MINISTRY OF FOREIGN AFFAIRS
OF DENMARK

JULY 2026

EVALUATION STUDY OF DELEGATED COOPERATION WITH THE EU

MINISTRY OF FOREIGN AFFAIRS
OF DENMARK

JULY 2026

EVALUATION STUDY OF DELEGATED COOPERATION WITH THE EU

tana · ehg

Production: Department for Evaluation, Learning and Quality (LEARNING), Ministry of Foreign Affairs of Denmark

Graphic production: Kontrapunkt

ISBN: PDF: 978-87-94339-92-6

This report can be downloaded through the homepage of the Ministry of Foreign Affairs or directly from the homepage of the Department for Evaluation, Learning and Quality (LEARNING)
https://um.dk/en/danida/results/eval/eval_reports

Contact: laering@um.dk

TABLE OF CONTENTS

The following annexes and case studies to the Study Report can be downloaded as separate PDF files from um.dk.

Annexes

Annex A: Terms of Reference
Annex B: Overview of Project Portfolio
Annex C: Study Question Matrix
Annex D: List of Interviewees
Annex E: Case Studies
Annex F: Overview of Documentation Reviewed by Project
Annex G: Bibliography

ACKNOWLEDGEMENTS

A team of independent consultants from Tana-EHG conducted this study.

The study team was led by Karen McHugh and included Philip Bottern, Michaela Raab, and Nadia Siegler-Lathrop. Julian Brett from Tana-EHG conducted internal quality assurance. Martijn van der Burgt provided technical feedback.

The study team would like to thank all those who took the time to meet with us and speak so openly about their experiences of delegated cooperation. In particular, we would like to thank staff from the Danish MFA, Danish embassies, EU headquarters, and EU Delegations, as well as the many contributors from like-minded donors. We are also grateful for the support and engagement provided by the MFA's Department of Evaluation, Learning, and Quality (LEARNING).

The team from Tana-EHG has prepared this report. The assignment was carried out within the scope and parameters set out in the Terms of Reference. Within this framework, responsibility for the report's content rests with the authors. This includes the methodological choices made in implementing the assignment, the data collection and analytical processes, the selection and interpretation of evidence, the findings, conclusions, and recommendations presented, and any factual inaccuracies, errors, or omissions. The views expressed in the report do not necessarily reflect those of the Danish Ministry of Foreign Affairs.

ABBREVIATIONS

aBi	Support to the Agricultural Business Initiative
AEC	ASEAN Economic Community
AECID	Spanish Agency for International Development Cooperation
AgriBiz	Enhancing the role of Kenyan women and youth in agribusiness
AgriFI	Support to Productive, Adapted and Market Integrated Smallholder Agriculture
AICS	Italian Agency for Development Cooperation
AMG	Aid Management Guidelines
ASEAN	Association of Southeast Asian Nations
ASEC	ASEAN Secretariat
BDO	Binder Dijker Otte
BEST	Business Environment Strengthening in Tanzania
BFA	Bilateral Funding Agreement
BUSAC	Business Sector Advocacy Challenge Fund Phase II
CA	Contribution Agreement
CFO	Chief Financial Officer
CSO	Civil Society Organisation
DC	Delegated Cooperation
DA	Delegation Agreement
DAPP	Danish Arab Partnership Programme
DDI	Digital Democracy Initiative
DFID	Department for International Development
DG INTPA	Directorate-General for International Partnerships
DKK	Danish kroner
DGF	Democratic Governance Facility
DPfF	Danish Partnering for Forests
DRO	Danish Representative Office
EC	European Commission
ECA	European Court of Auditors
ECHO	European Civil Protection and Humanitarian Aid Operations
EDF	European Development Fund
EIB	European Investment Bank
EEAS	European External Action Service
EF	Expertise France
EPPO	European Public Prosecutor’s Office
EU	European Union
EUACI	EU Anti-Corruption Initiative
EUNABO	Department of European Neighbourhood
EUD	European Union Delegation

EVR	Expenditure Verification Review
FAO	Food and Agriculture Organization of the United Nations
FCDO	Foreign, Commonwealth and Development Office
FIAP	International and Ibero-American Foundation for Administration and Public Policies
F4F	Forests for the Future Facility
GDPR	General Data Protection Regulation
GGGI	Global Green Growth Institute
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GoU	Government of Uganda
HQ	Headquarters
IR	Inception Report
KCIC	Kenya Climate Innovation Centre
KCV	Kenya Climate Venture Ltd.
KI	Key Informant
KIIs	Key Informant Interviews
KYC	Know Your Customer
LEARNING	Department of Evaluation, Learning, and Quality
LL	Lessons Learned
LMD	Like-Minded Donor
LSF	Legal Services Facility
M&E	Monitoring and Evaluation
MESPT	Micro Enterprises Support Programme Trust
MDLF	Municipal Development and Lending Fund
MFA	Ministry of Foreign Affairs
MoU	Memorandum of Understanding
MS	Member State
NDICI	Neighbourhood, Development and International Cooperation Instrument
NGO	Non-Governmental Organisation
OLAF	European Anti-Fraud Office
ORIA	Organisational Risk and Integrity Assessment
PAGoDA	Pillar-Assessed Grant or Delegation Agreement
PAOSC	Programme d'Appui aux Organisations de la Société Civile
PCESA	Programme for Economic Growth in the Agricultural Sector
PMU	Project/Programme Management Unit
PfFU	Partnership for Forests Uganda (EU)
PN	Practitioners Network for European Development Cooperation
PSC	Project Steering Committee
PST	Process Start Template
ReForEst	Reforestation for Communities' Prosperity in Eastern Uganda
RDE	Royal Danish Embassy
RDPP	Regional Development and Protection Programme
RER	Residual Error Rate (EU Audit)
ROM	Result Oriented Monitoring
SC	Steering Committee
SQ	Study Questions
Sida	Swedish International Development Cooperation Agency

TA	Transfer Agreement
TAF	Technical Assistance Facility
TCE	Transition to a Regional Circular Economy
TEI	Team Europe Initiative
TILSKUD	Department for Financial Management, Oversight, and Support in relation to Grants
TMP	Tax Modernisation Plan
ToR	Terms of Reference
TRA	Tanzania Revenue Authority
U-LEAD	Local Empowerment, Accountability and Development Programme
UNDP	United Nations Development Programme
UNODC	United Nations Office on Drugs and Crime
USAID	United States Agency for International Development
ØKO	MFA's Department of Finance

GLOSSARY

The **aid effectiveness agenda** is an international framework aimed at improving the quality and impact of development cooperation, largely defined by the 2005 Paris Declaration and the 2008 Accra Agenda for Action. It focuses on five core pillars: ownership, alignment, harmonisation, results, and mutual accountability, to ensure that aid effectively reduces poverty.

- Ownership: Developing countries set their own long-term development strategies.
- Alignment: Donors base their support on partner countries' national development strategies and use local systems.
- Harmonisation: Donors coordinate, simplify procedures, and share information to prevent duplication.
- Results: Both donors and recipients focus on measurable development outcomes.
- Mutual Accountability: Donors and recipients are accountable for development partnerships, greater aid transparency, and capacity development.

Delegated Cooperation (DC) is a form of indirect management whereby one donor (for example, the European Commission) entrusts another donor or partner (such as a Member State, an international organisation, or a development agency) to act on its behalf for the design and/or implementation of development programmes or projects (through **Contribution Agreements**[1]) or for Member States to transfer their resources to the Commission (through **Transfer Agreements**).[2]

The Danish Ministry of Foreign Affairs is a **Delegate** when development partners delegate programme responsibilities to Denmark, and a **Delegator** where Denmark provides funding and delegates programme responsibilities to another development partner.

1 Previously referred to as Delegation Agreements (up to 2018).

2 Instituto Camões. (n.d.). *Delegated co-operation.* Instituto Camões. https://instituto-camoes.pt/en/activity-camoes/what-we-do/co-operation/partnerships/european-union/delegated-co-operation

An **EU Contribution Agreement (CA)** is a legally binding contract under which the EU provides financial contributions to an external entity to implement specific actions or programmes. It sets out the conditions for the EU's financial contributions to an implementing partner. Through such an agreement, the EU entrusts the partner with implementing activities and managing funds on its behalf, in accordance with standards equivalent to those of the EU's own financial management system (usually verified through a pillar assessment). The CA specifies key elements such as the objectives, budget, implementation arrangements, reporting obligations, and audit requirements. In essence, it formalises the partnership and ensures that EU funds are used properly and effectively, while giving trusted partners the flexibility to apply their own procedures within the agreed framework. Until 2018, this type of contract was known as a **Delegation Agreement**.

The **EU Notional Approach** is a financial management method used in the context of EU external action, particularly under instruments such as NDICI–Global Europe. As stated in the Contribution Agreement Manual (June 2023), *"Under the notional approach, the EU cost eligibility requirements are met as long as other donors cover the costs that are ineligible under EU rules. The use of the notional approach allows the EU to jointly co-finance an Action even though some of the costs of this Action are not eligible for EU funding. The use of the notional approach has to be reported (see Article 3.8 f of the General Conditions) and confirmed by the delegated organisation i.e., the organisation which has been delegated to. The notional approach does not purport to impose an obligation on the organisation itself to cover such costs (even though the organisation may be considered as another donor)."* [3]

Indirect management: In indirect management mode, the European Commission delegates budget implementation tasks to third parties to achieve a set of EU objectives, relying on their rules, systems, and procedures (e.g., conducting grant or procurement award procedures, concluding contracts, managing operations and finances, and conducting audits and evaluations).[4] The opposite of indirect management is **direct management**, whereby the European Commission manages an intervention. **Shared management** occurs when the European Commission and national authorities jointly manage an intervention.

The **NDICI**, or the Neighbourhood, Development, and International Cooperation Instrument - Global Europe, is the EU's main funding tool for external action from 2021 to 2027. It consolidates several previous

---

3 European Commission. (2023). *Contribution agreement: Special conditions [Template]*, p. 11.

4 European Commission. (n.d.). *Contribution agreements.* European Commission. https://wikis.ec.europa.eu/spaces/ExactExternalWiki/pages/102630173/Contribution+Agreements

instruments into a single framework to support the EU's neighbourhood policy, development cooperation, and international partnerships. With a budget of about EUR 79.5 billion, NDICI aims to make the EU's external spending more flexible, coherent, and strategic in addressing global challenges such as poverty reduction, climate change, migration, and peace.

Pillar Assessment[5] is a process used by the European Commission to evaluate the eligibility and suitability of partner organisations to work with the EU under Indirect Management. The purpose of this assessment is to ensure that the partner organisation's systems, rules, and procedures provide a level of protection for the EU's financial interests equivalent to that provided when the Commission manages the budget directly. Pillar-assessed organisations are fully responsible for implementing projects on the ground, applying their own pillar-assessed systems, rules, and procedures. The Commission remains accountable to the European Parliament and the Council for the proper use of EU funds and, as such, retains the right to carry out controls and audits to ensure compliance with contractual obligations and with the systems, rules, and procedures that have been pillar assessed (including, where applicable, ad-hoc/supervisory measures).

Team Europe was launched in 2020 as a coordinated European response to the COVID-19 pandemic. It later evolved into a broader framework for joint EU external action, bringing together the EU, its Member States, and European financial institutions to deliver coordinated support to partner countries. It aims to enhance the effectiveness, visibility, and impact of the EU's external action, particularly in response to global challenges such as sustainable development, climate change, and health crises. By pooling resources and expertise, Team Europe actors aim to present a united and strategic European response on the global stage.

A **Transfer Agreement (TA)** is a contractual instrument by which an EU Member State (or another accredited donor) formally transfers its development cooperation funds to the European Commission for management under delegated cooperation. Under this modality, the Commission becomes the implementing body responsible for budget execution tasks - such as procurement, disbursement, monitoring, reporting, and audit - using EU procedures and safeguards established in the EU Financial Regulation.[6]

5 European Commission. (n.d.). *Guidelines: Audit and control*. European Commission. https://international-partnerships.ec.europa.eu/policies/audit-and-control_en

6 Instituto Camões. (n.d.). *Delegated co-operation*. Instituto Camões. https://instituto-camoes.pt/en/activity-camoes/what-we-do/co-operation/partnerships/european-union/delegated-co-operation

EXECUTIVE SUMMARY

Background and purpose

The Ministry of Foreign Affairs (MFA) commissioned this study to inform the further use of Delegated Cooperation (DC) with the European Union (EU) by the MFA and like-minded donors[7] (LMDs), by establishing an overview of the evolving use of DC from 2014 to 2023 and offering lessons learned and recommendations for future programming and management.

DC is a form of indirect management in which one donor entrusts another donor or partner to act on its behalf in the design and/or implementation of a development programme or project. While the primary focus of the study is on arrangements in which the EU delegates programme implementation responsibilities to the MFA, it also reviews arrangements in which the MFA transfers programme or project responsibilities to the EU. The study assesses trends, challenges, and enabling factors in Denmark's use of DC and provides findings, conclusions, and recommendations to inform the modality's future strategic and operational use.

Scope

The study covers the period from 2014 to 2023. It includes the MFA's full portfolio of 14 projects and programmes, comprising 20 individual agreements in which the EU has delegated management to the MFA through Delegated or Contribution Agreements (DA/CA[8]), and nine projects and programmes in which the MFA has delegated funding to the EU through TAs. The study complements the portfolio review with five in-depth case studies and draws on comparative insights from LMDs and relevant practitioner networks to contextualise the findings.

This report presents the study's findings for the MFA's full portfolio of DC projects and programmes. The portfolio comprises 14 projects and programmes delegated to the MFA by the EU, amounting to 20 individual DAs/CAs in total when the different phases of certain projects

7 The term "like-minded donors" in this study refers to the European Member State Organisations. The EU defines a Member State Organisation as an "entity established in a Member State of the European Union as a public law body or as a body governed by private law entrusted with a public service mission and provided with adequate financial guarantees from the Member State". European Commission (2025) Contribution Agreement Manual. October 2025. p. 9.

8 Note that the term "Delegation Agreement" was used until 2018 when it was replaced by "Contribution Agreement". Both terms are used throughout the course of this study.

and programmes are taken into account.[9] In addition, nine projects are included that cover cases where the MFA delegated to the EU (through TAs). The study team examined five of the projects and programmes in greater depth through case studies (four DAs/CAs and one TA).

Methodology

The study adopts a utilisation-focused, mixed-methods approach aligned with the Terms of Reference (ToR) and the MFA's decision-making requirements. The main components of the study are:

- **Portfolio analysis:** Quantitative trend analysis, combined with qualitative assessment of project design, management arrange-ments, compliance, audits, and costs, based on document review and key informant interviews (KIIs).
- **Review of policies, procedures, and guidelines:** Desk-based analysis of the evolution of DC frameworks governing both EU-delegated and MFA delegated arrangements.
- **Case studies:** Five case studies examining implementation experiences to identify factors that enable or constrain effective partnerships.
- **Review of LMD experience:** A comparative analysis of LMD practices to identify lessons and good practices relevant to the MFA.

Regarding these components, the study addresses five Study Questions (SQs) and their related sub-questions. The five SQs relate to overall trends in DC (SQ1); policies, procedures, and guidelines (SQ2); factors that promote and impede successful partnerships (SQ3); lessons from LMDs (SQ4); and the rules and procedures that apply when the MFA is the delegator (SQ5). Conclusions, a summary of key lessons learned, and recommendations are also provided.

Data collection combined extensive desk reviews with semi-structured interviews across the MFA, embassies, EU institutions, LMDs, and implementing partners, for a total of 84 interviews at strategic and operational levels.

9 Two of the projects and programmes in the portfolio spanned three phases (EUACI and RDPP) and another two spanned two phases (DGF and aBi), thus making a total of 20 DAs/CAs.

Limitations

The study's findings are subject to several limitations. Interview coverage varied across the portfolio: staff rotation and prior reliance on external project management units (PMUs) made it difficult to identify KIs with comprehensive knowledge of certain programmes, particularly older ones. Findings are therefore more robustly evidenced for projects implemented after 2018. More broadly, certain key aspects of the DC process were not consistently documented, so analysis of how DC operated in practice relies in part on key informant (KI) recollections rather than written evidence, thereby constraining triangulation. Similarly, LMD documentation was sometimes difficult to access; findings on LMD audit and repayment experiences are based on KI information and are illustrative rather than representative. Finally, findings on SQ5, in particular the comparative experience of LMDs as delegators to the EU, rest on limited evidence due to the limited use of this modality, and recommendations in this area are correspondingly tentative.

Key findings

The study's main findings are summarised here according to the agreed SQs[10] and corresponding sub-questions.

SQ1. What are the overall trends in delegated cooperation from the EU to the MFA since 2014?

The document review and interviews show that the portfolio of DC from the EU to the MFA remains small, comprising 14 projects and programmes in total, covering 20 DAs/CAs.[11] The number of new agreements has followed an upward, though uneven, trend since 2014, peaking at five in 2018. Only two agreements were initiated prior to 2014, compared to 18 agreements in the period thereafter. Financial volumes have also increased, with the estimated total annual Danish contribution rising from almost DKK 6 million in 2010 to DKK 211 million in 2024. The total portfolio budget amounts to circa DKK 5.3 billion, of which 38% was provided by Denmark. In eight of the 14 projects and programmes, Denmark and the EU are the only donors, whereas in six, they are joined by one or more other donors.

Denmark's increased engagement with EU DC is consistent with the broader emphasis on European collaboration described in Danish policy documents and strategies. Danish development strategies during

10 Note that the inception report refers to 6 SQs however, on closer analysis, the 6th SQ which related to Conclusions, Lessons Learned, and Recommendations has been adapted and is presented as three separate sections in this report in line with standard practise.

11 Several of the projects/programmes have gone through multiple phases, each requiring a new DA/CA, hence the total of 20 such agreements.

the period show an evolution in how Europe, and especially the EU, is framed in development priorities. Although none of the strategies mentions DC explicitly, the underlying logic references joint action, integrated programming and approaches, coordination with European partners, and leveraging the EU to scale Danish priorities.

Agriculture is the most represented sector, with four projects, followed by the private sector with two. Thematic areas, including Internally Displaced Persons (IDPs), digital democracy, access to legal services, tax modernisation, water management, anti-corruption, support to civil society, and the circular economy, are each represented by one project. The four agricultural projects were initiated between 2018 and 2020, while the two most recent projects (both in 2023) focus on digital democracy and the circular economy, respectively. Africa has been the most represented region throughout the period, accounting for 10 of the 14 projects, with Kenya and Tanzania accounting for six projects (three each).

The portfolio displays the use of five distinct management modalities, ranging from outsourced management (consultancies) and external programme management units (PMUs) to management by national organisations supported by Denmark and other organisations, and management embedded within the MFA or embassies. The study identifies a trend towards the latter modality, particularly since 2020.

In terms of overall implementation experiences, the study findings highlight recurring audit issues and financial corrections from the EU. During the study period, six of the DAs/CAs have had ineligible costs and/or audit issues identified during EU audit processes. The most serious case includes programme suspension and an OLAF investigation. The six DAs/CAs concerned have either had repayment requests, or expect to, from the EU. The underlying challenges fall into four categories: documentation failures; weak financial management and governance, including among local partners; ineligible cost categories; and fraud and corruption.

SQ2. How and why have EU and MFA delegated cooperation policies, procedures, and guidelines evolved since 2014?

The MFA does not have a formal, standalone policy on DC with the EU. Since 2014, however, DC has gained strategic importance within the MFA, driven by broader foreign policy ambitions to strengthen EU external action, while dedicated institutional guidance has developed more slowly. Prior to 2023, management relied on general aid guidelines and Nordic+ practices based on a high degree of mutual trust - an approach not suited to the EU's contractual and compliance-driven framework, which involves far more intensive oversight, control, and scrutiny. In 2023, the MFA published a specific set of guidelines for DC, establishing a basis for understanding DC with the EU and reducing associated risks. Interviews by the study team with MFA and embassy staff show mixed experiences with the guidelines: those familiar with them found them useful, but others were unaware of their existence. Interviewees across both groups noted that more hands-on, ongoing support is needed, combined with tailored training on the practical use of the DC modality.

To date, the EU has issued no specific guidance on DC. Rather, DC is addressed in guidance on general cooperation and in the recently updated Contribution Agreement Manual (October 2025).[12] The study team finds that the lack of specific guidance on DC, combined with sometimes opaque language in agreements, leaves the rules open to different interpretations. A significant source of confusion has been the implications of pillar assessments.[13] The team's interviews show that MFA HQ and embassy staff have assumed either that the pillar assessment conferred full exemption from EU controls or that controls would be conducted only against Danish rules and procedures. Both of these assumptions have proved incorrect in practice. EU Member States that are pillar assessed remain subject to EU controls, including expenditure verifications[14], audits, and potential investigations by the European Anti-Fraud Office[15]. These controls also cover adherence to EU-specific conditions, such as cost eligibility and document archiving. Furthermore, although the contractual rules governing delegated agreements have changed only marginally over time, interviews with Danish embassies, LMDs, and EU Delegation (EUD) staff indicate that the intensity of EU controls has increased significantly, driven largely by the European Court of Auditors' enhanced scrutiny.

In DC arrangements in which the EU delegates to Denmark, the MFA bears primary financial and legal responsibility for the proper use of EU funds. Although the EU shares financial risk in certain situations, EU controls cover adherence not only to pillar-assessed Danish procedures but also to EU-specific conditions, an asymmetry that has been a major source of financial exposure across the portfolio.

SQ3. What factors promoted and impeded successful partnerships where Denmark is the delegate?

The study finds that the rationale for choosing DC with the EU varies from project to project. It identifies three broad types of reasoning: opportunities relating to improved aid and development effectiveness, such as better coordination and harmonisation, reduced transaction costs, and increased outreach; the ability to draw on Danish comparative advantages, including sector expertise and trusted local partnerships; and the pursuit of political and strategic opportunities.

12 European Commission. (n.d.). *Working with partner organisations*. European Commission. https://international-partnerships.ec.europa.eu/funding-and-technical-assistance/guidelines/working-partner-organisations_en

13 Please see glossary for detailed explanation.

14 Including the determination of Residual Error Rates.

15 As spelled out in the General Conditions of DA/CA.

Factors promoting successful Danish partnerships[16] in DC with the EU included early and close collaboration with EUDs, access to specialised expertise on EU rules, early Danish involvement (e.g., in project design), and ensuring that EU funding does not dominate overall project financing.

Several other factors have consistently undermined successful partnerships. These include limited understanding amongst involved staff of EU requirements, overreliance on the Nordic+ experience (which was less compliance heavy compared to EU requirements), insufficient assessment of and support for partner capacity, especially financial management capacity, weak guidance and support from MFA headquarters, political pressure to sign agreements quickly, the absence of comprehensive appraisal processes, and project audits that failed to identify problems at an early stage. The study finds that when political pressure to sign agreements overrode capacity concerns, projects were more vulnerable to capacity gaps and implementation risks.

The study finds that the choice of management modality (e.g., PMU, internal embassy management) does not appear to have affected whether projects encountered difficulties, particularly with audits and expenditure verifications, suggesting that compliance challenges are systemic rather than structural. Where expected benefits such as increased scale, improved dialogue, and broader outreach were realised, interviewees reported that these achievements were often overshadowed by EU resource-intensive financial control processes and by what some MFA and embassy staff described as EU micro-management. Overall, compliance complexity and capacity gaps, including challenges in interpreting rules and procedures, aligning documentation, and working with partner financial systems, emerge as systemic issues that contribute to elevated audit exposure and institutional pressure. The study finds that the MFA's standard appraisal processes, while technically sound, did not consistently capture the operational implications of DC and EU-specific contractual and financial risks. As a result, several programmes entered implementation without adequate preparation for EU compliance requirements, a gap that contributed to subsequent audit findings and repayment requests.

SQ4 What relevant lessons on the management of delegated cooperation with the EU can be learned from like-minded donors, where they are the delegates?

The study distinguishes between two types of LMDs. Private law development agencies such as Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Expertise France (EF), and Enabel specialise in implementing donor-funded projects; their systems are built for project delivery, and they have extensive practical experience in managing

16 Experiences from LMDs are covered in SQ4.

EU-funded projects. This enables them to anticipate, prevent, and address many of the challenges MFAs commonly encounter with DC.

On the other hand, MFAs in Finland, Ireland, the Netherlands, Spain, and Sweden face challenges similar to those of the Danish MFA. These include divergent interpretations of the implications of pillar assessments, difficulties in negotiating the allocation of funds to cover indirect costs, incompatibilities between LMD and European Commission (EC) financial management systems, tight deadlines combined with slow EU response times, and what some MFA interviewees described as burdensome expenditure verifications and audits. Based on the interviews, none of the consulted LMDs appears to have experienced the same level of difficulty as the Danish MFA.[17]

The study finds that specialised capacity in EU contract management is a key factor in success. Development agencies benefit from decades of experience and dedicated specialist structures at headquarters. However, as illustrated by the Netherlands MFA, well-developed systems for assessing funding partners' governance and financial management capacities, combined with expert staff advising embassies engaging in DC, can pave the way for straightforward DC implementation.

The study finds that experienced LMDs identify thorough appraisal and preparation, formal partner risk assessments, early alignment of financial systems, firm negotiation, and a willingness to decline misaligned agreements[18] as key factors for successful DC management. Experienced LMDs advise against signing agreements unless negotiations yield terms well aligned with their own systems and capacities. LMDs with limited difficulties consistently negotiate the maximum 7% EU contribution to indirect costs and classify project management costs as direct costs in the project budget. Several LMDs also apply minimum co-financing thresholds to ensure sufficient national funding to absorb potential ineligible expenditure through the notional approach.

SQ5. What are the overall rules and procedures governing delegated cooperation with the EU since 2014 where the MFA is delegator, and how do they compare with those of like-minded donors?

Denmark has delegated nine projects and programmes to the EU since 2009. Interviewees identified the key benefits of delegation to the EU as the ability to provide support in hard-to-reach areas where Denmark is not present, such as fragile states or countries in conflict, and the

17 There was no documentary evidence available for this aspect, so it relies upon the interviews and should be interpreted accordingly.

18 This was for instance revealed in interviews with INTPA in the EC and also from the study team's various experiences with development agencies such as the German development agency GIZ during other assignments.

transfer of implementation responsibility to well-resourced partners. Aid effectiveness benefits, such as upscaling, leverage, and the ability to engage with more partners (grantees), were also cited, though interviewees noted that these benefits could be achieved through delegation to another Member State. The main challenges are potentially increased costs and administrative burden from cascading layers of management, from the delegator to the EU and thereafter to an implementing partner, and limited MFA influence over design and implementation.

