

10 Frequently Asked Questions on EU Aid

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1. What is the total amount of EU aid?

The European Union (EU) as a whole, including its Member States, is the leading development aid donor, accounting for 56% of the worldwide total, worth € 47.6 billion in 2007¹. This includes bilateral aid, which is given directly by the 27 member states, and aid which is managed by the European Commission (EC), labelled European Community Aid.

In March 2002, European Union governments set a collective target of reaching 0.39% Official Development Assistance as a percentage of Gross National Income (ODA/GNI) by 2006. They reaffirmed this pledge in 2005 and went further, setting two new collective targets of 0.56% and 0.70% to be achieved by 2010 and 2015 respectively. In May 2007, the Council of the EU reported that the EU had exceeded its 2006 goal by achieving 0.42% ODA/GNI.

¹<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1210&format=HTML&aged=0&language=EN&guiLanguage=en>

However, in April 2008, the Organisation for Economic Co-operation and Development/Development Assistance Committee (OECD/DAC) reported that EU aid decreased again to 0.40% of GNI, largely due to a decrease in debt relief.²

2. What is the total amount of European Community aid?

European Community Aid refers to the assistance that is channelled via and managed by the European Commission (EC), excluding Member States bilateral aid. The external aid managed by the European Commission amounted to about € 12.1 billion of new commitments in 2006, of which € 9.8 billion is classified as ODA. This represents around 20% of total EU aid.³

The European Commission has allocated around € 52 billion for its development programmes for the period 2007–2013, which approximately amounts to €9 billion annually. Taken alone, as “Europe's 28th donor”, the EC is the 6th largest provider of international assistance world wide.

The European Commission is responsible for up to half of the EU's humanitarian funding, providing aid totalling around €800 million annually.⁴ The humanitarian aid budget made available for the humanitarian crises in the year of 2007 (including food aid) amounts to € 722 million. ACP countries were the biggest recipients of humanitarian aid (€ 422.7 million, 55% all humanitarian assistance), followed by Asia and Latin America (€ 157.4 million, or 20.5% of all humanitarian assistance) and Eastern Europe, New Independent States, Middle East and Mediterranean countries (€ 124.9 million or 16.2% of all humanitarian assistance).⁵

3. How is European Community aid financed?

Funds allocated to European Community development assistance come from two main distinct sources and are managed through three main legal instruments.

The European Development Fund (EDF) constitutes the principal funding source and instrument for the EU's development cooperation with African, Caribbean and Pacific (ACP) countries and the Overseas Territories (OCT). It provides the resources for the Cotonou Agreement and covers development cooperation, political dialogue and trade. The EDF is not part of the EU's regular budget and is financed separately by direct payments from the EU's Member States. Although the EDF is not part of the Community budget, the European Commission plays a role through the day-to-day management of the Fund by programming the country and regional strategies to be implemented and also proposing the budget for the different strategies.

² <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52008SC0432:EN:HTML>

³ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2007:0349:FIN:EN:PDF>

⁴ <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/07/238>

⁵ <http://europa.eu/bulletin/en/200807/p132001.htm>

The second source for financing the European Commission's development cooperation is the regular European Community budget which includes several legal instruments that cover cooperation with developing countries. The two main ones are; the European Neighbourhood and Partnership Instrument (ENPI) and the Development Cooperation Instrument (DCI).

The European Neighbourhood and Partnership Instrument (ENPI) is the financial instrument for countries covered by the European Neighbourhood Policy (ENP). The ENP is responsible for the EU's cooperation with neighbouring countries to the south and east.

The Development Cooperation Instrument (DCI), created in 2006, covers developing countries not included in the other two instruments – principally countries in Asia and Latin America. The DCI also covers the financing of a set of thematic programmes applicable to developing countries in all parts of the world.

4. How is EU Development Cooperation structured?

There are two main actors in the EU development cooperation framework: the EU Member States and the European Community, of which the European Commission is the executive arm.

EU Member States began providing aid to developing countries after the Second World War. The aid was mainly based on historical, economic and social relationships with a particular country or region. Today, bilateral agreements are usually negotiated between a Member State and a developing country to determine the scope and amounts of the aid.

The European Commission manages the European Community's commonly defined EU development policy. Within the European Commission, there are several Directorate-Generals that deal with development cooperation.

The overall planning capacity for the development policy of the European Commission is held by the Directorate-General for Development (DG DEV), responsible for the relations with the African, Caribbean and Pacific Group of States (ACP). However, DG External Relations (DG RELEX) retains responsibility for the EU's relations with developing countries in Asia and Latin America. The trade aspects of the partnership agreement between the EU and the ACP countries have been integrated into the DG for Trade.

The Europe Aid Co-operation Office (DG AIDCO) is responsible for managing and implementing the development assistance. Humanitarian aid programs are managed separately, by the Directorate-General for Humanitarian Aid (DG ECHO).

5. Who develops the strategies and budget for each developing country?

DG Development and DG RELEX are the main departments responsible for programming the different country, regional or thematic strategies within the European Commission. When formulating and managing international assistance programs, the European Commission needs to consult with the authorities in the partner countries. This is usually done by the European Commission's delegation based in the country, in collaboration with headquarters in Brussels (DG DEV or DG RELEX). The results of the consultations are an agreed country strategy paper (CSP) and regional strategy paper (RSP), which includes a multi-annual national (NIP) or

regional indicative program (RIP), setting out the budget. The European Parliament, as well as the governments and national parliaments of the Member States, take part in the programming process. They are involved in amending and approving the general policies, the multi-annual financial perspectives and the annual budgets proposed by the Commission.

