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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND
THE COUNCIL**

**Annual Report 2013 on the European Union's Development and external assistance
policies and their implementation in 2012**

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Building a global future in responsibility and solidarity

The European Union (EU) was awarded the Nobel Peace Prize in 2012 for contribution to advancement of peace, democracy and human rights in Europe. Fittingly, the President of the European Commission (the Commission), José Manuel Barroso, in his address at the Nobel Prize ceremony linked this achievement with global solidarity and responsibility: “As a continent that went from devastation to become one of the world's strongest economies, with the most progressive social systems, being the world's largest aid donor, we have a special responsibility to millions of people in need.”

Thus Europe is at the core of worldwide efforts to improve lives through development. The EU as a whole remains the world's largest donor of official development assistance, collectively providing EUR 55.2 billion in 2012¹. 2012 was also the first year of implementing the Agenda for Change², increasing the impact of EU development policy in reducing poverty. In parallel, preparations on a global post-2015-framework advanced, with the EU as a key player. The EU also provided swift and decisive support in situations of crisis and fragility such as the drought in the Sahel and the conflicts in Syria and in Mali.

Implementing the Agenda for Change

Endorsed by the Council on 14 May 2012, the Agenda for Change sets out a more strategic approach to poverty reduction aiming at further increasing the impact of EU development policy³. To this end, it proposes a series of key changes in the way EU assistance is delivered. These include, *inter alia*, a differentiated approach so that grant aid is directed where it is most needed and can have the greatest impact in terms of poverty reduction; concentration on a maximum of three sectors per country; a clearer focus on good governance, democracy and human rights and inclusive and sustainable growth; greater use of innovative financing mechanisms; improved policy coherence and increased coordination and joint actions with Member States.

The Agenda for Change is currently being implemented. Several communications adopted during 2012 focused on specific aspects such as "Social Protection in European Union Development Cooperation"⁴; "The Roots of Democracy and Sustainable Development: Europe's Engagement with Civil Society in External Relations"⁵ and "The EU Approach to Resilience: Learning from Food Security Crises"⁶. The European Development Days – an annual event on global issues and development cooperation – focused on a central theme of the Agenda for Change: inclusive and sustainable growth for human development.

¹ http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/137320.pdf

² COM(2011) 637 final, 13.10.2011

³ http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/EN/foraff/130243.pdf

⁴ COM(2012) 446 final, 20.8.2012

⁵ COM(2012) 492 final, 12.9.2012

⁶ COM(2012) 586 final, 3.10.2012

In 2012, the Commission increased the use of blending, where grant and non-grant resources such as loans and equity are combined to create the right financing-mix for specific projects. The EU established three new blending mechanisms for Asia, the Caribbean and the Pacific. As a result, EU grants of more than EUR 400 million made investment projects in beneficiary countries possible, with a total project volume of approximately EUR 10 billion.

The Commission also began defining an overall framework for results reporting and on reforming monitoring and reporting systems relating to the implementation of projects and programmes. In 2012, joint programming of the EU and Member States was taken forward in six countries; Ethiopia, Ghana, Guatemala, Laos, Mali and Rwanda. Joint programming in Haiti and South Sudan had already started as part of an earlier process, in order to improve results and the impact of aid. A process was also launched to expand joint programming by assessing its feasibility in more than 40 new countries.

Food security and nutrition

In 2012, 870 million people were still without access to sufficient food. The communication on resilience, adopted in October, outlined ten critical steps to increase resilience among the world's most vulnerable people. These ranged from national resilience strategies and disaster prevention/management plans to efficient early-warning systems in disaster-prone countries as well as innovative approaches to risk management. The policy builds on the promising results of the EU's resilience-boosting initiatives in the Sahel and the Horn of Africa: the *Alliance Globale pour l'Initiative Résilience* (AGIR-Sahel) and Supporting HoA Resilience (SHARE). Both aim to break the vicious cycle of drought, hunger and poverty through sustained coordination between humanitarian and development assistance.

In three years, the EU's **EUR 1 billion food facility** has improved the lives of over 59 million people in 49 countries and provided indirect support for some 93 million others. Two programmes that helped facilitate these advances are a livestock vaccination programme, which has resulted in the inoculation of over 44.6 million livestock, and a training programme in agricultural production for 1.5 million people.