Regarding LMDs' use of this modality, the study finds that very few LMDs covered by this study regularly delegate to the EU, and some have indicated an intention to reduce or discontinue such delegation. LMDs highlighted three main reasons for their limited engagement with this modality: a) Inefficiencies linked to multiple layers of management causing delays in preparation and implementation, and cascading indirect and administrative costs, as the EU sub-contracts project implementation to third parties; b) dissatisfaction with the 'silent partner' role TA implies, unlike in DAs/CAs, where Member States manage projects; and c) the understanding that regular national contributions to the general EU budget should cover EU external action, rather than requiring additional Member State funds to top this up.

Conclusions and lessons learned

Overall, the portfolio is characterised by significant growth, increasing strategic importance, and expanding institutional capacity over the study period. The evidence suggests that DC has become an important instrument of Danish-EU development collaboration, delivering larger and more diverse programmes. However, fiduciary, audit, and compliance risks have been a critical weakness.

The increased Danish engagement aligns with the emphasis on European collaboration set out in Danish policy documents and strategies. DC is a strategic priority for the MFA and is regarded as a means for Denmark to gain influence and visibility in key sectors, to contribute to development impacts, and to reinforce collective diplomatic and development engagement. While the MFA does not have a formal, standalone policy on DC with the EU, initial arrangements were informed by experience in Nordic+ cooperation. Since 2023, MFA procedures have been guided by a specific set of practical guidelines. This reflects the growth of MFA experience with DC, particularly in relation to the EU's financial and administrative requirements.

DC with the EU has demonstrated that it can deliver important strategic and development benefits for Denmark. Still, these gains have frequently been overshadowed by significant administrative, financial, and compliance challenges. Successful DC partnerships require strong institutional capacity, realistic assessments of management burdens, robust financial oversight, and a far deeper understanding of EU compliance requirements than was present during much of the period covered by the study.

The comparative analysis of LMDs shows that DC with the EU can generate substantial strategic, financial, and development benefits, but only when supported by strong institutional systems and specialist expertise. All LMDs participating in the study share a common ambition to expand DC with the EU, which is seen as a mechanism to scale up development programmes and increase impact; strengthen donor coordination and reduce fragmentation; enhance visibility and political influence; support Team Europe objectives and collective European action; and improve aid effectiveness and reduce transaction costs for partner countries.

While these objectives are widely shared, most donors engage selectively, focusing on countries and sectors where they have established expertise, a comparative advantage, and sufficient management capacity. The LMDs that encounter the fewest problems are those that treat DC as a specialised professional function, invest heavily in preparation and negotiation, maintain dedicated support structures, and actively manage compliance risks throughout the project cycle.

Finally, the study's review of experiences with delegation to the EU through TAs shows that this modality remains relatively uncommon. Overall, the evidence suggests that delegation to the EU can be an effective mechanism for operating at scale, accessing difficult environments, and supporting Team Europe approaches. Still, these advantages come at the cost of reduced control, longer processes, and higher administrative overheads.

From these experiences, a set of lessons emerges. Pillar assessment does not shield MFAs and embassies from EU scrutiny, and DC requires careful, resource-intensive preparation and strong legal and financial expertise. It follows that engaging in DC where clear added value is not evident should be avoided, and that early engagement in the design process reduces the potential risks of DC compared with assuming responsibility for implementing programmes designed entirely by the EU. Adequate staffing, realistic budgeting, sufficient co-financing to absorb potential ineligible costs, systematic training, and continuous support mechanisms are all critical. Local partner capacity assessment and development must be rigorous, ongoing and risk-informed. Drawing on the more positive experiences of some LMDs, specialised in-house expertise and robust risk management systems are also highlighted as contributing to more successful DC with the EC.

The following study recommendations build directly on the study's findings, conclusions, and lessons.

Recommendations

Recommendation 1: Denmark should adopt a more selective and strategic approach to DC with the EU. Rather than taking on projects that the EC has fully designed, Denmark should engage much earlier in programme design and prioritise initiatives that are Danish-designed or genuinely co-created, and where Denmark brings clear expertise and added value. Projects that fall outside Danish areas of comparative advantage should generally be avoided.

Recommendation 2: Strengthen appraisal and decision-making processes. Future appraisals should go beyond technical and development considerations and rigorously assess operational, financial, legal, and staffing implications. Before entering a DC arrangement, the MFA should determine whether it has sufficient capacity to manage the additional complexity and whether Denmark is genuinely the most appropriate lead partner. It should also conduct a preliminary assessment of whether potential implementing partners have the capacity to meet EU compliance requirements.

Recommendation 3: Strengthen institutional support within the MFA by establishing a stronger headquarters-based advisory function staffed by specialists with practical experience of EU DC. Such a unit would include a help desk function and centralise institutional learning, provide legal and financial advice, support embassies during negotiations and implementation, and reduce the risk of costly audit findings and repayment claims. HQ-based advisory structures, such as those provided by the Dutch MFA (a dedicated DC unit staffed with suitably qualified and experienced personnel), should be considered. Thanks to their experience managing DC in the field and surmounting the various challenges it has posed, many MFA staff now have a very solid understanding of DC and its many potential pitfalls. This learning needs to be centralised through expanded advisory services at HQ.

Recommendation 4: Provide systematic training for staff managing the EU DC. In addition to enhanced institutional support arrangements, the MFA should provide structured induction programmes, refresher training, and practical guidance materials to ensure staff understand EU requirements, common compliance risks and how to mitigate them, and evolving procedures.

Recommendation 5: When implementing partners are engaged in DC projects, the assessment, monitoring, and support of these should be strengthened. Partner organisations should undergo more detailed financial and organisational capacity assessments before programme implementation, with identified weaknesses addressed through tailored capacity development plans. Compliance monitoring should continue throughout implementation, and pre-audit reviews should be undertaken before formal EU audits to reduce the likelihood of financial corrections.

Recommendation 6: Establish closer engagement with EU institutions throughout the programme cycle. Early and continuous dialogue with EUDs and HQ units, including finance and contract staff, should become standard practice. Formal kick-off meetings, joint discussions with implementing partners, and regular communication are considered essential to reducing misunderstandings and managing risks before they escalate.

Recommendation 7: Create more systematic mechanisms for sharing experience across embassies and departments. Regular knowledge-sharing forums, combined with a central system for tracking audit findings and compliance issues, would help spread lessons learned and prevent recurring mistakes across the portfolio.

Recommendation 8: Consider encouraging the pillar assessment of relevant Danish institutions beyond the MFA, such as specialised public entities with strong technical expertise. This would create additional channels for Team Europe cooperation and strengthen Denmark's implementation capacity.

Recommendation 9: Delegation of funds to the EU through TA should mainly take place when Danish implementation is complicated by conflict, war, fragility, or insecure environments where the EU has a strong operational presence, and in the absence of viable alternatives, such as delegation to an EU MS.

Recommendation 10: Set up a structured dialogue between Denmark, other Member States, and the EC to clarify persistent misunderstandings around DC. Particular attention should be given, inter alia, to explaining the limits of pillar assessment, clarifying audit expectations, and highlighting common risk areas such as documentation, archiving, exchange rate treatment, eligibility of expenditures, as well as issues related to the administration fee, asymmetries between TAs and DAs, and other challenges faced by Member States negotiating and managing DC. More proactive guidance from the EC would help reduce future compliance disputes and strengthen the effectiveness of delegated cooperation.

1. INTRODUCTION

The Ministry of Foreign Affairs (MFA) commissioned this study to provide lessons learned and identify opportunities for improvement in the use of delegated cooperation (DC) with the European Union (EU) by the MFA and like-minded donors. The study explored the conditions necessary for leveraging the benefits of the DC modality while effectively managing associated risks.

DC is a form of indirect management whereby one donor (for example, the European Commission (EC)) entrusts another donor or partner (such as a Member State, an international organisation, or a development agency), to act on its behalf for the design and/or implementation of development programmes or projects (through Contribution Agreements) or for Member States to transfer their resources to the Commission (through Transfer Agreements). It should be noted that the term "Delegation Agreement" (DA) was used before 2018, when it was replaced by the term "Contribution Agreement" (CA).[19] Depending on the timeframe concerned, this study uses both terms. Transfer Agreements (TAs) are another form of DC governing funds going in the opposite direction, i.e., when Member States transfer their resources to the EC for the implementation of a project or programme. The Glossary at the front of this report describes these terms further.

The most recent EU-level evaluation of the DC modality, the *Evaluation of the EU aid delivery mechanism of delegated cooperation*,[20] covering the period from 2004 to 2014 and published in 2016, identified challenges related to system alignment, ownership, and transaction costs. The present study provides an overview of how the modality has evolved and been applied since that EU-level evaluation (i.e., since 2014). The study focuses primarily on cases in which the EU has delegated management

19 An EU Contribution Agreement is a legally binding contract used by the EU to provide financial contributions to an external entity for the implementation of specific actions or programmes. It sets out the conditions under which EU funds are contributed to an implementing partner. Through this agreement, the EU entrusts the partner to implement activities and manage funds on its behalf, following standards equivalent to those of the EU's own financial management system (usually verified through a pillar assessment). The contribution agreement specifies key elements such as the objectives, budget, implementation arrangements, reporting obligations, and audit requirements. In essence, it formalises the partnership and ensures that EU funds are used properly and effectively, while giving trusted partners the flexibility to apply their own procedures within the agreed framework. Up until 2018 this type of contract was known as a Delegation Agreement.

20 Ecorys Nederland B.V. (2016) *Evaluation of the EU aid delivery mechanism of delegated cooperation (2007–2014): final report, volume 2 – context to information and methodology.* Rotterdam: Ecorys, commissioned by the Evaluation Unit of the Directorate-General for International Cooperation and Development (DG DEVCO), European Commission, November 2016.

responsibility to the MFA, which then acts as the delegate. It also covers cases in which the MFA acts as a delegator, delegating project responsibilities to the EU. The terms 'delegate' and 'delegator' are used in the study to define when the MFA manages funds delegated by the EU through a DA or CA on the one hand, and when the MFA delegates to the EU through a TA, on the other.

This report presents the study's findings for the MFA's full portfolio of DC projects and programmes. The portfolio comprises 14 projects and programmes delegated to the MFA by the EU, amounting to 20 individual DAs/CAs in total when the different phases of certain projects and programmes are taken into account.[21] In addition, nine projects are included covering cases where the MFA delegated to the EU (through TAs). The study team examined five of the projects and programmes in greater depth through case studies (four DAs/CAs and one TA).

TABLE 1: PORTFOLIO PRESENTATION

	Country	Time period	**Total budget / DK share** (DKK million)
Delegation Agreements/Contribution Agreements			
Business Sector Advocacy Challenge Fund (BUSAC) II	Ghana	2010 – 2016	91.4 / 40 (44%)[22]
Democratic Governance Facility Uganda (DGF) I*	Uganda	2011 – 2016	981 / 175 (18%)[23]
Regional Development and Protection Programme (RDPP) I	Lebanon, Jordan	2014 – 2018	311 / 175 (56%)[24]
EU Share	Kenya	2014 – 2019	61 / 16 (26%)[25]
Business Environment Strengthening in Tanzania (BEST Dialogue)	Tanzania	2014 – 2019	146 / 97 (67%)[26]
European Union Anti-Corruption Initiative (EUACI) I*	Ukraine	2017 – 2019	118.2 / 10 (8%)[27]
Regional Development and Protection Programme (RDPP) II	Lebanon, Jordan,	2018 – 2022	404 / 215 (53%)[28]

21 Two of the projects and programmes in the portfolio spanned three phases (EUACI and RDPP) and another two spanned two phases (DGF and aBi), thus making a total of 20 DAs/CAs.

22 Moore Stephens LLP (2017). *Final report: financial audit of Business Sector Advocacy Challenge Fund (BUSAC), delegation agreement no. FED/2011/265–633. Annex 1: financial report of the project.* p.53.

23 Government of Denmark (Embassy of Denmark, Kampala) / Democratic Governance Facility. (2011). *Funding Arrangement regarding Contribution to the Democratic Governance Facility, 1 July 2011 to 30 June 2016.* p.3.

24 Regional Development and Protection Programme. (2018). *Final completion report: RDPP 2014–2018.* Royal Danish Embassy, Beirut. p. 25.

25 European Commission and Danish International Development Agency (DANIDA). (2014). *European Union delegation agreement for indirect centralised method of implementation, Agreement No. 2014/349–813: support to Water and Sanitation Services for the ASAL Areas.* Article 3 – Financing the action. p.2.

26 European Commission /Royal Danish Embassy of Denmark in Tanzania / Ministry of Foreign Affairs of Denmark. (2018). *European Union delegation agreement, contract 2018/395–045: Business Environment Strengthening for Tanzania (BEST-Dialogue).* Article 3 – Financing the action, p.2; Annex I, Programme Description 2013–2019 (September 2013), §6.2 Programme budget.

27 European Commission / Ministry of Foreign Affairs of Denmark (Danida). (2016). *Delegation Agreement ENPI/2016/382-642: EU Anti-Corruption Initiative in Ukraine.* Article 3. p. 2.

28 Regional Development and Protection Programme in the Middle East. (2021). *Addendum 1 to Contribution Agreement TF-MADAD/2019/T04.164: RDPP II programme document* (updated 10 September 2021). Table 3.

Programme for Economic Growth in the Agricultural Sector (PCESA) Phase II	Burkina Faso	2018 – 2020	57.3 / 16.3 (28%)[29]
Support to the Tanzania Revenue Authority's Tax Modernisation Programme (TRA)	Tanzania	2018 – 2022	61 / 45 (73%)[30]
Democratic Governance Facility (DGF) II *	Uganda	2018 – 2023	558 / 139 (25%)[31]
Support to Productive, Adapted and Market Integrated Smallholder Agriculture (AgriFI)	Kenya	2018 – 2024	726 / 0.7 (0.1%)[32]
Legal Service Facility (LSF)	Tanzania	2019 – 2021	94 / 57.1 (61%)[33]
Support to the Agricultural Business Initiative (aBi) Development	Uganda	2020 – 2023	229 / 184 (80%)[34]
Enhancing the role of Kenyan women and youth in agribusiness (AgriBiz)*	Kenya	2020 – 2024	141 / 5 (4%)[35]
European Union Anti-Corruption Initiative (EUACI) II*	Ukraine	2020 – 2024	241 / 133 (55%)[36]
Regional Development and Protection Programme (RDPP) III	Lebanon, Jordan, Syria	2023 – 2026	375 / 200 (53%)[37]
Digital Democracy Initiative (DDI)	Global South	2023 – 2026	389 / 300 (77%)[38]
Transition to a Regional Circular Economy (TCE)*	ASEAN	2023 – 2027	48 / 10 (21%)[39]
Support to the Agricultural Business Initiative (aBi) Development II	Uganda	2024 – 2027	90 / 53 (59%)[40]
European Union Anti-Corruption Initiative (EUACI) III*	Ukraine	2024 – 2027	141 / 70 (50%)[41]

29 European Commission / Royal Danish Embassy, Ouagadougou. (2018). *Delegation agreement FED/2018/397-297: Appui à l'entrepreneuriat du secteur privé agricole — Annex III: Final overall budget.* European Commission. p. 1.

30 European Commission / Royal Danish Embassy of Denmark in Tanzania. (2017). *Delegation Agreement, Contract 2017/387-334: Support to the Tanzania Revenue Authority's Tax Modernisation Programme, Art. 3.*

31 Democratic Governance Facility. (2023). *DGFII end of programme report 2018–2022.* Democratic Governance Facility, Kampala. P 9.

32 KPMG East Africa. (2021). Mid-term review: *Support to productive, adapted and market-integrated smallholder agriculture, including a contribution to the Africa Investment Facility (AgriFI).* KPMG East Africa. p. 9.

33 Legal Services Facility. (2023). *Final report: Legal Services Facility Tanzania — Annex 1: Programme background, design and approaches.* Legal Services Facility, Dar es Salaam. pp. 25, 29.

34 Royal Danish Embassy, Kampala / aBi Development Limited. (2024). *Final report: Support to the Agricultural Business Initiative – aBi Development in Uganda.* pp. 2, 17.

35 Kenya Climate Innovation Centre. (2019). *AgriBiz programme proposal — Annex 3: Summarised programme budget.* Kenya Climate Innovation Centre. (Final draft, 19 December 2019). p. 80.

36 MAF Auditores, S.L.P. (2025, October 7). *Final report: Expenditure verification of contract 2020/416-085.* MAF Auditores, S.L.P. p. 5.

37 Royal Danish Embassy, Beirut. (2023). *Financial report RDPP III, Year 2023 (January 2023 – December 2026, audited).* Royal Danish Embassy, Beirut.

38 Ministry of Foreign Affairs of Denmark / [Norwegian MFA/Norad]. (2024). *Delegated cooperation agreement: Digital Democracy Initiative (DDI).* Ministry of Foreign Affairs of Denmark.p. 2.

39 European Commission / Ministry of Foreign Affairs of Denmark. (2022, December 20). *European Union Contribution Agreement NDICI ASIA/2022/439-149: ASEAN-EU Green Team Europe Initiative: Transition to a Regional Circular Economy,* including annexes. European Commission. Art. 3.1 and Annex III.

40 European Commission / Royal Danish Embassy, Kampala. (2023). *EU Contribution Agreement FED/2023/445-371: Green and inclusive growth in Uganda's agri-food systems,* Art. 3.1 and Annex III.

41 European Commission. *Contribution agreement: EU Anti-Corruption Initiative, Phase III.* European Commission. p. 2.

Transfer Agreements			
Programme d'Appui aux Organisations de la Société Civile (PAOSC)	Mali	2009 – 2014	110 / 8 (7%)[42]
Support to African Union Mission Somalia (AMISOM) through the EU African Peace Facility	Somalia	2014 – 2016	897 / 10 (1%)[43,44]
EU Appui à la réduction des risques d'insécurité	Niger	2013 – 2017	158 / 20 (13%)[45,46]
European Union Election Observation Mission for the General Elections of the Republic of Mozambique	Mozambique	2014 – 2015	18 / 3 (17%)[47]
Support to Yaoundé Process, Maritime Security Programme	Gulf of Guinea	2015 – 2017	56 / 13 (24%)[48,49]
U-LEAD with Europe Ukraine Local Empowerment, Accountability and Development Programme I, II, III	Ukraine	2016 – 2024	> 1,000 / 60 (6%)[50]
Support to the development of Area C through the EU in Palestine	Palestine	2016 – 2020	59 / 14 (24%)[51]
Team Europe Initiative (TEI) Technical Assistance Facility (TAF) to the African Continental Free Trade Area (AfCFTA)	Africa regional	2022 – 2025	386 / 200 (52%)
Partnering for Forests in Uganda*	Uganda	2024 – 2028	360 / 60 (17%)[52]

Note: All figures reflect contractual funding contributions. Projects marked with a * were examined in greater depth through case studies. It should be further noted that DGF I is a special case of indirect delegated cooperation. While the DA was formally signed between the Austrian Representation and the EU, Denmark held lead status and ultimate legal responsibility for the programme. As stated in the MoU between the DGF I development partners: "*ultimate legal responsibility rests with the Embassy of Denmark.*"[53] Denmark also executed a government-to-government agreement with Uganda and all other contributing donors contracted bilaterally with the Royal Danish Embassy. It is on this basis that DGF I is included in the study as part of the Danish delegated cooperation portfolio.

42 Ministry of Foreign Affairs of Denmark / United Nations Development Programme. (2010). *Accord de participation aux coûts de tierce parties – Programme d'Appui aux Organisations de la Société Civile Phase I (PAOSC I).* Embassy of Denmark, Bamako / UNDP Mali. p.1 Art. 1(a).

43 European Commission / Ministry of Foreign Affairs of Denmark. (2014). *Transfer Agreement ACP/EDF/2014/037398: AMISOM.* European Commission, DG DEVCO. p. 2. Art. 3.1.

44 Moore Stephens LLP. (2017). *Financial audit of Support to the African Union Mission in Somalia (AMISOM XIII), Delegation Agreement FED/2015/359-313* (Commission request No. 2016/374281; Audit Module No. 2016/95758). European Commission, DG DEVCO. p. 12.

45 European Commission / Ministry of Foreign Affairs of Denmark. (2014). *Transfer Agreement DK/IcSP/2014/24898: Appui à la réduction des risques d'insécurité et d'instabilité dans les régions N-O et S-E du Niger.* European Commission, Service for Foreign Policy Instruments. p. 2. Art. 3.1.

46 European Commission. (2015). *CRIS Decision Card (General): Decision 37451 – Appui à la réduction des risques d'insécurité dans les régions N-O et S-E du Niger bis* (Ref. 2014/37451). p.1.

47 European Commission / Royal Danish Embassy, Maputo. (2014). *Transfer Agreement: EU Election Observation Mission – General Elections, Republic of Mozambique, 15 October 2014.* European Commission, Service for Foreign Policy Instruments. p.1. Art. 3(1).

48 European Commission / Ministry of Foreign Affairs of Denmark. (2016). *Transfer Agreement DK/IFS/2015/037-982: GoGIN – Gulf of Guinea Inter-regional Network* (Donor ID: 2015-56243). European Commission, DG DEVCO. p.2.Art. 3.1.

49 European Commission / Ministry of Foreign Affairs of Denmark. (2016). *Transfer agreement DK/IFS/2015/037-982: GoGIN – Gulf of Guinea Inter-regional Network. And Ministry of Foreign Affairs of Denmark. (2016). Peace and Stabilisation Engagement Document: Danish support to the Yaoundé Process in the Gulf of Guinea through co-financing with the EU. Ministry of Foreign Affairs of Denmark. (Annex Ib to Transfer Agreement DK/IFS/2015/037-982).* Section 4, p. 7.

50 European Commission / Kingdom of Denmark. (2017). *Transfer agreement UA/ENI/2015/038-739/DK: U-LEAD with Europe – Ukraine Local Empowerment, Accountability and Development Programme.* European Commission, DG NEAR (Support Group for Ukraine). p.1.

51 European Commission / Danish Representative Office, Ramallah. (2019). *Transfer Agreement ENI/2018/041-137-DRO: Support to sustainable economic development and enhanced governance – Supporting Palestinian presence in Area C.* European Commission, DG NEAR. Art. 3.1. p. 1.

52 European Commission / Government of Denmark. (2024). *Transfer Agreement UG/NDICI/2022/ACT-61324/DK: Partnering for Forests in Uganda (Donor ID: XM-DAC-3-1).* European Commission, DG INTPA. Art. 3.1. p. 2.

53 Development Partners of the Democratic Governance Facility. (2011). *Memorandum of Understanding between Development Partners supporting the Democratic Governance Facility in Uganda.* Signed May–June 2011. Para. 2.

By exploring the experiences of a broad range of stakeholders, the study sheds light on what has worked, where challenges have arisen, and what conditions are conducive to successful DC partnerships.

The report is structured as follows: after this introduction, Section 2 outlines the study approach and methodology; Section 3 describes the limitations encountered; and Section 4 presents the findings by Study Question (SQ).[54] Sections 5, 6, and 7 set out Conclusions, Lessons Learned, and Recommendations, respectively. The annexes contain supporting details and the five case studies.

2. METHODOLOGY

2.1 Study approach and design

The Terms of Reference (ToR) (Annex A) detail the scope and indicative questions to be addressed by the study. Based on this, the study team developed an Inception Report (IR), which the MFA approved in October 2025. The IR summarised the study team's reflections on the ToR and the initial phase of the study, including its approach and methodology, and it refined the original SQs into six core SQs; the study team subsequently reduced these to five by converting the final SQ into the three separate sections on conclusions, lessons learned, and recommendations.

The study adopts a utilisation-focused, mixed-methods approach, in line with the requirements set out in the ToR. The study team used multiple data sources and methods to enable triangulation and ensure the validity of findings across the main components of the study, which are: (i) a DC portfolio review; (ii) an in-depth review of Danish and EU policies, procedures, and guidelines governing DC; (iii) five case studies, and (iv) a review of like-minded donor[55] (LMD) experiences of DC.

The **portfolio review** (SQ1) provides both a quantitative overview of volumes and trends in DC, including sector coverage, partners, and countries/regions, and a qualitative analysis of key project characteristics such as the selected management structure. It also identifies projects

54 Note that the inception report refers to 6 SQs however, on closer analysis, the 6th SQ which related to Conclusions, Lessons Learned and Recommendations is now presented as separate sections in this report in line with standard practice.

55 The term "like-minded donors" in this study refers to the European Member State Organisations. The EU defines a Member State Organisation as an "entity established in a Member State of the European Union as a public law body or as a body governed by private law entrusted with a public service mission and provided with adequate financial guarantees from the Member State". European Commission (2025) Contribution Agreement Manual. October 2025. p. 9.

and programmes that have been subject to specific audits from the EC/EU Delegations and those identified as having irregularities. This analysis draws on detailed document reviews and key informant interviews (KIIs).

An **in-depth review of how EU and MFA policies, procedures, and guidelines have evolved since 2014** covers arrangements in which the EU has delegated to the MFA (SQ2) and in which the MFA has delegated to the EU (SQ5). The review examines how these frameworks have evolved since 2014, compares MFA practices and experiences with those of a selection of LMDs, and assesses whether differences in procedures affected the experience and effectiveness of the DC modality. The study team drew evidence from document reviews and interviews with MFA staff, embassies, EU institutions, and representatives of LMDs.

The **review of LMDs' experience** identifies comparative lessons and good practices in DC (SQ4). Interviews with LMDs and document reviews captured strategic, operational, and financial perspectives, and findings contextualised the MFA's experience and informed forward-looking recommendations.

Five case studies, covering eight agreements, provide deeper insights into the practical management and implementation of DC, enabling an assessment of the key factors that promote and impede successful partnerships in DC with the EU (SQ3). The case studies concern:

1. Democratic Governance Facility (DGF) I and II – Uganda
2. Transition to a Regional Circular Economy (TCE) – Indonesia
3. Enhancing the role of Kenyan women and youth in agribusiness (AgriBiz) – Kenya
4. EU Anti-Corruption Initiative (EUACI) phase I, II, and III – Ukraine
5. Partnering for Forests (PfF) – Uganda.

The case studies examine factors promoting or hindering successful partnerships, including programme design, management structures, EU Delegation (EUD) and MFA support, audit and expenditure verification processes, and financial challenges, through document reviews and interviews with representatives from the MFA, embassies, project and EU staff, and other stakeholders such as EU Member States. The study team selected these purposively to reflect the diversity of MFA experiences with EU DC, based on the following criteria:

- **Time period:** The selection included at least one project or programme with multiple phases to assess the evolution of the modality and the extent of learning on EU DC over time. The study team selected at least one recent project to assess the extent of overall MFA learning in relation to this modality and whether new EC financial and procedural rules introduced in 2018 have made the implementation of DC less complex.

