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IMPACT ASSESSMENT

Accompanying the document

COUNCIL DECISION

on relations between the European Union on the one hand, and Greenland and the Kingdom of Denmark on the other__ and covering the subsequent implementing regulation of the_ Decision on relations between the European Union on the one hand, and Greenland_ and the Kingdom of Denmark on the other

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TABLE OF CONTENTS

1.	Procedural Issues and Consultation of interested parties.....	4
1.1.	Organisation and timing.....	4
1.2.	Consultation and expertise (public and internal)	4
1.3.	Impact Assessment Board.....	6
2.	Problem definition.....	7
2.1.	The problem requiring action and the scope of the instrument.....	7
2.1.1.	The expiry of the Council Decision 2006/526/EC (2007-2013).....	7
2.1.2.	Scope of the current instrument	8
2.1.3.	Main challenges for the future.....	10
2.2.	Lessons learnt: review of consultations, studies and evaluation reports.....	11
2.3.	The underlying drivers of the problem – justifying the need for reform	12
2.4.	Legal base for EU action.....	13
2.5.	EU Added Value	13
3.	Objectives.....	14
3.1.	Policy framework and objectives	14
3.2.	Specific objectives	14
3.3.	Consistency with external action priorities	15
3.4.	Consistency with other EU policies	15
4.	Policy options.....	16
4.1.	Option 0 – 'Zero option' (No EU action):.....	16
4.2.	Option 1 - 'No change':.....	16
4.3.	Option 2 – 'Maintain the current structure of the EU/Greenland partnership but amending it to better respond to an enhanced partnership'	17
4.4.	Option 3 – 'Design a new instrument':	17
5.	Analysis of impacts	17
5.1.	Likely economic, social and environmental impacts of each of the options	17
5.2.	Impact in terms of management / implementation modalities.....	22
6.	Comparing the options	25
6.1.	Weighing of positive and negative impacts per option.....	25

6.2. Preferred option..... 26

7. Monitoring and evaluation 27

7.1. Core indicators of progress towards objectives 27

7.2. Outline for monitoring and evaluation arrangements 28

1. PROCEDURAL ISSUES AND CONSULTATION OF INTERESTED PARTIES

1.1. Organisation and timing

The drafting of the Impact Assessment for the EU external action instruments for the period 2014-2020, including this document¹, has been coordinated by a **Task Force** composed by services in charge of EU external action and the Legal Service. The **drafting teams**, appointed on 7 June 2011, have duly taken into consideration the consultations, reviews and studies mentioned in Section 2 and have liaised with other Commission services to ensure consistency with other EU policies. The Task Force has met with the drafting team in charge of this Impact Assessment on 5 July, 12 July, 15 July and 2 August 2011 for organisational and quality-check purposes.

An **Impact Assessment Steering Group**, composed by the members of the Task Force and representatives of interested Directorates General and the Secretariat General, was launched on 22 June 2011. It has met twice, on 13 and 26 of July 2011.

This review of this Impact Assessment by the Impact Assessment Board took place on 14 September 2011.

In line with article 27 of the Financial Regulation (Council Regulation (EC, Euratom) No 1605/2002) and article 21 of the Implementing rules of the Financial Regulation (Commission Regulation (EC, Euratom) No 2342/2002), the present impact assessment is the ex-ante evaluation of the EU/Greenland partnership instrument.

1.2. Consultation and expertise (public and internal)

The Commission held a public consultation on future funding for EU external action between 26 November 2010 and 31 January 2011. This process was based on an online questionnaire accompanied by a background paper 'What funding for EU external action after 2013?' prepared by Commission and EEAS services involved. The 220 contributions received to the public consultation reflect a broad and diverse spectrum representing the variety of structures, views and traditions characterising the external action community.

A majority of the respondents (around 70%) confirms that EU financial intervention provides a **substantial added value** in the main policy areas supported through EU financial instruments for external action². The criterion of EU added value is put forward by many respondents as the main driver for the future: the EU should exploit its comparative advantage linked to its global field presence, its wide-ranging expertise, its supranational nature, its role as facilitator of coordination, and to the economies of scale.

¹ The instruments are the following: Internal Agreement for the 11th European Development Fund, Development Cooperation Instrument, Instrument for Pre-Accession assistance, European Neighbourhood Instrument, Instrument for Stability, Instrument for Nuclear Safety Cooperation, European Instrument for Democracy and Human Rights, Partnership Instrument and the instruments for the EU-Greenland Partnership. The Macro-Financial Assistance instrument, the Common Foreign and Security Policy, the Humanitarian aid instrument and the Civil Protection mechanism are not part of this joint exercise.

² i.e. peace and security, poverty reduction, humanitarian aid, investing in stability and growth in enlargement and neighbourhood countries, tackling global challenges, promoting EU and international standards and values, and supporting growth and competitiveness abroad

Over two thirds of respondents believe that **EU interests are sufficiently taken into account in its external action**, and that the latter should be based to a larger extent on EU values and principles, and on development objectives of the partner countries. Inversely, a minority considers that EU external action should concentrate more on EU's own interests in the global economy, particularly towards emerging economies.

Increased flexibility of the geographic limits of EU instruments is supported by a significant majority of respondents as a way to respond to interregional challenges.

A majority of respondents agree that **joint programming and co-financing with Member States** can increase the impact and the coherence of EU external action, simplify the delivery of aid and reduce overall transaction costs.

Regarding **like-mindedness and conditionality**, there is wide support among respondents for exploring conditionality based on the beneficiary country's respect for human rights, minorities, good governance and diversity of cultural expressions (78%), or on the quality of its policies and of its ability and willingness to implement sound policies (63%). However, a majority of respondents is critical towards basing external cooperation on the EU's own interests.

A vast majority of respondents support a stronger focus on **monitoring and evaluations systems** in the future instruments and in projects/programmes implementation.

As concerns the means to enhance the **visibility of EU external funding**, a majority of stakeholders support increasing efforts for information and communication activities, in particular in beneficiary countries; however EU visibility appears to be better served by effective policies, strategies and presence in third countries, than by additional spending for communication. The ideas of **reinforcing EU's coordinating role** among other donors and of ensuring that implementing partners give more visibility to EU funding also obtain a strong support from stakeholders.

Several assessments and evaluations have been made about the EU's cooperation with OCTs, and stakeholders were furthermore consulted. In that context the European Commission organised a public consultation that ran from July to October 2008³, which included a stakeholder conference in Brussels in October 2008.⁴

One of the statements from this consultation was that the current focus on poverty reduction in EU/OCT cooperation no longer corresponded to the reality in the field and that it should be replaced by a new partnership approach, which would better take into account OCT specificities and diversity, in particular their economic and social development, diversity and vulnerability. It was also pointed out that OCT inhabitants were EU citizens as well, that by helping OCTs to strengthen their competitiveness and resilience, the EU would actually be investing in advanced outposts in the world.

A mid-term review of the EU/Greenland partnership 2007-2013 is under finalisation, the preliminary findings are positive. No issues have been raised concerning the programming,

³ <http://ec.europa.eu/development/how/consultation/index.cfm?action=viewcons&id=3841>

⁴ The results of the public consultation were summarised in the Commission Communication of 6 November 2009. The latter was discussed at the 8th and 9th OCT/EU Forums which were respectively held in March 2010 and March 2011.

nor the implementation or eligibility of the Government of Greenland thus far in the current financing cycle. The final conclusions and recommendations will be made available soon.

Stakeholders and beneficiaries, e.g. teachers, students, trade unions and employers' organisations, are consulted on a regular basis by the Government of Greenland in the context of events organised for that purpose. The European Commission attends these events to take stock of the views of direct and indirect beneficiaries of the EU support and to express its own views on the issue under discussion.

1.3. Impact Assessment Board

The EU/Greenland partnership instrument's draft Impact Assessment was submitted to the Board on 5 August 2011. The Board issued its written opinion on 9 September 2011. The initial answers to the questions and recommendations were submitted to the Board on 14 September. The recommendations were:

- (1) The report should provide more information on correlation with the fishery agreements and explain how the proposal will take into account any problematic issues identified in the past or emerging in the future.
- (2) The report should provide greater clarity on the problems related to implementation and how these will be addressed.
- (3) The report should explain how an increase in the areas of cooperation (and possibly focal sector) would allow meeting the objective of concentrating EU support to increase its effectiveness.
- (4) The comparison of options should be improved by using the criteria of effectiveness, efficiency and coherence.

The recommendations of the Board have been incorporated into the present version of the Report.

2. PROBLEM DEFINITION

2.1. The problem requiring action and the scope of the instrument

2.1.1. *The expiry of the Council Decision 2006/526/EC (2007-2013)*

Following a referendum that took place in 1982, where Greenland decided to withdraw from the EU, the Greenland Treaty amended the Treaties establishing the European Communities⁵ on 1 February 1985, providing that the latter should no longer apply to Greenland. Greenland should instead, being a part of a Member State (Denmark), be associated to the European Community as one of the overseas countries and territories (OCTs).⁶

In its preamble, the Greenland Treaty states that arrangements should be introduced which permit **close and lasting links** between the EU and Greenland to be maintained and mutual interests, notably the development needs of Greenland, to be taken into account.