Nutrition is key in development policy. In 2012 the EU committed to helping partner countries reduce the number of children who suffer from stunted growth by at least 7 million by 2025. Consequently, the EU Food Security Thematic Programme provided EUR 5 million through the secretariat of the Scaling Up Nutrition (SUN) movement to support national efforts and ensure that adequate nutrition is provided from the beginning of pregnancy to the child's second birthday. Thirty-three developing countries, accounting for 59 million of the world's 165 million stunted children had joined SUN by the end of 2012. The EU also played an active role at the G8 Summit in May where the "New alliance to improve food and nutrition security"⁷ was launched. Preparation also began in autumn 2012 on a communication to enhance maternal and child nutrition, foreseen for adoption in March 2013.

Social protection

Too often, the most vulnerable members of society are left behind in the creation of wealth. Only 20% of the world population has access to adequate social protection, the lack of which represents an obstacle to long-term and sustainable development. In August, the Commission adopted the communication on social protection, explaining how development cooperation can strengthen social protection policies and systems. It includes proposals for supporting

⁷ Commission press release IP-12-490, 18.5.2012

partner countries, not least in social protection floors to enact and implement measures for job creation and improved employment opportunities and EU support to tackle the underlying causes of social insecurity. The proposals - in line with those of the Agenda for Change on a more comprehensive approach to human development - were tabled following wide public consultation and will be discussed by EU development ministers and the European Parliament in 2013. The EU has also expressed support for the concept of nationally-defined social protection floors, contributed to its endorsement by the G20 and to the adoption of the Social Protection Floors Recommendation at the 2012 International Labour Conference.

Supporting transition countries

The joint communication "EU Support for Sustainable Change in Transition Societies"⁸ adopted in October examined what the EU can offer in order to help countries in transition achieve successful and sustainable transformation. It builds on the EU's own experiences of the enlargement process, neighbourhood policy and development cooperation, as well as the Common Foreign and Security Policy (CFSP) and Common Security and Defence Policy (CSDP). The joint communication sets out a number of concrete measures to improve the way in which the EU supports these countries in achieving lasting reforms.

Providing sustainable energy for all

Support to the objectives of the UN "Sustainable Energy for All" (SE4ALL) initiative gained important momentum in 2012. A High Level Group - of which the Commissioner for development, Andris Piebalgs, is a member - steered the first phase of the initiative which aims to mobilise governments, the private sector and civil society to provide universal access to modern energy services, improve energy efficiency at all levels and double the share of renewable energy in the global energy mix.

The Commission and the Danish Presidency of the Council of the European Union organised an EU SE4ALL Summit in April, during which Commission President Barroso put forward the ambitious goal of helping developing countries provide access to sustainable energy services to 500 million people by 2030. The Commission committed EUR 400 million to energy-related actions in sub-Saharan Africa through blending. It is also rolling out a EUR 65 million EU technical assistance facility and more than EUR 75 million is foreseen for rural electrification projects in the ACP region.

More than 12 million people should benefit from an improved access to modern energy services thanks to the projects already financed by the Energy Facility across the ACP region.

Rio+20: towards a greener economy

At the UN Conference on Sustainable Development (Rio+20) in June, the EU secured commitments in areas such as water, oceans, land and ecosystems, decent work, social protection, energy, sustainable agriculture and food security. The Conference adopted the declaration "The Future We Want"⁹. It was recognised for the first time that an inclusive green economy is an important tool in achieving sustainable development and reducing poverty. It was also acknowledged that urgent action is needed to tackle unsustainable patterns of production and consumption. The possibility emerged to work with a broad range of willing countries to develop policies on the green economy as a common undertaking. It

⁸ JOIN(2012) 27 final, 3.10.2012

⁹ <http://www.un.org/en/sustainablefuture>

was also decided to develop Sustainable Development Goals (SDGs), as well as options for an effective sustainable development finance strategy.

Achieving the MDGs

EU projects and programmes are helping achieve the MDGs across continents and regions. Overall, the world has made impressive progress on the MDGs. According to the most recent figures available¹⁰, the world has already halved the proportion of people in extreme poverty, ahead of 2015.

Access to safe drinking water, primary school enrolment and global HIV infection rates have seen substantial improvements even if disparities remain between urban and rural areas in these sectors. Challenges remain, with parts of sub-Saharan Africa and countries affected by conflict lagging behind in particular. Globally, work remains to be done particularly in the fight against hunger, infant and maternal mortality, water quality and sanitation.

A number of programmes under the EUR 1 billion EU MDG Initiative were launched in 2012. The MDG Initiative aims to foster faster progress on the MDGs in 36 ACP countries, providing funding for the most off-track goals as well as performance-based funding for countries that have successfully implemented aid.