- **Geographic diversity:** The selection included projects and programmes from different geographical regions to ensure a range of implementation contexts and to understand whether the geographical context influenced the implementation of DC as a modality.

- **Multi-donor project:** At least one selected project was an EU DC arrangement that included both the EU and other donors, with delegation to the MFA. This was important to assess the extent to which EU rules and regulations were applied to the project as a whole and to other development partners, or whether EU influence was diluted in this instance.

- **Volume of EU funding:** The study team used this criterion to assess whether there were greater difficulties with DC as a modality when the EU provided more or less funding than Denmark or other donors.

- **Management arrangements:** The selection included a diversity of management arrangements, including programme management units (PMUs), projects and programmes that the embassy or MFA had managed, or that had been contracted out fully or partly (through consultancy companies) or to partners (e.g., Non-Governmental Organisations).

- **Management challenges:** The case studies included projects and programmes that stakeholders reported working well, as well as others that stakeholders reported experiencing challenges with.

- **Practical considerations:** The case studies focused on projects and programmes whose stakeholders could still be contacted and who were likely to be available for interviews.

The ToR sets the study period from 2014 to 2023. At the same time, it requests a study of the entire portfolio during that period, including agreements that were still active, but had been initiated before 2014. The study, therefore, de facto covers agreements that were signed as far back as 2010. The time frame was extended beyond 2023 to capture additional context and learning.

2.2 Data collection methods

Data collection relied primarily on desk reviews of policy documents, project/programme documentation, financial records, audit reports, and correspondence, combined with semi-structured KIIs drawn from a broad range of stakeholders, including MFA staff, embassy personnel, EU institutions, implementing partners, consultants, and other donor representatives.

Primary data

The study team conducted semi-structured KIIs in person and virtually across the MFA (strategic, policy, and operational levels), EU staff in Brussels and in delegations (EUDs), and representatives of several LMDs. The team conducted a total of 84 interviews (speaking to 72 KIs), of which 15 were MFA staff, 18 were embassy staff, eight were from the EC (including the Directorate-General for International Partnerships (DG INTPA)), five with EUDs, and 23 with LMDs, including Sweden (six), Germany (four), the Netherlands (four), Spain (three), France (two), Belgium (one), Finland (one) and Ireland (two). Three staff from programme partners were also consulted.

Interview coverage varied across the portfolio. For projects and programmes not included as case studies, KIs were drawn primarily from MFA HQ and embassy staff. See Annex D for the specific positions and names of interviewees, and for an overview of the KIs interviewed by project or programme.

Secondary data

The study team reviewed key documentation for all projects and programmes. This included programme and project documents, DAs/CAs/TAs, annual and interim progress reports, audit and expenditure verification reports, appraisal reports, mid-term reviews, and evaluations. The study team also consulted non-programme-specific policy and guidance documentation from the MFA, EU, and LMDs. Annex F provides an overview of the document types reviewed for each project or programme, and Annex G presents a full list of documents consulted.

2.3 Data analysis and developing conclusions

The study's mixed-methods approach guided the data analysis and was structured around the five core SQs and sub-questions. The study team analysed quantitative data from the portfolio review to identify trends in funding volumes, sectors, geographic coverage, and modalities. It systematically coded and thematically analysed qualitative data from document reviews and KIIs. The team used the case studies to deepen understanding of implementation dynamics, management arrangements, audit and financial processes, and contextual factors influencing performance.

Where the evidence base permitted, the study team triangulated findings across portfolio analysis, policy reviews, case studies, and LMD review components. Where cross-method triangulation was not possible, notably where findings rested primarily on KI recollections, consistency across interviews with different stakeholder categories served as the primary means of triangulation. The team either excluded data deemed insufficiently robust or flagged it as such in the report.

The study team developed conclusions by synthesising evidence across all data sources, weighing consistency and any divergences, and assessing findings against the SQs, EU and MFA frameworks, and relevant benchmarks.

2.4 Ethics and participation

The study team applied ethical principles in line with the OECD-DAC and Tana-EHG's ethical guidelines. The team operated with independence and impartiality throughout. All data collection and management processes strictly respected confidentiality and data protection standards. The study team informed all interviewees about the study's purpose, the reason for their selection, and how their information would be kept confidential and used anonymously. The team also informed interviewees of their right to withdraw and to request that their information not be used. Data was securely stored, with access restricted to the study team.

3. LIMITATIONS

The main limitations encountered by the team relate to the extent to which aspects of the DC process were documented and, for some projects and programmes, to locating KIs who could recall the level of detail required for the study. Although the MFA made the main project documents, including appraisal documents, agreements, and progress reports, available to the study team, certain key aspects of the DC process were not always recorded or documented. Progress reports, for example, focused more on the technical assessment of projects/programmes and on progress towards planned results and spending, rather than on the functioning of the DC modality per se. Consequently, the analysis of these aspects of the DC modality relies primarily on KI recollections rather than on documented evidence, thereby limiting the scope for triangulation. Readers should bear this in mind when interpreting findings on the functioning of the DC modality, as the strength of the evidence underpinning them varies across the portfolio.

The team also encountered some challenges in accessing documentation from LMDs. Although some LMDs confirmed they had also experienced issues with ineligible costs and repayment requests from the EU, they did not share documents detailing how frequently this occurred or the amounts involved. This means that findings related to the difficulties encountered by LMDs regarding audits and repayment experiences, etc., are also based on KI information and, in many cases, do not include specifics such as the exact amounts repaid to the EU. This limits the extent to which the study team could make a systematic comparison between the MFA and LMD experiences of audit findings and repayment requests. Findings on this point are therefore illustrative of broader patterns rather than representative of the full scope of the issue across LMDs.

Interview coverage varied across the portfolio. Staff rotation in the MFA and embassies, and the previous tendency to rely on external PMUs, meant that, for some projects and programmes, particularly older ones such as BUSAC and the three Tanzania programmes, the study team found it difficult to identify KIs with comprehensive knowledge of the programmes. In some cases, KIs were not always able to recall all details of project negotiation, appraisal, and implementation, partly because certain aspects fell outside their direct responsibility and/or partly due to the time elapsed since project preparation and implementation. As a result, the study team could not adequately address certain sub-questions, e.g., those relating to negotiation processes and administrative costs, for some projects and programmes. The uneven coverage across the portfolio means that findings are better evidenced for projects implemented post-2018, when documentation was more comprehensive, and KIs were more readily available. Readers should treat findings on older projects with corresponding caution.

Finally, regarding TAs, the team found that few of the LMDs consulted engaged in this type of cooperation with the EU. Where they did, there was limited written information available (e.g., guidelines, reports, etc.). As a result, the findings and conclusions relating to SQ5, particularly those concerning the comparative experience of LMDs as delegators to the EU, are based on limited evidence, and readers should interpret them accordingly. Recommendations in this area are necessarily more tentative than those relating to the MFA's experience as a delegate.

4. FINDINGS

This section presents the key findings of the study according to the SQs (and sub-questions), based on the analysis of data collected, reviewed, and cross-checked by the study team. Where the evidence base is more limited, this is noted in the relevant sub-sections. The findings form the basis for the conclusions, lessons learned, and recommendations set out in the subsequent sections.

4.1 SQ1. What are the overall trends in delegated cooperation from the EU to the MFA since 2014?

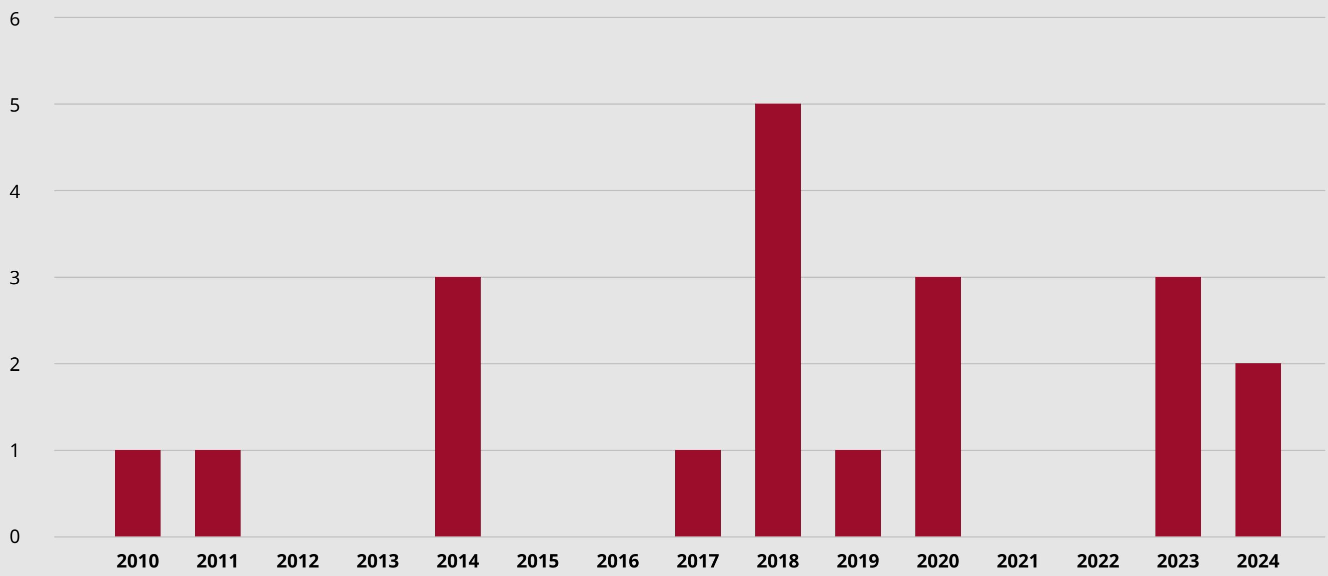
SQ1a. What are the trends in terms of the number of projects, volume of funding (absolute value and %), sector, and region for DC delegated to the MFA by the EU since 2014 (DA)?

SQ1b. What are the key characteristics of the DA portfolio in terms of project design and implementation?

SQ1a. What are the trends in terms of the number of projects, volume of funding (absolute value and %), sector, and region for DC delegated to the MFA by the EU since 2014 (DA)?

In terms of the number of DAs/CAs, there has been an increasing, though uneven, trend in the number of agreements approved in the period after 2014 compared to the preceding period. Figure 1 illustrates this, showing a peak of five agreements in 2018.

FIGURE 1: NUMBER OF NEW DAs/CAs INITIATED PER YEAR



Source: See Annex B

Table 2 presents an overview of the portfolio of 14 projects and programmes initiated or extended with new phases per year, in all covering 20 individual agreements. Only two agreements were initiated before 2014, compared with 18 in the period thereafter.

Of the 20 agreements, the earliest one ran from 2010 to 2016 (BUSAC II in Ghana), while the most recent one(s) run from 2024 to 2027 (aBi II in Uganda and EUACI III in Ukraine). Two of the 14 projects are in their third phase (EUACI III in Ukraine and RDPP III in Lebanon/Jordan), while two had a second phase (aBi II in Uganda, which is still ongoing, and DGF II in Uganda, which closed in 2023).

TABLE 2: NUMBER OF DAs/TAs INITIATED PER YEAR

Year	New projects	Follow-up phases	Total agreements
2010	1 (BUSAC II)	-	1
2011	1 (DGF I)	-	1
2014	3 (RDPP I, EUSHARE, BEST)	-	3
2017	1 (EUACI I)		1
2018	3 (PCESA, TRA, AgriFI)	2 (DGF II, RDPP II)	5
2019	1 (LSF)	-	1
2020	2 (aBi, AgriBiz)	1 (EUACI II)	3
2023	2 (DDI, TCE)	1 (RDPP)	3
2024	-	2 (aBi II, EUACI III)	2
Total	**14**	**6**	**20**

Source: See Annex B

Note: The DA for DGF I was signed by the Austrian Representation and the EU, while its implementation was led by Denmark on the basis of an MoU signed by the development partners.

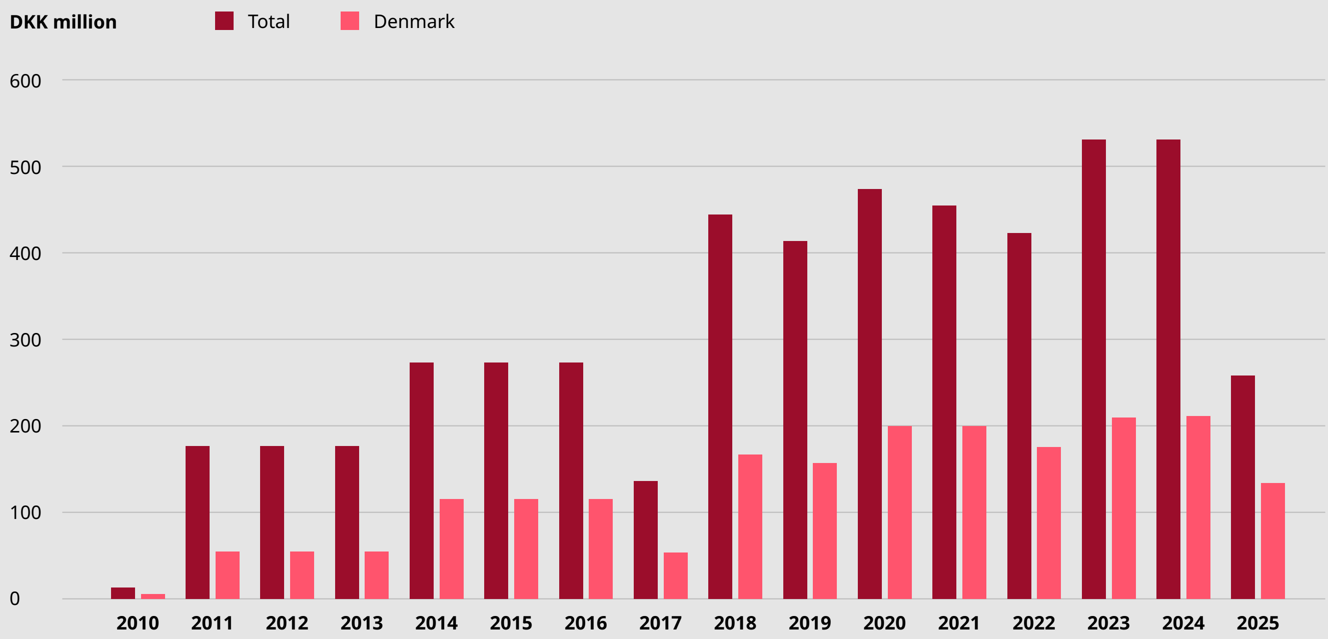
In terms of the total budget volume for DAs/TAs, the trend is towards a larger total budget, as Figure 2 shows. The estimated total annual Danish contribution increased from almost DKK 6 million in 2010 to DKK 211 million in 2024.[56] This pattern is consistent with Denmark's broader strategic orientation towards deeper EU engagement (see SQ2a). The largest total project budget is DKK 981 million (DGF I), and the smallest is DKK 48.40 million (TCE with ASEAN). The largest Danish contribution is to DDI (DKK 300 million), and the smallest is to AgriBiz (DKK 5 million). The largest EU contribution is to AgriFI (DKK 707[57] million), and the smallest is to the Business Environment Strengthening in Tanzania (BEST Dialogue) (DKK 14.9 million). The total budget for the 20 DAs/CAs from 2010 to 2025 amounts to circa DKK 5.3 billion, of which Denmark provided 38%.[58]

56 The annual project volume is calculated by the study team based on the figures in Annex B.

57 Consisting of 334.8 million DKK from the EDF and 372 DKK million from EIB.

58 The project volume for 2025 do not include new projects initiated after 2024.

FIGURE 2: ESTIMATED ANNUAL PROJECT/PROGRAMME BUDGETS AND DANISH CONTRIBUTION



Source: See Annex B

Note: Annual budget volume is estimated by the study team based on the figures in Annex B (Total budget funding) by dividing each agreement's total budget by its duration in years, then aggregating across all agreements for each year.
Denmark's annual contribution is estimated using Denmark's proportional share of total funding, applied to each agreement in the same way: total Danish funding divided by the number of years the agreement ran. Calculations cover the full portfolio from 2010; no agreements signed after 2024 are included (cf. portfolio provided by the MFA).

In terms of the proportion of the total budgets covered by the EU and Denmark, in 12 of the 20 agreements, the Danish contribution is larger than that of the EU and sometimes significantly so, e.g., for the BEST dialogue in Tanzania, the Danish contribution covers 67% of the budget (with the EU contributing 10%). In other cases, the opposite holds, e.g., in AgriFI and AgriBiz in Kenya, where the EU contributed 97%. Looking at the two projects that are now in their third phase (RDPP and EUACI), the proportion of funding from Denmark has remained relatively consistent over time; in the case of the three phases of RDPP, the proportion of Danish funding has been 56%, 53%, and 53%, respectively, while EU funding has gone from 30% to 37% to 10%. In the case of EUACI, the Danish proportion has gone from 8.5% to 55% to 50%, and the EU's from 91.5% to 45% to 50%. Comparing the earliest DA in the portfolio (BUSAC) with the two most recent projects, the proportion of Danish funding was 44% (for BUSAC) compared to 77% and 21% (for DDI and TCE, respectively).

As regards **sectors**, the document review shows that the portfolio covers a broad range of thematic areas and sectors. Agriculture is the most represented sector with four projects (AgriFI, PCESA, aBi, and AgriBiz), followed by the private sector with two (BUSAC II and BEST). Thematic areas, including Internally Displaced Persons (IDPs), digital democracy, access to legal services, tax modernisation, water management, anti-corruption, support to civil society, and the circular economy, are each represented by one project. The four agricultural projects were initiated between 2018 and 2020, while the two most recent projects (DDI and TCE, both in 2023) focus on digital democracy and the circular economy, respectively.

As regards **countries and regions**, in line with Danish government prioritisation, Africa[59] has been the most represented region throughout the period, accounting for 10 of the 14 projects, with Kenya and Tanzania accounting for six projects (three each).

SQ1b. What are the key characteristics of the DA portfolio in terms of project design and implementation?

The key characteristics of the portfolio in terms of project design and implementation include (i) the donor composition, (ii) the management modality used, and (iii) the projects that have been audited and had irregularities highlighted.[60]

Concerning **donor composition**, in eight of the 14 projects and programmes, Denmark and the EU are the only donors, while in the remaining six, Denmark and the EU are joined by one or more other donors. The number of additional donors also shifts over time; for example, in the case of RDPP, it went from seven in Phase I to three in Phase II and six in Phase III. The donor composition is illustrated in Table 3.

TABLE 3: DONOR COMPOSITION

Donor composition	Number of projects	Projects
Denmark + EU only	8	EUACI, AgriBiz, aBi, TRA, EU Share, PCESA, TCE, LSF
Denmark + EU + 1 additional donor	4	BUSAC, BEST, DDI, AgriFI
Denmark + EU + multiple donors (2+)	2	DGF I, II, RDPP

Source: See Annex B

59 In August 2024, the Danish government launched its Africa Strategy for strengthened, “equal and inclusive” engagement with Africa, looking toward a future where Africa holds greater geopolitical importance to Denmark and Europe.

60 According to the SQ Matrix the criteria to be assessed here include: Overview of the key characteristics of the DA portfolio in terms of project design and implementation e.g. timing (in terms of the project cycle and length of time for approval of DA), management structure, roles of partners, and identification of projects which have been audited and have had irregularities highlighted. As it was not possible to get the information on timing for all of the projects in the portfolio, this analysis was limited to the deep dives and is presented in detail in SQ3a and 3b.

With regard to **management modalities,** the portfolio has utilised five main types, as shown in Table 4 below. While outsourced management and external PMUs were mostly used initially, since 2020, all CAs (except for aBi II) have utilised management by a dedicated unit (or person) within the relevant embassy or HQ, e.g., TCE, DDI, RDPP III, and EUACI II.

TABLE 4: SUMMARY OF MANAGEMENT MODALITIES

Modality	Management roles	Projects/Programmes	Key characteristics
Outsourced management	Management responsibilities outsourced to consultancies	BUSAC, BEST	External contractor (e.g. COWI) responsible for implementation
External PMU (later integrated)	Programme Management Units initially external, later absorbed into MFA structures	DGF, EUACI I, RDPP	Transition from stand-alone PMU to embassy/HQ management
National entities (DK-supported)	Management by entities in the project country that have been established with Danish support	aBi, AgriBiz, LSF (KCIC)	Danish influence in institutional setup
National entities (supported by other organisations)	Management by existing entities in the project country supported by other organisations	AgriFI (MESPT), EU Share	National entities created with support from other donors so less direct Danish involvement
Embassy/HQ-managed	Management attached within embassy or MFA HQ structures as some staff are diplomats	TCE, DDI, RDPP III, EUACI II	Increasing internalisation of management

Source: See Annex B

Regarding **EU-led audits,** the number of DAs/CAs for which auditors identified irregularities is substantial.[61] During the study period, six DAs/CAs signed between the EU and Denmark have experienced difficulties or expect to.[62] In four cases, these have resulted in repayment requests from the EU, while in a further two cases repayment requests are expected.[63] The document review and KIs highlighted the following types of irregularities:

- Documentation failures: Insufficient, non-original or non-compliant financial documentation: AgriBiz, BUSAC II, EUACI I, RDPP II.
- Financial management and governance weaknesses: Weak oversight, internal controls, governance structures, and/or partner capacity: AgriBiz.
- Ineligible cost categories: Specific cost types not meeting EU eligibility criteria (VAT, exchange rate losses, costs not included in budget): BUSAC II, EUACI II.

61 For an overview of the types of EU audit and control mechanisms applicable under CAs, see Box 1 in Section 4.2.

62 DGF I is not included here as, although it was led by Denmark and did experience irregularities, its DA was signed and agreed by the Austrian Representation and EU with Denmark's role being agreed separately through an MOU amongst the development partners.

63 The four cases where repayment has been requested are: AgriBiz, BUSAC, EU SHARE, EUACI II. In addition, EUACI I and RDPP II are expected to result in a repayment request.

- Incorrect cost attribution: Costs attributable to one agreement or phase charged against another: EUACI II.
- Fraud and corruption: Misuse of funds and fraudulent transactions by grantees: AgriBiz.

Table 5 presents an overview of the DAs/CAs in which EU auditors have identified ineligible costs and/or audit issues, or are expected to do so, including the specific issues/irregularities identified.

TABLE 5: INELIGIBLE COSTS AND EU AUDIT ISSUES IN DAs/CAs ACCORDING TO PROJECT AND PROJECT PHASE

Name of project	Ineligible funds (gross)	Comments
AgriBiz	DKK 33 million	Repayment requests expected to be reduced to DKK 16.5 million as a result of ongoing discussions between the Embassy and EUD. European Anti-Fraud Office (OLAF) investigation underway. Issues included limited monitoring by the Embassy, inclusion of a loan component not pillar assessed for, issues with implementing partner governance and financial management, deficient documentation of spending.
Business Sector Advocacy Challenge Fund, Phase II	DKK 8.4 million	Issues included photocopied (non-original) supporting documents, exchange rate losses, VAT, and tax issues cited among reasons for repayment request.
EU Share	DKK 36 million	Repayment request concerning 60% of reimbursable spending deemed ineligible as part of expenditure verification (based on KII; no documentary evidence available).
European Union Anti-Corruption Initiative, Phase I	N/A	Ongoing RER audit, likely that some ineligible funds will be identified which could result in a repayment request. Issues arise from Phase I having been managed by a PMU using local software, which has since been dissolved. Also, differences in documentation practices between Danish and Ukrainian standards have complicated the audit, specifically, salary payments documented via bank statements rather than signed receipts as requested by auditors.
European Union Anti-Corruption Initiative, Phase II	DKK 1.2 million	VAT expenditures deemed ineligible. Minor third-party project costs deemed ineligible. Expenditure Verification Review (EVR) identified costs charged to Phase II relating to preparatory activities for Phase III. Discussions regarding repayment resulted in agreement to use the notional approach in early 2026 – no funds reimbursed to the EU.
Regional Development and Protection Programme, Phase II	N/A	Audit ongoing and, according to the Embassy, expected to identify ineligible costs which could result in a repayment request. EVR initiated three years after programme closure, covering 41 transactions. Retrieval of documentation is challenging as the Embassy no longer works with some of the concerned partners. Issues reported with the quality of local audit companies.

In some cases, these deviations were very significant; examples include EU Share, where 60% of spending was deemed ineligible (approximately DKK 36 million); AgriBiz, where initially the EUD requested a repayment of DKK 33 million (currently under negotiation with the EC and likely to be reduced to DKK 16.50 million, and which is now the subject of an European Anti-Fraud Office (OLAF) investigation); BUSAC where large repayments were also requested (DKK 8.4 million were repaid in 2018). In the case of RDPP II, an audit is ongoing. These are typically expenses deemed ineligible by the EU's expenditure verifications, as they are not included in the project budgets or are only verified by copies of original documentation.

SQ2. How and why have EU and MFA delegated cooperation policies, procedures, and guidelines evolved since 2014?

SQ2a. What is the MFA policy towards delegated cooperation with the EU? How has this changed since 2014, and why?

SQ2b. What are the MFA requirements, guidelines, and procedures for receiving delegated cooperation from the EU. How have these changed over time, and why?

SQ2c. What are the EU requirements, procedures, and guidelines for delegated cooperation to the MFA/other donors and to what extent have they changed since the 2016 evaluation?

SQ2a What is the MFA policy towards delegated cooperation with the EU? Has this changed since 2014, and why?

The MFA does not have a formal, standalone policy on DC with the EU. Since 2014, Denmark's engagement with EU DC has, however, increased, as the MFA's complete portfolio of DAs/CAs shows only two agreements initiated before 2014, compared with 18 from 2014 onwards, and financial volumes have also grown over the same period (see SQ1). In interviews, MFA staff at senior and management levels emphasised that entering into DC agreements with the EU - as a delegate or delegator - is a strategic priority for the MFA. They described DC as a means for Denmark to gain influence and visibility in key sectors, contribute to development impacts, and reinforce collective diplomatic engagement and EU external action. Interviews with embassies, for example in Uganda, confirmed that the priority attached to DC by the MFA continues to be implemented, with ongoing assessments of potential new DAs.

Denmark's increased engagement with EU DC is consistent with the broader emphasis on European collaboration shown in Danish policy documents and strategies. Since 2014, Denmark has had three development strategies relevant to this analysis. Together, they show an evolution in how Europe, and especially the EU, is framed in Danish development cooperation priorities. Although none of the strategies explicitly mention DC, its underlying logic becomes increasingly visible through references to joint action, integrated programming and approaches, coordination with European partners, and the use of the EU to scale Danish priorities.