Simultaneously with the Greenland Treaty, a **fisheries agreement** was signed on 13 March 1984, between the EU, on the one hand, and the Kingdom of Denmark and Greenland, on the other. This agreement recalled the spirit of cooperation resulting from the EU's decision to grant the status of overseas territory to Greenland.⁷ Following the Mid-term Review of the Fourth Fisheries Protocol the European Council (2003) concluded that there was a need to broaden and strengthen relations between the EU and Greenland taking into account the importance of fisheries and the structural development problems in Greenland.⁸ Moreover it was decided that a new instrument should take into account the result of a new fisheries agreement, in order to mitigate any negative impact on Greenland's ability to address its structural problems, namely the need to diversify its economy from the traditional sectors, such as fisheries.

The conclusions of the General Affairs and External Relations (the 2487 Council Meeting of 24 February 2003) gave a mandate to the European Commission to conduct negotiations in consultation with a special committee appointed by the Council to assist it in this task. These negotiations were translated in 2006 into a political statement in the form of a Joint Declaration and a Council Decision.

The Joint Declaration by the EU, on the one hand, and Greenland and the Kingdom of Denmark, on the other, defines the common objectives of a new partnership and recalls again the close historical, political, economic and cultural connections between the Community and Greenland, emphasising the need to strengthen further their partnership and cooperation.⁹ In the Joint Declaration the parties furthermore expressed their commitment to base the future relationship of the EU with Greenland after 2006 on a comprehensive partnership for sustainable development which will include a specific fisheries agreement.

⁵ OJ L 29, 1.2.1985, p. 1

⁶ The association is covered by Council Decision 2001/822/EC of 27 November 2001 on the association of the overseas countries and territories with the European Community (Overseas Association Decision). OJ L 314, 30.11.2001, p. 1.

⁷ Saying agreements were renewed and renegotiated on six year basis.

⁸ Council conclusions of 24 February 2003.

⁹ Signed on 27 June 2006. Official Journal of the European Union, L208/32 of 29 July 2006.

In July 2006 the **Council Decision 2006/526/EC**, defined the framework for cooperation between the parties for the period 2007-2013.

2.1.2. Scope of the current instrument

The Council Decision 2006/526/EC defines, for the period 2007-2013, a comprehensive partnership, answering the need to broaden and strengthen future relations between the EU and Greenland taking into account the importance of fisheries and the structural development problems in Greenland.

The objectives of the partnership are:

- (a) to provide a framework for dialogue;
- (b) to achieve common goals by consulting on issues of common interest to ensure that the cooperation efforts have maximum effect in accordance with the priorities of both partners;
- (c) to provide a basis for economic, financial, scientific, educational and cultural cooperation founded on the principles of mutual responsibility and mutual support;
- (d) to contribute to the development of Greenland.

The basis of the mutually beneficial EU-Greenland partnership is the recognition of Greenland's primary responsibility in the formulation and implementation of the policies, targeting the EU support towards the facilitation of these processes, while maintaining the emphasis on the key role of good governance.

For EU Member States, the EU-Greenland partnership, furthermore offers a **window into issues** such as the Arctic Policy¹⁰.

The areas of cooperation defined in the Council Decision are:

- (e) education and training;
- (f) mineral resources;
- (g) energy;
- (h) tourism and culture;
- (i) research;
- (j) food safety.

Cooperation activities are decided in close consultation between the European Commission, the Government of Greenland and the Government of Denmark.

Scope of financing

The activities eligible to financial support include: (a) reforms and projects that are in keeping with the sector policies; (b) institutional development, capacity building and integration of environmental aspects; (c) technical cooperation programmes.

The Commission Regulation 439/2007 of 20 April 2007 clarifies and outlines implementation procedures regarding the Council Decision.¹¹

¹⁰ Of growing importance pending the expected agreement on a Common EU Arctic Policy foreseen for the last quarter of 2011.

The main stakeholders are the EU, Greenland, the Kingdom of Denmark. In the case of Greenland the stakeholders consist of both private and public entities, Government Ministries (such as Ministry of Finance, Ministry of Education and Research, and Ministry of Labour), the Greenlandic Parliament, and other government bodies, such as municipalities. Other stakeholders include labour organisations, teachers and students, school boards and the general public.

Greenland **receives EUR 25 million per year** (2006 prices) from the general budget as part of the Council Decision defining relations between the EU and Greenland covering the period 2007-2013. Under the Fisheries Partnership Agreement (2006/1006/EC), Greenland receives EUR 15,847 million per year for the period 2007-2012. Until 2006, the EU financial support to Greenland was limited to the Fisheries Partnership Agreement.¹²

In 2007 it was agreed that the focal sector for cooperation would be **education and vocational training**, with special emphasis on the Greenland Education Programme.

The general objective of the EU support is to contribute to a higher standard of living and quality of life through development of better education, technical skills and knowledge.

The specific objectives of the current partnership are

- To ensure Greenland's continuous economic progress in the increasingly globalised world economy through provision of a qualified, flexible and competitive workforce.
- To support the Government in its effort to reform the education and training sector in order to respond rapidly to the changing demands of the labour market.
- To focus on education and training opportunities for the most vulnerable target groups: youth and unskilled and/or unemployed workers.
- To retain expertise in Greenland and to recruit a larger share of the workforce locally.

The **two main priorities** within the Greenland Education Programme are (1) the elementary school graduates and (2) the unskilled part of the labour force. They have been identified as the two most vulnerable target groups, who are most affected by the economic and social challenges in Greenland.

The EU support is channelled through **Sector Budget Support**¹³ into the national budget of Greenland, from where approximately EUR165 million is allocated to the Greenland Education Programme in 2011 (the EU support of EUR25 million (2006 prices) account for 16.5% in 2011).

The policy dialogue also covers the overall socio economic situation, including the developments in the macro economic and Public Finance Management areas.

¹¹ OJ L104/20

¹² As additional compensation for the administration of fisheries licenses, there are EUR 2 mill in reserve, making the total amount of support EUR 42.8 million.

¹³ Unlike project support, which is allocated to a specific project, budget support is either allocated to a specific sector policy (Sector Budget Support) or a national strategy (General Budget Support).

2.1.3. Main challenges for the future

Greenland is a country **bigger in size than Europe** with a population of 56,000 inhabitants spread over 18 towns and villages not exceeding 16.000 (the capital, Nuuk being the only one with a population of 16.000, the remainder counting between 5,000 and 6,000 inhabitants) and 60 smaller settlements with populations ranging between 100 and 800 inhabitants.

Given **the geostrategic importance of Greenland** and its location in the Arctic window, it seems appropriate to maintain and even further develop the partnership between the EU and Greenland in the period up to 2020. The partnership should be beneficial for both parties, while facilitating the ability to promote the economic, social and cultural development of Greenland in a sustainable manner. Attention should also be given to upgrading the administrative capacities and societal preparedness to deal with challenges relating to climate change and environmental degradation.

The close **correlation between** the fisheries agreements and the EU-Greenland partnership was recognised by the Council in 2006 when it expressed its commitment to base the future relationship of the EU with Greenland on a comprehensive partnership that would include the fisheries agreement component. With the need to negotiate and conclude a new fisheries agreement covering the period post 2012, the issue of correlation will need to be assessed and eventually addressed in the context of the new EU-Greenland partnership.

The implementation of the Act on Self Rule, which entered into force on the 21 June 2009 allows for the Government of Greenland to take over a number of new responsibilities, which has previously been managed by the Danish Government. Taking over new responsibilities will result in a subsequent reduction in the Danish block grant, equal to the expenses of the area taken over by the Greenlandic authorities.

Regardless this hypothetical development, the Greenlandic administration needs to be able to better prepare national responses to global issues, such as natural resources, including raw materials, climate change, environment, energy and Arctic issues. Thus more consideration should be given to the needs of **capacity building** within the Greenlandic administration in the context of the present and new responsibilities, possibly taken over from the Danish Government. The above mentioned challenges are complemented by the specific economic and social **structural problems**.

It can be argued that Greenland, with a GDP per Capita above EUR 25.000, is a wealthy society. However this situation does not highlight the reality, characterized by an expensive cost of living and high public expenditure due to the need to provide education and healthcare to a population scattered across the worlds' largest island. The absence of a sufficiently sized domestic market and the arctic climate conditions, are additional constraints that explain the limited presence of a self-reliant private sector in Greenland. In addition, due to the limited internal production Greenland **relies heavily on imports**, leading to structural and increasing trade deficits (roughly 17 % of GDP in 2008).

Furthermore Greenland's exports are **highly reliant on fisheries**, primarily concerning the non-processed fish products, which account for about 60 % of the exports, while processed fish products account for about 30% of exports. The challenge for the future remains the diversification of the economy and of the labour force, to make Greenland less dependent on the fisheries sector.

Regarding fiscal policy it should be noted that Greenland relies heavily on the Danish block grant as well as on the EU contributions (fisheries agreement and partnership agreement), which amount respectively to EUR 450 million and EUR 42,8 million per year. Without those **grants** the fiscal deficit of the Government of Greenland would exceed **30% of GDP** annually, which highlights the dependence of the Greenlandic economy on foreign transfers.