The MDG initiative in action:

Supplying water to neglected areas in Togo

EUR 16.7 million has been allocated to the water and sanitation sector by the EU's MDG initiative in Togo's southern Maritime region, where almost half of the population lives and 90 % of economic activity is concentrated. Only 13 % of people in this area have access to safe and clean drinking water, drawn at traditional water points or pumps. By 2016, 467 water points and 6 000 latrines will be built or rehabilitated, while 8 500 public workers and stakeholders will receive training. Two projects, organised jointly with UNICEF and the German Red Cross, aim to supply drinking water and sanitary installations to 140 rural communities in the region as well as providing training in hygiene to families, focusing particularly on children.

Preparation of a post-2015 framework

Preparation for the UN Special Event to review progress on achieving the MDGs (September 2013) and more generally the discussions about the new post-2015 framework gained momentum throughout 2012. Work on a Commission communication, including a public consultation, started and in July, Commissioner Piebalgs was appointed as a member of the UN High-Level Panel on post-2015. Due to be adopted in February 2013, the communication will propose principles for an EU approach to an overarching post-2015 framework bringing together poverty eradication and sustainable development, including the MDG review and the follow-up to the Rio+20 Conference. The approach is expected to be endorsed by the Council in June 2013.

¹⁰ <http://www.un.org/millenniumgoals/pdf/MDG%20Report%202012.pdf>

The EU in the world

Good governance, vital for inclusive and sustainable development, was a key focus of 2012. In line with the Agenda for Change and the 2011 joint communication "Human Rights and Democracy at the Heart of EU External Action: Towards a More Effective Approach"¹¹, the EU used its range of external instruments to facilitate reforms in countries undergoing transition, to actively intervene in crisis situations to ensure stability and to support free and fair elections. The EU cut back relations with countries violating human rights and imposed wide-ranging restrictive measures against repressive regimes, directing aid instead towards civil society and affected populations. This was the case in **Syria**, where a worsening humanitarian crisis and systematic human rights violations led to the EU suspending its bilateral financial assistance and imposing a strong package of sanctions, channelling support directly to the affected population instead.

Overall, EU cooperation across the world continued to focus on achieving the MDGs. Despite good prospects to achieve universal primary education by 2015, **sub-Saharan Africa** is still unlikely to achieve key MDG targets on time. Extreme poverty, child mortality and maternal health remain major challenges. Results for implementing EU support in sub-Saharan Africa were good in 2012; total funding commitments amounted to EUR 4.014 billion. Several countries exceeded their annual targets due to better than expected implementation of projects and programmes. The most notable example was the disbursement of a EUR 40 million budget support tranche to **Malawi** in December 2012 after positive developments in the country.

To sustainably improve the resilience of the most vulnerable populations in the **Sahel region**, the Commission held a high level conference in June. The conference agreed to launch a partnership for resilience through a multi-stakeholder initiative (AGIR–Sahel/Alliance globale pour l'initiative Résilience - Sahel).

AGIR provides a roadmap for increasing the resilience of victims of chronic malnutrition in the region. As well as a potential investment of EUR 750 million over three years to build seasonal safety nets, consensus was also found on the need to invest in healthcare and other social sectors, the functioning of food markets and the empowering of women, including those working in agriculture.

Complementing large-scale EU assistance to the **Horn of Africa (HoA)** after the drought of 2011, the Commission launched the Supporting HoA Resilience (SHARE) initiative to encourage investment in the areas of recovery and resilience. Plans valued at over EUR 250 million were formed to step up EU engagement in 2012-13. These included support for agricultural and livestock production, nutrition, livestock health and water supply as well as natural resource management. In the SHARE framework, the Commission underlines that a greater relative emphasis should be placed on the lowlands of the Horn, largely coinciding with the areas where (agro-) pastoralism is dominant. SHARE is part of the Strategic Framework for the HoA which provides a holistic approach to the EU's engagement in the region, supporting its people in achieving greater peace, stability, security and prosperity under an accountable government. A wide range of development cooperation projects and four ongoing CSDP missions and operations are also contributing to this Strategic Framework.

¹¹ COM(2011) 886 final, 12.12.2011

Throughout 2012, the EU played a key role in **Mali**, in securing international mobilisation, following an army mutiny/coup d'état and the threat of an eventual takeover of northern Mali by terrorist groups. Working to unblock the political situation, the EU took measures to rebuild the army and contributed significantly to the efforts of the African and French forces for intervention, with UN Security Council approval in early 2013. To garner support for the country's reconstruction, the EU will hold a donor conference on Mali in May 2013. The crisis highlighted the relevance of the EU's comprehensive approach and its determination to make a substantial contribution to reconstruction, stabilisation and to building lasting peace, in the north of Mali in particular. While a durable solution to the political and security crisis in Mali remains necessary for peace and development throughout the Sahel, Sahel-wide security and development issues must also be addressed.