The 2012 strategy, *The Right to a Better Life* (June 2012), guided Danish development cooperation until 2017. It justified a focus on the EU to strengthen coherence among policies affecting developing countries. The strategy presents the EU mainly as part of a broader multilateral and normative framework, with emphasis on policy coherence and harmonisation. The strategy highlights this in statements such as *"With focus on the EU, Denmark will strive at strengthening coherence between policies that affect developing* *countries".*[64] The strategy also argued that the EU had not reached its full potential in terms of influence. It therefore stated that Denmark would actively work to strengthen the EU's role in international development cooperation and influence EU policies affecting developing countries, including by advancing Danish views and approaches such as the human rights-based approach to development. The strategy also describes the EU as a gateway to countries where Denmark is not present.[65]

Elements of this approach reappeared in *The World 2030* (January 2017). The strategy again presents the EU as a promoter of Danish values and interests, while also stressing the need to support the EU at a time when its influence was being challenged, and Europe's borders were under increasing pressure.[66]

The strategy, *The World We Share: Denmark's Strategy for Development Cooperation* (June 2021), [67] states that *"We view binding cooperation in the Nordic countries, the EU, the UN, and the multilateral system as crucial for reaching and promoting our development policy goals".* This strategy also frames the EU as a strategic geopolitical platform and as a key instrument for extending Danish influence and realising Danish priorities: *"A focused engagement through the EU will equally widen Denmark's reach across developing countries".*[68]

The 2023 government position paper on *Danish Priorities for the Next European Commission* notes that *"in an uncertain world, Denmark will work to strengthen the EU, both externally and internally".*[69] Denmark's Africa Strategy, *"Africa's Century"* (August 2024), also confirms the importance for Denmark of working with the EU, noting that *"Denmark must engage more in the EU's work on the continent. Our ambition is to promote the EU as an effective and impactful global actor that forges closer and more equal ties with African countries".*[70] In the African context, the strategy also presents the EU as a channel through which Denmark can advance its interests and increase impact,[71] stating *"Together, we can make a greater impact – for the benefit of Denmark, the EU, and Africa".*[72]

---

64 Danish Government. (2012). *The right to a better life: Strategy for Denmark's development cooperation.* Ministry of Foreign Affairs of Denmark. p. 2.

65 Ibid, p. 33-34.

66 Danish Government. (2017). *The world 2030: Denmark's priorities for development cooperation and humanitarian action.* Ministry of Foreign Affairs of Denmark. p. 14.

67 Danish Ministry of Foreign Affairs. (2021). *The world we share: Denmark's strategy for development cooperation.* Ministry of Foreign Affairs of Denmark.

68 Ibid. p. 5.

69 Folketinget. (2023). *Denmark's priorities for the next European Commission.* Folketinget. p. 1. https://www.eu.dk/samling/20231/almdel/EUU/bilag/505/2861522.pdf

70 Danish Ministry of Foreign Affairs. (2024). *Africa's century: Strategy for strengthened Danish engagement with African countries.* Ministry of Foreign Affairs of Denmark. P. 10.

71 Ibid. p. 7.

72 Ibid. p. 10.

Taken together, the strategies suggest a growing European focus in Danish development policy, moving from a normative and rights-based perspective in 2012, to migration-linked security concerns in 2017, and then to geopolitical competition and strategic alignment in 2021. In doing so, they reveal an increasing alignment with the operational and institutional logic underpinning DC with the EU. The aid effectiveness dimension is strongest in the 2012 strategy, where Denmark emphasises coherence, harmonisation, and close cooperation with EU partners. It later reappears in more operational forms through joint programming and the complementary use of instruments to strengthen outreach and influence. While the explicit language of aid effectiveness gradually recedes across successive development strategies, the principles underpinning the aid-effectiveness agenda are reaffirmed in Denmark's operational guidelines for DC. *The Guidelines for Delegated Cooperation - Where Danish MFA is Lead Donor* (June 2023) defines the instrument with direct reference to the aid-effectiveness rationale presented in section SQ2b. *"The aim of Delegated Cooperation is to enhance aid effectiveness and reduce transaction costs primarily for partner countries, but also for donors".*[73] This formulation aligns with the foundational OECD/DAC principles established in the *Paris Declaration on Aid Effectiveness* (2005). It reflects Denmark's continued commitment to the agenda in practice, even as strategic-level framing has evolved.

SQ2b What are the MFA requirements, guidelines, and procedures for receiving delegated cooperation from the EU? How have these changed over time, and why?

The MFA did not have specific guidance on DC with the EU until 2023, when it issued its *Guidelines for Delegated Cooperation*.

The MFA's overall requirements regarding aid management are set out in its *Aid Management Guidelines* (AMG), which are regularly updated (most recently in March 2026). The AMG treat DC as one form of programme delivery modality, and not as a separate legal category with bespoke criteria; therefore, DC must meet the same core conditions applicable to other programme and project modalities:

- It must align with Danish development cooperation objectives.
- The MFA departments involved must be able to manage the operational, financial, and reporting obligations under the delegated modality (this is inherent in the AMG's overall project/programme readiness requirements) and
- DC must follow existing rules on planning, financial management, risk management, and reporting that apply to all bilateral and multilateral engagements in the AMG framework.[74]

73 Ministry of Foreign Affairs of Denmark / Danida. (2023). *Guidelines for delegated cooperation where Danish MFA is lead donor (Version 1.0).* Ministry of Foreign Affairs of Denmark. p .2.

74 Ministry of Foreign Affairs of Denmark / Danida. (2026). *[Bilateral guidelines] (Version 3.0).* Ministry of Foreign Affairs of Denmark. p. 7.

Before 2023, general guidance on DC was available in the *Nordic Plus Practical Guide to Delegated Cooperation* (2006). Interviews with MFA staff in HQ and most embassies noted that embassies' and MFA departments' understanding of DC was strongly influenced by the Nordic+ experience, which was based on a high degree of trust and respect for lead donors' rules and procedures. The Nordic+ guide, for example, states that *"the Nordic Plus initiative for further enhancement of delegated cooperation focuses on the principles to be followed when one donor acts with authority on behalf of one or more other donors in all aspects and all phases of a country programme, sector programme or project",*[75] and *"Delegated cooperation arrangements should be based on mutual trust and understanding".*[76] Several interviewees noted that embassies and MFA departments assumed that DC with the EU would follow a similar approach; however, this has not been the case, resulting in an intensive learning-by-doing process. An example of this misunderstanding is DGF I in Uganda, which was initially planned as a continuation of a Nordic+ arrangement, with the EU becoming an additional partner. Denmark continued as lead, and EU funding was channelled to the project through a DA between the EUD and the Austrian Embassy. This resulted in numerous transfer complications and a very slow initial project implementation (see DGF case study in Annex E). The learning from this experience included a greater understanding that signing DAs/CAs with the EU is equivalent to signing a contract rather than being delegated full responsibility for the management of delegated funds as understood under the Nordic+ model. Interviews with embassy staff at various levels, as well as with representatives from LMDs such as Sida, the Finnish MFA, and the Irish DFA, pointed out this contrasting understanding of what "delegation" meant in practice. It took some years of implementation by the Danish MFA to understand the complications, which became apparent mainly when the EUD initiated the first expenditure verifications.

Recognising that more guidance and support were needed for the management and financial oversight of DC, the MFA established a specific position within the Department for Financial Management, Oversight, and Support for Grants (TILSKUD) in 2018 to support departments and embassies undertaking DC and to gather lessons learned. However, interviews with MFA staff at embassies indicated that it remained difficult to receive the necessary hands-on, practical support, and the position has at times been vacant. Further efforts to overcome these gaps included the creation of a network of DC management units (embassies/MFA departments) tasked with sharing learning and experience. According to KIs, this network has also reached out externally to the EU, LMDs, and the Practitioners Network for European Development Cooperation (PN) to better understand and learn from others' experiences.

---

75 Nordic Plus. (2006). *Practical guide to delegated cooperation.* NORAD. p. 5.

76 Ibid p. 6.

The 2023 Guidelines for DC were designed to expand on the general requirements set out in the AMG with the following considerations, reflecting the MFA's accumulated experience of DC with the EU:

- Does the unit have the required financial management and administrative capacity for the project/programme? Both during the preparation phase and after closure, especially when dealing with the EU, where audits can occur several years after closure of a project/programme.
- What is the added value of the programme/project and of Denmark's national contribution?
- Has the unit ensured/can the unit ensure Danish co-financing to the DC?
- Would it be preferable for the implementing partner to have the funds from a DC rather than from a smaller or specifically funded/ bilateral project?
- Do donor interests and priorities align?
- Do the donors' administrative demands and processes align (more or less), and if not, what can be done to handle this? (Especially relevant when it comes to the EU).
- Will the amount of additional funds outweigh the additional administrative costs in the MFA?
- Is the DC likely to decrease or increase the political leverage from the programme/project vis-à-vis the donor?
- Should Denmark be the lead partner, or is another donor more suited for this? For example, if another donor in the DC has worked with the implementing partner for a long time already.
- Is the time frame of DC parallel to the MFA project/programme time frame, to avoid challenges with unused funds, exit strategies, asset management, evaluations, final reports, and C-cases?[77]

The guidelines outline the requirements for the different programme cycles in DC, with the MFA acting as the lead donor. They highlight the added value and risks to consider, and describe the internal criteria, work, and approval processes required.[78]

77 Ministry of Foreign Affairs/Danida (2023). *Guidelines for Delegated Cooperation where Danish MFA is Lead Donor,* p. 5.

78 Ibid. p. 2.

The guidelines state, for example, that when receiving DC from the EU, the MFA must ensure that sufficient co-funding and project management capacity are allocated to mitigate the risk of repayment claims and administrative demands.[79] The MFA must also comply with the EU's financial and administrative demands, including rules on VAT, procurement, audits, and reporting. Annex 4 to the guidelines: "Specific Conditions related to Delegated Cooperation with the EU", provides further detailed advice, for example, concerning the risks and guidance on the notional approach (The notional approach allows the EU to co-finance a project even where some costs do not meet EU eligibility rules, provided other donors cover those ineligible costs and the managing organisation formally confirms this)[80], including that at least 33% of the budget should be financed by own (MFA) contribution.[81]

The guidelines identify positive factors encouraging DC with the EU, such as the potential to increase the outreach, visibility, leverage, and impact of the project or programme. An example is given of a DKK 1 million Danish project to increase access to clean water, which could be leveraged by securing another DKK 1 million from the EU, thereby reaching a much larger number of beneficiaries.

The guidelines also highlight risks, the most tangible of which is a repayment claim from external donors (EU) due to management irregularities. They note that the most important challenge is that the EU has different, stricter financial and administrative requirements and other decision-making processes than the MFA, and that, unless well prepared, well organised, and well negotiated, this might result in a higher administrative burden and lead to repayment claims from the EU. The guidelines highlight the need to consider whether it is possible to meet the additional management requirements up front and, if so, have these main requirements reflected in the agreement between the MFA and the implementing partner. The guidelines go on to say, *"it is highly important for any unit considering a Delegated Cooperation arrangement to have sufficient project management capacity and experience from the preparation stage."*[82]

MFA and embassy staff directly involved in DC management and interviewed by the study team reported mixed experiences with the guidelines - some staff find them useful. In contrast, others are not familiar with them, or in some cases, are unaware of their existence.

---

79 Such as Danish co-funding of at least 33% and 7% administrative contribution. MFA/Danida (2023). *Guidelines for Delegated Cooperation where Danish MFA is Lead Donor,* p. 7.

80 See glossary for explanation of this concept.

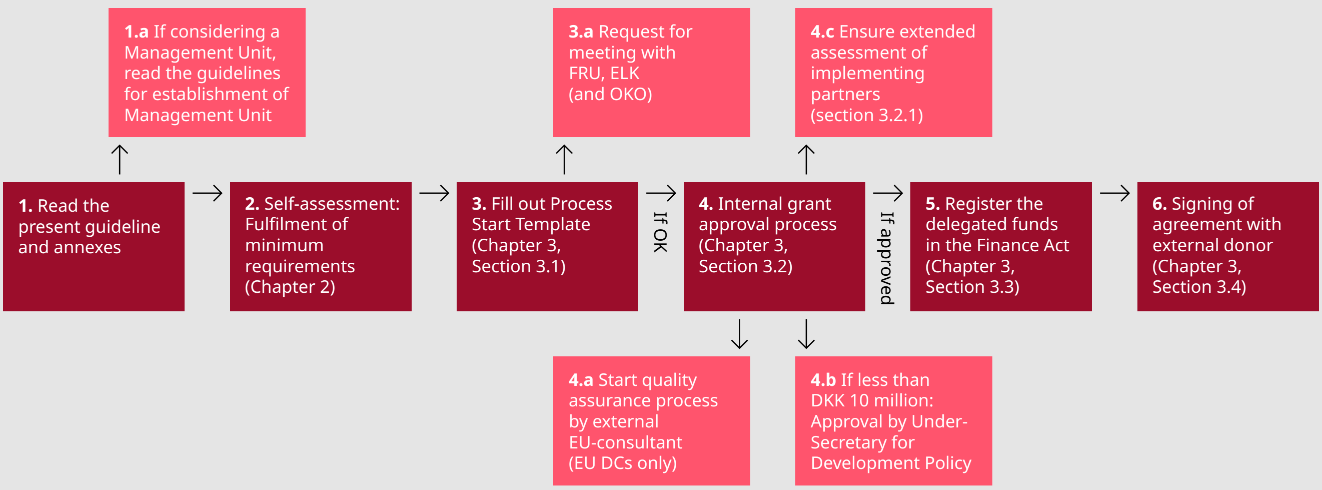
81 Ministry of Foreign Affairs/Danida (2023). *Guidelines for Delegated Cooperation where Danish MFA is Lead Donor,* p. 7.

82 Ibid., p. 4.

Those who are aware of the guidelines indicate that they are useful, but that hands-on assistance is needed as EU rules change frequently. MFA interviewees further note that practices and interpretations vary across EUDs – a finding corroborated by LMD interviewees (cf. SQ4).

Regarding the MFA's procedures for DC, the arrangements for formulation, appraisal, and approval are aligned with those outlined in the AMG. Before initiating a project, the responsible unit must complete a Process Start Template (PST) to assess feasibility, strategic alignment, and financial capacity, and the PST is then reviewed by the MFA's financial management and legal departments. The DC must be registered in Denmark's Finance Act to establish the legal basis for managing both Danish and EU funds, and the agreement must be quality-assured. The preparation and approval process is illustrated in Figure 3 below.

FIGURE 3: DELEGATED COOPERATION PREPARATION AND APPROVAL PROCESS



Source: Ministry of Foreign Affairs/Danida (2023). *Guidelines for Delegated Cooperation, where the Danish MFA is the Lead Donor,* p. 6.

In addition to normal AMG processes, note that a limited number of specific procedures apply for EU DC, notably the contracting of an external (EU) consultant for quality assurance (step 4a).[83]

Note also that the 2023 Guidelines for DC address only delegation to the MFA and do not cover delegation to the EU from the MFA (TAs). Embassy staff and EUD representatives indicate that responsibility for preparing TAs is generally left to embassies and MFA departments, relying largely on guidance from the EUD (see more details under SQ5).

83 According to the AMG, a head of unit or ambassador can sign-off on projects below DKK 10 million.

SQ2c What are the EU requirements, procedures, and guidelines for delegated cooperation to the MFA/other donors and to what extent have they changed since the 2016 evaluation?[84]

EU DC as a modality has its roots in the 2007 *EU Code of Conduct for Division of Labour in Development Policy*[85], which aimed to boost aid effectiveness by coordinating EU donors to avoid duplication and share expertise. The 11 guiding principles underpinning the code were later restated in the EC's October 2011 Communication *Increasing the impact of EU Development Policy: An Agenda for Change*[86], which situates DC as one tool among others to support coordinated delivery of aid. The Team Europe approach under the EC Multiannual Financial Framework 2021–2027 represents a further strategic shift, bringing together the EC, European External Action Service (EEAS), Member States, their development agencies, and European financial institutions to implement programmes collectively, with DC serving as a key operational mechanism.[87]

The EC can delegate the implementation of an EU-funded project to a partner using the so-called indirect management modality, defined as:

"In indirect management mode, the European Commission delegates budget implementation tasks to third entities to achieve a set of EU objectives, relying on their rules, systems, and procedures (e.g., the conduct of grant or procurement award procedures, the conclusion of contracts, their operational and financial management, audit, evaluation, etc.)." [88]

This modality is limited to partner organisations falling within Article 62 (1)(c) of Financial Regulation (FR) 2024/2509[89] and subject to an ex-ante pillar assessment under Article 157 of the same regulation. The pillar assessment reviews whether an organisation's systems, rules, and procedures provide a level of protection of the EU's financial interests equivalent to that which applies when the EC manages funds directly. The pillar assessment establishes eligibility to manage EU funds and permits organisations to apply their own rules and procedures; it confirms that an organisation's systems are equivalent to EU standards,

84 European Commission. (2016). *Evaluation of delegated cooperation: Summary.* European Commission, International Partnerships.

85 European Commission. (2007). *Code of conduct on complementarity and division of labour in development policy.* Official Journal of the European Union.

86 European Commission. (2011, October 13). *Increasing the impact of EU development policy: An agenda for change (COM(2011) 638 final).* European Commission. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52011DC0638

87 European Commission. (n.d.). *Team Europe initiatives.* European Commission. https://international-partnerships.ec.europa.eu/policies/team-europe-initiatives_en

88 European Commission. (n.d.). *Contribution agreements.* European Commission. https://wikis.ec.europa.eu/spaces/ExactExternalWiki/pages/102630173/Contribution+Agreement

89 European Parliament and Council of the European Union. (2024). *Regulation (EU, Euratom) 2024/2509 on the financial rules applicable to the general budget of the Union (recast).* Official Journal of the European Union, L. 26 September 2024, p. 71.

but does not establish that those systems will be accepted as equivalent for the purpose of an EU audit, nor does it guarantee that EU auditors will limit their scrutiny to those assessed systems or confer immunity from EU-specific documentation or compliance requirements at the transaction level.[90] As Article 157 (3) of FR 2024/2509 states, the Commission carries out an assessment of an organisation's systems only where it "intends to rely on such systems"[91], a condition that does not preclude verification against broader EU requirements. This is borne out by the case evidence from this study (cf. BUSAC, EUACI, and RDPP).

Following the adoption of Financial Regulation 2018/1046, the EC established a revised pillar assessment methodology through Commission Decision of 17 April 2019 (2019/C 191/02).[92] This expanded and restructured framework increased the number of pillars from the original six to nine:

1. Internal control system
2. Accounting system
3. External audit
4. Grants
5. Procurement
6. Financial instruments
7. Exclusion from access to funding/early detection and exclusion system
8. Publication of recipients and transparency
9. Protection of personal data.

The three new pillars (7-9) were added to strengthen integrity, transparency, and data protection standards, in line with broader EU reforms on accountability and the General Data Protection Regulation (GDPR) compliance.[93]

90 European Commission. (2022). *Contribution agreement: General conditions.* European Commission. (May 2022), Art. 15.2, 15.6.

91 Ibid p. 133.

92 Commission Decision of 17 April 2019 on establishing new terms of reference for the pillar assessment methodology to be used under Regulation (EU, Euratom) 2018/1046 (2019/C 191/02).

93 Ibid.

FR 2018/1046 requires the EC to maintain oversight of all EU funds, including those managed under indirect management. Under a CA, this is operationalised through several distinct types of control, which are contractually binding on the implementing organisation via Article 15 of the General Conditions for Contribution Agreements.[94] The various control options available to the EC are briefly described in Box 1 below.

BOX 1: OVERVIEW OF TYPES OF EU AUDIT AND CONTROL MECHANISMS APPLICABLE UNDER A CA/DA

Desk reviews and on-the-spot checks are the most basic form of control, responding to the Commission's need to verify the financial management of the Action by the Organisation.[95] They can be initiated by the Contracting Authority at any time and may be carried out by EC staff or by contracted external auditors.

Expenditure Verification Reviews (EVRs) are the most common formal control mechanism contracted by the EU to external audit firms. EVRs cover: (a) standard expenditure verification, including for actions managed by international organisations; and (b) combined expenditure verification and systems audits. The verifier reviews a sample of reported expenditure against the CA's eligibility criteria, produces a draft report shared with the organisation for comment, and issues a final report that is not public.[96]

Systems audits focus on the design and/or operating effectiveness of an organisation's internal control system. The EC notes they are *"useful before the start of a project, at the early stages of project implementation and sometimes at mid-term" and can be conducted separately or combined with an EVR."* [97]

European Court of Auditors (ECA) scrutiny is provided for in Article 15.4 of the General Conditions, grounded in Article 287 TFEU. The ECA may scrutinise the implementation of the CA when auditing the Commission's management of EU expenditure, and the organisation must grant access to all relevant documents, data, sites, and premises.[98]

94 European Commission (2025). *Contribution Agreement Manual* – October 2025.

95 Ibid. p. 62.

96 Ibid. p. 65.

97 European Commission, DG INTPA. (2026). *Guidelines: Audit and control.* European Commission. https://international-partnerships.ec.europa.eu/policies/audit-and-control_en

98 European Commission (2025). *Contribution Agreement Manual,* p. 65.

OLAF investigations (European Anti-Fraud Office) are triggered when there is suspicion of fraud, corruption or other illegal activity affecting financial interests. OLAF operates under Regulation and has the power to carry out on-the-spot checks, request documents, and refer findings to national authorities.[99]

EPPO investigations are a new addition in the 2025 General Conditions. The European Public Prosecutor's Office now sits alongside OLAF as a body with the right to access documents, data, sites, and premises in connection with actions financed under the CA.[100] The European Public Prosecutor's Office (EPPO) has jurisdiction to investigate and prosecute fraud and other offences affecting EU financial interests in participating Member States.

In relation to verifications, the CA Manual notes that three considerations apply: (a) timing – ideally, the verification should take place during the lifetime of the Action; (b) whether previous verifications have already been conducted on the same project or organisation, with repetitions to be avoided; and (c) whether existing audit information from co-funders is available. There is no mandatory minimum or maximum frequency.[101]

According to interviews with staff from MFA and embassies, a critical, and in practice, frequently misunderstood question concerns not merely whether the EU can carry out controls, but against which standards the EU conducts those controls. This distinction is fundamental to the MFA's understanding of DC's practical implications, and the study finds that it has been a major source of confusion and financial exposure for MFA units. The misunderstanding has taken two distinct forms. The first was the assumption that pillar assessment confers full exemption from EU controls altogether, with some MFA HQ and embassy staff stating that there should be no EU controls once the funds are delegated to a pillar-assessed Member State. The second, and more consequential, was the assumption that where controls did occur, they would be conducted against the pillar-assessed systems, i.e., against Danish rules and procedures. KIs managing DC described this latter assumption as having gone unchallenged until problems arose, and LMD interviews confirm that it is not unique to Denmark. Both assumptions have been reinforced by prior experience of Nordic+ DC, where trust in lead donor systems is high, and EU-type controls do not apply.

99 European Commission. (2019). *Contribution agreement manual. European Commission.* (August 2019), pp. 48–49.

100 European Commission (2025). *Contribution Agreement Manual,* p. 65.

101 Ibid.

As regards levels of responsibility and risk sharing, the general conditions of the Contribution (or Transfer) Agreement set this out explicitly. Broadly speaking, the financial risk of implementation lies with the contracted Organisation, i.e., the MFA. However, where the Organisation has exhausted all recovery measures without success, and the non-recovery is not the result of its own error or negligence, the Contracting Authority, i.e., the EU, will consider the unrecovered amounts as eligible costs - effectively absorbing that residual risk. Box 2 below illustrates these conditions, drawing on the example of the Contribution Agreement NDICI ASIA/2022/439-149[102] for the ASEAN-EU Green Team Europe Initiative: Transition to a Regional Circular Economy.[103]

BOX 2: EXAMPLE OF TEXT CONCERNING RESPONSIBILITY AND RISK SHARING

Article 2.1: The Organisation is responsible for the implementation of the Action described in Annex I, regardless of whether the activities are performed by the Organisation itself, a Contractor, or a Grant Beneficiary.

Article 2.2: The Organisation shall be responsible for the performance of the obligations under this Agreement with a due degree of professional care and diligence, which means that it shall apply the same level of duty and care which it applies in managing its own funds. The organisation shall respect the principles of Sound Financial Management, transparency, non-discrimination and visibility of the European Union in the implementation of the Action.

Article 2.3: The Organisation shall have full financial responsibility towards the Contracting Authority for all funds, including those unduly paid to or incorrectly used by Contractors or Grant Beneficiaries.
The Organisation shall take measures to prevent, detect and correct irregularities and fraud when implementing the Action. To this end, the Organisation shall carry out, in accordance with the principle of proportionality and its positively assessed Regulations and Rules, ex-ante and/or ex-post controls including, where appropriate, on-the spot checks on representative and/or risk-based samples of transactions, to ensure that the Action financed by the EU Contribution is effectively carried out and implemented correctly. The Organisation shall inform the European Commission and the Contracting Authority of irregularities and fraud detected in the management of the EU Contribution and the

102 European Commission and Ministry of Foreign Affairs of Denmark (2022). *Contribution Agreement NDICI ASIA/2022/439-149: ASEAN-EU Green Team Europe Initiative: Transition to a Regional Circular Economy.* Jakarta: EU Delegation to ASEAN / Embassy of Denmark to Indonesia. Unpublished.

103 ASEAN-EU Green Team Europe Initiative: Transition to a Regional Circular Economy | EEAS.

measures taken. Where funds have been unduly paid to or incorrectly used by Contractors or Grant Beneficiaries, the Organisation shall take all applicable measures in accordance with its own Regulations and Rules to recover those funds, including, where appropriate, by bringing legal proceedings and by endeavouring to assign claims against its Contractors or Grant Beneficiaries to the Contracting Authority or the European Commission. Where the Organisation has exhausted such measures, and the non-recovery is not the result of error or negligence on the part of the Organisation, the Contracting Authority will consider the amounts that could not be recovered from Contractors and/or Grant Beneficiaries as eligible costs.[104]

These provisions make clear that the MFA bears primary financial and legal responsibility for the correct use of EU funds throughout implementation. At the same time, the EU retains extensive rights to verify how that responsibility is discharged. The source of confusion documented in this study lies in the gap between the two: while Articles 2.1 – 2.3 establish that the MFA applies its own assessed rules and procedures, separate provisions in the same agreement preserve the EU's right to audit compliance with those procedures, and with additional EU-specific requirements. In other words, although the MFA is pillar assessed, it is still subject to controls by the EC. This is illustrated in Box 3 below.

