the EU delegation can decide without requiring the opinion of the EDF committee.

The accelerated procedure provides for a waiver of Articles 288 and 289 of the Revised Lomé IV agreements dealing with the financing of multi-year programmes in the fields of training, decentralized cooperation, micro-projects and trade development.

Local counterpart financing may be requested for certain projects and programmes. According to the HIPC-CBP survey, no counterpart funds were demanded for any of the EC's aid in Guyana, Malawi, Burundi, Sao Tome & Principe and Sierra Leone. Best practice on the HIPC-CBP indicators measuring the number of prior conditions and the delays they cause can be found in Sao Tome & Principe and Malawi.

As for PIUs, in the European Development Consensus (European Parliament, Council and Commission, 2006, p11), the EC and the member states committed to *avoid the establishment of any new project implementation units*. According to the 2008 Paris Survey (indicator 6), there are no EC PIUs in 13 countries out of the 54 surveyed, including Afghanistan, Burkina Faso, Mali, Mozambique, Rwanda and Sierra Leone. However, 6 countries still have 10 PIUs or more at the time the Paris survey was conducted.

The Cotonou agreement requires there to be a National Authorising Officer (NAO) at the field level to ensure projects and programmes are consistent with Commission rules and regulations. Often this NAO will have an EDF cell to carry out this task. The DAC peer review (DAC, 2007, p57) criticizes these cells quite heavily, calling them '*PIUs in a different guise*'.

EIB is stricter on counterpart or co-financing, refusing to finance more than 50% of a project for which it is providing loans, though it will fund 100% of equity capital. It also has comprehensive prior feasibility studies and environmental impact assessments, and insists on receiving 30 days before the first disbursement: a legal opinion on the loan agreement and any on lending agreement; and an authorisation to open an external or foreign exchange account when the executor of a project insists on this. According to the EIB, the period from application to disbursement generally takes between 6 weeks to 18 months, depending on the mandatory project appraisal process.

5.2 Disbursement Methods

EU disbursement methods can be one or more of: direct payment to a supplier, advances and reimbursement. More details on the basis of the choice among them are being assembled.

Recipient countries (HIPC-CBP survey) do not rate the EC highly on disbursement methods. The EC does not give much cash in advance, relying mainly on reimbursements and direct payments to suppliers. Best practice can be found in Malawi and Zambia (just below top score). Delays due to disbursement methods are kept to a minimum in Burundi (which gets the top score). Again there is a lot of variation between countries.

An EIB loan facility, once approved by the Board, can be drawn down in a number of instalments according to the borrower's needs. Further, the bank responds rapidly to disbursement requests, generally sending funds within 10-15 days of receipt.

5.3 Disbursement Procedures

EDF disbursement procedures begin with the signing of contracts (secondary commitment) and end with the payment of services after an order has been issued for the settlement of expenditure. The EU's contract award procedure is as follows: a call for tenders is deposited at the EU delegation in the country which seeks the authorization of the main authorizing officer. For further information on a specific example regarding Rwanda, see MINECOFIN (2007).

Paris Indicator 5a indicates that best practice is found in Bolivia (90% of EC aid to the Government sectors is channeled 100% through those countries' PFM systems), Zambia (78%) and Benin (75%). Some countries still score 0% however. As for the HIPC-CBP indicator on the number of disbursement procedures additional to those of government, best practice is to be found in Gambia and Ghana (just below top score).

To have the first payments, the EIB asks for the following:

- The supporting documents, before tax, of the payments made or to be made by the contractor. These documents must show that payments have already been made or will be made within 60 days of the date of the payment requested;
- A copy of contracts whose conditions of award were deemed satisfactory by the EIB.

For other payments, the EIB requires in addition to the above-mentioned documents, that satisfactory proof be given of the execution of payments having justified previous ones. The EIB reserves the right to deduct the amount stated in the payment request from the one stated in the supporting documents deemed unsatisfactory.

The EU has instituted three forms of evaluation, namely: interim evaluation performed during execution; end-of-project evaluation; and ex-post evaluation. Whatever its form, the main purpose of evaluation is to gauge the expected or undesirable impacts of the project, its contribution and its performances. The evaluation report always contains recommendations. The aim of monitoring-evaluation is to report to political authorities, chiefly the ACP-EU Council of Ministers and to provide guidelines for future programmes and projects.

5.4 Procurement Procedures

In 2005, the European Council adopted two regulations that open access to all EC external assistance. However, some aid is still tied. For aid financed from the community budget (*i.e.* mainly the Development Co-operation Instrument or DCI) all Member States, all candidate countries, members of the EEA, DAC members for co-operation in LDCs and 48 beneficiary countries (145 beneficiary countries for thematic programmes) can compete for contracts on equal terms. Other countries which have untied their aid programmes can apply for reciprocal access with the Community, and negotiations with several applicants are currently taking place. Also, EDF aid is still partially tied as only Member States and ACP countries can bid for contracts (DAC, 2007, p58).

For indicator 5b of the Paris survey, in Benin, Zambia and Dominican Republic, respectively 75%, 74% and 69% of EC aid is processed through local procurement systems. The HIPC-CBP indicator capturing delays due to EC procurement procedures shows best practice in Guyana (top score), followed by Sierra Leone and Sao Tome & Principe. There is however, very large variation between countries.

The EIB generally demands that the provision of services and goods of a certain volume and for which it provides part financing, should be subject to international competitive bidding. The international consultation should involve at least three qualified enterprises or suppliers, who are nationals of the member states of the Union. It is open to ACP countries but also to other suppliers or enterprises that are acceptable to EIB. The EIB reserves the right to cross-check and approve bidding procedures. Thus, it can verify the pre-qualification, drafting and contents of the tender dossier for the consultation, as well as the review of bids and the choice of successful bidder.

5.5 Coordination

The EC endorsed the Paris Declaration in 2005 and signed up to the EU Action Plan on Harmonisation in November 2004. As part of wider EU commitments, in 2005 in Paris the EC committed to reduce the number of uncoordinated missions by 50%. The EC reiterated its commitment to the Paris Declaration's 2010 targets at the High Level Forum on Aid Effectiveness in Accra in 2008.

The EC is working with EU member countries to develop joint programming and pooled funding arrangements. For example, Vietnam is an EU Harmonization pilot, where the EC acts together with 12 member states. There, donors have established joint guidelines for local financing, use Vietnam's PRSP as a central reference point, draft and deliver joint statements, and offer combined pledging (see http://www.aidharmonization.org/ah-cla/ah-browser/index-abridged?rgn_cnt=vn&master=master). From 2007 it should be possible for EU member states to deliver EC funds, and vice versa.

The EC has set up a co-ordination structure called the "Limelette" partnership to improve co-ordination and collaboration regarding EC and World Bank development support to African nations (see EC and World Bank (2007) for a succinct introduction).

According to Paris Indicator 10a, measuring how many EC missions are done jointly with other donors, Afghanistan, Mauritania and Sierra Leone score best (respectively 86%, 67% and 67% of missions joint). For Indicator 10b, all EC analytical work is done jointly in Madagascar, Mali and Zambia.

Key Sources (*All internet sources were accessed in February 2009*)

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