

# Financing instrument for development cooperation 2014-2020

2011/0406(COD) - 07/12/2011 - Legislative proposal

**PURPOSE:** to establish a new financing instrument for development cooperation 2014-2020 in the context of the recast of the EU's external assistance funding instruments and following on from the [previous financing instrument for development cooperation for the 2007-2013 period](#) (the DCI).

**PHILOSOPHY AND ACTION PLAN FOR EXTERNAL AID 2014-2020:** what happens outside the borders of the EU can and does directly affect the prosperity and security of EU citizens. It is therefore in the interest of the EU to be actively engaged in influencing the world around us, including through the use of financial instruments. The Lisbon Treaty marks, in this regard, a new departure in the EU's relations with the rest of the world.

The EU's engagement needs to be **tailored to individual circumstances**. Its partners range from development economies to the least developed countries in need of specific assistance from the EU.

In general, the overall objective for external action for the period 2014-2020 may be summarised as follows:

- long-term commitment to establishing an area of stability, prosperity and democracy in its own neighbourhood;
- facilitating the EU's engagement with third countries on issues that are of global concern, such as climate change, environmental protection, irregular migration and regional instabilities, and
- allowing the EU to respond rapidly and effectively to natural and manmade disasters around the world.

A major rationalisation of the instruments took place in 2003 and has begun to deliver more effective results. **The Commission does not consider that another major alteration of the legislative architecture is necessary for the next MFF period**, although some improvements are being proposed and the overall investment is being stepped up.

The Commission proposes to allocate **EUR 70 billion for the 2014-2020 period for external instruments broken down as follows:**

- The present Financing instrument for development cooperation
- [Partnership instrument for cooperation with third countries](#)
- [Instrument for Pre-accession Assistance \(IPA II\)](#)
- [European Neighbourhood Instrument](#)
- [Instrument for nuclear safety cooperation](#)
- [Instrument for Stability](#)
- [Instrument for the promotion of democracy and human rights worldwide.](#)

In parallel and for the first time, the Commission proposes a single horizontal [regulation establishing common rules and procedures for the implementation](#) of the Union's instruments for external action.

**PROPOSED ACT:** Regulation of the European Parliament and of the Council.

**BACKGROUND:** the number of people living in poverty continues to be a major problem in developing countries. While significant progress has been achieved, most developing countries remain off-track for the achievement of the Millennium Development Goals (MDGs) and are not able to successfully embark on the path of sustainable development in all its senses.

To aggravate the situation, global challenges continue to be prominent and developing countries were hit hard by the succession of recent crises resulting *inter alia* in social and economic instability, increased migration, food insecurity and an increased vulnerability to external shocks, among other effects. It is increasingly recognised that environmental and natural resources, vital for sustainable socio-economic growth, are increasingly at risk from climate change and rapid population growth.

The EU remains committed to helping developing countries to reduce and ultimately eradicate poverty. To achieve this objective, the Development Cooperation Instrument (DCI) Regulation was established for the 2007-2013 period with the primary and overarching objective of **eradicating poverty** in partner countries and regions.

This instrument consists of three categories of programmes:

- i) bilateral and regional geographic programmes covering cooperation with Asia, Latin America, Central Asia, the Middle East and South Africa ;
- ii) thematic programmes covering the following issues: investing in people, environment and sustainable management of natural resources including energy, non-State actors and local authorities, food security, and migration and asylum; and
- iii) accompanying measures for sugar-producing countries.

The current DCI regulation expires on 31 December 2013. The various reviews undertaken of the DCI have acknowledged its overall added value and its contribution to the achievement of the MDGs, but have also highlighted certain shortcomings. New challenges, together with the priorities set out in the Europe 2020 Strategy and the latest EU development policy, have prompted the Commission to make a proposal to review and adapt the DCI Regulation in line with the 2011 communication "[Increasing the Impact of EU Development Policy: An Agenda for Change](#)".

**IMPACT ASSESSMENT:** the Commission carried out an Impact Assessment (IA) that considered 3 basic policy alternatives:

- **Option 1:** maintaining the DCI Regulation without any amendment and
- **Option 2:** two alternatives for amending the DCI on each problem identified in the current DCI (**Options 2A and 2B**).