From January 2010 Greenland took over the sole responsibility and ownership of the Greenlandic mineral resources.¹⁴ The Government of Greenland and the EU are fully aware of the **new opportunities** that exploitation of natural resources, including raw materials, gas and oil, might represent concerning the potential impact on the economy in the long run with regard to revenue and employment. However, Greenland is still very much dependent on Danish policy officers as well as on short term employees from Nordic countries and foreign companies' expertise.

Rapid climate change in the high north is leading to significant changes in the economy, human activity and the environment. The Greenlandic authorities needs to respond to issues such as migration patterns of fish populations, decrease in oceanic ice coverage leading to easier access natural resources, including raw materials (e.g. hydro carbons in the sea bed). These circumstances require the Greenlandic authorities to be proactive in their approaches to deal with side effects of foreign investments in terms of environment and economic and social impact in the regions concerned. The Commission's Communication 'The EU and the Arctic region' (2008) called for **enhanced Arctic-related cooperation with Greenland**. Additional efforts should be made to make the EU an even more important partner for Greenland in managing its fragile environment and the challenges confronting its population.¹⁵

2.2. Lessons learnt: review of consultations, studies and evaluation reports¹⁶

The EU-Greenland partnership established a process which over time has improved namely through the development of monitoring tools to better assess progress achieved in the focal areas of the cooperation and through a **policy dialogue** that takes place on a **biannual basis**.

As foreseen in the Council Decision, a Mid-Term Review (MTR) of the strategy chosen (education and vocational training) is under finalisation on the basis of an external evaluation which took place in 2010. The **evaluation confirmed the choice** of focal sector and recommended that it should remain for the period beyond 2013. Furthermore it recommends that policy areas such as social sector, research and innovation, natural resources, including raw materials, and environment should be duly taken into account in the future negotiations.

The external evaluation identified certain areas for improvement summarised below:

- The limited capacity in national administration to formulate and implement policies.
- The high level of turnover of personnel (e.g. ministries, schools, hospitals).

¹⁴ The discussion concerning ownership of the resources located in the Greenlandic underground has been ongoing since the introduction of Home Rule in Greenland in 1979. With the adoption of Self Rule on 21 June 2009, the ownership was given to Greenland, with the option of taking over the responsibility of the administration of these resources, which had remained divided between Denmark and Greenland, despite the adoption of Self Rule. The GoG took over responsibility following adoption of the Raw Materials Act of 7 December 2009, which came into effect 1 January 2010.

¹⁵ COM (2008) 763

¹⁶ For further information please see Annex 4.

- The need to develop new areas of expertise at national level to tackle responses in new fields such as natural resources and climate change, while progressing towards a sustainable economy.

The above mentioned issues, limits the potential of the instrument to be of the full benefit for Greenland. The size of the country, the need of new skills and turnover of personnel within the administration, which is highly dependent on short/medium term assignments of Danish citizens, has a negative impact on the smooth continuation of the national policies.

The Greenland Education Programme led to an unexpected level of increase in the number of Greenlanders entering the educational system. This lack of foresight in the planning led to bottlenecks, namely in terms of facilities/dormitories and teachers with required training, that will take time to be rectified. In view of trying to respond to the weaknesses, expertise was made available by the EU to Greenland in areas such as Public Finance Management, statistics and indicators to permit a better follow up of the agreed strategy.

The Government of Greenland undertakes **regular consultations** with the relevant stakeholders that include teachers, students, private sector and trade unions. The discussions aim at fine tuning the strategy and identify the views of the stakeholders in regards to the priority areas. The Commission takes active part in these consultations/discussions.

2.3. The underlying drivers of the problem – justifying the need for reform

- (1) The emergence of global issues such as the increasing impact of climate change on human activity and the environment, maritime transport, natural resources, including raw materials, research and innovation has increased the geostrategic importance of Greenland. The scope of the 2007-2013 partnership does not allow these global issues to be sufficiently addressed for the mutual benefit of both Greenland and of the EU.
- (2) The Arctic region is receiving increased attention due to the possibilities it represents in strategic terms in different areas, such as maritime transport and safety, natural resources, ICT and global positioning systems. The current partnership does not take duly into account the advantages of an enhanced EU partnership with Greenland in respect to addressing the Arctic issues.
- (3) With the emergence of new challenges and opportunities, the Greenlandic administration needs to be able to define and implement policies and strategies, to take full advantage of possibilities and confront the challenges.
- (4) The structural weaknesses of Greenland are still an issue which hinders the establishment of a diversified and sustainable Greenlandic economy.
- (5) The level of unskilled individuals within the labour force limits the development of the Greenlandic economy. The process within Greenland of providing education and vocational training to increase the skills of its labour force including scientists is still ongoing.

- (6) Greenlandic ICT, including information systems¹⁷, is still not fully capable of providing timely and accurate data in relation with the sector policies as well as with the macro economic developments. This issue concerns both the weaknesses of the existing Greenland ICT infrastructure as well as the availability of data for better policy making and assessment of current national strategies.

The current partnership facilitates cooperation in a broad range of areas, but emerging global issues are not addressed sufficiently in the context of the current instrument.

2.4. Legal base for EU action

The relation between OCTs and the EU rests on several legal bases. In the EU's primary law, it is based on Part IV (Articles 198-204) of the Treaty on the Functioning of the European Union, in particular Article 198 therein.¹⁸

Regarding Greenland, the specific arrangements are based on Article 203 of the Treaty on the Functioning of the European Union and are also laid down in Decision 2006/526/EC of 17 July 2006. Furthermore the Greenland Treaty, along with the fisheries agreement of 2006, opens up for elaborated partnership between Greenland and the EU. The fisheries agreement as well as Council Decision 2006/526/EC allows for the inclusion of aspects of development in the partnership. The EU/Greenland partnership expires on the 31 December 2013.¹⁹

While revising the EU-Greenland partnership, it seems appropriate to take into **account the outcome** of the negotiations concerning the **renewal of the fisheries agreement** which expires 31 December 2012.

2.5. EU Added Value

In the case of Greenland **a response at EU-level**, seems the most appropriate way to fully express the EU foreign policy goals, permitting thus have a single voice of matters that are relevant for the EU (e.g. Arctic issues, climate change and security on supply of natural resources, including materials).

The proposed EU-Greenland partnership will allow the **continuation of strong relations** between the partners. It should respond to the global challenges and allow for the

¹⁷ This would include the areas agreed upon for policy dialogue between the EU and Greenland (e.g. environmental impact, climate change, biodiversity, marine living resources such as whales, cod, halibut etc.), with special attention to the one or two areas (e.g. education and vocational training) agreed upon by the parties as focal sectors for cooperation.

¹⁸ Article 198 states that "The Member States agree to associate with the Union the non-European countries and territories which have special relations with Denmark, France, the Netherlands and the United Kingdom".

¹⁹ The Commission is expected to adopt all necessary proposals in view of its renewal. In that respect, European Commission proposals could include a new Joint Declaration by the EU, Greenland and Denmark, a new Council Decision. The opportunity and feasibility of including in the proposal of a Council Decision all the implementing provisions usually contained in a Commission Implementing Regulation will be assessed. Furthermore it should be noted that the post 2013 EU/Greenland partnership would complement the arrangements provided for in the Overseas Association Decision. Council Decision 2001/822/EC of 27 November 2001 is the latest of these decisions. It was amended by Council Decision 2007/249/EC of 19 March 2007. The current decision applies to all OCTs listed in Annex II to the Treaty, except for Bermuda, which has requested that it would not fall under the Decision.

development of a proactive agenda and the pursuit of mutual interests in line with the objectives of the EU2020 strategy and the EU's Arctic policy.

It would add credibility and seek consistency to the EU2020 strategy by linking the **promotion of internal policies, such as the Communication on Raw Materials**, to cooperation activities with Greenland.

As the **EU is the only donor** besides the Kingdom of Denmark, the support allocated through the new partnership will bring an EU perspective to the development of Greenland and will contribute to the strengthening of close and long lasting ties with that territory.

Greenlanders enjoy the citizenship of the Member State to which they are constitutionally linked (Denmark), and subsequently **hold EU citizenship**, making for the corresponding parts of the Treaty to apply to them. The EU support strengthens the position of Greenland as an advanced outpost of the EU, based on the common values and history which links the two partners.

3. OBJECTIVES

3.1. Policy framework and objectives

General Objectives

The EU/Greenland partnership aims to preserve the **close and lasting links** between the partners, while supporting the **sustainable development** of the Greenlandic society.

3.2 Specific objectives

- To create a framework for dialogue between the EU and Greenland on **global issues** such as climate change and environment, natural resources, including raw materials, maritime transport, research and innovation.
- To facilitate cooperation between the EU and Greenland on **Arctic issues**, with the aim to agree on common positions within areas covered by the EU Arctic Policy.
- To help to build the capacity of the **Greenlandic administration** to define and implement sustainable national policies and strategies.
- To assist Greenland in addressing its major challenges in particular the **diversification of the economy**, the dependence on transfer of funds from abroad, the need to increase the skills of its labour force including scientists and to improve ICT, including information systems.

