

*Initiative "one book in one snapshot"*

**Title of the book/paper** Reviewing the evidence: how well does the European Development Fund perform? (Published by ODI and ONE campaign)

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**Sectors/areas of interest** ACP/Instruments for Development Aid

**Summary (maximum 2 pages)**

This paper first provides an overview of the background to the EDF and its evolution since 1959, its legal basis and objectives as currently enshrined in the Cotonou Agreement on EU-ACP relations, and the structure of its contributions outside of the main EU budget, governance and time period for contributions; this agreement being unique in the contractual nature of the joint ownership and mutual accountability of donor and recipient countries which does not apply to EU budget for instance. One key principle is that of "differentiation", or distinguishing between states more able to compete in the global economy and the least-developed countries that retain special protection.

It goes on to provide a summary of 'recent' evaluations carried out of the EDF:

- UK Department for International Development's Multilateral Aid review (2011)
- Centre for Global Development's Quality of Official Development Assistance review (2011)
- European Commission Impact Assessment of the EDF (2011)
- OECD DAC's peer review of EU Aid (2012)

The report is then dedicated to the critical appraisal of three critiques made against the EDF in the above mentioned publications, to determine whether these are valid. While it concludes that these critiques overlook key considerations, the report nonetheless focusses attention on those areas in which the performance of the EDF could be improved.

This may be a timely occasion for such reflections as the 11<sup>th</sup> EDF envelope of Eur 30.5bn (66% of which from DE, FR, UK, IT) to 79 ACP countries up until 2020, enters into force.

Evaluation of EDF performance

The DfID report rated the EDF more effective than other EU financial instruments in its **contribution to the Millennium Development Goals, financial resource management monitoring, transparency and predictability** of funding. In the QuODA assessment, notably the EU scored better than the UK for maximising **efficiency and transparency**, both of which the UK itself is a key champion.

Other benefits cited by the reports include:

- Country allocations based on **clear and transparent needs and performance criteria**;
- Use of best development practices that give **partners a key voice** and align with local strategies;
- **Multi-annual** budget commitments/long programming cycles;
- Focus on areas where EU can offer best added value – budget support with strong country ownership, infrastructure and governance.

Criticisms include:

- **Fragmentation** of EU aid between EDF, EU budget and EU member states' bilateral programmes, and at regional/national, thematic/horizontal levels;
- **Limited flexibility** after funds have been programmed and lack of clear **results framework**.

#### Test against three key critiques

1. That the EDF targets middle-income countries at the expense of a focus on the poor counties:

The paper highlights the EDF has a relatively sophisticated aid allocation model, including in addition to both **needs and performance** criteria, **vulnerability** indicators and **investment** climate indicators. Furthermore, **93%** of funds under the 10<sup>th</sup> EDF were directed to LDCs and LICs. It states that if the new policy of Differentiation that is being trialled under the DCI were applied to the EDF, 21 ACP countries, 5 of which in Africa, would no longer qualify for bilateral aid. However, crucially 17 of these countries score 'highly' on the **Environmental vulnerability** index which income figures alone do not give consideration to.

2. That the EDF is inflexible in its procedures and unable to adapt quickly to changing circumstances:

The Commission's own review of the performance of the 10<sup>th</sup> EDF found the programming cycle was **slow to respond** to new crises and volatile or unforeseen events. Nonetheless, the OECD DAC praised the EDF for its adaptability, for example through access to envelope 'B' funds designed to cover unforeseen needs. A decrease in the percentage of envelope B funds allotted to individual countries further increases their flexibility. South Sudan is cited as a recent positive example of rapid disbursement.

3. That the EDF suffers from weak forecasting and slow disbursement of funds.

The paper cites the EDF's reputation for effective financial management, particularly at DEVCO Headquarters (rated 'effective' in all areas other than internal audit), as a possible inhibitor to disbursement of its funds. However it highlights that lower disbursement is sometimes a consequence to be expected in cases of poor performance. Since the introduction of the D+3 rule the paper highlights that disbursement rate and separately the fulfilment of commitment of funds has improved. Finally issues such as delays to project implementation resource issues in Delegations, particularly in Sub Saharan Africa which remain a challenge to be addressed.

### Takeaway messages for DG DEVCO (maximum 1 page)

- On the matter of poverty focus, that the EU is right to weigh up a range of factors when it comes to targeting of aid and to continue to take account of the bigger picture when it comes to future policies in this regard.
- On the matter of speed of response, to continue to learn **and implement** lessons, more recently the EU participation in the global response to Ebola may provide a timely opportunity for such evaluations.
- On the matter of forecasting and disbursement of funds, to continue to strive to improve disbursement rates in the right circumstances, and in particular through operational means such as the rebalancing of staff in Delegations and through the simplification agenda – which in fact need not automatically compromise effective financial management as the report suggests.

Overall to continue to address how best to effectively **steer funds away from poorly performing projects** and **remain flexible** after funds have been programmed, to continue work which is ongoing in the fields of monitoring and evaluation including to consider the establishment of a clear results framework. Issues of tackling fragmentation for example between horizontal and thematic units, and between regional and national programmes, is something which staff at all levels can adopt, taking a more integrated approach whether or not this is currently facilitated by organisational structure or financial frameworks.

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