BOX 3: EXAMPLE OF EC CONTROLS WITHIN DC CA

Example from the European Union Contribution Agreement, NDICI ASIA/2022/ 439-149 for the ASEAN-EU Green Team Europe Initiative: Transition to a Regional Circular Economy.[105]

According to Article 1.3 of the Special Conditions of this Agreement, "*In the performance of the activities, the Organisation*[106] *shall: Apply its own rules and procedures for the award and management of Procurement Contracts which have been assessed in the Ex-ante Pillar Assessment [and] Apply its own rules and procedures for the award and management of Grants, which have been assessed in the Ex-ante Pillar Assessment.*"

104 European Commission and Ministry of Foreign Affairs of Denmark (2022). *Contribution Agreement NDICI ASIA/2022/439-149: ASEAN-EU Green Team Europe Initiative: Transition to a Regional Circular Economy.* Jakarta: EU Delegation to ASEAN / Embassy of Denmark to Indonesia. Unpublished. p. 4.

105 European Commission. (2022, December 20). *European Union Contribution Agreement NDICI ASIA/2022/439-149 (including annexes).* European Commission.

106 Identified as the Ministry of Foreign Affairs of Denmark, Represented by the Embassy of Denmark to Indonesia, Malaysia, Papua New Guinea, Timor L'Este and ASEAN.

However, according to the General Conditions for Contribution Agreements provided in Annex II to the Agreement, a series of additional requirements are listed which need to be adhered to even though the "organisation" i.e. the MFA, has been pillar assessed. These include that "*The Organisation shall keep accurate and regular records and accounts of the implementation of the Action*" (Article 16.1) and that "*For a period of five (5) years from the End Date and in any case until any on-going audit, verification, appeal, litigation or pursuit of claim or investigation by the European Anti-Fraud Office (OLAF), if notified to the Organisation, has been disposed of, the Organisation shall keep and make available according to Article 17 all relevant financial information (originals or copies) related to the Agreement and to any Procurement Contracts and Grant agreements financed by the EU Contribution*." (Article 16.2).

Meanwhile, Article 17 refers to access and financial checks and includes the following: "*The Organisation shall allow the European Commission, or any authorised representatives, to conduct desk reviews and on-the-spot checks on the use made of the EU Contribution on the basis of supporting accounting documents and any other document related to the financing of the Action*" (Article 17.1.) and "*The Organisation agrees that OLAF may carry out investigations, including on-the-spot checks and inspections, in accordance with the provisions laid down by EU law for the protection of the financial interests of the EU against fraud, corruption and any other illegal activity*" (Article 17.2).

Similar text applies to scrutiny by the Court of Auditors (Article 17.3) while Article 17.4 states that "*To that end, the Organisation undertakes to provide officials of the European Commission, OLAF and the European Court of Auditors and their authorised agents, upon request, information and access to any documents and computerised data concerning the technical and financial management of operations financed under the Agreement, as well as grant them access to sites and premises at which such operations are carried out..........The documents and computerised data may include information that the Organisation considers confidential in accordance with its own established Regulations and Rules or as governed by contractual agreement......[and]......Documents must be accessible and filed in a manner permitting checks, the Organisation being bound to inform the European Commission, OLAF or the European Court of Auditors of the exact location at which they are kept*."

Other articles in the general conditions attribute additional rights to the EC; for example, Article 10 regarding monitoring and evaluation.

In some of the cases where EU auditors identified irregularities (as summarised in Table 5, Section 4.1 of this report), these related to weaknesses in the application of the MFA's own rules and procedures; for example, relating to lack of due diligence and weak financial oversight (examples are AgriBiz and EUACI). In other cases, the irregularities related to specific EU rules covering the eligibility of costs, which are listed under Article 18 of the General Conditions, such as Article 18.4 c, which considers VAT to be an ineligible cost (EUACI and Business Sector Advocacy Fund) or for the breach of Article 16.2 regarding the archiving of documents (EUACI).

The key finding arising from these examples is that, although the MFA is pillar assessed, it will remain subject to controls by the EC. These controls will concern the correct application of the MFA's own systems and rules, as well as adherence to specific EU-related conditions set out in the general conditions, e.g., regarding the eligibility of costs and the archiving of documents.

Regarding how EU rules and procedures relating to DC have evolved since 2016, the study has two main findings: first, that the rules have not changed substantially; and second, that the degree to which they are applied has changed.

A comparison of an older CA[107] against a more recent one[108] shows that the content of both the Special and General Conditions has changed only marginally. Special Conditions still relate to the purpose of the agreement, implementation period, financing and payment arrangements, and reporting. The main structural change in the General Conditions is an increase from 18 to 23 articles, with additions covering data protection (Art. 7), performance-based financing (Art. 21), and ex-post publication of information on contractors and grant beneficiaries (Art. 22). The previous Article 16 on Accounts and Technical and Financial Checks has been divided into two articles: Accounts and Archiving (Art. 16) and Access and Financial Checks (Art. 17). The period for retaining supporting documentation has been reduced from seven to five years. See also Box 3 above for the specific case of the TCE-ASEAN.

What has changed substantially, according to interviews with Danish embassies, LMDs, and EU staff, is not the contractual text but the intensity and strictness of EU controls, driven in large part by the ECA's increased scrutiny. As one interviewee put it: *"previously, Member*

107 European Commission / Ministry of Foreign Affairs of Denmark. (2013). *Contribution agreement DCI-MIGR/2013/319-137: Regional Development and Protection Programme — Lebanon (RDPP).* European Commission.

108 European Commission / Ministry of Foreign Affairs of Denmark. (2022, December 20). *European Union Contribution Agreement NDICI ASIA/2022/439-149: ASEAN-EU Green Team Europe Initiative: Transition to a Regional Circular Economy,* including annexes.

States had much more freedom; contracts were about five pages long. The prevailing attitude was that funds had been delegated to a Member State, so only a light touch was needed. Intervention by the ECA has changed things. Now the EU asks for more and more. The problem is that the more specific you are, the less freedom you have."

The EU has issued no specific EU guidance on DC as a modality to date. It is addressed in general cooperation guidance and in the recently updated CA Manual (October 2025).[109] A few interviewees at Danish embassies had some overall knowledge of the manual. Still, they found it difficult to apply due to frequent changes and difficulty finding the required information (138 pages). The lack of DC-specific guidance, combined with the sometimes opaque language used in agreements - for example, references to *"substantial changes"*[110], e.g., Article 1.3 of the Special Conditions of CA 2022/ 439-149, without defining what constitutes a substantial change - means that the rules remain vulnerable to different interpretations.

SQ3. What factors promoted and impeded successful partnerships in delegated cooperation with the EU, where Denmark is the delegate?

SQ3a. What was the main rationale for choosing delegated cooperation, and what were the expected benefits of this cooperation?

SQ3b. What appraisals and approval processes were undertaken, and how did these inform project design?

SQ3c. Which direct and indirect administrative costs resulted from delegated cooperation? How are costs distributed between units, and how is the overhead distributed and used?

SQ3d. Which management modality was chosen (was a management unit established?), and what were the strengths and weaknesses?

SQ3e. To what extent did the expected benefits occur?

SQ3f. What were the main challenges including those ending in repayment requests by the EU and what have been the implications?

109 European Commission (2025). *Contribution Agreement Manual* – October 2025.

110 The full text reads: "The Organisation declares that no substantial changes, which have not already been communicated to the Commission, affect the rules and procedures which have been subject to the Ex-ante Pillar-Assessment."

SQ3a. What was the main rationale for choosing delegated cooperation, and what were the expected benefits of this cooperation?

The rationale for choosing DC with the EU varies from project to project. Three broad types of reasoning can be identified across the portfolio: a) opportunities relating to improved aid/development effectiveness, such as outreach/impact, and reduced transaction costs, b) ability to draw from Danish comparative advantages, and c) ability to take advantage of political and strategic opportunities, enabling greater leverage and dialogue.

In several cases, the primary rationale drew on the aid/development effectiveness agenda. For example, in the case of PCESA, the CA[111] states that "*delegated cooperation between donors (EU and member states) is recommended for aid effectiveness when two or more development partners share the same approach and have a common interest in jointly funding a partner's existing programme. It aims to promote the role of the EU and member states in working in partnership. The interventions of the French Development Agency, the EU, and Denmark fit perfectly within this framework*." At the time, the EU was developing a similar initiative, the Technical Assistance to the Entrepreneurship of the Private Agricultural Sector[112], so it made sense to integrate this with the ongoing Danish PCESA project. For the Support to the Tanzania Revenue Authority's Tax Modernisation (TRA) programme in Tanzania, Danida was already supporting the Tax Modernisation Plan (TMP) through a basket fund and, at the time of formulation, was the only bilateral grant partner with a medium-term budget support programme with the Government of Tanzania. As stated in the Description of the Action (Annex I to Contract No: 2017/387-334), the Commission considered that "*joining the TMP through Danida will limit transaction costs to the TRA and promote aid effectiveness (by using country systems and ensuring donor coordination) while allowing the EU to be part of the Memorandum of Understanding between TRA and its donors*[113]."

In other cases, the justification for engaging in DC was based on Denmark's comparative advantages, such as its good reputation and track record in a given sector/thematic area, or its long-standing relationship with a key implementing entity in the country.

---

111 Programme de Croissance Economique dans le Secteur Agricole (PCESA) 2013-2020. Original text: "la coopération déléguée entre donateurs (UE et États membres), est recommandée en termes d'efficacité de l'aide quand deux ou plusieurs PTF partagent la même approche et ont un même intérêt à financer ensemble le programme existant d'un partenaire. Elle vise à promouvoir le rôle de l'UE et des États membres de travailler en partenariat. Les interventions de l'AFD, de l'UE et du Danemark rentrent parfaitement dans cette logique.

112 European Commission (2020). *ROM Report: VAFA/Composante 1 DANIDA — Appui à l'entrepreneuriat du secteur privé agricole* (Project C-397297). EU Delegation, Burkina Faso. Draft, November 2020. Unpublished.

113 European Commission / Ministry of Foreign Affairs of Denmark. (2017). *Contract 2017/387-334: Support to the Tanzania Revenue Authority's Tax Modernisation Programme.* European Commission.

For example, for DGF, according to local and previous project staff[114] and staff at the Irish Embassy, the contributing parties agreed that Denmark was best suited to lead DGF I implementation due to its long-term engagement in Uganda in the governance, human rights, and judiciary sectors. According to interviews with project staff in the Danish and Irish embassies several Member States, who had cooperated on the previous Deepening Democracy Programme, with a basket fund led by Denmark, considered that continuing with Denmark as lead donor was the logical arrangement for DGF I (and DGF II). For AgriBiz, the EU Action Document (2019) records that Danida was selected to implement the project on the basis of the Embassy's long-standing relationship with its partner, KCIC, and its track record in business incubation and market-oriented capacity building of smallholder actors[115] – a rationale confirmed by interviews with embassy and EUD staff. The successful early results of the preceding AgriFI programme were also cited as a key factor. A KII with EUD Kenya noted that an identification mission commissioned by the EUD had identified KCIC as one of the most professional business incubators in "Green Growth" and recommended DC with Denmark as the preferred way forward. In Tanzania, LSF had started in 2011 "*as a multi-donor basket fund supported by Danida and the Department for International Development (DFID), to finance legal aid and paralegal service providers coordinated by civil society organisations (CSOs) to assist citizens in claiming their rights and redress grievances*"[116] before becoming the subject of a CA with the EUD in 2019. In the case of EUACI, the IR for Phase I states that the EU's decision to award implementation to Denmark rests on its "*substantial experience with governance and civil society in Ukraine as its partner in the fight against corruption*". [117] According to programme documentation, the MFA was also interested in implementing an anti-corruption programme in Ukraine based on experiences from other countries where anti-corruption agencies had been supported.

A third group of projects have a primarily political or strategic rationale. For TCE, interviewees across the MFA and EUD consistently noted that the decision to engage in this DC was driven by political goals, and noted that entering the DC provided an opportunity to promote Danish government policies on green transition and climate action, where the Embassy was well-positioned with an Environment Strategic Sector Cooperation and Energy Strategic Sector Cooperation. DC was also seen as providing

114 During other interviews with MFA staff, the DGF is often brought up as a good example, where Denmark lead.

115 European Commission. (2019). *Action document for "AgriBiz: Decent jobs for youth and women in agricultural value chains in Kenya" (Annex I to Commission Decision, Annual Action Programme 2019, CRIS: KE/FED/041-644).* European Commission. p. 16.

116 European Commission and the Royal Danish Embassy in Tanzania (2019). Delegation Agreement FED/2019/407-642, *Legal Services Facility,* signed 28 June 2019. Annex I: Description of the Action, p. 2.

117 Danish Ministry of Foreign Affairs (DMFA). 2017. *Inception Report: EU Anti-Corruption Initiative in Ukraine.* ENPI/2016/382-642. June 2017. p. 4.

a means to supplement Danish engagement in the region in the area of circular economy and waste management. For RDPP, the original DA (number DCI/MIGR/2013/319-137) does not specify why DC with Denmark was the chosen mechanism, although it notes that Denmark was interested in addressing the issue of refugees and had carried out two studies on the issue.[118] The third phase of the programme (RDPP III) built on this earlier Danish commitment as outlined in the *Support to Syria and Syria's Neighbourhood Programme* (3SN)(2024-2028)[119] and its strategic alignment with other Danish regional engagements, including the Danish Arab Partnership Programme (DAPP) and the Syria-Iraq Peace and Stabilisation Programme (S-I PSP).

As regards the expected benefits, the documentation does not systematically record benefits as a category distinct from the rationale for DC. However, the rationale sections of the related programme documents note the following expected benefits:

- Reduced transaction costs, improved donor coordination and harmonisation (PCESA, TRA, DGF)
- Increased scale, outreach and leverage through pooling of resources (DGF, AgriBiz, EUACI)
- Enhanced visibility for Denmark in key sectors and regions (AgriBiz, EUACI, TCE)
- Synergies with existing Danish programmes and engagements (TRA, RDPP, TCE, EUACI), and
- The advancement of political and strategic priorities (TCE, RDPP; EUACI).

Section SQ3e presents an assessment of the degree to which these expected benefits occurred in practice.

SQ3b. What appraisals and approval processes were undertaken, and how did these inform project design?

The MFA appraisal and approval process, as described under SQ2.b, was largely followed for the agreements covered in this study. The exception is AgriBiz, for which no formal ex-ante appraisal documentation was available. The study team reviewed appraisal documentation from the case study projects and assessed the appraisals as being of good tech-

118 European Commission / MFA Denmark. (2013). *Contribution agreement DCI-MIGR/2013/319-137: RDPP Lebanon,* Article 3.

119 Danish Ministry of Foreign Affairs (2024). *Programme for Support to Syria and Syria's neighbourhood (3SN),* 2024–2028 (draft for public consultation), pp. 2–3, 10–11.

nical quality and recommendations were incorporated into project and programme documents.[120] However, based on the review of appraisal documents and KIs with embassy staff, the study team finds that the appraisals did not consistently or adequately capture DC's operational and management challenges.

DGF II illustrates a case where the process worked relatively well. According to interviewees, the negotiation process involved good dialogue and a degree of flexibility in the preparation and budgeting of the DA.

For TCE, a senior circular economy specialist carried out the appraisal, and the appraisal report concluded that the documents were *"sufficiently sound and compliant with the EU and MFA guidance to recommend the proposed project for approval."*[121] However, the appraisal did not assess the operational implications of DC. According to interviewees from the Embassy and HQ (and confirmed by the EU), most of the discussion focused on the strategic importance of the project, with very little attention paid to the operational side of how it would be set up and implemented. According to interviewees, the MFA subsequently raised concerns about the Embassy's capacity to implement the project. Following discussions at the senior level, it was initially decided to stop the project. After pressure from the EC, the EUD in Jakarta, and the Danish Ministry of Environment, the decision was reversed, and the CA was signed in 2022 despite the concerns raised. The programme subsequently encountered difficulties and had to be redesigned due to risks associated with the Embassy's limited management capacity.[122] At the end of 2023, it was decided to include a Danish contribution of DKK 10 million to enable coverage of a possible reimbursement claim from the EU, and the three original outcomes were reduced to two.[123]

In the case of the AgriBiz project, interviews with Embassy staff also noted that concerns had been raised following a challenging expenditure verification process in an earlier DC programme in Kenya (EUSHARE). However, strong political interest in the programme, from both the EUD and the Embassy, reportedly led to the signing of the CA. The agreement was signed despite concerns also being raised by the MFA, and without a thorough appraisal of the alignment between

120 The appraisal processes for a number of portfolio projects, including EU Share, AgriFI, aBi, RDPP I and II, have not been systematically examined, and for BUSAC and the Tanzania programmes (BEST, LSF, TRA), KIs were either unavailable or unable to recall the relevant detail. This limits the scope for portfolio-level conclusions on this sub-question.

121 Danish Ministry of Foreign Affairs (2022). *Green TEI in Partnership with ASEAN/South-East Asia (Circular Economy Component):* Appraisal Report, Executive Summary, p. vi.

122 Ministry of Foreign Affairs of Denmark. (2025). *Forelæggelsesnotits til vicedirektør for udviklingspolitik: Indstilling til godkendelse vedr. ASEAN-EU Green Team Europe Initiative: Transition to a Regional Circular Economy.*

123 Danish Ministry of Foreign Affairs. (2025, March 11). *Presentation note to the deputy director for development policy: ASEAN-EU Green Team Europe Initiative.* Ministry of Foreign Affairs of Denmark.

Danish practices and EUD rules and expectations. For instance, the EUD expected the Embassy to carry out regular spot checks to monitor project expenses and financial systems. In contrast, the Embassy initially relied on partner reporting and on annual external audits commissioned by the implementing partner (KCIC).

Furthermore, interviews with EUD and embassy staff indicate that the Embassy relied almost entirely on the original AgriBiz programme proposal developed by KCIC, rather than co-developing a separate proposal more in line with EU requirements. According to interviewees, this approach was partly a result of the Embassy's limited experience with the more rigorous requirements of DC with the EU, compared with the Nordic+ arrangement. It was also facilitated by the Embassy's trust in the implementing partner with whom it had a long-standing partnership.

The case of the PCESA programme in Burkina Faso is also illustrative. According to an interviewee, at the time, no one in the Embassy or the MFA had sufficient understanding or experience with DC as a modality and what it entailed, but there was pressure to become involved. The Chief Financial Officer (CFO) at the time, who was familiar with negative DC experiences in another country, warned the Embassy against entering into this arrangement. According to embassy staff, there was a strong sense that "*the Embassy did not really understand what it was letting itself in for*" in terms of the challenges posed by DC with the EU.

For EUACI I, AMG appraisal procedures were followed, and an appraisal report was produced. However, as the EU had already designed the programme and formally approved it in Brussels before being handed over to Denmark, the appraisal report itself noted that "*the process has been atypical in the sense of having started in the EU system and only having been handed over to Danida after the general design was done and formally approved in Brussels*".[124] For Phase II, a Danish programme document was produced, appraised, and thereafter incorporated into a DA.

Finally, RDPP I, II, and III had a technically sound appraisal process that nonetheless lacked a detailed assessment of the implications of the DC modality and, according to interviewees, also an assessment of the Embassy's capacity to assume the role of lead donor in DC with the EU. It also failed to assess possible alternative implementation modalities, which might have been more appropriate, such as a Call for Proposals from NGOs.

124 Danish Ministry of Foreign Affairs of Denmark. (2016). *Draft Desk Appraisal Report: Indirect Management of the EU Anti-Corruption Initiative for Ukraine (2017–2019) Implemented by Denmark.* File no. 2016-14893. p. 9.

SQ3c. Which direct and indirect administrative costs resulted from delegated cooperation? How are costs distributed between units, and how is the overhead distributed and used?

The direct and indirect costs of DC with the EU are divided into categories based on how closely they are linked to a project's specific activities. Direct costs are those that can be clearly attributed to the project itself - such as staff salaries, travel, equipment, and subcontracting - and are reimbursed based on actual amounts spent, provided they meet the eligibility criteria set out in the general conditions of the DA or CA. Indirect costs, by contrast, are overheads that support the project but cannot be directly assigned to it - such as rent, utilities, administrative support, and general management costs. To cover these indirect costs, the EU pays the delegate up to 7% of total direct costs.

Denmark has only recently begun to include costs such as those associated with programme management units as direct project costs in programme budgets. Previously, these costs had been incorrectly included as indirect programme costs. Drawing on experience from working with the EU, this has now changed, and more DC programmes are correctly identifying eligible direct costs and including them in programme budgets. RDPP III is an example of how this learning has evolved and been applied; in addition to the 7% of eligible direct costs being set aside to cover administration/indirect costs, all costs related to the PMU, which operates as part of the Danish Embassy in Lebanon[125], have been included in the programme budget and classified as direct costs.

In the case of indirect costs, the picture is similar. In earlier programmes, such as DGF I, Denmark charged no administrative fee to the EU, in line with the Nordic+ arrangements. But this changed for DGF II, where an administration fee was set at 5.8% of total direct costs for the EU[126] and 0.8% for each of the other contributing partners.[127] According to interviewees, the reason for this was the heavy administrative workload the programme entailed for the Embassy. The actual indirect costs for managing both DGF phases were later estimated at 5% of total costs.[128]

In the case of AgriBiz, the Embassy in Kenya secured the maximum 7% of direct eligible costs to cover the programme's administrative costs. According to interviewees, this was the first time the Embassy had purposefully negotiated a CA; in previous cases, the CA document proposed by the EUD had been accepted as is without negotiation.[129]

---

125 Denmark does not maintain a resident embassy in Jordan. The Danish Embassy in Beirut is accredited to Jordan.

126 European Commission / Danish Ministry of Foreign Affairs. (2018). *Annex 1 to the Description of the Action: Contract 2018/401-464.* p. 9.

127 As stated in the Funding Agreements with each donor for the DGF II (December 2020).

128 Democratic Governance Facility. (2021). *DGF II mid-term review.* Ministry of Foreign Affairs of Denmark. (February 2021), p. 30.

129 The Embassy had been supported during the CA process by an external consultant specialised in EU DC.

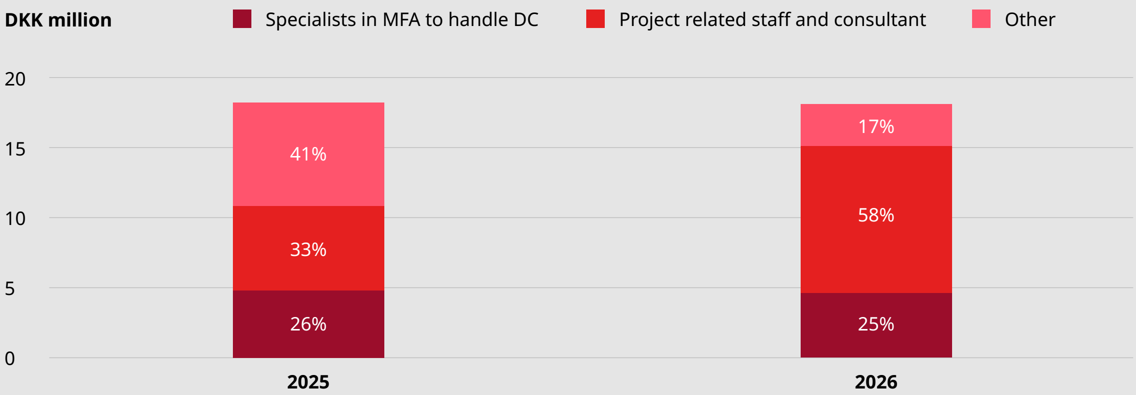
In the case of DDI, Denmark receives an administration fee of 7% from the EU and Norway. Although under the Nordic+ arrangement, an administration fee would not have been charged to Norway, it was deemed appropriate for both donors to pay the same rate.

There does not appear to have been a standard rule on how the fees received were used or applied. MFA and embassy staff informed the study team that, prior to 2020, the fee was primarily used directly by projects to cover indirect costs, such as embassy management costs, (shared) finance officers, and other office expenses. Thereafter, Denmark centralised management of the administration fee and allocated it to projects based on applications for funding from embassies/management units.

In the case of EUACI II, the 7% fee was managed by MFA's Finance Department (ØKO) and, according to interviewees, covered inter alia the costs of a position in the Department of European Neighbourhood (EUNABO) office in Copenhagen (Team Leader), a position in TILSKUD, a part-time position in ØKO, and a part-time local staff member at the Embassy in Kyiv. The Head of Programme, the finance officer, and other staff in the EUACI office in Kyiv were financed directly from the programme's budget. According to the embassy and project staff, for RDPP III, the PMU is supported by an MFA CFO funded by the administration fee.

As shown in Figure 4 below, the MFA received DKK 18.2 million in 2025 from the administration fee and expects a similar amount for 2026 (currently estimated at DKK 18.1 million). In 2025, approximately one-third was allocated to project-related staff and consultants, rising to nearly 60% in 2026. DC specialists in MFA accounted for 26% in 2025 and 25% in 2026. According to interviews with MFA staff, the remaining amounts cover other DC costs incurred by MFA HQ (41% in 2025, down to 17% in 2026).

FIGURE 4: AMOUNT AND ALLOCATION OF THE ADMINISTRATIVE FEES PAID TO MFA FOR EU-DELEGATED PROJECTS IN 2025 AND EXPECTATIONS FOR 2026



Source: Danish Ministry of Foreign Affairs (n.d.). *Bilag 4: Oversigt over indtægter fra og allokering af administrationsbidrag fra delegerede partnerskaber* (Internal working document).

SQ3d. Which management modality was chosen (was a management unit established?), and what were the strengths and weaknesses?

As discussed under SQ1, project management arrangements are quite diverse, ranging from (i) the outsourcing of management responsibilities to consultancies, e.g. BUSAC and BEST, which were outsourced to COWI, to (ii) external PMUs such as those for DGF and RDPP, which were later incorporated into embassies, to (iii) management by national entities created with support from Denmark (such as aBi Development, KCIC in the case of AgriBiz, and the Legal Service Facility), to (iv). national entities created with support from other organisations, such as the Micro Enterprises Support Programme Trust (MESPT) in the case of AgriFI, and the Water Sector Trust Fund in the case of EU Share.

As regards the strengths and weaknesses of these modalities, the study team finds clear advantages and disadvantages for each.