In order to increase the effectiveness of the EU-support, the EU assistance will concentrate on a limited number of focal sectors and will allow for an incentives-based approach.

Sector budget support will in principle remain the main aid modality under the future financial instrument for Greenland and will foresee a fixed and a variable tranche, the latter being linked to the accomplishments of results being agreed upon by the parties. Budget support modalities will be defined in conformity with the European Commission Communication expected to be adopted in the late 2011.

3.3. Consistency with external action priorities

The new EU/Greenland partnership is a complement and do not overlap with the Overseas Association Decision between the EU and the Overseas Countries and Territories. The needs of Greenland and the interests of the EU requires a specific instrument to respond to the issues at stake. The new partnership confirms thus the geostrategic importance of Greenland for the EU and responds to the Greenlandic structural weaknesses, consequently creating the conditions for a balanced and sustainable development of the Greenlandic society.

In the context of the future new instrument Greenland will continue to be eligible for European Development Fund funding from the regional envelope as well as from EU thematic/horizontal budget lines.

The need for coordination with external donors is not applicable in the context of Greenland, due to the fact that the Danish support for Greenland is not allocated to any specific purpose or with any requirements for disbursements. The annual allocation of approximately EUR 450 million is disbursed to the Greenlandic budget, for the Greenlanders to allocate as they see fit.

3.4. Consistency with other EU policies

In a globalised environment, internal EU policies (such as climate change, Arctic policy, environment, biodiversity, natural resources, including raw materials, energy, migration etc.) are increasingly becoming part of the EU's external action. In line with the EU 2020 agenda and the Lisbon Treaty a mutual reinforcement of internal and external actions is needed.

The new partnership defining the cooperation with Greenland should be aligned with the priorities of the Europe 2020 Strategy, as well as those of the EU Arctic Policy²⁰. Taking into account Europe 2020s objectives, and the need to help other parts of the world to step up, their efforts to combat climate change, the Commission has stated in the June 2011 Communication on 'A budget for Europe 2020' that it intends to increase the proportion of climate related expenditure across the EU budget to at least 20 %, with contribution from different policies, subject to impact assessment evidence and it proposed a common tracking procedure for climate related expenditure.

The new partnership will thus provide the necessary framework for dialogue between the European Union and Greenland in areas which have been become of specific importance the EU, such as natural resources, including raw materials, Arctic issues, energy, research and innovation, industry, health and consumer protection etc.

The new partnership tends to ensure coherence between EU internal policies and EU's external action, to identify and maximise synergies between internal and external policies, and finally render the EU aid more effective.

The consistency between the EU fisheries policy and the future EU/Greenland partnership will be ensured: The outcome of the negotiations between EU and Greenland concerning fisheries, will be duly taken into account in the context of the discussions on the identification of the actions to be undertaken, under the new partnership for the period 2014-2020.

²⁰ Commission Communication on 'The European Union and the Arctic region', COM (2008) 763. The second communication of the Commission and the Council on the EU Arctic Policy is currently under preparation.

Examples of coherence between present and future EU internal and external policies are as follows:

Under the new partnership it is proposed to pursue a comprehensive cooperation between the EU and Greenland on the basis of Greenland's status as an OCT and in conformity with the provisions of the post 2013 Overseas Association Decision. Greenland is eligible for numerous programmes through its association to the EU as an OCT. Among others, the Seventh Framework Programme has allowed for funding to research and innovation, where Greenland has applied previously with a success rate of 37.5%, well above the EU average of 22%. The research being supported has had a positive impact on Greenlandic economy so far, and the potential for further successful applications for the future Horizon 2020 programme, could benefit further from Greenland alignment of the scientific policy issues.²¹

The Veterinary Agreement between the EU and Greenland (2011/408/EU) is intended to mutually recognise production standards and food safety measures for products from fisheries live bivalve mollusc etc. Such an arrangement will increase trade and reduce the costs of production, inspection and certification. This is an opportunity for the Greenlandic industry to increase the value of its exports, primarily for processed food.

On offshore safety in connection with particularly oil exploration, the protection of the environment through international cooperation and capacity building in non EU neighbour countries feature strongly in internal EU policies. This recognises the potential damage one country's oil and gas sector can have upon its neighbours.²²

4. POLICY OPTIONS

For the post 2013 period, the European Commission proposed to keep the European Development Fund outside the EU budget and to maintain a budget line, under heading 4 ('Global Europe'), for Greenland.

In light of the problems and underlying drivers identified, the Commission considered (and tested with stakeholders) four alternative options, in view of the renewal of the EU/Greenland partnership, which is presented below.

4.1. Option 0 – 'Zero option' (No EU action):

There would be no financial assistance instrument post 2013. Assistance through the current instrument which terminates on 31 December 2013, would be phased out.

4.2. Option 1 - 'No change':

Under this option it is proposed to re-conduct until 2020 the partnership in its current form, as described under point 2.1.2. This will maintain the focus on education and vocational training as focal sector, as well as the present six areas of cooperation as defined in the Council Decision.

²¹ In that context it should be noted that the intention of the new partnership would be on the capacity building within the scientific community of Greenland and not as such funding for specific projects.

²² Offshore safety is an area in which Greenland follows the guidelines as defined by the Arctic Council and furthermore strengthens these by adopting Norwegian standards to the characteristics of Greenland.

4.3. Option 2 – 'Maintain the current structure of the EU/Greenland partnership but amending it to better respond to an enhanced partnership'

With regard to scope, architecture and implementation arrangements with a view to increase efficiency of aid delivery and to address the shortcomings of the current instrument identified in section 2.3. it is suggested that the post 2013 relations reiterate the principles of the current instrument, but with the inclusion of **new areas of cooperation and broadening the scope of existing ones**. Issues such as 'climate change research', 'environment', 'international cooperation on Arctic issues', 'safe and sustainable energy', 'biodiversity', 'research and innovation', 'mobility' and 'social protection systems' are areas of growing importance that should deserve attention from both parties in the partnership. The dialogue on food safety should also be extended to include food security issues. The research and innovation and energy component should include the research on energy storage. The existing area of 'mineral resources' should be broadened to 'natural resources, including raw materials', to allow for a strengthened policy dialogue in areas of mutual interest for the EU and Greenland.

In response to the need to diversify the Greenlandic economy and taking into consideration the new and broader areas of cooperation, an identification of the needs for expertise will be followed by an agreement between the parties on how to **mobilise the required expertise** that will assist the Greenlandic administration in the definition and implementation of national policies. Decisions in this regard will be taken jointly between the parties at the programming stage.

For the Government of Greenland the partnership would entail the responsibility for adopting sector policies; monitoring and evaluating the effects and results of these policies. Moreover the GoG will also ensure the proper, prompt and efficient execution of the strategies under the sector policies and will report back to the European Commission on the achievements of those policies.

4.4. Option 3 – 'Design a new instrument':

This option was not analysed in detail. An external evaluation of the 2007-2013 EU/Greenland partnership was undertaken. The evaluation was positive, confirmed the relevance of the approach and recommended the continuation of the partnership with some modifications to render it more responsive to emerging issues.

Based on the above mentioned facts, it was considered more relevant to develop an option that took into account the recommendations of the evaluation and fine tunes the current partnership maintaining the current structure but amending to better address the EU/Greenland needs.

5. ANALYSIS OF IMPACTS

5.1. Likely economic, social and environmental impacts of each of the options

In order to fully assess the social and environmental impacts, the qualitative data needed, associated to the options considered, were not available.

(a) Option 0 – 'Zero option'

Under option 0, there will be no financial instrument for the benefit of the EU/Greenland partnership. Since the EU/Greenland partnership focuses on a national educational strategy

already in place, the termination of support from EU, will not cancel the strategy in itself, but would have a negative macro-economic and fiscal impact. The EU support represents respectively 2 and 3% of the GDP and the Fiscal expenditure. Moreover EU funds 20 % of the total educational system in Greenland).

Economic impact

Within the current partnership the assistance is targeted towards education and vocational training. The cooperation has produced results, and the cancellation of support for the Greenland Education Programme will have a negative impact on the progress made.. The effort to diversify the Greenlandic economy will be hampered by the most likely reduction in public spending.

Social and environmental impact:

Without the EU assistance to the Greenland Education Programme it is projected that the expected impact of better education will be insufficient for the development of a sustainable Greenlandic society, with subsequent negative influence on among others environmental awareness.

The two main target groups of the Greenlandic Education Programme are elementary school leavers and unskilled labour under 50 years. Taking into account that the EU contribution represents 20% of the overall educational budget, it is expected that the system will much more less responsive to the needs of the targets groups with a negative economic and social consequences for the Greenlandic economy.

The current partnership has facilitated an increase in student intake on Vocational Education and Training (VET) in the extent of XX% along with an increase in the building of dormitories and facilities for students and trainees.

(b) Option 1:

Under the 'status quo' or 'no change' option, the EU intends to maintain the **areas of cooperation** defined under the current partnership: education and training, mineral resources, energy, tourism and culture, research, and food safety.