Mutual accountability and a shared commitment to human rights, democracy and the rule of law are at the core of the renewed **European Neighbourhood Policy (ENP)**¹², which, above all seeks to support 'deep democracy'. Several allocations have been made under the umbrella programmes for additional support for the Southern and Eastern Neighbourhoods: the Support for Partnership Reform and Inclusive Growth (SPRING) and the Eastern Partnership Integration and Cooperation (EaPIC).

Throughout 2012, the EU implemented its response to the Arab Spring that has swept across parts of the **Southern Neighbourhood**, in accordance with the "more for more" principle¹³, an incentive-based approach designed to support partners who deliver on reforms and build "deep democracy". The SPRING umbrella programme gives tangible form to the principle by providing additional support to partner countries that show real commitment and progress.

Securing education for displaced Syrian children

Displaced Syrian children excluded from education are being assisted by a EUR 10 million EU programme. Implemented through UNICEF, its objective is to provide 5500 vulnerable Syrian and Jordanian children in 39 schools across Jordan with access to free formal education and other relevant education services, along with those in host communities in Jordan. The project supports the Jordanian education system at national and community levels.

In the **Eastern Neighbourhood**, EU cooperation continued to support partner countries' reform processes. The Joint communication "Eastern Partnership: A Roadmap to the Autumn 2013 Summit"¹⁴ in May was an important step in preparing future work. The accompanying bilateral and multilateral roadmaps will guide implementation of the Partnership in the run-up to the Vilnius Summit. EaPIC supported Armenia, Georgia and Moldova with increased financial assistance.

The EU was particularly active in **Asia** in 2012, with an unprecedented series of high-level meetings, visits and summits culminating in the 9th ASEM Summit in Laos in November. Good progress was made on Framework Agreements, Partnership and Cooperation Agreements and Free Trade Agreements with several Asian partners. The EU continued to

¹² The EU's evolving relationship with its partners in the Neighbourhood and the transition in the Southern Mediterranean were set out following a strategic review of the ENP in 2011. The 25.5.2011 joint communication of the Commission and HR/VP on "A New Response to a Changing Neighbourhood" outlined the new ENP vision and built on the joint communication, "A Partnership for Democracy and Shared Prosperity with the Southern Mediterranean", adopted on 8.3.2011.

¹³ Joint communication COM (2011) 0200, 8.3.2011

¹⁴ JOIN(2012) 13 final, 15.5.2012

work with regional organisations. It agreed a new action plan with the Association of South-East Asian Nations (ASEAN), focusing on sustainable development and inclusive growth for 2013-17.

Reform in Myanmar/Burma

The EU is supporting the remarkable political and economic transition taking place in Myanmar/Burma and suspended restrictive measures in May 2012. The Commission has now fully engaged with the government on development cooperation, which has more than doubled in value and expanded in scope. In February 2012, Commissioner Piebalgs visited Myanmar/Burma and announced a package of EUR 150 million over two years in support of the country's democratic reforms to help bring about sustainable growth and development for the whole population. This package, of which EUR 100 million has already been committed at the end of 2012, builds on existing support to health, education, livelihoods, displaced people and government capacity building. High Representative/Vice President Ashton formally opened the new EU office in Yangon during her visit in April and in September, the EU initiated procedures to reinstate the General System of Preferences that will help Myanmar/Burma to expand exports to Europe. Inaugurated by President Barroso in November 2012, the Myanmar Peace Centre - which plays a pivotal role in the ethnic peace process - received EU start-up funding.

Afghanistan continued to be a priority. In May, the Council reiterated the EU's long-term commitment to the country, pledging to at least maintain levels of assistance after troops withdraw in 2014 and to bolster Afghan efforts to strengthen civilian policing and the rule of law. These commitments formed the basis of the EU's undertakings at the international conferences held in Chicago, Kabul and Tokyo. During 2012, EU health and social protection support amounted to EUR 185 million. The EU continued its engagement in rule of law, with particular emphasis on policing. Afghanistan also benefits from thematic lines of support such as human rights, civil society and food security.

