

Brussels, 17 November 2017

EUROPEAN COMMISSION APPLICATION OF THE DELEGATED COOPERATION MODALITY

Currently, EU External Aid funded by the EU Budget or the European Development Fund (EDF) is implemented mostly in *direct management* or *indirect management*. The latter refers to contracting modalities in which the EC entrusts budget execution tasks typically to **partner countries, international organisations and EU Member States (MS) development agencies**.

The trend of delegated cooperation as a major aid modality is growing and the proportion of financing to be made under this implementation modality is constantly increasing. A recent evaluation¹ on **delegated cooperation** carried out on behalf of the EC enables to conclude that the number of delegation agreements signed between the EC and EU MS development agencies, between 2008 and 2014, increased almost sevenfold, from just 12 to 82 per year, totalling 297 in seven years.

Our Federations wish to express their concerns on the following issues that may impact the growth and jobs of the European consulting industry:

- The overall conclusion of the recent evaluation points out the **limited impact of delegated cooperation on aid efficiency and effectiveness**. We therefore can reasonably question that delegated management continues to grow to become, in some partner countries, the most important implementation modality, accounting for almost two thirds of EU programmable aid to those countries;
- Data on the **allocation of EU external aid between delivery modalities and management modes** is neither available nor widely disseminated, although it appears that approximately one third of all the EDF payments since 2012 have been made under indirect management through International Organisations². The criteria used to select delegated cooperation as the chosen aid modality are also unclear and undisclosed. This constitutes an obstacle to an adequate follow-up of project opportunities by the private sector;
- Another feature of delegated cooperation is the **different degrees of participation of Member States in delegation arrangements with the EC and their implementation**. According to the evaluation's data, some MS have "*shown a keen interest to increase their project portfolio and have been eager to implement several delegated cooperation projects*", with a strong concentration on a small number of MS³. This concentration is reducing business opportunities for European Companies. Also, when delegation agreements are signed, the EU funds are diluted within the MS' own cooperation. Weaker accountability of MS development agencies to the EU tax payer means that accessing information on implementation becomes an almost impossible task.
- Delegated cooperation can also lead to distortion of competition when EU funds are given to an accredited partner that in return is sometimes competing directly with the private sector on international tenders.

¹ ECORYS (2016), *Evaluation of the EU aid delivery mechanism of delegated cooperation (2007-2014)*

² European Court of Auditors (ECA), *Annual Report on the activities funded by the 8th, 9th and 10th European Development Funds (EDFs)*

³ From 164 delegation agreements analysed (representing 55% of all the delegated agreements signed between 2008 and 2014), around two thirds were signed with three "Partners", namely AFD, KfW & GIZ (ECORYS, 2016)

FEACO/EFCA recommendations

1. As suggested in a recent assessment of the European Consensus on Development⁴, FEACO/EFCA considers that it is important to **ensure a balance among aid delivery modalities**, in order to avoid an excessive concentration on delegated cooperation or implementation through international organisations, and the negative consequences associated with this.
2. We also advocate for **more transparency on the use of funds for EU tax payers and details on the aid delivery modalities and management modes** adopted by the EU for implementing external aid in each year. Also, information should be made available on the corresponding results, namely in what concerns projects implemented under indirect management through international organisations and through EU MS development agencies (delegated cooperation). Notably, provisions should be made so that the **EU funding is clearly identified during implementation**, regardless the management mode.
3. We suggest that **EU external aid implemented under indirect management through international organisations also be subject to an assessment** to confirm its usefulness according to the standard criteria, similar to the ones the EC carries out for individual programmes and projects, but also recently for budget support (e.g. “*Synthesis of Budget Support Evaluations, 2010-2014*”) and delegated cooperation (e.g. “*Evaluation of the EU aid delivery mechanism of delegated cooperation, 2007-2014*”).
4. Finally, implementing entities of EU external aid – both international organisations and MS development agencies - **should disclose information on procurement related to project activities funded under these modalities and corresponding contracts signed** with both private companies and individual consultants.

At FEACO/EFCA, we support the aid effectiveness agenda. European consultancy companies are in strong position to continue to support the EC as implementers of External Aid, contributing to its effectiveness and efficiency.

The European Federation of Engineering Consultancy Associations (EFCA) has member associations in 25 countries, and is the sole European Federation representing the engineering and related services industry. EFCA also represents FIDIC (The International Federation of Consulting Engineers) in Europe. The EFCA’s European External Aid Committee monitors developments within the European institutions involved in external aid such as the EIB, CEB, EBRD, EU and bilateral Aid of European Countries.

The European Federation of Management Consultancies Associations (FEACO) has the purpose to assist in the promotion and development of the profession of Management Consultancy in Europe. The FEACO Procurement Committee (FPC) has been running for more than 15 years and is dedicated to follow all activities that the International Financing Institutions (IFI’s) drive around Development Aid financing, policies and more particularly their related procurement procedures.

⁴ PARTICIP (2016), *Review of the strategic evaluations managed by DEVCO to assess the European Consensus on Development*