Economic impact:

Within the period 2007-2013 the focal sector chosen for cooperation is education and vocational training. The mid-term review of the Programming Document for Sustainable Development confirmed the continuation of education as focal sector until the end of the period. The likely continuation of the support to this sector during the period 2014-2020, is expected to produce continued results and contribute to the development of the **overall economy of Greenland**.

Taking into account the diversification needs of the Greenlandic economy, education will have a positive impact on the economy through the provision of a labour force that will have the adequate skills for confronting the challenges inherent to the transition from a primarily fisheries driven, to a more diversified economy.

The adaptation of the curricula to the new needs of its labour market, along with the provision of vocational education and training, the strategy will facilitate the integration of Greenland into the global economy and contribute to its economic growth. In addition, the investments

made in more schools and dormitories for students will have a positive impact on the small Greenlandic economy with the stimulation of the labour market.

Social and environmental impact:

More and better education is expected to have a medium- to long-term positive impact on the Greenlandic society. Improved knowledge and awareness of issues such as health issues and environment is likely to increase following improved competencies development and better education.

Regardless of the achievements made during the current instrument, there is yet to be defined targets for the future phase of the Greenlandic Education Programme, which runs from 2014 until 2020. The only quantitative target set out by the Government of Greenland is that the intention is to have a labour force in 2020 where 2/3 have a competence given education.

(c) Option 2 – Enhanced EU/Greenland Partnership

Extend the areas of cooperation to 'climate change research', 'environment', 'biodiversity', 'Arctic issues', 'migration/mobility', 'social protection systems', as well as the integration of 'food safety' and research and innovation including on 'energy storage'. And furthermore broaden existing ones to include 'natural resources, including raw materials'.

It could be argued that consideration should be given under this option to analyse different sub options and assess the possible impact of each alternative in regards to areas of cooperation. Following a close consultation, namely with the relevant Commission Directorate-Generals, it became apparent that the partnership should allow for a flexible approach in terms of the areas of cooperation and consider relevant **global issues** for the EU, through the adoption of a multi-sectoral approach in matters that are closely related (as mentioned above).

Economic impact:

When Greenland took over the sole responsibility and ownership of the natural resources and natural resource activities (see chapter 2.1.3.), it assumed control of sectors which represent an opportunity for long term economic growth, thus responding to the need for diversification of the Greenlandic economy.²³

The provision of expertise under the enhanced partnership will facilitate the building of capacities of the Greenlandic administration to fully define, follow and implement policies where needed.

The scope of financing should continue to be focused on the support of sector policies through the choice of one, maximum two, focal sectors²⁴, but additional attention should be given to the general **capacity building of the Greenlandic public administration**. This capacity building could cover areas such as climate change, research and innovation, migration/mobility, natural resources, including raw materials, as well as food safety and safe

²³ It should be noted that the sectors furthermore represent an environmental risk in the context of oil exploitation, as the conditions of the Arctic region presents difficult circumstances in the case of accidents. See chapter 3.4 for an elaboration on the safety measures in place.

²⁴ These will be defined jointly between the parties in the programming stage.

and sustainable energy. This emphasis would facilitate the skills needed to review the relevant national policies and furthermore support the processes ensuring the availability of information/data required to better fine tune and monitor the policies in question. This facilitates more efficient use of public money, better procurement processes and the ability to attain the skills needed to attract new investments and create a productive business environment. Subsequently this will lead to a more diversified economy.

Other areas of interest for capacity building could include offshore safety, energy efficiency, renewable energy and research on energy storage, taking due consideration of assessing environmental impacts of exploitation of natural resources, including raw materials. This would allow for the national administration to better respond to the challenges that diversification of the economy and the arrival of new enterprises and industries implies.

Moreover it is apparent that should the estimated natural resources, including raw materials, in the Greenlandic underground result in factual findings of resources, it will lead to investments in infrastructure and exploitation sites. This will lead to two types of issues, (1) an influx of foreign labour in the country, which will highlight the importance of the ability of the authorities to manage these kinds of situations in logistical and societal terms. (2) The foreign investments entering the country, raises the question of how to integrate the know-how gained through presence of foreign experts and companies in the economy in a sustainable manner.

The introduction of new industries can furthermore have an influence in spill over effects in the local community, since the new facilities will bring in external labour force, which will be a positive migration to the hypothetical city being the geographical location of the investment.

The enhanced partnership should provide for a **proactive approach** in the multiple aspects within the area of research and innovation. It is of the interest of Greenland and the EU to have a better understanding of the **impact of climate change** at country and global level to be able to formulate the adequate responses to such developments. The impact of climate change on the **ecosystems** deserves attention to identify the impact on the Greenlandic economy and society, where possible changes can have an effect on the sustainable economic growth which is one of the purposes of the Partnership.²⁵

The impact of cooperation in the area of sustainable development and use of energy resources, including energy efficiency, renewable energy and **research, such as on energy storage**, climate change and hydro power, has the potential of generating economic growth and expertise, in new areas with high value added for Greenland.²⁶

²⁵ Example: The migration of South Greenlandic shrimp to the north Greenlandic waters, leading to lack of nutritional sources for the species inhabiting the North Greenlandic territories. This is due to the characteristics of the smaller Greenlandic shrimp from the south, which is defined as smaller in size and of less nutritional value than the larger Greenlandic shrimp from the North. The migration is due to changes in water temperature following the increased melting of the Greenlandic ice-cap.

²⁶ Presently all policy initiatives concerned with natural resources, energy or climate, is to go through a Social Impact Assessment (SIA) as well as an Environmental Impact Assessment (EIA) as stipulated in the Greenlandic 'Mineral Resources Act' (adopted 7 December 2009). The mineral Resources Act stipulates that permission for and approval of certain activities can only be granted when an assessment has been made on the impact of the environment (EIA) and a report thereon has been approved by the GoG.

In the context of energy storage, it is necessary to have focus on raw materials, including **Rare Earth Elements (REE)**²⁷, which is essential in the production of green technologies. This fact calls for enhanced cooperation in an area, where Greenland has the potential of becoming one of the worlds leading suppliers. Due to the very limited internal production of among others REE the **EU is heavily dependent on third country suppliers**.²⁸

Greenland's oil and gas resources could contribute to enhancing the **EU's security of supply** concerning energy and natural resources, including raw materials, in general. Ongoing and already accomplished seismic surveys and other geophysical data indicate that large hydrocarbons deposits could be present in Greenland. The exploration activities are increasing and the next Greenland Sea Licensing Rounds is foreseen by the GoG for 2012 and 2013.²⁹

End 2010, the EU Commission took a clear position on the need to improve the safety of offshore oil and gas operations of European companies worldwide in its recent communication on the subject. This Communication also states that contacts with Arctic countries are essential in this regard.³⁰

Finally, a well-educated labour force will automatically facilitate the diversification of the Greenlandic economy from fisheries to other areas, through the enhanced flexibility and adaptability to the new demands of the labour market. The strengthened focus on among others raw materials present the opportunity for an increased focus on the linkage between possibilities for education and the demands of a diversified economy.³¹ This will moreover allow for a higher percentage of employability and subsequently to a positive outcome for public finances.³²

Social and environmental impact:

The enhanced partnership would continue the focus on education bringing more individuals through the Greenlandic educational system, and thereby bring more **people out from social assistance** which would **release public funds** for other priorities within the Government of Greenland, e.g. environmental concerns and research and innovation. Furthermore the attraction of the Greenlandic labour force will increase in connection with its growing level of competencies, therefore facilitating the arrival of foreign investments.

²⁷ REE refer to seventeen elements of the periodic table, which, because of their chemical properties are deemed by industry and policy makers alike to be key materials in the production of high technological and innovative applications, including green technologies such as wind powered turbines and hybrid vehicles

²⁸ Currently, 95% of the world's extraction and production of REE takes place in China, which, through measures such as export restrictions and stock piling, promotes its own domestic production while maintaining control over the world market in these resources.

²⁹ In 2008, the EU imported 84,3% of its oil and 62,3% of its gas, and the share of imported oil and gas will increase since the domestic production in the EU declines. USGS completed in 2007 an estimate of undiscovered oil and gas resources in the subsurface in the Sea in the East Greenland province. The mean estimate of oil and gas in the province was calculated at more than 31 billion barrels of oil equivalent. However, it presents great challenges and entails high costs due to harsh conditions and multiple environmental risks

³⁰ Commission Communication on "Facing the challenge of the safety of offshore oil and gas activities" of 13 October 2010, (COM) 2010/0560

³¹ Within the current partnership, which has focus on education and vocational training, a Mining school has been established in Sisimiut in Greenland. The school educates 100 pupils annually, and the figures from this school are part of several of the indicators monitoring the current instrument.

³² Tax and Welfare Commission Report 2011. Government of Greenland.

The partnership will also facilitate a better understanding within both the Greenlandic administration and the general public of global issues concerning possible impacts on the environment following foreign investments, as well as the appropriate responses. Furthermore the enhanced partnership will strengthen the understanding of the link between the habits of individuals and the development of the ecosystems, both in connection with climate change and the potential loss of biodiversity. This strengthened focus on environment and climate change would furthermore have a positive effect on awareness among the Greenlandic population in regards to these areas of cooperation.