Option 1 was not accepted because it would not solve the problems identified. Sub-options A and B under Option 2 solve the identified problems to different extents, each having particular political and other implications. The IA concluded that **sub-option B** is better as it

differentiates clearly amongst partner countries and it streamlines the thematic programmes to provide the necessary flexibility to facilitate a more effective EU response to rapidly evolving situations in crisis, post-crisis and fragile states.

**LEGAL BASIS:** Article 209 (1) of the Treaty on the Functioning of the European Union (TFEU).

**CONTENT:** with this proposal, the Commission establishes an instrument designed to finance:

- geographic programmes aimed at supporting cooperation with developing countries, territories and regions set out in the Annex to the Regulation (46 countries are concerned), which are included in the list of recipients of Official Development Assistance (ODA) of the OECD/DAC;
- thematic programmes to address global public goods and challenges and support civil society organisations and local authorities in countries, territories and regions eligible for Union funding under the European Neighbourhood Instrument, and ACP countries signatories to the Cotonou Agreement;
- a Pan-African programme to support the Joint Africa-EU Strategy in the countries, territories and regions covered by that Strategy.

**Objectives and eligibility criteria:** the Regulation lays down the objectives and eligibility criteria for DCI II, as well as the EU's development cooperation geographic and thematic programmes. The proposed regulation thus provides for the support of **all forms of cooperation in developing countries**. It requires fulfilling the criteria for ODA, subject to possible exceptions for the thematic and Pan-African programmes. For these programmes, **a 10% flexibility for non-ODA activities is foreseen** to cover for expenditure which, although not strictly speaking ODA-compliant, may be required for the adequate implementation of actions under these programmes.

**General principles:** the proposal sets out the main principles governing the implementation of the Regulation, which are:

- democracy, respect for human rights and fundamental freedoms and the rule of law;
- **differentiated approach towards the partner countries**, taking into account their needs, capacities, commitments and performance, and potential EU impact;
- key cross-cutting issues (such as gender equality and women empowerment);
- strengthened coherence of EU external action;
- improved coordination with the Member States and other bilateral or multilateral donors; and
- a **partner country-led and region-led development process** with mutual accountability, through an inclusive and participatory approach to development, using effective and innovative cooperation modalities thus improving the impact of aid and reducing overlap and duplication.

**Geographic and Thematic programmes:** the Regulation lays down the guiding principles:

- for the thematic programmes by means of which the EU assistance will be provided;
- the possible areas for cooperation and distinguishes between regional and bilateral cooperation.

**Differentiation:** the principle of differentiation will be applied as often as possible. As a consequence, bilateral development assistance would be provided to those partner countries which need it the most, and lack the required financial capacities for their own development. Also, the differentiation principle takes into account the potential impact of the Union assistance in partner countries.

Partner countries that shall benefit from bilateral development assistance are listed in the Annex to the Regulation. This Annex does not include countries "graduated" according to the following criteria: **partner countries representing more than 1% of the world's GDP and/or upper middle income countries according to the list of recipients of ODA** are in principle excluded. However, additional criteria relating to their need and capacity are used, such as Human Development Index, the Economic Vulnerability Index and aid dependency, as well as economic growth and foreign direct investment. Also the reliability of the available data is taken into consideration. All partner countries, however, would still benefit from regional and thematic programmes.

**Areas of intervention:** the Regulation does not restrict the areas of EU cooperation or intervention. Any listing of such areas is purely illustrative. Areas may be chosen because they are pertinent to achieving the

aims laid down in the Treaty, to the EU's international obligations and commitments or to the specific objectives provided for in the agreements with partner countries and regions. They should nevertheless be proposed with reference to the EU's objective of concentrating assistance, with a view to ensuring that the EU's policy and the policies of the Member States complement each other

**Thematic programmes:** actions undertaken within thematic programmes bring an added value to actions financed under the geographic programmes. The characteristics of thematic programmes may be summarised as follows:

- **Global Public Goods and Challenges:** these actions will target the main global goods and challenges in a flexible and cross cutting manner. The main fields of activities that will be pursued by this programme include, *inter alia*, environment and climate change, sustainable energy, human development (including health, education, gender equality, employment, skills, social protection and social inclusion as well as economic development-related aspects such as growth, jobs, trade and private sector engagement), food security and migration and asylum. This thematic programme will enable swift response in view of unforeseen events and global crises (e.g. the food price crisis, avian flu).
- **Civil Society Organisations and Local Authorities:** programme in favour of Civil Society Organisations (CSOs) and Local Authorities (LAs) thematic which is based on the former Non-State Actors and Local Authorities programme. The focus of this programme has been sharpened with more attention given to capacity development of CSOs and LAs. The programme will promote an inclusive and empowered civil society and local authorities, increase awareness and mobilisation on development issues, and strengthen the capacity for policy dialogue on development.
- **Pan-African programme:** the Pan-African Programme is being set up to implement the Joint Africa-EU Strategy (JAES). It will be complementary and coherent with other financial instruments, notably the ENI, the EDF and the thematic programmes under DCI. While ENI and EDF focus on interventions at the regional or national level in Africa, the Pan-African programme shall be used to provide specific support for the objectives of the JAES, supporting in particular activities of transregional, continental and trans-continental nature, as well as relevant JAES initiatives in the global arena.

**Programming and allocation of funds:** this article of the proposal lays down the general framework for geographical and thematic programming, as well as for the allocation of the funds under this Regulation. To ensure synergies and complementarity of the Union's measures and those of the Member States, the Member States will be fully involved in the programming process. The consultation process will also include other donors and development actors as well as civil society and regional and local authorities.

Provision is, in particular, made for the following:

- **programming documents for geographic programmes** with an indicative allocation and multiannual indicative programmes. These also list exceptions for when a strategy paper would not need to be prepared in order to simplify the programming process as well as to favour joint programming with Member States. The strategy papers will be drafted in dialogue with the partner countries and regions, with relevant involvement of the civil society and regional and local authorities;
- **a Joint Framework Document** that would lay down a comprehensive Union strategy, of which development policy would be part;
- **Multiannual Indicative Programmes (MIP)** based on any programming documents, except when the total allocation would not exceed 30 million EUR. MIPs can be adjusted through a mid term or ad hoc review, in view of achieved objectives as well as in light of newly identified needs, such as those resulting from crisis, post-crisis or fragility situations.

**Flexibility:** the draft regulation provides that a certain amount should not be allocated in order to increase the instrument's flexibility and its ability to react to unexpected events (new priorities, natural or man-made disasters, etc.).

Other provisions are made for:

- Programming for countries in crisis, post-crisis or fragility situation emphasising the special needs and circumstances of countries in crisis, post-crisis or fragility situation and providing for a special procedure in this case;
- Programming documents for thematic programmes may undergo a mid-term review;
- Approval of Strategy Papers and adoption of Multiannual Indicative Programmes.

**Coherence and complementarity:** to make Union assistance more coherent and effective, and in particular to avoid programmes being split up among several different instruments, the proposed Regulation lays out the possibility to extend the eligibility of this Regulation to include all third countries, territories and regions, insofar as this contributes to the general objectives of the Regulation.

**Implementation:** implementation has been considerably simplified, with an article stipulating that the Regulation shall be implemented in accordance with the [future Regulation](#) establishing common rules and procedures for the implementation of the Union's instruments for external action.

**BUDGETARY IMPACT:** in line with the [Multiannual Financial Framework for the period 2014-2020](#) establishing the budget for Europe 2020, the Commission proposes to allocate **EUR 23.2947 billion** to this instrument for the period 2014-2020.

It is planned that no less than 50% of the programme for Global Public Goods and Challenges will be spent on climate change and environmental objectives and at least 20% on social inclusion and human development. Continued support for social inclusion and human development is foreseen through at least 20% of the Union's development aid. Lastly, this Regulation intends to contribute to addressing at least 20% of the Union's budget to creating low carbon and climate resilient societies.

**DELEGATED ACTS:** it is proposed that flexibility be reinforced by using delegated acts in accordance with Article 290 of the Treaty to make it possible to amend certain non-essential elements of the Regulation that affects the subsequent programming (e.g. annexes on eligible countries, areas for cooperation and indicative financial allocation per programme for 2014-2020).