6. What are CSPs?

Country strategy papers (CSPs) are the main strategic tools for the programming of EU assistance. They define the political guidelines on the implementation of co-operation policies.

The purpose of a CSP is to provide a “strategic framework” for European Commission assistance programmes. Accordingly, a CSP takes into account and outlines the co-operation objectives of the European Commission by defining a couple of focal and non focal sectors. It also includes the country’s policy agenda (normally found in Poverty Reduction Strategy Plans or National Development Plans), an analysis of the political, social and economic situation in the country or region, as well as lessons from past cooperation and ongoing experiences. CSPs should contribute to the better planning of co-operation activities, improved donor coordination and complementarity, and to the overall coherence of the external assistance policy with other EU policies.

7. What are RSPs?

Regional Strategy Papers (RSPs) have the same objective and structure as the CSPs but instead of defining a country specific strategy they define the European Commission’s strategy for a specific region.

8. What are the geographic focus areas of the European Community’s international development assistance?

Africa, the Caribbean and the Pacific (ACP)

In total € 9.832 billion of ODA was committed by the Commission in 2006, and € 8.1 was disbursed. Of the amount of commitments which can be geographically allocated, namely € 7.9 billion, nearly half (€ 3.5 billion) was for ACP countries. For the current budget period, from 2007-2013, an amount of €22.7 billion has been allocated to the 79 ACP and OCT.⁶

Mediterranean and Eastern Europe

For 2007-13, the budget foreseen for Neighbourhood countries, within the framework of the European Neighbourhood and Partnership Instrument, is approximately € 12 billion, 32% more in real terms than in the previous budget period. During the budget year 2006 the European

⁶ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2007:0349:FIN:EN:PDF>

Commission provided € 1.2 billion to the Mediterranean and € 547 million to the Balkan countries.⁷

Asia

Within the 2007-2013 Financial Perspectives an amount of € 5.2 billion is allocated to the cooperation with Asian countries, in real terms the European Commission spent € 737 million during the budget year 2006.

Latin America

Latin American countries receive the smallest amount of ODA from the European Commission. In 2006 the Commission spent € 343 million. In the Financial Perspective 2007-2013, € 2.7 billion have been allocated to support EU Latin America relations.⁸

9. What are the thematic priorities of the European Community's international development assistance?

The Policy White Paper on EU development cooperation that was agreed in 2006, called the European Consensus on Development, sets out nine areas in which the European Community will primarily be active in⁹:

- trade and regional integration;
- the environment and the sustainable management of natural resources;
- infrastructure, communications and transport;
- water and energy;
- rural development, territorial planning, agriculture and food security;
- governance, democracy, human rights and support for economic and institutional reforms;
- conflict prevention and fragile states;
- human development;
- social cohesion and employment.

It also sets out four different cross-cutting issues that will be mainstreamed into all programmes¹⁰:

- democracy, good governance, human rights, the rights of children and indigenous peoples;
- gender equality;
- environmental sustainability;
- fight against HIV/AIDS.

⁷ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2007:0349:FIN:EN:PDF>

⁸

<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/08/286&format=HTML&aged=0&language=EN&guiLanguage=en>

⁹ http://ec.europa.eu/development/policies/9interventionareas_en.cfm

¹⁰ *ibid*

In December 2006, the European Commission updated its target for aid allocations to social sectors. In a declaration attached to the adoption of the Development Cooperation Instrument, it pledged to ensure that by 2009 20% of funds available under geographic programmes would be allocated to basic health and basic and secondary education. In 2006, 12.9% of the European Commission's ODA commitments were allocated to basic social services. This falls significantly short of the 20% target and, in fact, represents a slight decrease from the year 2000.

The ODA allocation to basic health increased slightly as a proportion of total commitments, from 1.5% in 2000, to 2.8% in 2006. However, the allocation to basic education continued to decrease as a proportion of total aid to 1.6%, down from 4% in 2000.

10. How is assistance provided?

The European Consensus on Development lays down a range of modalities or procedures based on needs and performance.

The balance/mix of methods to be used is initially established during the programming phase and laid down in the CSPs and NIPs.

The choice of methods used depends on the social, economic and political development needs of the country and the priorities of the development partners.

Three main modalities or procedures are used to implement external EU aid:

- projects: the project approach channels the aid through a project which is programmed to bring about clearly specified goals within a defined time-period and with a defined budget.
- sector programmes: The sector programme approach aims to promote coherent policies and strategies for a particular sector of a beneficiary country's society or economy. The sector approach coordinates the development activities of both government and donors (which can involve projects, technical assistance, and budget support.)
- budget support: budget support means channelling aid through country systems, from government-to-government, either by general or sector specific assistance. The EC is now foreseeing, in the context of the 10th EDF, about 44% of its resources in providing General Budget Support (GBS) as well as Sector Budget Support (SBS).¹¹

¹¹ http://ec.europa.eu/development/how/aid/budget_en.cfm

Main sources:

http://europa.eu.int/comm/index_en.htm

<http://ec.europa.eu/development>

<http://ec.europa.eu/echo>

<http://ec.europa.eu/world>

OECD 2007: development Cooperation reviews European Community, Paris:
http://www.oecd.org/document/0/0,3343,en_2649_34603_38897408_1_1_1_1,00.html

COM(2007) 349 final: Annual Report 2007 on the European Community's Development Policy and the Implementation of External Assistance in 2006