Central Asia, which remains fragile and highly vulnerable, is an important region for the EU. EU development cooperation commitments totalled EUR 117 million in 2012. The EU-Central Asia Strategy, reviewed in 2012¹⁵, remains effective and the Foreign Affairs Council welcomed the strengthening of relations with Central Asian states and confirmed the pertinence of the Strategy. All priority areas of the strategy remain important: human rights, the rule of law, good governance and democratisation; youth and education; economic development, trade and investment; energy and transport; environmental sustainability and water as well as combating common threats and challenges. In 2012, EU development cooperation emphasised education, public financial management and the Investment Facility for Central Asia (IFCA), as well as private sector development and regional level cross-border security.

Latin America as a whole has made significant progress towards the MDG targets. Bilateral EU cooperation with Latin American countries focussed on a broad range of sectors including good governance, fight against corruption, education, climate and biodiversity and support to the economy.

Relations with the **Caribbean** region during 2012 centred on following-up and finalising a number of initiatives launched in previous years. Pursuing and strengthening political

¹⁵ 3179th FOREIGN AFFAIRS Council meeting:
http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/EN/foraff/131149.pdf

dialogue with the region remained a priority, and a political dialogue between the EU and the Caribbean Forum of the African, Caribbean and Pacific states (Cariforum) took place. In 2012 the Caribbean Investment Facility was established, for official launch in early 2013.

With its impressive economic performance and increasingly solid and widespread commitment to democratic values and human rights, the Latin American and Caribbean region continued to increase its importance for the EU during 2012. At the same time, relations have also been marked by a worrying trend towards restrictive trading practices, such as Argentina's import licensing restrictions that have adversely affected trade relations.

2012 saw the adoption of the joint communication "Towards a renewed EU-Pacific Development Partnership"¹⁶. The EU sustained its engagement with the **Pacific** region, the highlight being its participation at the 43rd Pacific Island Forum in August in the Cook Islands. The event brought the region's state leaders together to identify priorities as well as to provide valuable input for more efficient development assistance. The second EU-Pacific Island Forum ministerial meeting in June covered security, governance, human rights, gender, development, climate change, and sustainable management of oceanic resources.

Despite continued and coordinated efforts, the Pacific remains off track for all MDGs. In 2012, several EU projects were approved in Pacific ACP countries to support progress on the goals, including financing from the MDG initiative.

In June the Commission proposed a draft Council decision on the association of the **Overseas Countries and Territories** with the EU¹⁷. The 10th OCT-EU Forum took place in Brussels in January with the participants from the OCTs and the four Member States to which they are linked (Denmark, France, the United Kingdom and the Netherlands). The Forum discussed the renewal of the association as well as programming and implementation of resources under the European Development Fund.

Looking ahead

2013 will be a key year for the shaping of discussions on the post-2015 framework, with the Commission due to adopt its Communication "A decent life for all: ending poverty in giving the world a sustainable future" in February 2013. Council conclusions on the document are expected to be adopted in June 2013, consolidating the EU's common approach to the post-2015 framework discussions. This is particularly important in view of the UN Special Event to review progress on the MDGs in September 2013. The overall objective of this new post-2015 framework should be to ensure a "Decent Life for All" by 2030, ending poverty in all its dimensions (economic, social, environmental) and giving the world a sustainable future.

The Commission will complement this with major efforts to create a public debate around the theme: The 2013 European Report on Development, due out in April 2013 and entitled "Post-2015: global action for an inclusive and sustainable future"¹⁸ will add further EU inputs into the global dialogue. The European Development Days in November 2013 will also focus on the future of development.