An analysis of the current instrument and its' impact on the social system is not feasible since the strategy hasn't been implemented long enough. The current partnership has indicators with focus on the long term impact on the social sphere, yet, these do not expect to show results in the short run, but quite contrary closer to the end of the strategy in 2020.

5.2. Impact in terms of management / implementation modalities

Option 1 - Status quo

Concerning the financing decision the aid modality for the two options should in principle continue to be budget support, which will imply policy dialogue about the focal sector chosen in the context of the strategy agreed upon for the period. Furthermore, in accordance with the rules of eligibility, the aid modality implies:

- (1) An existence of Mid-term Expenditure Framework (MTEF) linked to the strategy that will be supported.
- (2) Regular dialogue and submission of evidence about macro economic situation, Public Finance Management (PFM).
- (3) Discussions on progress in these areas based on baselines.
- (4) Annual financing decisions with a fixed and variable tranche, the latter being linked to agreed targets.

Option 2 – Enhanced EU/Greenland partnership

Regarding programming, the new partnership will follow the same principles for programming as defined in the Council Decision (2006), whereby the Government of Greenland shall assume responsibility for the formulation, adoption, monitoring and evaluation of sector policies, including strategies and their implementation. Regarding the implementation of the programming document, the evaluation of the current cycle has been unable to define any problems concerning implementation as having an impact on the programming cycle or the progress intended.

The Government of Greenland will furthermore prepare and adopt an indicative Programming Document for the Sustainable Development of Greenland (PDSD). The aid modality to be used for the implementation of the strategy should in principle continue to be budget support.

It is the intention of the European Commission to further align the annual financial decisions and subsequent disbursement of the tranches with the beneficiary's processes and budget cycles. This in line with the current implementing rules, whereby a percentage of the support is allocated as a fixed tranche and the remaining amount is subject to an assessment on the basis of the results achieved by the Government of Greenland in the context of the sector policies and strategies agreed upon between the parties as focal sectors of support.

The reporting requirements will be further streamlined to reduce the transaction cost within the national administration. The technical expertise needs will be identified on an annual basis with the procurement and mobilisation of those resources being done as much as possible by the Greenlanders and according to their national procedures.

It is proposed to further align the annual financial decisions and subsequent disbursement of the tranches with the beneficiary's processes and budget cycles. Furthermore, the requirements of the annual reports to be provided to the Commission should be further aligned with the national processes and policy documents, prepared for internal purpose, the idea being to contribute to a **reduction of the transaction cost** within the national administration. This option would otherwise be similar to option 1 with some resources from the annual allocation being set aside for possible short term expertise needs. It could be argued that a creation of a Technical Assistance Facility would imply additional work concerning the administration of contracts. However such an arrangement can be implemented along the following lines:

1. Dialogue on the identification of the needs of expertise in the beginning of the year and discussion of the Terms of Reference for the assignment.
2. Tendering and contractualisation of the expertise. This implies **two possibilities**, where the administration of the contracts for the expertise is either handled by the beneficiary or the European Commission services.
 - **The first possibility** would be that the amount available for technical expertise is included in the disbursement of tranches of the budget support, with the tendering and the follow-up being handled by the Greenlandic administration.
 - **The other possibility** could be that the administration of the experts is handled by Commission services.

Regarding the assessment of **needs for expertise** to be provided through the Technical Assistance Facility, as well as the amount set aside for that purpose, will be agreed upon on an annual basis, along with a discussion of the combination of the possibilities mentioned above.

The Technical Assistance Facility could be complemented through coaching of the administrative personnel as well as the facilitation of arrangements which would permit the exchange of experience and knowledge between the relevant Greenlandic authorities and/or private/public entities. The EU's domestic experience in designing policy measures e.g. in the context of its climate and energy package or the EU2020 Strategy for smart, inclusive and sustainable growth should be exploited in full.

Furthermore it is the intention of the Commission that the future instrument, despite the increase in areas of cooperation, will only lead to the identification of one, maximum two focal sectors for cooperation. These will however be complemented by a 'facility' that shall permit the partnership to respond to other Greenlandic needs in areas beyond the focal sectors and make available for Greenland expertise in areas that are considered relevant by the Commission line DGs. This will ensure the effectiveness, efficiency and coherence of the support to Greenland, despite choice of focal sectors and the increase in overall policy areas.

The choice of a limited number of focal sectors is furthermore to avoid fragmentation of the support and ensure that the indicators and tools for measuring the results and achievement

drawn from the instrument is clearly defined. In order to further improve the effectiveness of the instrument the parties have the intention of having biannual official meetings, whereby an aide memoire is signed with a clear agreement on the activities to be undertaken within the framework of the instrument.

The possible extension of the partnership to an additional focal sector is expected not to lead to additional administrative costs for the Commission services as well as for the Greenlandic administration. It is the intention of the parties to try to implement the partnership in a smooth manner, if required assistance will be provided in view of to facilitate the process, namely the preparation of annual reports or other documents that might be necessary in the context of the new partnership.

Finally the scope of financing should continue to be focused on the support of sector policies, with additional attention given to the general capacity building of the Greenlandic public administration. This emphasis would facilitate the skills needed to review the relevant national policies and furthermore support the processes ensuring the availability of information/data required to better fine tune the policies in question.

6. COMPARING THE OPTIONS

6.1. Weighing of positive and negative impacts per option

<i>Objectives</i>	<i>Option 0 – Zero option</i>	<i>Option 1 – Status Quo</i>	<i>Option 2 – Enhanced EU/Greenland Partnership</i>
1. To create a framework for dialogue between the EU and Greenland on global issues such as climate change and environment, natural resources, including raw materials, maritime transport, research and innovation.			
1.1. Preserving the close and lasting links between the partners, while supporting the sustainable development of the Greenlandic society.	(-)	(0)	(+)
1.2. Provide a framework for dialogue	(-)	(0)	(0)
1.3. Creating long lasting links between the EU and Greenland	(-)	(0)	(+)
1.4. Areas of cooperation – extend partnership to climate change, research and innovation, migration/mobility, environment, Arctic issues and social protection systems.	(-)	(0)	(+)
1.5. Reinforce coherence of EU external action	(-)	(0)	(+)
1.6. Safe and sustainable use of energy resources	(-)	(0)	(+)
1.7. Increase flexibility within the Partnership	(-)	(0)	(+)
1.8. Less EU legislation – simplification.	(-)	(0)	(+)
2. To facilitate cooperation between the EU and Greenland on Arctic issues, with the aim to agree on common positions within areas covered by the EU Arctic Policy.			
2.1. To achieve common goals by consulting on issues of common interest	(-)	(0)	(+)
3. To help to build the capacity of the Greenlandic administration to define and implement sustainable national policies and strategies.			
3.1. Contribute to the sustainable development of Greenland	(-)	(0)	(+)
3.2. Climate change: Better understanding of the influential factors and enhanced resilience towards the impacts.	(-)	(0)	(+)
3.3. Research concerning natural resources, including raw materials,	(-)	(0)	(+)
3.4. Allow more incentives based approaches	(-)	(0)	(0)
4. To assist Greenland in addressing its major challenges in particular the diversification of the economy, the dependence on transfer of funds from abroad, the need to increase the skills of its labour force including scientists and to improve ICT, including information systems.			
4.1. Diversification of the Greenlandic economy	(-)	(0)	(+)
4.2. Need for financially sustainable social protection systems.	(-)	(0)	(+)
4.3. Capacity building within the Greenlandic administration. in regards to the formulation and monitoring of new policy areas	(-)	(0)	(+)
4.4. Scope of financing – The definition of one or two focal sectors with the introduction of a TA facility.	(-)	(0)	(+)

6.2. Preferred option

The preferred option is Option 2.

Given the drivers mentioned above (see section 2.3.):

- The increased geostrategic importance of Greenland for the EU.
- The importance of the Arctic region.
- The needs of the Greenlandic administration in relation with the emergence of new challenges and opportunities.
- Structural weaknesses of Greenland.
- The insufficient level of skills within the Greenlandic labour force.
- The need for further improvement of the Greenlandic ICT, including information systems.

The effectiveness of each option has been measured in relation to its responses to these problems and compared to the matrix above (section 6.1.).

(a) Option 0 is not an appropriate option in responding to the drivers for reform, nor to answer to the general objective of the EU/Greenland partnership. Furthermore the challenges, with which Greenland are faced, and the growing geostrategic importance of Greenland for the EU remains unanswered.

(b) Option 1 is not considered a valid option for the EU and Greenland, in view of the need to respond to the underlying drivers defined above. Challenges linked to globalisation require an adapted instrument covering the areas of growing importance and taking into account the political challenges of globalisation. Choosing this option would also mean ignoring the development of the emerging international awareness towards Greenland from key players in the world. It would not allow the EU to fully project its interests and policies abroad.

(c) Option 2 is assessed as the best option through its enhanced scope of cooperation and the integration of the development of the geostrategic importance of Greenland to tackle the problems identified and to respond to the general and specific objectives developed above (see chapters 2.3, 3.1 and 3.2.). The enhanced partnership will not only recognise the geostrategic importance of Greenland, but it would continue to recognise the close and lasting links between the EU and this territory as it is stipulated in the Greenland Treaty.