In the case of management by national entities created with support from Denmark or with support from organisations, the main strength of working through local organisations such as KCIC, LSF, MESPT, etc. is that the modality supports localisation and partner country ownership, and local experience and knowledge can be drawn on (and strengthened). On the other hand, local organisations are not necessarily able to comply with strict EU financial rules, e.g., regarding documentation and procurement processes. As responsibility for the effective and correct use of EU funds ultimately lies with the MFA/embassy, appointed staff need to be knowledgeable about EU rules and regulations themselves and be able to closely monitor the local partners and, where necessary, provide support.

Working through external PMUs or outsourcing to private consultancies was a common feature of earlier DAs. However, interviewees, for instance, CFOs in embassies, have indicated that negative experiences with these arrangements – including BUSAC and BEST - contributed to a shift away from the model. Denmark now avoids working through external PMUs and private consultancies.

The incorporation of management units into the embassy or under the management of an MFA HQ Unit appears to be Denmark's preferred option, based on interviews with MFA HQ staff and consistent with the MFA's 2023 Guidelines for DC.[130] In these cases, if the PMU is adequately staffed in both numbers and skills, it can play a key role in managing and supporting implementing partners while also engaging with the EU. DDI is an example. The benefits of this arrangement are that it is

130 Ministry of Foreign Affairs of Denmark / Danida. (2023). *Guidelines for delegated cooperation where Danish MFA is lead donor* (Version 1.0). Ministry of Foreign Affairs of Denmark. p. 2. Section 2.4.

less resource-intensive than the previous external PMU modality and yet allows some degree of operational management and oversight to be maintained within the MFA, including financial management. A potential disadvantage is that it can sometimes interfere with embassies' other work and tasks by increasing their administrative and managerial workload. These additional transaction costs are not necessarily considered when assessing the pros and cons of a DC and are therefore not adequately incorporated into budgets whether as direct or indirect costs. Interviewees also raised concerns about a lack of institutional learning, as staff contracted specifically to manage a delegated project often leave once the project closes, resulting in knowledge loss. Finally, an additional weakness flagged by interviewees is that internal MFA systems were designed with Denmark as a donor and have not been sufficiently adapted to account for its role as a beneficiary of external funds.

In terms of contributing to or impeding successful partnerships, the chosen modality is not a reliable predictor of success. For example, AgriBiz and LSF both worked through local organisations established with Danida support, yet both programmes had very different outcomes. Likewise, TCE, DDI, and EUACI III are all managed directly by the MFA (at HQ or the embassy), and, again, the success of the partnership varies widely. The two cases of outsourcing to a private consultancy both encountered difficulties. However, as these were two of the first programmes implemented through DC with the EU, it is possible that other factors related to the MFA's lack of experience with this modality also played a role.

SQ3e. To what extent did the expected benefits occur?

As set out under SQ3a, the expected benefits from DC varied across the portfolio and were not systematically documented separately from the rationale for engaging in DC. For most programmes and projects, the study team cannot systematically assess whether expected benefits materialised, because these were not monitored or documented in a structured manner. Where evidence is available, the picture is generally positive, though interviewees systematically noted that any positive achievements were largely overshadowed by the challenges posed by DC, as detailed under SQ3f.

In the case of DGF, the expected results in terms of leverage, dialogue, outreach/impact, and reduced transaction costs were achieved by operating as one large programme rather than several smaller ones. Programme documentation, including mid-term reviews and final reports, confirms these results. Denmark provided only 20% of the DGF I and II budgets,[131] but as the lead donor, it significantly increased its influence on human rights issues. For EUACI, it is an achievement

131 See Annex B and Annex D: Case study on Democratic Governance Facility I and II.

to have successfully established a broad anti-corruption initiative in Ukraine with many partners and amid a complex political setting (cf. the EUACI case study in Annex E). Leveraging EU funds (and an increasing Danish contribution for Phase II) has enabled a large programme with many actors at the national and local levels. For AgriBiz, the expected benefits of strengthened development effectiveness partnerships and enhanced Embassy visibility materialised in the project's early stages. The embassy secured a sizeable EU grant for KCIC for a project that aligned with Danish and EU priorities, and embassy visibility was initially heightened through EU public communication. However, these results were overshadowed by significant implementation challenges, as documented under SQ3f.

For the remaining projects in the portfolio, the study team did not find systematic documentation of whether expected benefits materialised. This limits the extent to which a portfolio-level assessment of expected benefits can be made.

SQ3f. What were the main challenges, including those ending in repayment requests by the EU and what have been the implications?

The challenges described in this sub-section are drawn from KI recollections across the portfolio. While the consistency of the findings lends them credibility, the lack of systematic documentation of negotiation processes and internal communications means the picture cannot be fully triangulated with written evidence, particularly for older projects, where staff turnover and the passage of time have further limited the available evidence base.

The main challenges regarding the management of DC with the EU identified by MFA staff can be grouped into (i) contributing factors that created the conditions for challenges to arise; (ii) the actual challenges encountered, and (iii) their implications.

Contributing factors

Lack of knowledge, guidance, and support: The majority of MFA staff consulted cited a lack of knowledge and understanding of EU requirements as a major contributing factor, compounded by a misguided assumption that DC with the EU would be similar to DC with the Nordic+ group. As discussed under SQ2c, a misunderstanding about the implications of pillar assessment reinforced this assumption: embassies assumed that, as the MFA had passed the pillar assessment, it had the right to apply Danish rules and procedures with limited or no interference from the EU.

In practice, this misunderstanding was widespread and manifested in concrete ways, e.g. when it was decided to delegate the EUACI to

Denmark, the staff had no knowledge or experience of the modality, nor access to standardised guidelines for the management of EU DC funds. The majority of staff managing DC also referred to the lack of clear guidance and support from HQ on how to negotiate a DC with the EU and reported that they either relied on input from colleagues in other embassies or HQ, who had experience of DC, or on the ad-hoc support of a consultant specialised in this modality. This lack of guidance continued during implementation - for example, no clear strategy on the management of loans existed, which was one of the issues faced by AgriBiz in Kenya. As noted under SQ2b, the MFA developed guidelines for DC in 2023, towards the end of the period covered by this study, and recently hired a new designated focal point for DC, after the position had been vacant for more than a year. Interviewees appreciate these efforts but are not convinced they are sufficient and would like more comprehensive, hands-on training, mentoring, and guidance.

Lack of heed paid to staff concerns: Several interviewees identified the lack of heed paid to staff concerns about the prospect of engaging in DC as a serious challenge and a frustrating experience. As previously mentioned, regarding TCE, serious concerns were raised about the Embassy's capacity to implement the project, yet it ultimately went ahead. Likewise, in the case of AgriBiz, embassy staff raised concerns following a challenging expenditure verification process in an earlier DC programme in Kenya (EUSHARE), and the MFA raised concerns about the alignment between Danish practices and EUD rules and expectations. However, strong political interest from both the EUD and the Embassy led to the signing of the CA.

Actual challenges

Diverging rules, procedures, and audit practices[132]: The most concrete and consequential challenges arose from diverging rules and procedures between the EU and Denmark, compounded by cumbersome audit and expenditure verification processes and weak local audit quality. In the case of BUSAC, problems emerged in 2015/16 when EC auditors reviewed 415 grantees and received photocopied, not original, documents, which they did not accept. The EC subsequently demanded repayments (DKK 8.4 million), also citing exchange rate losses, VAT, and tax issues. No overhead had been provided to cover these costs. Following the EU's 2018 request for repayment related to Phase II, Denmark requested a 7% overhead fee and clearer terms regarding exchange rates/taxes. The EU refused, after which Denmark requested that the EU leave the cooperation. Also, exchange rate fluctuations

132 For an overview of the types of EU audit and control mechanisms applicable, see Box 1 in Section 4.2.

created challenges for RDPP in Lebanon and Jordan[133]. Under EU rules, exchange rate losses are treated as indelible costs, meaning that Denmark, as the delegate, bears the financial risk of currency fluctuations.

All MFA and embassy staff who had been through the process described the EU expenditure verifications as extremely cumbersome and time-consuming. In the case of RDPP, an expenditure verification exercise for Phase II is currently underway, three years after the phase ended. Auditors requested documentation for 41 individual transactions. In some cases, the embassy no longer works with the concerned partners, making it challenging to retrieve the requested documentation. For EUACI I and II, an EU audit took place in October 2025 and may result in repayment requests, mostly for Phase I. The complications are substantial as the EUACI PMU used local software to manage Phase I, and that unit closed in 2020.

Furthermore, the proportion of Danish funding was only 8.5% for Phase 1, so the scope for applying the notional approach is limited. Auditors in Ukraine are also unfamiliar with Danish practices; for example, in Phase II, some salaries are paid directly into bank accounts in line with Danish procedures, and the only paper trail consists of confidential bank statements. In contrast, the auditors requested signed receipts or similar from the staff. One interviewee also reported documentation as a challenge for the TMP in Tanzania. After the programme closed, everyone left, making it even more problematic, as the EU can request documents up to five years after a programme closes.

Interviewees also raised the quality of local audits as a challenge. In the case of the annual audits carried out by Binder Dijker Otte (BDO) and KPMG during DGF I and II, the audit findings and recommendations, which although they highlighted irregularities, did not anticipate the seriousness of issues subsequently identified in PWC's forensic audits of some grantees. In the case of RDPP, local Lebanese and Jordanian audit firms rarely identify irregularities when auditing partners, whereas the PMU does find them during financial checks.

Even when there are no EU audits or repayment requests, DC is not always considered a positive experience. According to interviewees, although the Danish MFA is pillar assessed, the EU always maintains the right to carry out audits, and the *"threat of this hung over the programme all the time"* - though it did not materialise. Slow EU disbursements - contingent on both programme and Auditor General audits having taken place - required substantial upfront payments by Denmark and created considerable stress within the embassies concerned.

133 Ministry of Foreign Affairs of Denmark / Danida. (2022). *"Support to Syria and Syria's Neighbourhood" Quality Assurance Report. Final Draft.* F2 Ref. no. 2022-21597. 18 November 2022.

Micro-management by the EU: A number of interviewees raised what they perceived as micro-management by the EUD as a challenge. Rather than being treated as an EU Member State, many interviewees expressed frustration at being treated like a contracted implementing agency: *"unlike other organisations such as UN and NGOs, etc. MFA has to comply with Danish laws and rules; as an EU MS, the MFA is subject to strict national public auditing and procurement processes. The notion that EU can send in an audit that claims expenses are ineligible when they are following Danish rules and procedures that have been pillar assessed, and signed off on by the Danish Auditor General, is unacceptable."* In the case of RDPP, even though the PMU/Project Steering Committee (PSC) governance structure works well and operates with a good degree of independence, interviewees noted that they sometimes have to push back on requests for individual financial reports, as they are not in a position to do separate reporting for each donor - an issue that the EUD has accepted.

Weak financial management capacities of local partners: A challenge faced by some projects working through local partners is the limited financial management capacity of some local partners, who struggle to meet EU compliance requirements. In the case of DGF I, costs were found to be ineligible due to insufficient financial documentation from grantees, leading to repayment claims from the EU against Austria, as the partner that had the agreement with the EU regarding funds. In addition, subsequent forensic audits initiated by the Danish embassy and carried out by PWC confirmed corruption and fraud by grantees in seven or eight cases, and several related court cases are still ongoing. In the case of AgriBiz, OLAF is investigating the programme implemented by the local partner KCIC.

Insufficient funding to cover associated costs of managing DC: A number of interviewees noted that negotiations with EUDs on the administrative fee were sometimes complicated. For example, EUDs sometimes insisted they would not provide a higher percentage than other development partners, even though a maximum of 7% has been set. And even when the maximum is allocated, it does not always cover the additional costs associated with DC. In the case of RDPP, the integration of the PMU into the Embassy implied a bigger workload for the admin and management teams. Notwithstanding the appointment of a CFO and an additional accountant, Embassy staff informed the study team that this does not fully compensate for the additional effort required to manage the programme.

Implications

The challenges described above have had several implications across the portfolio. Several projects have been subject to repayment requests from the EU, in some cases involving substantial amounts, as documented under SQ1. In the case of AgriBiz, the Embassy suspended the programme in December 2023, OLAF launched an investigation in October 2025, and the challenges involved considerable management investments by the Embassy and caused reputational damage to KCIC. For EUACI, an EU audit took place in October 2025 and may result in repayment requests, mostly for Phase I. For RDPP, an expenditure verification exercise is underway three years after the programme ended, and repayment requests are expected. In cases where there were no EU audits or repayment requests, slow EU disbursements (which are contingent on both programme and Auditor General audits having taken place) required substantial upfront payments by Denmark and created considerable stress within the embassies concerned. For TCE, the programme had to be redesigned and reduced from three to two outcomes, and an implementing partner was only identified years after the CA was signed. According to interviewees, the overall experience has been sufficiently negative that several MFA staff with experience of DC would be very resistant to engaging in further DC with the EU.

As presented in Box 4, the DDI project demonstrates how some of the abovementioned challenges can be addressed from the outset. Key elements include Danish-led design, systematic assessments and strengthening of partner capacities, and the inclusion of the notional approach as a contractual safeguard.

BOX 4: DDI – A CASE OF THOROUGH PREPARATION

The Digital Democracy Initiative (DDI) (2023-2026/27) is a **Danish-designed programme** that emerged from Denmark's Tech for Democracy commitment to explore a funding mechanism to empower democracy defenders, and builds on the initiative #DKforCivicSpace, which ended in December 2022. The programme design incorporates the potential for scaling through multi-donor contributions. It was approved in March 2023 with a budget of DKK 300 million and has since mobilised two delegated partnership arrangements, one with the EU in June 2023 (DKK 82 million (EUR 11 million)) and one with the Norwegian MFA in December 2023 (DKK 6.5 million (NOK 10 million)). It remains an ambition to attract more donors and funding to the Programme, though not during this first phase (as this could disrupt implementation). A specific objective of the programme is to strengthen local Civil Society Organisations (CSOs), which exposes it to risks relating to partner capacity. To mitigate this risk, DDI undertakes **close monitoring of the nine selected implementing partners** based on risk scores (from capacity assessments as well as ongoing follow-up and dialogue with partners). These scores determine the planned frequency and type of visits to partners (including field visits). They also specifically focus on **strengthening the capacity of financial staff at partner level** on how best to prepare auditors for conducting compliance and performance audits in line with EU/ MFA auditor instructions. This approach uses capacity assessments to identify gaps and then address them, ultimately supporting these local NGOs/CSOs to be prepared to manage EU funds directly. In addition, potential issues at later stages were mitigated through **close collaboration with the EU** for sub-granting **modelled on EU rules.** Also, when selecting implementing partners, DDI specifically request **experience of working with the EU.** Finally, DDI includes the option of using the **notional approach** in its contract with the EU; EU funding is only 20% of the total budget and is not earmarked, which will limit the scope for repayment requests due to potential ineligible costs.

4.4 SQ4. What relevant lessons on the management of delegated cooperation with the EU can be learned from like-minded donors, where they are the delegates? [134]

SQ4a. How do like-minded donor policies, requirements, procedures and guidelines for receiving delegated cooperation from the EU compare to those of the MFA?

SQ4b. What appraisals and approval processes are undertaken by LMDs, and how do these inform project design?

SQ4c. Which direct and indirect administrative costs result from delegated cooperation? How are costs distributed between units, and how is the overhead distributed and used?

SQ4d. Which management modality is generally chosen (was a management unit established?) and what were the strengths and weaknesses?

SQ4e. What are the main benefits and challenges that like-minded donors have experienced?

SQ4f. What were the main factors that either promoted or impeded like-minded donors' cooperation with the EU when they were the delegates?

The findings in this section draw on a combination of document reviews and KIIs with LMD representatives. The study team used documentary evidence, including policies, guidelines, and publicly available information on DC, where available. However, findings on LMD experiences with audit findings, repayment requests, and the specific challenges encountered in managing DC are based primarily on information shared by KIs, as detailed financial documentation was not made available to the study team (see Section 3, Limitations). Findings on these aspects should therefore be read as illustrative of broader patterns rather than as a robust assessment.

The LMDs included in this study, which were expanded from the original three (the Netherlands, Germany, and Sweden) to eight, by including Belgium, Finland, Ireland, Spain, and France, broadly fall into two categories:

- Finland, Ireland, the Netherlands, Spain, and Sweden are similar to Denmark in that they implement development cooperation mainly

134 Based on the study ToR and initial discussions with the MFA, the study team proposed in the inception report reviewing the practices of three MS: the Netherlands, Germany (GIZ), and Sweden (Sida). While these three countries employ an interesting range of approaches and systems, all of them have considerably larger ODA budgets than Denmark. For better comparability and to broaden the range, the study team added Belgium (Enabel), Finland, Ireland, and Spain (AECID and FIAP) to the list – i.e., countries with similar or smaller ODA budgets, plus France (Expertise France/EF).

through a wide range of partner organisations, including the private sector and third-party implementers. Their MFAs (or structures within or closely attached to those ministries, such as Sida in the case of Sweden, and Spanish Agency for International Development Cooperation (AECID) and International and Ibero-American Foundation for Administration and Public Policies (FIAP) in the case of Spain) are all pillar-assessed by the EC,[135] i.e., their systems and controls have been considered as equivalent to those of the EU. They are contracted by the EU by means of CAs and, in turn, they subcontract third parties such as (I)NGOs, UN organisations, national and local, public, and private entities, etc., to implement projects/programmes.

- Conversely, Belgium, France, and Germany work with (federal) state-owned companies for development cooperation that are registered as companies and implement the projects/programmes themselves. Enabel, EF, and GIZ are all pillar-assessed organisations (hereafter referred to as development agencies) that receive funding from their ministries and from external donors to implement projects/programmes. They are contracted by the EU, also through CAs. In all three cases, the EU is the main external donor, the second largest donor after their respective governments.

SQ4a. How do like-minded donor policies, requirements, procedures and guidelines for receiving delegated cooperation from the EU compare to those of the MFA?

All LMDs consulted as part of this study, including Denmark, express an ambition to increase DC with the EU, especially delegation from the EU to Member States. They see this as a means to upscale their programmes, increase their impact and visibility, and contribute to joint European efforts, working together in a Team Europe Approach across themes and regions/countries that align with their political priorities. They consider that DC responds to the aid and development effectiveness agenda; to this end, DC is seen as a mechanism for improving aid delivery by pooling efforts, leading to increased coordination, less fragmentation, and reduced transaction costs for partner countries.[136]

As a rule, MFAs engage in DC in priority countries with which they have signed partnership agreements, while development agencies are more flexible. In addition to geographical prioritisation, some LMDs, such as Finland, focus on interventions where they can add value because of their own expertise, e.g., digitisation, education, energy, and the circular economy, and refrain from engaging in DC if it is not within their core area of work (or if they don't have the necessary human resources to manage it). Development cooperation agencies such as GIZ are not

135 See Section 4.2 (response to SQ 2c) for more detailed information on pillar assessments.

136 Paragraph based on data from LMD interviews, websites and the Danish and Sida DC manuals.

limited in this way and engage in a broad range of DC across the world, covering numerous sectors and themes.

Denmark is similar to other Nordic countries and different from the other LMDs in this study because it has developed specific guidance on EU DC. Other LMDs rely on standard EU guidance (e.g., on CAs) and input from specialised consultants. Denmark, Finland, and Sweden have developed their own manuals on DC, focusing on funds delegated to them (see section SQ2b above on Denmark's guidelines). Sida's 30-page practical handbook explains the full DC process in clear, user-friendly language, with text boxes highlighting key "dos and don'ts".[137] Denmark's guidelines are similar but less detailed, and written in a more formal, somewhat less 'hands-on' style. The guidelines for DC include internal links to specific MFA procedures, mainly for the financial management of delegated projects.

A challenge with guidance documents cited by some LMDs is that EU rules are incrementally adapted, and so is the corresponding guidance; for example, the current version of the CA Manual (February 2025) replaces a version dated June 2023. Although no major changes are introduced, even minor changes can increase the workload. For example, between the 2023 and 2025 CA Manuals, the deadline for submitting an audit opinion and management declaration has been tightened to 15 March, i.e., within 2.5 months after the end of the fiscal year. Such changes need to be built into internal guidance.

Conversely, other LMDs, such as the Netherlands MFA, do not have specific manuals or formalised written guidance on DC. Instead, they rely on standard EU documentation and procedures, chiefly on CAs. In-house specialists guide and support colleagues on their use, often on a case-by-case basis. On-site training for embassy staff (and implementing partners) is carried out by several LMDs. For example, at the start of all projects, GIZ conducts two-hour workshops with field staff and goes through the relevant rules with them. This is followed by a robust internal control and backstopping system that incorporates EU-specific requirements, e.g., in-house ECA audit specialists to ensure key EU financial requirements are interpreted correctly.

Key EU references used by LMDs are the General and Special Conditions appended to CA and the voluminous CA Manual (138 pages in its 2025 update).[138] In some cases, LMDs use EU CA templates (almost) directly, e.g., for the project proposal and budget. In contrast, in many cases,

137 Petersson, K. and Sandén, P. (2024) *Sida's practical guide to EU contributions.* Supporting document, version 1.1, 27 September 2024 (Ärende nr. 24/000688). Stockholm. Sida.

138 Available, with other key CA documents, on https://international-partnerships.ec.europa.eu/funding-and-technical-assistance/guidelines/working-partner-organisations_en

Danish embassy interviewees were not familiar with the CA Manual, and in some cases (often linked to a misunderstanding of the implications of pillar assessments), they admitted to consulting the CA General/Special Conditions only after encountering problems with EU queries and reviews.

As regards funding policies, all LMDs contribute their own funds via DAs, but the amounts of their contributions vary considerably. For instance, Enabel obtains government co-funding only to top up the EU contribution to indirect costs, with the Belgian government usually contributing just 5% of the total project budget. Other LMDs have minimum percentages for co-funding with a view to being able to cover (via the notional approach) any potential costs deemed ineligible by the EU. For instance, one LMD MFA requires that at least 20% of the project budget be MFA-funded and non-earmarked, whereas the Danish guidelines for DC recommend that at least 33% of the budget be covered by Danish funding.[139]

SQ4b. What appraisals and approval processes are undertaken by LMDs, and how do these inform project design?

Across all LMDs covered by the study, DA/CA opportunities are identified in partner countries in dialogue with EUDs and (less often) with INTPA HQ in Brussels. Marked differences exist in the appraisal, approval, and negotiation processes, particularly in the level of resources committed and the attention to detail, as explained below. LMD representatives report investing at least six months, but preferably one to two years, in the detailed preparation, appraisal, negotiation, and internal approval of DAs.[140]

Development agencies such as Enabel, EF, and GIZ have specialised staff at HQ and in Brussels to systematically support project preparation. EF, which is specialised in raising and processing EU grants, has two full-time EU contract experts based in Brussels. Enabel HQ in Brussels includes a Global Partnership and a Global Contracts team, each with five full-time staff. GIZ has approximately 15 Key Account Managers at HQ in Germany (Eschborn and Bonn) and at its Representative Office in Brussels, who support the preparation, negotiation, and signing of CAs across the regions in which GIZ operates worldwide.[141] Furthermore, EF and GIZ offices in key partner countries include financial staff experienced with DC, whereas Enabel uses regional support hubs.

139 As a rule of thumb, when more than 33% of the budget is financed by own (MFA) contribution, this should be sufficient while spending the budget in accordance with normal MFA regulations (Annex 4: Specific Conditions related to Delegated Cooperation with the EU, p. 4).

140 In this review, the term "project" refers to any project, programme or EU Action.

141 Written communication by GIZ, December 2025.

For Finland, the Netherlands and Sweden, support is provided by specialists based at their respective MFA HQ: the Netherlands MFA draws on a team of two long-term consultants and one civil servant with extensive experience of EU CAs; in Sweden and Finland, two and one expert, respectively, work on EU CAs. Such support structures play a crucial role in the appraisal and approval processes by identifying potential issues or areas of concern and guiding teams in their discussions and contract development with the EUD (or INTPA).

As part of the appraisal and approval process, various criteria are applied across LMDs to determine whether or not to go ahead with a given DA/CA:

- Political and strategic considerations regarding whether a given country is a priority partner country[142] for development cooperation and as well as the thematic priorities defined in national and/or organisational strategies. One LMD refers to a "*triangle of integration*", i.e., the proposed DA must match the LMD's (i) thematic priorities, (ii) its timeline, and (iii) key processes for project finances.

- Capacity considerations regarding the implementing agencies' or partners' ability to implement the project effectively and in line with EU requirements. Several LMDs formally assess (local) partner capacity. For instance, the Netherlands MFA and Enabel routinely require their partners to undergo formal organisational assessments, such as Organisational Risk and Integrity Assessment (ORIA)[143] and Know Your Customer (KYC) checks. Some LMDs, e.g., Enabel, conduct strict risk assessments of grantees, and those deemed to be of medium to high risk are subject to additional reporting (and monitoring) requirements and need a no objection from Enabel to proceed with procurement. They also have dedicated capacity development plans for local partners to address identified gaps.

- Efficiency considerations assess the level of effort the LMD will require to manage the delegated project and whether the requisite capacity is available and worth the effort. Interviewees from two LMDs advised against engaging in DC if the EU contribution is under EUR 3 million or EUR 5 million, respectively, as they consider them not worth the effort.

142 Enabel, EF, and GIZ also take on assignments in other countries as well.

143 Government of the Netherlands, E.g., https://www.government.nl/binaries/government/documenten/policy-notes/2019/11/28/policy-framework-strengthening-civil-society/Annex+2a+O-RIA+assessment+form.pdf

Another criterion concerns project design. Interviewees specialised in EU CAs advise against complicated project designs with more than two to three active funding parties (as opposed to "silent" funding parties), as coordinating reporting obligations and financial management across multiple active donors increases transaction costs and may cause unwanted delays in project implementation. Where EUDs propose complex multi-party designs, LMDs recommend a careful assessment of risks before agreeing to engage.

Finally, LMD interviewees found variations in negotiation processes across EUDs. First, EUDs differ in their openness to negotiation: experienced negotiation teams (e.g., embassy staff) report that it is possible to push back on certain EU requests, such as EUD pressure to engage with specific local partners, or proposed budget changes and timelines incompatible with the LMD's systems, and to secure the inclusion of certain items as direct costs. Negotiation teams are often unaware of the flexibility unless they have specialist support. Second, the wording of certain contractual provisions, for instance, requirements to seek amendments for "substantial changes" without any definition of what constitutes a substantial change, or unclear rules on project team composition, has led to inconsistent interpretations of the same contractual language across EUDs. Experienced LMDs, such as GIZ, have responded to these challenges by investing heavily in specialist negotiation capacity. Experienced LMDs advise against signing CAs unless negotiations result in an agreement that is well aligned with their own systems and capacities.