¹⁶ JOIN/2012/06 final, 21.3.2012

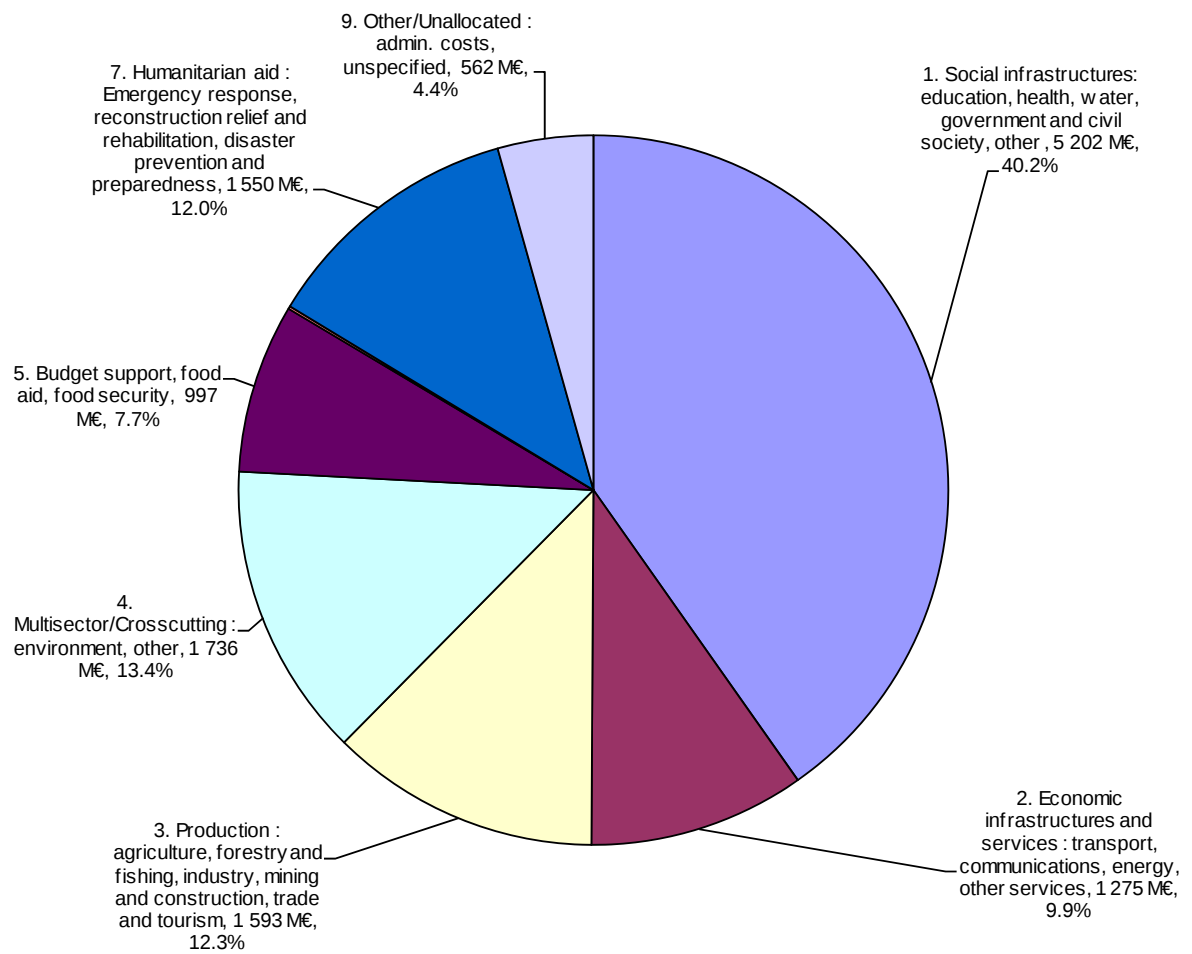
¹⁷ COM(2012) 362 final, 16.7.2012. The proposal was based on a careful analysis of the present decision, the outcome of numerous consultations, political statements of the Commission, Council, OCTs and Member States as well as external studies.

¹⁸ <http://www.erd-report.eu/erd/index.html>

Negotiations with the European Parliament and the Council on the Multiannual Financial Framework (MFF) 2014-20 will continue in view of reaching an inter- institutional agreement leading to the adoption of the financial instruments’ regulations by 2013. The Commission will continue to implement the Agenda for Change which will also be at the core of the programming under the 2014-20 MFF.