Through enhanced cooperation the partnership would be extended to **cover new areas that are of relevance for both parties** and thus provide an appropriate response to the global challenges with which the EU and Greenland is faced. Within this context it is worthwhile to recall again the relevance of natural resources, including raw materials, for Greenland and the EU. A relevance which has been elaborated in the context of the Commission Communication of February 2011 on a raw materials strategy of the EU.

In the light of the above mentioned areas, consideration should be given to the possibility of **increasing the overall amount** that Greenland receives from the EU, due to the broadening of existing areas of cooperation, such natural resources, including raw materials, and the inclusion of new areas such as arctic issues, climate change, energy and research and innovation capacity building. In combination with the existing areas of cooperation these have the potential to facilitate the development of a sustainable Greenlandic economy.

Furthermore **the geostrategic importance of Greenland**, in the context of its location in the Arctic window and bearing in mind Greenland's estimated natural resources, including raw materials, calls for an enhanced partnership to which the required financial resources should be allocated. The growing importance of the Arctic region to the EU calls for comprehensive dialogue with the relevant players including Greenland with the intention of having common positions that takes due account of the EU interests in the region. This policy dialogue should be for the mutual benefit of both the EU and Greenland and in full compliance with the respective institutional and legal powers of the parties.

Regarding the funds that should be allocated to the new partnership in the post-2013 period, and due to the **close link between the fisheries agreement and the EU/Greenland partnership**, the outcome of the negotiation and conclusion of a new fisheries agreement covering the post-2012 period, should be duly taken into account in the implementation of the new EU-Greenland Partnership Agreement.

The preference of option 2 is also indicated in the table below where the options are assessed against three criteria of which effectiveness must be taken into account as a necessary condition therefore outweighing the other two.

- (1) *Coherence* means possibilities to create synergies in terms of programming and delivery towards achieving the agreed objectives and to avoid negative consequences and overlaps which would adversely affect the implementation of the policies.
- (2) *Effectiveness* means setting the right goals and objectives and making sure they are accomplished.
- (3) *Efficiency* means getting the most from the resources available.

	Option 0	Option 1	Option 2
Coherence	-	=	+
Effectiveness	-	=	+
Efficiency	-	-	+

7. MONITORING AND EVALUATION

7.1. Core indicators of progress towards objectives

In the context of the existing partnership, a set of indicators have been agreed between the parties that will permit the follow up of the overall developments in the Greenlandic economy and society. This set of indicators is complemented by more specific ones, referring to the education and training sector (see annex 1).

In context of the new enhanced EU/Greenland partnership the indicative list of indicators that might be used are described below. Additional indicators might also prove necessary to better account for the new areas of cooperation. This matter will be further discussed with the Greenlandic authorities.

Indicators associated to the first specific objective (see chapter 3.1.):

- Number of research projects concerning Arctic issues (e.g. oil exploitation/exploration in Arctic climate).
- Percentage of renewable energy in the total Gross Energy Consumption.
- Number of licenses granted for exploitation/exploration of natural resources, including raw materials.

Indicators associated to the second specific objective:

- Annual assessment of policy dialogue on Arctic issues.
- Consultations between the parties on Arctic issues related to EU Arctic policy.

Indicators associated to the third specific objective:

- Number of administrative personnel completing training.
- Increase in number of new policies defined/reviewed.
- Number of apprenticeship places in European industries (either in Greenland or outside).
- Number of public officials on training in European public administrations

Indicators associated to the fourth specific objective:

- Number of internet providers
- Number of internet connections
- Expenditure on education as a percentage of total public expenditure
- Completion of education, total
- % of trade balance in GDP
- % of fisheries in total exports
- % fiscal deficit without grants in GDP
- % of natural resources, including raw materials,³³ in the total exports.

7.2. Outline for monitoring and evaluation arrangements

The European Commission's Monitoring and Evaluation systems are increasingly focussed on results. They involve internal staff as well as external expertise.

In the case of the EU support to Greenland assistance is given to the development of indicators that permit the follow up of the partnership and the policies that are being supported as far as the Greenland Education Programme is concerned. A special focus is put on output and outcome indicators and it is envisaged to expand the use of impact indicators in the future partnership. The disbursement of **variable budget support tranches** relies on a set of **indicators** with definition of the **targets to be achieved** within a given year.

Monitoring provides valuable information on progress and it is a good **basis for policy dialogue** and helps the parties to identify actual and potential bottlenecks, and to take corrective action, through the fine tuning of existing strategies.

³³ Monitored through figures on: 'Raw materials, inedible', 'Mineral fuels and lubricants etc.'

External, independent experts are contracted to assess the performance of EU external actions through three different systems. These assessments contribute to accountability, and to the improvement of ongoing interventions; they also draw lessons from past experience to inform future policies and actions. The tools all use the internationally-recognised OECD-DAC evaluation criteria including (potential) impact.

As in the past, a midterm review of both the new Programming Document and the Council Decision will be carried out in close cooperation between the relevant stakeholders. The Mid-Term Review will be scheduled to be concluded June 2017 at the latest.

List of annexes:

Annex 1 – Indicators from present partnership

Annex 2 – List of natural resources, including raw materials, to be used in high technology components

Annex 3 – Evaluations, consultations and external studies on EU cooperation with OCTs

Annex 1

List of indicators for the focal sector of the current EU/Greenland partnership 2007-2013 - Education and vocational training.

Indicator 1	Public expenditure on education
Indicator 2	Implementation of improvements in monitoring system
Indicator 3	Applicants
Indicator 4	Attendance
4.a	Number of students attending vocational education and training and high school education
4.b	Number of students attending skills and competence courses
4.c	Number of students attending higher education
Indicator 5	Apprenticeships
Indicator 6	Ratio of expenditure on private skills and competence courses with public subsidies
Indicator 7	Buildings
7a	Number of dormitories completed
7b	New educational institutions completed
7c	Extension of educational institutions completed
Indicator 8	Education (Share of workforce in Greenland with ISCED level 3 in percentage of total workforce)
Indicator 9	Completion
Indicator 10	Repetition rates: Vocational education and training and high school education
Indicator 11	Dropout rates
Indicator 12	Job insertion
12.a	Number of graduates from formal educations obtaining a job
12.b	Job insertion after attending <i>Piarsersarfii</i>
Indicator 13	Enterprise start-ups
Indicator 14	GDP per capita
Indicator 15	Block grants and other external grants
Indicator 15	Block grants and other external grants
Indicator 16	Employment rates
Indicator 17	Health

Annex 2

List of results from the Annual Implementation Report 2009 on the Greenland Education Programme (Source: Statistics Greenland)

Table 1: Expenditure on education as a percentage of total public expenditure (indicator 1.1)

Result 2005	Result 2006	Result 2007	Result 2008	Result 2009	Target 2009	Result and target 2009 difference
16,1	15,5	17,6	19,7	19,2	20,1	-0,9

Note: Result 2009 is still preliminary and can be subject to changes until finalized data will be available later in 2010.

Source: Finance Act for various years.

Table 2: Expenditure on education (in million Euro) (indicator 1.2)

Result 2005	Result 2006	Result 2007	Result 2008	Result 2009	Target 2009	Result and target 2009 difference in %
115,5	114,7	141,3	161,4	167,3	169,5	-1,3

Table 3: Expenditure on education, indexed (2005=100) (indicator 1.3)

Result 2005	Result 2006	Result 2007	Result 2008	Result 2009	Target 2009	Result and target 2009 difference in %
100	99	122	140	145	147	-1,3

Note: Result 2009 is still preliminary and can be subject to changes until finalized data will be available later in 2010.

Table 4: Applicants for VET (indicator 3.1)

	Result 2006	Result 2007	Result 2008	Result 2009	Target 2009	Result and target 2009 difference in %
Number	1223	1189	1396	1579	1497	5,5
Index 2006=100	100	97	114	129	122	5,5

Table 5: Applicants for High School Education (indicator 3.2)

	Result 2006	Result 2007	Result 2008	Result 2009
Number	-	-	757	796
Index 2008=100	-	-	100	105

Source: Reporting from High Schools to MoCERC

Table 6: Applicants for Higher Education (indicator 3.3)

	Result 2006	Result 2007	Result 2008	Result 2009
Total	-	-	450	477
Index 2008=100	-	-	100	106

Source: Reporting from Higher Education institutions to MoCERC

Table 7: Students by type of education, (indicator 4a.1)

	Result 2005	Result 2006	Result 2007	Result 2008	Result 2009	Target 2009	Result and target 2009 difference in %
Total	1925	2077	2178	2410	2484	2612	-4,9
VET	1098	1246	1313	1439	1386	1537	-9,8
High School	827	831	865	971	1098	1075	2,1

Table 8: Students by type of education, relative to the relevant population (indicator 4a.2)

	Result 2005	Result 2006	Result 2007	Result 2008	Result 2009	Target 2009
Total	0,43	0,47	0,49	0,54	0,56	0,59
VET	0,25	0,28	0,29	0,32	0,31	0,34
High School	0,19	0,19	0,19	0,22	0,25	0,24

Table 9: Students by type of education, indexed (2005=100) (indicator 4a.3)