SQ4c. Which direct and indirect administrative costs result from delegated cooperation? How are costs distributed between units, and how is the overhead distributed and used?

As a rule, LMD project management costs are covered by EU funding, provided they meet the criteria for direct costs listed in the General Conditions (see Section 3 for more details). For instance, as noted above, costs such as dedicated project offices or project management units, as well as the costs of audits and evaluations, can be considered as direct costs and included in the EU budget. LMD agencies such as GIZ, Enabel, and EF routinely use this option. In contrast, as government institutions, MFAs have less flexibility to hire and fire staff or to set up offices in contexts where diplomats must be accredited by host countries and undergo rigorous security checks. As a result, MFAs, including Denmark, have in the past categorised these costs as indirect costs funded by the MFA.

As regards administrative costs, most LMDs consulted reported that they manage to negotiate the maximum EU contribution of 7% of direct costs. LMDs are unanimous in the view that the maximum 7% EU contribution to indirect costs is inadequate. For example, Enabel routinely budgets indirect costs at 12% of the total project budget and tops up the EU contribution (7%) with government funding – a practice based on evidence from Enabel's financial systems.

How the 7% is spent varies among LMDs but is frequently transferred to the HQs of the signatory (MFA or development agency), where it is added to the general budget and then (partially) returned to embassies or project offices to cover specific costs. Development agencies such as Enabel, and EF cover the costs of their CA specialists (e.g., Brussels liaison staff and in-house CA consultants) from that contribution. Sida applies a rule whereby 5/7 of the contribution is assigned to in-country project administration (staff costs at the relevant HQ department and embassies), and the remaining 2/7 covers central support functions, including procurement and legal resources.

SQ4d. Management modalities and their strengths and weaknesses

The management structure for DC adopted by LMDs depends on the organisational context. Broadly, in the case of the LMDs covered by this study, LMD interviewees and LMD documentation reviewed distinguish between two types[144] of management modality:

- A project office created for the project or programme – a common modality for agencies such as Enabel, EF, and GIZ.

- Regular MFA staff – the main modality for DA/CA implemented by MFA structures, as in the cases of Finland, the Netherlands, Spain, and Sweden.

Project offices are generally staffed with in-country and expatriate specialists recruited specifically for the delegated project. Project staff and their associated costs are included in the budget as direct project costs. Key strengths of this modality are its hands-on character and the clear lines of communication with the LMD and EUD. Project offices manage project planning, implementation, monitoring, and evaluation (usually in cooperation with partners) and can communicate directly with the LMD and EUD. LMDs using this modality report that very limited HQ support is needed during project implementation if the project was prepared and negotiated carefully. These dedicated project offices can closely track progress and conduct frequent monitoring visits in coordination with the EUD. They also often have experienced in-house

144 The LMD modalities map only partially onto Danish practice. The project office modality, staffed with in-house specialists and financed as direct project costs, has no direct Danish equivalent, as Denmark outsources this function to external consultancies (external PMU or Outsourced management) rather than deploying dedicated in-house agency staff. primary management structures, a modality captured in the Danish typology and used in earlier projects such as AgriBiz and LSF, has no direct equivalent in the LMD typology. Among LMDs, national organisations function as subcontracted implementing partners rather than as a distinct management modality, with ultimate management responsibility retained by the LMD itself.

contract and finance specialists, so they are well placed to avoid financial management issues with the EUD. They can respond to EUD queries quickly; for example, one Member State agency has a 24-hour turnaround time for answering EU queries during project implementation. The downside of this modality is that it is not feasible for most LMDs, which do not have dedicated cooperation agencies with such resources.

DA/CA management by regular MFA staff relies on day-to-day project management by the (often local) implementing partner(s), with the MFA providing oversight. A main strength of this approach is that it supports localisation objectives; partners manage their own projects, drawing on local experience and knowledge, building local capacities, and retaining salaries for local project management within the host country. However, as the MFA/embassy bears the ultimate responsibility for the effective and correct use of EU funds, appointed staff must be knowledgeable about EU rules and regulations and be in a position to closely monitor the local partners – a requirement that many find challenging in practice. Representatives of Sida, the Finnish MFA, and the Irish MFA all noted in interviews that DC with the EU proved fundamentally different from DC under the Nordic+ model, which is based on trust and mutual recognition of lead donor's procedures; working with the EU required an intensive learning-by-doing process. To manage this, Finland, the Netherlands, and Sweden each maintain a small number of DC specialists at MFA HQ, ranging from one expert in Finland to two long-term consultants and one civil servant in the Netherlands, who provide on-site training, support contract negotiations, and backstop embassy staff throughout the project cycle.

To overcome difficulties associated with MFA management, most LMDs organise training on EU DC requirements (especially financial aspects) for staff and partners early in the project cycle, via their own specialised staff, regional support hubs, or external consultancies (short-term or retainer services). Such training can include meetings between relevant MFA staff, the trainers/consultants, and the EUD, with a view to building a collaborative relationship. Specialised DC staff or consultants may be called upon to conduct checks at different points in the project cycle, e.g., to verify the first draft of the financial report and accompanying documentation. Such guidance/support may intensify again near project completion, including preparation for a potential expenditure verification by the EU.

SQ4e. What are the main benefits and challenges that like-minded donors have experienced?

LMD interviewees highlighted key benefits as upscaled activities, increased impact prospects, and visibility. DC is also a major source of income, especially for development agencies that are specialised in implementation and active in the early stages of project development. Interviews with LMDs suggest that the benefits of DC are evident in the large and growing share of EU funding in LMD cooperation budgets. This funding has allowed them to upscale activities, extend their scope and likely impact, and heighten their visibility. According to interviews with LMD representatives, the EU is a major donor to several LMDs, with grants from the EU rapidly growing, especially for FIAP, Enable, EF, and GIZ. It should be noted that for development agencies (Enabel, EF, GIZ), these figures include all income, including from CAs under direct EU management (in addition to DC).

Interviews with LMDs indicate that, for the MFAs included in this study, DC is only a small fraction of their ODA.

Due to different organisational purposes and capacities, development agencies and MFAs experience somewhat different benefits and challenges from DC. Development agencies (EF, Enabel, GIZ) are specialised in accessing and managing donor funding; their very existence depends on external funding. These engage in both “indirect implementation” and, as contractors in EU “direct implementation” projects.[145] Both modalities are governed by CAs. As a result, development agencies routinely incorporate EU rules into their own practices. Furthermore, their extensive experience working with the EU has equipped them with the resources and knowledge to negotiate and administer EU funds effectively. As a result, they encounter limited challenges in terms of financial management.

Conversely, MFAs are not implementing agencies and do not have the structures and resources in place to directly manage/implement delegated funds. Unlike development agencies, such as EF, GIZ, and Enabel, with well-developed internal systems for processing donor funding, MFAs are donors; their systems are not designed to process funding from external donors. Furthermore, the fact that a large proportion of MFA staff are public servants recruited via complex processes and who change positions every few years, makes it difficult for MFAs to build up institutional knowledge and capacities on EU DC. However, MFAs have the option to recruit and retain specialists, as illustrated by the Dutch MFA, whose advisers on EU DC are on long-term consultancy contracts.

Challenges linked to MFA implementation via partners: Most LMDs in this study rely on third parties (often local entities) to implement their projects through subcontracting, e.g., national NGOs, whose internal management systems are not always well developed. As the LMD holds ultimate responsibility for achieving planned results and the proper use of DC resources, any weaknesses in local partner organisations’ financial

145 Direct implementation can also occur within Delegated Cooperation: For instance, a MS may sign a Transfer Agreement with an EUD on a specific project, which the EUD subcontracts to an implementing agency (or a consortium of such agencies).

management capacity need to be identified and addressed. As discussed above (4.4. SQs 4b and 4d), this is an area where several LMDs have stringent systems in place.

Challenging finances and reporting: Across all LMDs consulted, issues linked to project finances are the most common challenges experienced with DC at all stages of the project cycle. These challenges closely parallel those documented for Denmark, including divergent interpretations of the implications of pillar assessments, difficulties in negotiating indirect cost contributions, incompatibilities between financial management systems, tight reporting deadlines combined with slow EU response times, and burdensome expenditure verifications and audits. Common issues cited by LMDs include:

- Protracted negotiations with EUDs regarding the maximum 7% contribution for indirect costs, which, as noted above, is not deemed sufficient
- Incompatibilities between EU and LMD accounting systems, even though the latter have been pillar assessed
- Misunderstandings around the eligibility of project costs (frequent disagreements on project management costs and local VAT), with ineligible expenses being absorbed by the LMD part of the project budget (notional approach) or reimbursed to the EU
- Tight EU deadlines for reporting, coupled with frequently long delays (up to c. 3 months) in EU responses to LMD queries[146]
- EU commissioned external auditors unfamiliar with DC, making excessive demands[147]
- Misalignment of timelines for implementation and financial reporting, especially in Multi-Party CAs (MPCAs)
- High transaction costs, especially if UN agencies are involved
- EUD expenditure verification audits conducted very late in the project cycle (up to 18 months after closure).

146 As one LMD put it, *"with the EU, it is always running or waiting"*.

147 For instance, one LMD reported having received an auditing firm without any EU experience that requested more than original 3,000 project vouchers for a routine verification.

It should be noted that, while some LMDs confirmed they had experienced repayment requests from the EU, the study team was not provided with documentation detailing the frequency of such requests or the amounts involved. The findings on this point are therefore based exclusively on KI recollections and cannot be quantified or verified against written records.

SQ4f. What were the main factors that either promoted or impeded like-minded donors' cooperation with the EU when they were the delegates?

LMD interviewees noted that sound knowledge of EU systems and regulations on DC is a key factor for success, combined with specialised advisory structures and processes that inform careful DC preparation, negotiation, and implementation. As noted above (SQ4b and 4e), managing donor funds is a core function of development agencies, with the EU a major contributor. Thanks to decades of experience in managing EU funds and frequent communication with the EU (in Brussels and in partner countries), development agencies' staff have internalised EU rules and practices. They are familiar with the rules – and aware that EUDs' interpretations can vary. Specialised staff are in frequent contact with INTPA in Brussels to build rapport, facilitate communication and follow new developments. The in-house specialists also advise and (re-) train colleagues and partner organisations involved in DC.

The Dutch case demonstrates that MFAs, although generally less experienced in managing donor funds, can also mobilise and use DC expertise by:

- Employing long-term consultants with a strong track record in EU systems and auditing
- Building sufficient time, targeted specialist advice (which may include a review of implementing parties' systems), and training into the DA preparatory and negotiation phases
- Involving DC specialists in communication with EUDs, especially on financial reporting.

LMD interviewees noted that sufficient funding for indirect costs is another factor in success in DCs, especially when it flows into support systems for DC (expert advice, training, etc.). LMDs who report limited challenges with DC systematically claim the maximum EU contribution to indirect project costs (7% of direct costs). They also include project management as a direct cost in the DC project budget to avoid overstretching their own resources.

On the other hand, LMD interviewees highlighted that key factors impeding DC with the EU have mainly concerned the interpretation of EU rules and their application. Interviewees noted that the interpretation of DC rules can vary across EUDs, with some EUDs making requests that should be left to the delegate, for instance, regarding the choice of specific project partners. Other LMDs reported cases of what they considered overly demanding EUD involvement in project design, implementation, and monitoring.

LMDs also struggle with the notion that EU-contracted auditors may deem some of their declared costs ineligible, even when they align with national rules and procedures that have been deemed adequate during the pillar assessment process. The fact that some auditing companies are themselves unclear about DC rules and practice compounds this situation. Even interviewees from LMDs processing large numbers of DCs recalled examples of auditors making excessive demands, e.g., requesting, in one case, a review of some 5,000 supporting documents.

Other impeding factors include gaps in DC expertise capacity within Member State structures, incomplete DC preparation processes, and weak or overly complicated project management arrangements, as outlined in sub-sections SQ4b-e above.

4.5 SQ5. What are the overall rules and procedures governing delegated cooperation with the EU since 2014, where the MFA is the delegator, and how do they compare with those of like-minded donors?

SQ5a. What requirements, rules, and procedures do other donors have in place for delegation to the EU and how do they compare with those of Denmark?

SQ5b. What are the trends in terms of the number of projects, volume of funding, sector, and region for DC delegated from the MFA to the EU since 2014?

SQ5c. What benefits and challenges have been experienced with this type of cooperation?

SQ5d. To what extent do the requirements and conditions for delegated cooperation (from both the EU and MFA) differ depending on whether the MFA (or like-minded donors) or the EU is the delegator, particularly regarding agreement requirements, rights, and access?

SQ5a. What requirements, rules, and procedures do other donors have in place for delegation to the EU and how do they compare with those of Denmark?

Very few of the LMDs consulted engage in delegation to the EU via TAs with any regularity, and some KIs have indicated an intention to reduce or discontinue this modality; for example, the Netherlands intends to phase out this rarely used modality, according to the Dutch MFA. At the same time, Germany does not delegate to the EU, according to interviews with GIZ. No specific guidelines or procedures exist for this modality.[148] Belgium and Spain do not engage in TAs at all, and the study team found no examples of French TAs with the EU. Sweden (Sida) and Finland have a limited number of TAs, mainly in conflict areas, e.g., Palestine and Ukraine. This was confirmed during interviews with officials from the EF, Sida, Belgium, Finland, and the Spanish development agencies. This limited engagement in TA means that the comparative basis for findings in this sub-section is narrow, and the findings are best understood as reflecting the views of a limited set of engaged informants rather than a representative cross-section of Member State experience.

A key point to note about TA is that the EU generally does not implement projects or programmes directly. Instead, delegating funds to the EU can mean that these funds are channelled to another Member State to carry out the actual implementation. For example, a common TA practice is illustrated by Germany, where its development agency, GIZ, acts as the implementing partner for several EU-funded programmes, including the Local Empowerment, Accountability and Development Programme (U-LEAD) in Ukraine (through indirect management). Denmark and other Member States have delegated funds to the EU for all phases of U-LEAD since 2017. The EU, in turn, has contracted GIZ to implement the programme, while the German Federal Ministry for Economic Cooperation and Development provides funds directly to the programme.

The LMDs consulted noted three main reasons for their reticence regarding TA:

- Inefficiencies linked to multiple additional layers of management that cause delays in preparation and implementation, and cascading indirect/administrative costs, as the EU sub-contracts project implementation to third parties.

- Dissatisfaction with the 'silent partner' role that TA implies. One LMD reports treating TAs like any other contribution to a multilateral agency, after TA approval using internal procedures, funds are transferred, usually in a single instalment, and limited follow-up is needed. However, this arrangement does not suit all LMDs consulted; for example, one expressed frustration with the apparent

148 Interviews with Dutch MFA and other LMDs could not reveal any projects.

asymmetry in EU expectations regarding the role of the delegate in DAs/CAs and TAs, respectively. For instance, while EUDs tend to contribute to project development and monitoring in CAs, TAs are less specific about the delegate's (i.e., the EU's) obligations.

- The understanding is that regular national contributions to the general EU budget should cover EU external action, rather than requiring additional Member State funds to top it up.

As outlined in SQ 2, the 2023 Guidelines for DC contain no specific procedures for delegating Danish funds to the EU. Procedures for channelling funds through the EU are the same as those used to provide finance to other agencies, such as the United Nations Development Programme (UNDP), once a project or programme is approved under the AMGs. If the MFA agrees, a TA agreement can be signed if it is the preferred option. For example, the Danish Partnering for Forests programme appraisal document identified the EU as an appropriate partner for DC within the forestry sector in Uganda; therefore, the TA agreement was signed, allowing the Danish project to become part of the broader EU programme (see case study in Annex E).

SQ5b. What are the trends in terms of the number of projects, volume of funding, sector, and region, for DC delegated from the MFA to the EU since 2014?

The total budget of EU projects with Denmark as delegator is DKK 3,044 million, of which the Danish contribution was DKK 388 million. This is on average 13% (see additional details in Annex B). Initially, TAs targeted locations affected by war and conflict, whereas the more recent ones are directed at larger TEI. There is a clear priority for Africa, which accounts for seven of the nine TAs, which reflects Danish development policy priorities.

According to the information provided by the MFA, between 2009 and 2024, nine projects[149] have been delegated to the EU, as presented in Table 6 below.

TABLE 6: PROGRAMMES DELEGATED TO THE EU

Programme	Country, year	Total funding / Danish contribution (DKK)	Sector, topic	Implementation Partner
Programme d'Appui aux Organisations de la Société Civile (PAOSC)	Mali, 2009-2014	Total DKK 110 M Denmark DKK 8 M (7%)	Security, conflict. Capacities of CSOs	UNDP
Support to African Union Mission Somalia (AMISOM) through the EU African Peace Facility	Somalia, 2014-16	Total DKK 897 M Denmark DKK 10 M (1%)	Security, conflict. Peace building	AMISOM
EU Appui à la reduction des risques dinsecurite (Support to the reduction of security risks)	Niger, 2013-2017	Total DKK 158 M Denmark DKK 20 M (13%)	Security, conflict. Peace building	Haute Autorité à la Consolidation de la Paix (High Authority for Peace Building)
Support to the development of Area C	Palestine, 2016-2020	Total DKK 59 M Denmark 14 M (24%)	Security, conflict Village service delivery	Municipal Development and Lending Fund
Support to Yaoundé Process, Maritime Security Programme	Gulf of Guinea, 2015-17	Total DKK 56 M Denmark DKK 13.3 (24%)	Security, conflict. Maritime security	Expertise France and the Internal Maritime Organisation
European Union Election Observation Mission for the General Elections	Mozambique, 2014-16	Total DKK 18 M Denmark DKK 3 (17%)	Election process during fragility	Election Observation Mission
Local Empowerment, Accountability and Development Programme (U-LEAD) I and II	Ukraine, 2016-2024	Total DKK 1 B Denmark DKK 60 M (6%)	Governance, municipal reform, and resilience	GIZ
Partnership for Forests (PfFU)	Uganda, 2024-2028	Total DKK 360 M Denmark DKK 60 M (17%)	Ecology, part of global Team Europe Initiative	Global Green Growth Institute
Technical Assistance Facility to the African Continental Free Trade Area (AfCFTA)	Regional Africa, 2024-27	Total DK 386 M Denmark 200 M (52%)	Trade. Regional Team Europe Initiative	Consortium: GIZ, Expertise France (EF), and FIAP (Spain)
Total		**Total DKK 3,044 M** **Denmark DKK 388 M (13%)**		

Source: See Annex B

Of the nine TAs, five operate in regions/countries affected by conflict and insecurity. They are implemented as part of larger programmes financed by several donors and managed by organisations under a UN mandate. One project is dealing with elections in a fragile context (Mozambique). The U-LEAD programme launched in 2016 to support a large administrative and territorial municipal reform process in Ukraine, and expanded following the Russian invasion in February 2022 to include resilience and reconstruction. It has funding from various Member States, operating from the start in a Team Europe approach, drawing on experience in

149 A list with 11 projects were provided to the ST in June 2025 of which two were not delegations to the EU. Please see more details in Annex B.

municipal development from Denmark, Sweden, Poland, France, and Germany, and in digitisation (e-governance) from Lithuania.

SQ5c. What benefits and challenges have been experienced with this type of cooperation?

As noted in the limitations section above, there is no reporting on the modality of DC per se in progress reports, so most of the team's findings related to this sub-question are based on data collected during interviews and the case study on Partnership for Forests in Uganda (2025-2028, see Annex E). They reflect the views and recollections of a relatively small number of KIs and, in some cases, relate to programmes in which Denmark's involvement as a delegator was limited in scope and duration. Conclusions drawn from this sub-section are necessarily more tentative than those in sections where the data were more comprehensive.

Interviewees have noted that key benefits for MFA as a delegator include the ability to provide support in hard-to-reach areas where Denmark is not present, and the transfer of implementation responsibility to well-resourced and competent partners. This has been the case for the programmes delegated in countries affected by war and conflict, as listed in the table above. KIs also mentioned the standard aid/development effectiveness benefits described under SQ3a, such as upscaling of the given programme, leverage, and the ability to engage with more partners (grantees), as additional benefits. However, they also point out that these could be achieved with delegation to another Member State. According to interviewees, the justification for delegating to the EU rather than to a Member State, as in the case of Partnering for Forests, was the EU's greater political access, which contributes to more involvement and high-level communication with the respective governments. Other interviewees voiced an expectation of gaining some degree of leverage with governments as a result of the respective EUD's dialogue with the government. Delegation to the EU is also considered to be highly relevant where access is restricted or very demanding, e.g., in Palestine, Mali, and Somalia, where programmes are implemented by organisations that have the relevant expertise and access, such as AMISOM, or organisations working under a UN/EU mandate.

Interviewees reported, and documentation[150] reveals, that delegation to the EU has been a successful modality for implementing U-LEAD I, II, and III, with co-financing provided by Germany, Denmark, Sweden, Lithuania, Poland, and France. The MFA selected the modality during negotiations with the EU in 2016 and 17 as part of a joint effort to support the Ukrainian administrative and territorial reform process. Delegating to the EU enabled the pooling of contributions from multiple Member States under a single programme framework and drew on

150 PWB Consult / MFA Denmark. (2024). *Review of U-LEAD 2 and assessment for Phase 3.*

the EU's political access and convening role in Ukraine. The EU selected GIZ (and SALAR IDA, Sweden, during Phase I) for implementation, as it considered them to have the relevant experience and set-up in Ukraine to implement the programme. The Danish Embassy in Kyiv participates in the programme SC, providing an avenue for Danish inputs despite the limited direct influence associated with the TA modality. According to interviews with MFA and documents,[151] the modality has worked well, as GIZ has a solid organisation and expertise in Ukraine, with regional project implementation units. In addition, the leveraging of funds has facilitated the implementation of support for the territorial and administrative reform, including the programme restructuring with a stronger focus on reconstruction and resilience after the Russian invasion in February 2022.

According to KIs from both Denmark's MFA structures and LMDs, the main challenges with delegation to the EU, including in Ukraine, are the complicated preparation process, additional administrative layers and related overhead expenses, and less influence over the design (and implementation). For example, in the case of the Partnership for Forests in Uganda (Annex E, Case Study 5), the partnership between the EU and Uganda was established by a Memorandum of Understanding (MoU) in November 2022, which initiated the preparation of the EU programme. Communication with Denmark started thereafter with the signing of the TA in November 2023. Thereafter, the Danish contribution had to be incorporated into the overall EU-Government of Uganda partnership. According to interviewees, this entailed negotiations with the EUD regarding what the Danish contribution should finance and how it should be implemented. As the various components of the programme were already up and running, it was agreed that the Danish contribution would finance a specific implementing partner, the Global Green Growth Institute (GGGI), for one component, with whom the EUD was to sign a contract in December 2025, i.e., three years after the signing of the MoU. According to feedback from interviewees, Denmark's late entry into this arrangement meant it would have been more efficient to implement its programme alone, with some coordination with the EUD, rather than through a TA due to the delays.

For the second phase of Support to Area C in Palestine, which dealt with the planning and construction of resilient infrastructure on the West Bank in areas controlled by the Israeli military,[152] Denmark decided to discontinue channelling funding through the EU and to provide the

151 PWB Consult / MFA Denmark. (2024). *Review of U-LEAD 2 and assessment for Phase 3* (conducted by Philip Bottern, one of the ST members, who has also been involved in the Mid-Term Review of the first phase and appraisals of phase II and III). Midterm Evaluation of the Ukraine Local Empowerment, Accountability and Development Programme 2016-2020, May 2019.

152 The programme is only implemented on the West Bank. Area C, which is under full Israeli military control, so construction work is often disturbed due to military operations. Gaza has no Area C.

funding directly to the implementing partner, the Municipal Development and Lending Fund (MDLF). According to interviews, the reason for this decision was that it would allow the Danish Representative Office (DRO) to "regain control"[153] and increase efficiency, i.e., reduce administration and delays. Furthermore, the DRO already had a long-term relationship with the MDLF, established during previous phases of the programme. This experience indicates that sometimes, it can be more efficient to delegate directly to the implementing body.

Interviewees point out that a main challenge of TA is the cascading of funding and related administrative efforts – from the delegator to the EU, and thereafter from the EU to an implementing partner such as GIZ (e.g., U-LEAD in Ukraine)[154] or several implementers, e.g., the Partnership for Forests Uganda. That arrangement limits MFA's influence on the design and implementation. According to KIs, the EU often prepares the design before Denmark is involved. Denmark can, however, mitigate reduced influence through other means, such as active participation in the PSC, the board, or technical committees. For example, the Danish Embassy in Kyiv is a member of the SC for U-LEAD, and even though GIZ has managed the programme's implementation, EUNABO has been able to introduce selected Danish inputs. KIs noted that this was facilitated by an MFA review of U-LEAD in 2024,[155] which provided an opportunity to offer input to Phase III during meetings with GIZ, BMZ, and the U-LEAD programme offices in Ukraine. Several interviewees from Danish embassies indicated that embassies do not always have the resources to participate in these structures.

A major disadvantage of delegating to the EU is that the administrative costs are high due to many layers of implementation. For example, for the PfFU, DKK 2.8 million, or 4.5% of the DKK 60 million provided to the EU, is for EUD administration, and for U-LEAD II, 4%.[156] In line with the EU administrative rules on delegations, another 7% was provided to GIZ for U-LEAD, and the same will apply to the implementing organisation (GGGI) for PfFU. To this must be added administrative costs for grantees. Thus, the indirect costs alone may be close to 20% on top of direct costs.

153 This is also based on one ST member's experiences with the Support to the Area C programme and the Municipal Development Programme during assignments for the DRO office, French Development Assistance and as WB staff with responsibilities for assistances in Palestine.

154 Note that the U-LEAD programme was not discussed with GIZ as part of the present study, hence the findings on U-LEAD do not necessarily reflect the views of GIZ.

155 PWB Consult / MFA Denmark. (2024). *Review of U-LEAD 2 and assessment for Phase 3.* Interviews were carried out with GIZ and BMZ as part of the review.

156 European Commission / MFA Denmark. (2020). *Transfer Agreement UA/ENI/2020/041-703/DK*

SQ5d. To what extent do the requirements and conditions for delegated cooperation (from both the EU and MFA) differ depending on whether the MFA (or like-minded donor) or the EU is the delegator, particularly regarding agreement requirements, rights, and access?

The requirements and conditions for DC differ substantially depending on whether a Member State is a delegate or a delegator with respect to rights, access, and risk allocation. Delegation by the EU to a Member State operates based on a contract (DA/CA) through which the EU maintains the right to access financial information, carry out expenditure verifications and audits, claim repayments in the event the EU considers certain costs ineligible, and, if deemed necessary, to suspend the programme.