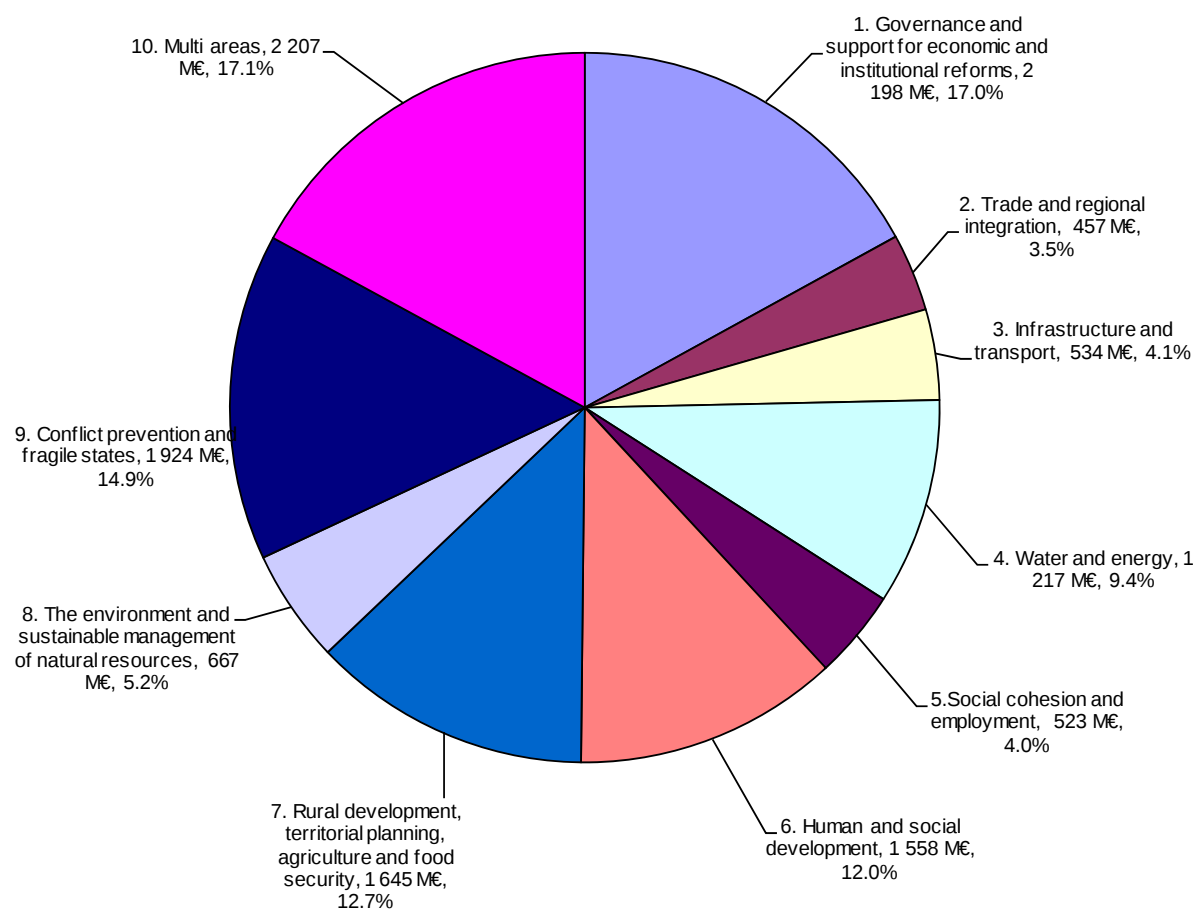
While differentiation will only start with the new financing instruments, the Commission will already work towards ensuring that the transition to new partnerships is not disruptive. It will focus on long-term sustainability in implementing programmes under the current MFF.

Table 1: Sectoral Breakdown



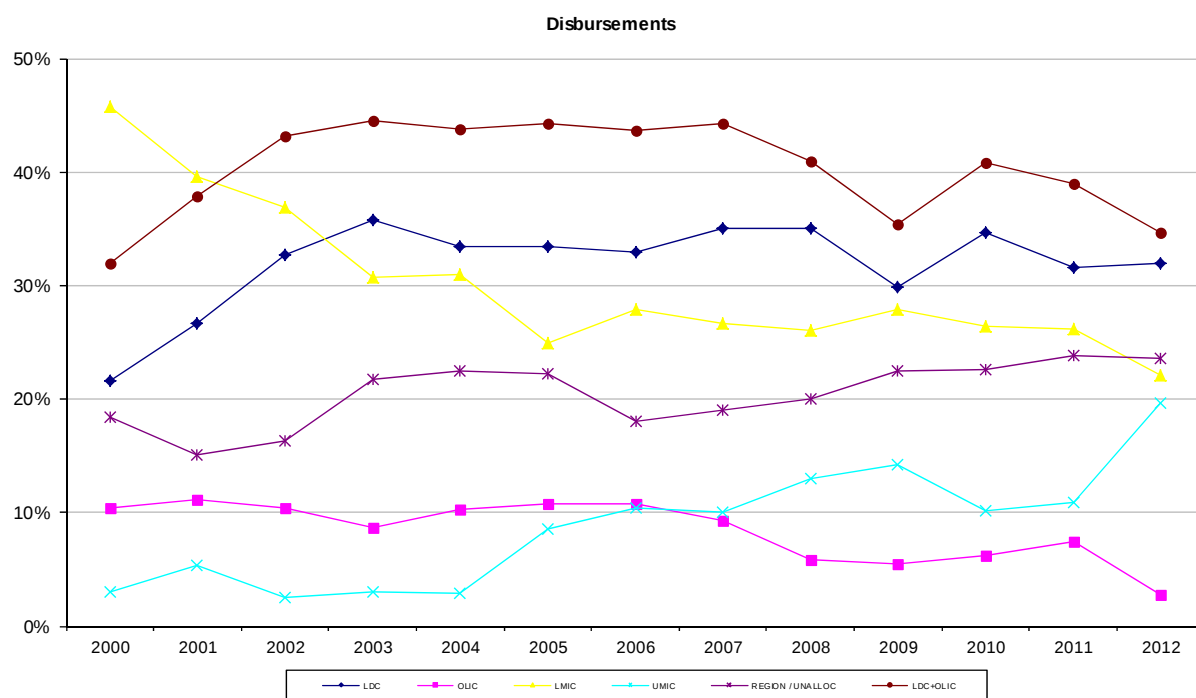
Commitments 2012 in € million
ODA resources managed by European Commission