	Result 2005	Result 2006	Result 2007	Result 2008	Result 2009	Target 2009
Total	100	108	113	125	129	136
VET	100	113	120	131	126	140
High School	100	100	105	117	133	130

Table 10: Number of students by type of education (indicator 4c.1)

	Result 2005	Result 2006	Result 2007	Result 2008	Result 2009	Target 2009	Result and target 2009 difference in %
Total	775	840	862	924	930	974	-4,5
First cycle	454	489	497	534	510	559	-8,8
Second cycle	321	351	365	390	420	415	1,2

Table 11: Students by type of education, indexed (2005=100) (indicator 4c.2)

	Result 2005	Result 2006	Result 2007	Result 2008	Result 2009	Target 2009
Total	100	108	111	119	120	126
First cycle	100	108	109	118	112	123
Second cycle	100	109	114	121	131	129

Table 12: Number of apprenticeships at VET (indicator 5.1)

	Result	Result	Result	Result	Result	Target	Result

	2005	2006	2007	2008	2009	2009	and target 2009 differenc e in %
Total	1098	1100	1098	1316	1376	1372	0,3
Index 2005 =100	100	100	199	120	125	125	0,3

Table 13: Number of graduates by type of education (indicator 9.1)

	Result 2005	Result 2006	Result 2007	Result 2008	Result 2009	Target 2009	Result and target 2009 differenc e in %
Total	581	597	679	716	754	751	0,4
VET	247	251	292	309	331	328	0,9
High school Education	173	213	221	237	236	247	-4,5
Total Higher Education	161	133	166	170	187	176	6,3
Of which first cycle	106	85	111	115	116	120	-3,3
Of which second cycle	55	48	55	55	71	56	26,8

Table 14: Graduates by type of education, indexed (2005=100) (indicator 9.2)

	Result 2005	Result 2006	Result 2007	Result 2008	Target 2009	Outcome 2009
Total	100	103	117	123	129	130
VET	100	102	118	125	133	134
High School Education	100	123	128	137	143	136
Total Higher Education	100	83	103	106	109	116
Of which first cycle	100	80	105	108	113	109
Of which second cycle	100	87	100	100	102	129

Table 15: Number of repeaters attending vocational education and training and high school education (indicator 10.1)

	Result 2005	Result 2006	Result 2007	Result 2008	Result 2009	Target 2009	Result and target 2009 differenc e in %
Total	47	40	38	68	65	75	-13,3
VET	18	18	27	28	35	30	16,7
High School Education	29	22	11	40	30	45	-33,3

Table 16: Repeaters attending relative to total attendance in vocational education and training and high school education (indicator 10.2)

	Result 2005	Result 2006	Result 2007	Result 2008	Result 2009	Target 2009
Total	2,4	1,9	1,7	2,8	2,6	2,9
VET	1,6	1,5	2,1	1,9	2,5	1,1
High School Education	3,5	2,7	1,3	4,1	2,7	1,7

Table 17: Repeaters attending vocational education and training and high school education, indexed (2005=100) (indicator 10.3)

	Result 2005	Result 2006	Result 2007	Result 2008	Result 2009	Target 2009
Total	100	85	81	145	138	160
VET	100	100	150	156	194	167
High School Education	100	76	38	138	103	155

Table 18: Number of drop outs by type of education (indicator 11a.1)

	Result 2005	Result 2006	Result 2007	Result 2008	Result 2009	Target 2009	Result and target 2009 difference in %
Total	639	689	675	706	809	725	11,6
VET	291	287	290	281	367	290	26,6
High School Education	179	218	187	240	260	240	8,3
Total Higher Education.	169	184	195	185	182	195	-6,7
Of which first cycle	111	127	106	115	111	120	-7,5
Of which second cycle	58	57	89	70	71	75	-5,3

Source: Statistics Greenland

Table 19: Drop out rate relative to total attendance by type of education (indicator 11a.2)

	Result 2005	Result 2006	Result 2007	Result 2008	Result 2009	Target 2009
Total	23,7	23,6	22,2	21,5	23,7	20,2
VET	26,5	23,0	22,1	19,5	26,5	18,9
High School Education	21,6	26,2	21,6	24,7	23,7	22,3
Total Higher Education	21,8	21,9	23,0	20,6	19,6	20,0
Of which first cycle	24,4	26,0	21,9	22,0	21,8	21,5
Of which second cycle	18,1	16,2	24,4	18,8	16,9	18,1

Source: Statistics Greenland

Table 20: Drop out rate by type of education, indexed (2005=100) (indicator 11a.3)

	Result 2005	Result 2006	Result 2007	Result 2008	Result 2009	Target 2009
Total	100	108	106	110	127	113
VET	100	99	100	97	126	100
High School Education	100	122	104	134	145	134
Total Higher Education	100	109	117	109	108	115
Of which first cycle	100	114	98	104	100	108
Of which second cycle	100	98	153	121	122	129

Source: Statistics Greenland

Annex 3

Evaluations, consultations and external studies on EU cooperation with OCTs

Several assessments and evaluations were made about the EU's cooperation with OCTs. Additionally, stakeholders were consulted through various means and channels.

Following the adoption of a Green Paper on the future between the EU and the Overseas Countries and Territories, the Commission organised a public consultation that ran from July to October 2008³⁴, which included a stakeholder conference in Brussels in October 2008. Additionally, the Commission, the OCTs and their Member States discussed the Green Paper at the 7th OCT/EU Forum in November 2008. The results of the public consultation were summarised in the Commission Communication of 6 November 2009. The latter was discussed at the 8th and 9th OCT/EU Forums which were respectively held in March 2010 and March 2011.

The contributions and discussions during the public consultation and ensuing Forums revealed a broad consensus on a number of general issues. It was deemed that the current focus on poverty reduction in EU/OCT cooperation no longer corresponded to the reality in the field and that it should be replaced by a new partnership approach, which would better take into account OCT specificities and diversity, in particular their economic and social development, diversity and vulnerability, as well as their importance in terms of biodiversity. Interlocutors put forward that such an approach would be justified on the basis of the common history and constitutional traditions underpinning the special relationship which unites OCTs and the EU. It was also pointed out that solidarity between the EU and OCTs should be based on the fact that OCT inhabitants, as nationals of the related Member States, were EU citizens as well. It was argued that by helping OCTs to strengthen their competitiveness and resilience, reduce their vulnerability and insert themselves in their regional environment, the EU would actually be investing in advanced outposts in the world. The importance of a comprehensive framework covering all OCTs was acknowledged, but at the same time a call for greater diversification was made.

Ideas regarding financial assistance to OCTs during the next programming period were elaborated in more detail in a Joint Position Paper adopted by the OCTs and their Member States³⁵ and presented at the 9th OCT/EU Forum. In this document, OCT and Member State call for a differentiation of the EU approach towards OCTs from the one towards ACP countries and other developing countries. Regarding to financial assistance their wishes relate to issues such as the objectives, level and source of the future financial assistance, its modalities, rules and procedures and conditionality as well as areas for cooperation.

The new cooperation rationale that will be enshrined in the OAD and OCT priorities are put forward as the objectives related to competitiveness, vulnerability and regional cooperation that EU financial assistance to OCTs will need to support. In terms of level of financial assistance, the OCTs and their Member States ask for a level commensurate to the ambition of the new OAD and at least as high as the current level of financing. A specific call is made for

³⁴ <http://ec.europa.eu/development/how/consultation/index.cfm?action=viewcons&id=3841>

³⁵ See: <http://www.octassociation.org/visual%20identity%20and%20publications/reports/joint%20position%20280211.pdf>

a dedicated instrument for OCTs which takes into account factors such as the low volumes of allocations to OCTs, the limited OCT administrative capacities and the special relations between OCTs and their Member States, notably in the field of public finance management

According to OCTs and their Member States this implies that greater flexibility and simplification in terms of rules of procedures and adapted conditionality are foreseen. The document highlights the benefits that have accrued to the OCTs via the EU's budget support operations and the EIB's Investment Facility, both of which they wish to maintain alongside other mechanisms. The option of blending is explicitly mentioned as an option to explore. OCT and Member State enthusiasm for co-financing is biased, some being in favour, while others are rather reluctant. Strong emphasis is put on foreseeing possibilities for technical assistance and capacity building in support of initiatives such as OCT endeavours to bring their legislation in line with EU laws, notably in the field of consumer health and food safety, developing policies regarding environment and climate change or develop their statistical capacities. Finally, according to the OCTs and their Member States their access to horizontal budget lines and programmes, to which they are eligible, should be facilitated.

An external regional level evaluation commissioned by the European Commission on the EU strategies for cooperation with the OCTs and their implementation over the period 1999-2009 is underway. The study will cover EU/OCT cooperation under the 8th, 9th and part of the 10th EDF. Though this external study is not approved yet, preliminary conclusions are available.

Regional cooperation between OCTs, Outermost Regions and ACP countries has been hampered by the plurality of the different financing sources and instruments, related programming and implementation calendars and modalities, according to which EU cooperation with these different actors takes place. These obstacles add up to the difficulties in regional cooperation due to the absence of sufficient political willingness amongst the different actors to undertake initiatives of common interest.