Where Denmark delegates to the EU (TA), the EC assumes operational and financial responsibility. Across the TAs reviewed for this study, the General Conditions consistently establish that the EC bears sole liability towards third parties arising from the project/programme, and explicitly releases Denmark from liability for damage or injury to EC staff or property (Article 3.3). Denmark's residual exposure is limited to its own breach of contractual obligations.

Two areas of financial risk remain with Denmark under TAs. The EC deducts a non-refundable administrative lump sum from Denmark's first instalment (4.5% in the case of Partnership for Forests Uganda), regardless of subsequent project outcomes (Articles 4.1 and 4.2). Denmark bears exchange rate risk, as the DKK contribution converts to EUR at the Inforeuro monthly rate at the time the EC issues the debit note - an exposure quantified explicitly in several TAs in the portfolio. Where funds remain unspent at completion, or where the Agreement is terminated early, the EC reimburses Denmark for its pro rata share of co-financing, minus any audit or evaluation costs (Articles 14 and 15).

As a delegator, a Member State has limited rights and limited access to restricted EU information once the TA is signed. In the case of the TA for the Support to AMISOM through the EU African Peace Facility, stipulates that "*The Commission shall be entrusted with the responsibility of managing the contribution*" (Article 1, 1.3), and "*The Commission shall share with the donor all AMISOM narrative and financial reports incl. progress, monitoring, audit and evaluation reports…*" and "*This is not a pre-requirement for the disbursement of the contribution foreseen in articles 3 and 4*" (article 7).[157] Thus, if the EU does not provide reports, the Member State's contribution remains due (which would never be the case in a DA/CA).

157 The TA for U-LEAD (2016-2020) does not contain the article 7.

Furthermore, implementation is delegated to an implementing organisation selected by the EU, and the delegator has no right to be consulted or to influence EU selection procedures. Even if the embassy is a member of the SC or board, its influence on the project's implementation remains limited. For example, the Global Green Growth Institute will implement the Danish contribution to the Partnership for Forests Uganda (Case Study 5), and the Embassy has no contractual right to any information from GGGI. The experience with Support to Area C in Palestine was similar, with challenges in accessing information on the programme's progress. By opting for a direct contribution to the implementing partner (MDLF), this issue has been mitigated.

5. CONCLUSIONS

The following conclusions are presented per SQ and are based on the key findings from each sub-SQ presented in the preceding chapters of the report.

SQ1. What are the overall trends in delegated cooperation from the EU to the MFA since 2014?

Overall Conclusion SQ1

C1: Overall, the portfolio can be characterised as one of significant growth, increasing strategic significance, and expanding institutional capacity. The evidence suggests that DC has become an important instrument of Danish-EU development collaboration, delivering larger and more diverse programmes. However, persistent fiduciary, audit, and compliance risks have been a critical weakness.

C1.1. Size of Portfolio
The analysis demonstrates a clear expansion and maturation of DC between the EU and the MFA since 2014. Both the overall number of CA/DA and the funding volume have increased, reflecting Denmark's broader strategic commitment to deeper engagement with the EU. Of the 20 agreements reviewed, 18 were initiated after 2014, compared with only two before that date. Financially, the portfolio has grown substantially; annual Danish contributions increased from approximately DKK 6 million in 2010 to DKK 211 million in 2024, while the total value of the portfolio reached approximately DKK 5.3 billion, with Denmark contributing 38% overall. This growth reflects both larger programme sizes and an increasing willingness to use DC as a strategic implementation mechanism.

C1.2 Focus of Portfolio
The portfolio has evolved thematically over time. Agriculture emerged as the dominant sector, accounting for the largest number of projects, particularly during the 2018–2020 period. More recently, the portfolio has diversified into areas such as digital democracy and the circular economy, demonstrating responsiveness to emerging policy priorities. Geographically, Africa has been the principal focus, accounting for most projects, with Kenya and Tanzania receiving the most attention. This aligns closely with Danish foreign and development policy priorities.

C1.3 Management Modalities
The portfolio shows a shift towards greater institutional ownership by the MFA. Earlier programmes often relied on external consultants or standalone PMUs, whereas recent initiatives are increasingly managed directly through embassy or MFA HQ structures. Concerning donor composition, in eight of the 14 projects and programmes, Denmark and the EU are the only donors, while in the remaining six, Denmark and the EU are joined by one or more other donors.

C1.4 Financial Management and Audits
The study identifies substantial challenges related to compliance, financial management, and audit performance. Six DAs/CAs have been identified by the EU audits as having financial irregularities or are expected to do so. Common issues include inadequate financial documentation, weaknesses in governance and oversight systems, ineligible expenditures, and incorrect cost allocation. Some cases involved substantial financial consequences, including large reimbursement claims. There is also an ongoing OLAF investigation into one programme (AgriBiz). Across the portfolio, EU audit and expenditure verification requirements have proved challenging for implementing partners and programme managers. Difficulties are particularly evident where documentation and compliance standards differ between EU requirements and those applied under Danish procedures, records are incomplete, or audits occur long after programme closure. These challenges have generated reputational, administrative, and financial risks.

SQ2. How and why have EU and MFA delegated cooperation policies, procedures, and guidelines evolved since 2014?

Overall Conclusion SQ2

C2: The increased Danish engagement is consistent with the emphasis on European collaboration shown in Danish policy documents and strategies. DC is a strategic priority for the MFA. It is regarded as a means for Denmark to gain influence and visibility in key sectors, to contribute to development impacts, and to reinforce collective diplomatic and development engagement. While the MFA does not have a formal, standalone policy on DC with the EU, initial arrangements were based on experience from the Nordic+ cooperation. Since 2023, MFA procedures have been based on a specific set of practical guidelines. This reflects the growth of MFA experience with DC, particularly around the EU's financial and administrative requirements.

C2.1 Strategic Evolution
Danish development strategies since 2012 have placed growing emphasis on European cooperation, with the EU increasingly viewed as a platform for extending Denmark's influence, amplifying development impact, and pursuing common foreign policy objectives. The strategic rationale has shifted from policy coherence and aid effectiveness towards broader geopolitical and partnership objectives. While Denmark's DC has traditionally been carried out mainly with the Nordic+ group, there has been a gradual shift towards increased cooperation with the EU during the study period. This shift is driven by the Danish government's desire to strengthen the EU in response to a volatile geopolitical environment, to enhance the EU's visibility and global influence, and support the Team Europe approach.

C2.2 Institutional Learning and Adaptation
The MFA's engagement with EU DC has been characterised by a significant learning process. Initially, Danish approaches were strongly influenced by the Nordic + model of DC, which is based on mutual trust and full reliance on partner systems. This led to misunderstandings about the nature of EU DC, which operates through legally binding contractual arrangements and extensive compliance requirements. A recurring finding is that many staff initially assumed that Denmark's pillar-assessed status meant EU controls would either not apply or would be limited to Danish systems and procedures. In practice, although pillar assessment allows the MFA to use its own systems, the EU retains extensive rights to audit, verify expenditure, and assess compliance with both Danish procedures and specific EU requirements. This misunderstanding has contributed to implementation difficulties and financial risks across several programmes. Experience from implementation exposed important differences between the Nordic+ and EU models, particularly regarding financial accountability, audits, and reporting obligations. It prompted the MFA to strengthen its institutional arrangements, including issuing the 2023 Guidelines on DC, establishing dedicated support functions, and creating networks to share knowledge and experience. A key issue identified by the study is the complexity of EU financial and administrative requirements. While DC offers opportunities to leverage additional funding, increase visibility, and expand programme reach, it also exposes the MFA to substantial compliance risks and potential repayment claims.

C2.3 Development of Guidance and Procedures
A major milestone was the introduction of the MFA's first dedicated guidelines for DC in 2023. These guidelines formalised lessons learned

and established clearer requirements for assessing capacity, risks, co-financing obligations, donor alignment, administrative burden, and expected added value before entering DC arrangements. The guidelines also recognise that successful participation in EU DC requires significant management capacity, financial oversight, and familiarity with EU requirements, particularly regarding procurement, audits, reporting, VAT treatment, and document retention.

C2.4 Evolution of EU Requirements

EU DC rules and contractual arrangements have changed relatively little since the 2016 EU evaluation. While some new provisions have been added, particularly relating to data protection, transparency, and performance-based financing, the overall framework remains largely unchanged. The more significant change has been the increasing intensity and strictness of EU controls. Driven largely by heightened scrutiny from the European Court of Auditors and other oversight bodies, the EU now applies more rigorous verification, audit, and compliance procedures than in the past.

SQ3. What factors promoted and impeded successful partnerships in delegated cooperation with the EU, where Denmark is the delegate?

Overall Conclusion SQ3

C3: DC with the EU has demonstrated that it can deliver important strategic and development benefits for Denmark, but significant administrative, financial, and compliance challenges have frequently overshadowed these gains. The study finds that successful partnerships in DC with the EU require strong institutional capacity, realistic assessments of management burdens, robust financial oversight, and a far deeper understanding of EU compliance requirements than was present during much of the period covered by the study. For many MFA staff involved in implementation, the operational challenges have been significant enough to create reluctance to engage in DC in the future unless these underlying issues are addressed.

C3.1 Rationale Underpinning DC

Across the portfolio, DC was primarily pursued for three reasons: 1) To improve aid effectiveness through greater donor coordination, reduced transaction costs, and larger-scale interventions; 2) To leverage Danish comparative advantages, including sector expertise, established partnerships, and long-standing country engagement, and; 3) To advance Danish political and strategic priorities, particularly in areas such as governance, climate action, migration, and anti-corruption. Expected benefits included increased development impact, stronger policy influence, enhanced visibility for Denmark, and greater leverage by pooling resources with the EU.

C3.2 Expected Benefits
In some cases, DC has succeeded in expanding programme scale, strengthening donor coordination, increasing Danish influence, and mobilising additional resources. Programmes such as DGF and EUACI demonstrate how relatively modest Danish contributions could generate significant influence and development reach. However, the expected benefits of DC were not systematically tracked or documented across the portfolio, making it difficult to assess performance consistently. Where benefits did materialise, stakeholders frequently reported that implementation difficulties and compliance burdens overshadowed them.

C3.3 Appraisal Processes
The MFA generally followed its standard appraisal and approval procedures, and project appraisals were of good technical quality. However, appraisals often failed to adequately assess the operational implications of DC, the capacity of embassy and programme management, the risks associated with EU compliance requirements, and alternative implementation modalities. In several cases, projects proceeded despite explicit warnings from staff about capacity constraints or anticipated compliance risks, often due to strong political or strategic interest in securing the cooperation.

C3.4 Management Arrangements
There is no clear evidence that any particular management modality guarantees success. Management through local organisations promotes ownership, localisation, and sustainability, but creates heightened compliance risks where local financial management systems are weak. External project management units and outsourced consultancy arrangements have generally been phased out due to negative experiences with overall project management, e.g., resource management and the relevance of implemented activities. The current preference is for management structures embedded within embassies or MFA units, which provide stronger oversight but increase administrative pressure on embassy staff. Success has depended less on the chosen management model and more on the capacity of the MFA and its implementing partners to navigate complex EU requirements. The study found that the decisive factor appears to be management capacity rather than organisational structure.

C3.5 Lack of Knowledge and Guidance
MFA staff often entered DC arrangements with a limited understanding of EU requirements and often assumed that EU arrangements would operate similarly to the Nordic + model. This misunderstanding was reinforced by confusion regarding pillar assessment, which many interpreted as limiting EU engagement and oversight. In practice, EU audits and expenditure verifications remained extensive and very time-consuming. Many staff expressed frustration that Denmark, despite being a pillar-assessed EU Member State, was often treated operationally like an

implementing contractor rather than a strategic partner. The dedicated guidelines for DC introduced in 2023 and strengthened support functions have contributed to improved knowledge. Still, many staff continue to call for more practical guidance, training, mentoring, and hands-on support.

C3.6 Weak Partner Capacity
Projects implemented through local organisations frequently encountered difficulties meeting EU compliance requirements. Weak financial management systems among some local partners contributed to financial irregularities, repayment requests, and, in some cases, investigations and prolonged legal disputes. These risks ultimately remained with the MFA, which bears primary responsibility for managing EU funds correctly.

SQ4. What relevant lessons on the management of delegated cooperation with the EU can be learned from like-minded donors, where they are the delegates?

Overall Conclusion SQ4

C4: The comparative analysis of LMDs shows that DC with the EU can generate substantial strategic, financial, and development benefits, but only when supported by strong institutional systems and specialist expertise. All LMDs participating in the study share a common ambition to expand DC with the EU. DC is widely seen as a mechanism to:

- Scale up development programmes and increase impact.
- Strengthen donor coordination and reduce fragmentation.
- Enhance visibility and political influence.
- Support Team Europe objectives and collective European action.
- Improve aid effectiveness and reduce transaction costs for partner countries.

While these objectives are broadly shared, most donors engage selectively, focusing on countries and sectors where they have established expertise, comparative advantage, and sufficient management capacity. The LMDs that experience the fewest problems are those that treat DC as a specialised professional function, invest heavily in preparation and negotiation, maintain dedicated support structures, and actively manage compliance risks throughout the project cycle.

C4.1 Institutional Capacity

Organisations with dedicated EU cooperation agencies/expertise have experienced significantly fewer operational problems. Development agencies such as GIZ, Enabel, and EF have invested heavily in specialised support structures, including dedicated Brussels-based teams, EU contract specialists, financial experts, internal audit capacity, and systematic staff training. These organisations treat EU funding as a core business function and have embedded EU requirements into their management systems. In contrast, MFAs generally face greater challenges because they function primarily as donors rather than implementing agencies. Their systems, staffing models, and organisational structures are often not optimised for managing externally funded programmes.

C4.2 Preparation and Negotiation

Across LMDs, successful DC requires substantial upfront investment; LMDs with a more successful track record in DC typically spend six months to two years preparing, negotiating, appraising, and securing approval for DC agreements. They apply rigorous assessments covering: Strategic alignment with national priorities; Capacity of implementing partners; Financial and operational risks; Administrative workload; and Cost-effectiveness and value for money.

C 4.3 Capacity Assessment and Risk Management

Many successful LMDs conduct formal organisational assessments of implementing partners before entering into cooperation agreements. These include risk assessments, integrity reviews, due diligence checks, and capacity development plans for local partners. The evidence suggests that systematic assessment and strengthening of partner capacity are key factors in reducing financial management problems and audit risks later in the project cycle.

C4.4 Management Capacity

The study identifies two dominant LMD management models:

1. Dedicated project offices staffed by specialised personnel.

2. Oversight by regular MFA staff working through local implementing partners.

Dedicated project offices generally perform better in compliance, financial management, monitoring, and communication with the EU because they possess specialised expertise and can respond quickly to emerging issues. However, this model is resource-intensive. Where MFA staff manage DC, success depends heavily on access to specialised support, training, and ongoing technical assistance.

C4.5 Main Challenges
Across most LMDs, financial management and compliance requirements remain the most significant challenges. Common problems include disagreements over eligible costs, incompatibilities between EU and national financial systems, burdensome audits and expenditure verifications, tight reporting deadlines, slow EU responses, and differing interpretations of contractual requirements across EUD. These challenges closely mirror those identified in Denmark's own experience.

C4.6 Success Factors
Strong support systems and specialised expertise are critical to success. LMDs that perform well typically maintain dedicated EU specialists who provide training, support negotiations, advise on compliance issues, and help manage audits and financial reporting throughout the project cycle. Denmark has made progress by introducing dedicated guidelines and support functions, but its systems remain less mature and less operationally focused than those of some comparable LMDs.

SQ 5. What are the overall rules and procedures governing delegated cooperation with the EU since 2014, where the MFA is the delegator, and how do they compare with those of like-minded donors?

Overall Conclusion SQ 5

C5: Overall, the evidence suggests that delegation to the EU can be an effective mechanism for operating at scale, accessing difficult environments, and supporting Team Europe approaches, but these advantages come at the cost of reduced control, longer processes, and higher administrative overheads.

C5.1 Use of TA
Delegation to the EU through TAs remains a relatively uncommon cooperation modality. Most comparable LMDs make limited use of TAs, with some actively reducing or discontinuing their use due to concerns over efficiency, influence, and administrative complexity. Since 2009, Denmark has delegated funding to the EU through nine projects with a combined value of approximately DKK 3 billion, of which Denmark contributed DKK 388 million. The portfolio has evolved from a strong focus on conflict, security, and fragile-state interventions towards larger Team Europe Initiatives in areas such as trade, climate, and economic development.

C5.2 Benefits of TA
The modality enables Denmark to operate in difficult or inaccessible contexts where it lacks a direct presence, to leverage the EU's political influence and convening power, to pool resources with other Member States, and to transfer implementation responsibilities to experienced organisations. The U-LEAD programme in Ukraine demonstrates how

EU-led coordination can mobilise substantial resources and expertise around a shared reform agenda.

C5.3 Challenges of TA

Delegation through the EU often involves lengthy preparation processes, multiple layers of administration, higher indirect costs, and reduced influence over programme design and implementation. In several cases, Denmark joined programmes after key decisions had already been made, limiting its ability to shape priorities. Administrative costs can accumulate across the different layers of the EU, implementing organisations, and downstream partners.

C5.4 Asymmetry between CA and TA

There is a significant asymmetry between the rights and responsibilities associated with delegation to and from the EU. When the EU delegates funds to a Member State, it retains extensive audit, oversight, and recovery rights. By contrast, when Denmark (or another Member State) delegates funds to the EU, the EC assumes operational responsibility while the delegator has relatively limited rights to information, oversight, or influence over implementation decisions.

6. LESSONS LEARNED

The key lessons learned emerging from this study of Danish and LMD experience of DC with the EU are:

Lesson 1: Delegated cooperation should be pursued selectively and only where Denmark (or another Member State) brings a clear comparative advantage.
Comparative advantages could include recognised sector expertise, strong local partnerships, or a strategic role that adds value beyond what the EU could achieve alone. Projects driven primarily by political ambition rather than operational strengths are more likely to encounter difficulties (as the examples of TCE and AgriBiz demonstrate).

Lesson 2: Early involvement in programme design is critical.
Programmes in which the delegate engages from the outset, helping to shape objectives, implementation arrangements, and risk management approaches, have a better chance of success than those in which the delegate assumes responsibility for implementing projects designed by the EU.

Lesson 3: Pillar assessment should not be interpreted as a safeguard against EU scrutiny.
In practice, EU controls, audits, and potential investigations remain extensive, and the delegates, as well as their implementing partners, must be prepared for intensive compliance oversight throughout implementation.

Lesson 4: Delegated projects require careful preparation and expert input on legal and financial matters.
As the requirements of EU DC are very specific, in-house advisers must have a sound (and preferably practical) knowledge and experience of preparing and managing DC with the EU. Standard MFA systems and procedures were often insufficient to manage the complexity of EU contractual requirements, making specialised expertise a decisive success factor. LMDs such as the Netherlands MFA, EF, Enabel, and GIZ invest a lot of time (in some cases up to two years) and effort (human resources) into preparing delegated projects, carefully negotiating the special conditions and ensuring partners' internal systems are robust and capable of meeting the provisions of EU financial rules. In the Netherlands, external consultants specialised in EU DC play an important role in risk management by closely assessing and advising on potential agreements.

Lesson 5: Rigorous appraisal and risk assessment are essential. In addition to appraisals of the technical aspects of planned DC programmes, operational, financial, and compliance risks, as well as the management capacity available for DC, need to be closely assessed.
A central issue is the foreseen allocation of personnel at HQ or embassy. When assessing the need for resources, it is important to bear in mind that managing a CA with EU-delegated funds requires more resources than "regular" projects. Successful LMD DC programmes were characterised by thorough preparation, realistic assessments of implementation capacity, and a willingness to decline opportunities where risks outweighed benefits.

Lesson 6: Partner capacity is one of the most important determinants of success, and attention should be given to ensuring that the partner has the required administrative and financial capacities and to offering support where needed.
Weak financial management systems, governance shortcomings, and inadequate documentation practices among implementing partners were recurring causes of audit findings and financial corrections.

Lesson 7: Compliance management must be treated as a core programme function and prioritised.
Across the portfolio, documentation deficiencies, misunderstandings of eligibility rules, and inconsistencies between local and EU requirements created significant financial and reputational risks. Strong internal controls and audit readiness are therefore essential from the beginning of implementation.

Lesson 8: Prioritise institutional learning and specialised support.
Much of the MFA's learning on DC has been informal and dispersed across individuals. More successful organisations and donor agencies have invested in dedicated advisory functions, centralised expertise, and systematic knowledge management, enabling them to comply with EU requirements more effectively. Staff managing DC need training on how to manage this type of cooperation. It is not sufficient to rely on a single consultant for necessary technical assistance on an ad-hoc basis. Ongoing training and "help desk" type support are crucial to avoid problems.

Lesson 9: Adequate staffing and financial buffers are critical.
DC is resource-intensive, requiring more staff time, stronger oversight, and sufficient national co-financing to absorb potential ineligible expenditures under the EU's notional approach. It is therefore advisable to ensure that the co-financing amount is sufficient to cover potential EU repayment requests. Underestimating these requirements increases both operational and financial risk.

Lesson 10: Strong relationships and continuous dialogue with EU institutions are fundamental to success.

LMD programmes that benefited from close cooperation with EUDs, regular communication, and shared understanding of rules and expectations were better able to manage risks, resolve issues early, and navigate the complexities of DC.

Taken together, these lessons suggest that successful delegated cooperation depends on early engagement, specialised capacity, rigorous risk management, strong partner systems, and sustained institutional support throughout implementation. As described in Box 5, there are a number of good practices being utilised by the Netherlands MFA that could be usefully drawn from.

BOX 5: LESSONS FROM THE NETHERLANDS

The Dutch experience is of relevance to Denmark. DC experts at the Netherlands MFA report experiencing only minor problems with agreements. The Ministry employs a team of three long-term senior experts specialised in EU DC and financial regulations (two external consultants and the EU DC focal point who is employed directly by the MFA). The team ensures agreements are thoroughly prepared by assessing MFA staff and partner capacities, supporting contract negotiation, providing on-site training, and establishing a collaborative dialogue with the respective EUDs. Furthermore, the Dutch MFA systematically conducts capacity assessments, e.g., through the Organisational Risk and Integrity Assessments Plus (ORIA +) and enforces stringent financial reporting rules. This combination of robust partner capacity assessment, capacity development, close monitoring including regular project specific audits, and highly specialised advice on CA is an interesting model for the Danish MFA.

7. RECOMMENDATIONS[158]

Recommendation 1: (linked to C4, 4.1 and 3.3): Denmark should adopt a more selective and strategic approach to DC with the EU. Rather than taking on projects that have already been fully designed by the EC, Denmark should engage much earlier in programme design and prioritise initiatives that are Danish-designed or genuinely co-created, and where Denmark brings clear expertise and added value. Projects that fall outside Danish areas of comparative advantage should generally be avoided.

Recommendation 2: (linked to C3.3): Strengthen appraisal and decision-making processes. Future appraisals should go beyond technical and development considerations to rigorously assess operational, financial, legal, and staffing implications. Before entering a DC arrangement, the MFA should determine whether it has sufficient capacity to manage the additional complexity and whether Denmark is genuinely the most appropriate lead partner.

Recommendation 3: (linked to C2, 3.5, 3.6, 4.1 and 4.6): Strengthen institutional support within the MFA by establishing a stronger headquarters-based advisory function staffed by specialists with practical experience of EU DC. Such a unit would include a help desk function and centralise institutional learning, provide legal and financial advice, support embassies during negotiations and implementation, and reduce the risk of costly audit findings and repayment claims. HQ-based advisory structures, such as those provided by the Dutch MFA (a dedicated DC unit staffed with suitably qualified and experienced personnel), should be considered. Thanks to their experience managing DC in the field and surmounting the various challenges it has posed, many MFA staff now have a very solid understanding of DC and its many potential pitfalls. This learning needs to be centralised through expanded HQ advisory services.

Recommendation 4: (linked to C3.5, 4.1 and 4.6): Provide systematic training for staff managing EU DC. In addition to enhanced institutional support arrangements, the MFA should provide structured induction programmes, refresher training, and practical guidance materials, to ensure staff understand EU requirements, common compliance risks and how to mitigate them, and evolving procedures.

Recommendation 5: (linked to C3.6 and 4.3): Strengthen the assessment, monitoring, and support of implementing partners. Partner organisations should undergo more detailed financial and organisational capacity assessments before programme implementation, with identified

158 In order of priority.

weaknesses addressed through tailored capacity development plans. Compliance monitoring should continue throughout implementation, and pre-audit reviews should be undertaken before formal EU audits to reduce the likelihood of financial corrections.

Recommendation 6: (linked to C2.4 and 4.2): Establish closer engagement with EU institutions throughout the programme cycle. Early and continuous dialogue with EUDs and HQ units, including finance and contract staff, should become standard practice. Formal kick-off meetings, joint discussions with implementing partners, and regular communication are considered essential to reducing misunderstandings and managing risks before they escalate.

Recommendation 7: (linked to C3.5): Create more systematic mechanisms for sharing experience across embassies and departments. Regular knowledge-sharing forums, combined with a central system for tracking audit findings and compliance issues, would help spread lessons learned and prevent recurring mistakes across the portfolio.

Recommendation 8: (linked to C1.1 and 2.1)**:** Consider encouraging the pillar assessment of relevant Danish institutions beyond the MFA, such as specialised public entities with strong technical expertise. This would create additional channels for Team Europe cooperation and strengthen Denmark's implementation capacity.

Recommendation 9: (linked to C5.3 and 5.4): Delegation of funds to the EU through TA should mainly take place when Danish implementation is complicated due to conflict, war, fragility, or insecure environments where the EU has a strong operational presence, and in the absence of viable alternatives such as delegation to an EU MS.

Recommendation 10: Set up a structured dialogue between Denmark, other Member States, and the EC to clarify persistent misunderstandings around DC. Particular attention should be given, inter alia, to explaining the limits of pillar assessment, clarifying audit expectations, and highlighting common risk areas such as documentation, archiving, exchange rate treatment, eligibility of expenditures, as well as issues related to the administration fee, asymmetries between TAs and DAs, and other challenges faced by Member States negotiating and managing DC. More proactive guidance from the EC would help reduce future compliance disputes and strengthen the effectiveness of delegated cooperation.

MINISTRY OF FOREIGN AFFAIRS
OF DENMARK

2 Asiatisk Plads
DK-1448 Copenhagen K
Denmark

Tel +45 33 92 00 00
Fax +45 32 54 05 33
um@um.dk
www.um.dk

ISBN: 978-87-94339-92-6