Table 2: European Consensus: Areas relating to EU development cooperation



Commitments 2012 in € million
ODA resources managed by European Commission

Table 3a: 2000-2012 Poverty focus



LDC : Least Developed Countries

OLIC : Other Low Income Countries

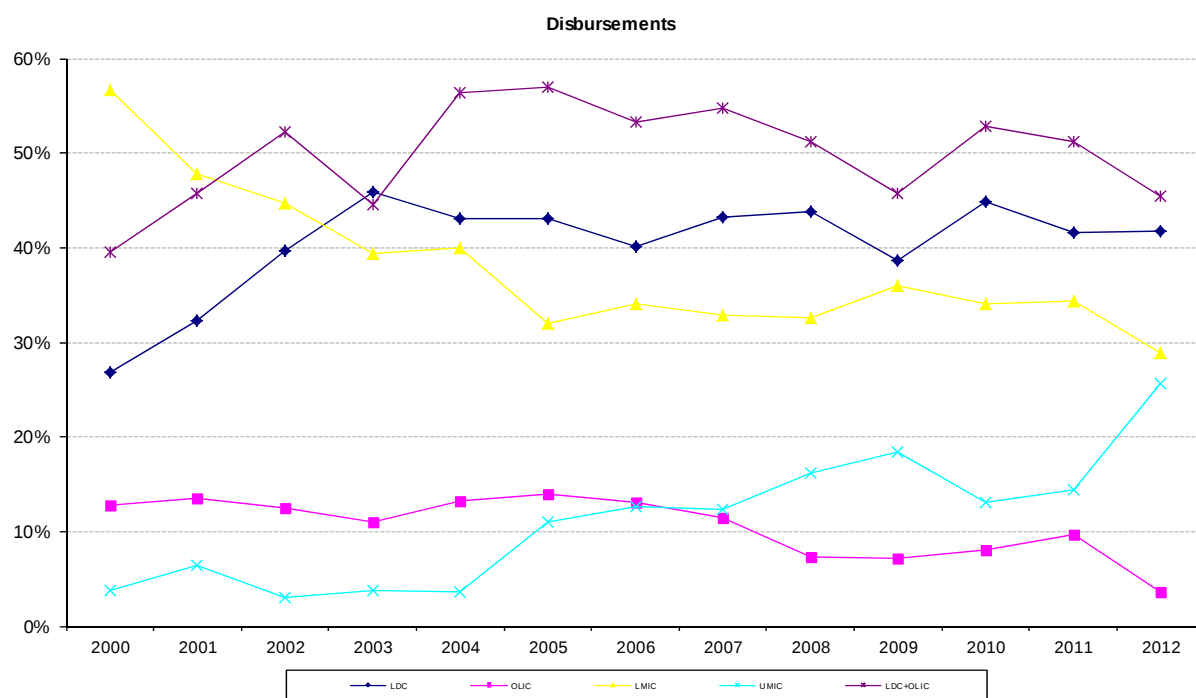
LMIC : Lower Middle Income Countries

UMIC : Upper Middle Income Countries

REGION / UNALLOC : Regional Programmes and Unallocated

Region/Unalloc.programmes benefit also to poorest countries LDC+OLIC.

Table 3b: 2000-2012 Poverty focus



LDC : Least Developed Countries

OLIC : Other Low Income Countries

LMIC : Lower Middle Income Countries

UMIC : Upper Middle Income Countries

In order to harmonize the presentation of this index with other donors, this index has also been calculated without taking into account regional and unallocated projects.