HM Government

Review of the Balance of Competences between the United Kingdom and the European Union

Development Cooperation and Humanitarian Aid Report

July 2013

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Development Cooperation and Humanitarian Aid Report

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Executive summary

This report examines the balance of competences between the European Union and the United Kingdom in the area of development cooperation and humanitarian aid. It is a reflection and analysis of the evidence submitted by experts, non-governmental organisations, businesspeople, Members of Parliament and other interested parties, either in writing or orally, as well as a literature review of relevant material. Where appropriate, the report sets out the current position agreed within the Coalition Government for handling this policy area in the EU. It does not predetermine or prejudge proposals that either Coalition party may make in the future for changes to the EU or about the appropriate balance of competences.

The European Union (EU) is by far the United Kingdom's (UK) largest multilateral aid partner. £1.2 billion of UK aid was managed through the European Commission in 2011/12. Responsibility for managing and disbursing EU aid is split between three different EU bodies: two departments of the European Commission (the Directorate-General for EuropeAid, Development and Cooperation, commonly known as DEVCO; and the Directorate-General for Humanitarian Aid and Civil Protection, commonly known as ECHO), and the European External Action Service (EEAS).

Most EU funding is channelled through the EU budget, via a number of financial instruments introduced at the beginning of each seven-year budgetary spending cycle known as the Multiannual Financial Framework (MFF). The remaining funding is channelled through the European Development Fund (EDF), which sits outside the EU budget and is governed by the Cotonou Agreement, an international agreement between the EU and the members of the African, Caribbean and Pacific (ACP) Group of States.

The Balance of Competences Review

This report has been produced as part of the Balance of Competences Review, a Coalition commitment to examine the balance of competences between the UK and the European Union. The analysis is based on written evidence submitted to us and oral statements made by participants who attended our outreach meetings. A literature review of relevant material as well as opinions received in the course of regular business from a range of organisations, people and countries have also been drawn on.

Broadly defined, the EU's "competence" means its powers to act in a particular policy area. The EU's competence in development cooperation and humanitarian aid is referred to as a form of parallel competence. This means that both the EU and its Member States can act in these areas and that when the EU exercises its competence (for example, by formulating a joint EU policy position or disbursing aid) it does not prevent the Member States from exercising theirs.

Most respondents supported the present parallel competence in the areas of development cooperation and humanitarian aid. Their view was that, while there is a need for improvement in many areas of EU activity, the advantages of working through the EU outweigh the disadvantages. One submission called for a strengthening of EU competence in humanitarian aid in the interests of ensuring that the efforts of all donors are fully in line with each other, while two submissions questioned the value for the UK of working through the EU in the area of development cooperation. No submission called for the EU to have sole (exclusive) competence.

Advantages and disadvantages of working through the EU

The following advantages for the UK of working through the EU were identified.

- The EU is a major contributor to global efforts to reduce poverty and make progress towards the other Millennium Development Goals.[1] The EU provides a platform for collective action and seeks to coordinate the efforts of its Member States. These attributes add value to the UK's efforts to achieve its own policy objectives.
- The Commission's large aid budget, which is pooled from mandatory contributions by all Member States, provides economies of scale and strengths in key areas, for example infrastructure and regional projects. It leverages contributions from Member States that might not otherwise commit equivalent funds to international development.
- The EU's global reach is greater than that of any of the Member States acting individually. Used effectively, the EU's programmes can therefore address the full range of countries where poverty reduction remains a priority, and the varied and interlinked issues that affect their development. The EU's geographical focus for its aid programmes is broadly aligned with that of the UK, particularly with regard to aid to Commonwealth countries, and the EU's wider geographical coverage means the UK can channel aid through it to reach countries that the UK could not reach alone.
- Working through the EU gives the UK access to the EU's comprehensive range of external actions, which can be combined to tackle problems in fragile states and address a range of global development challenges.
- The close alignment of UK and EU development objectives, and the EU's perceived political neutrality and global influence, mean the EU can act as a multiplier for the UK's policy priorities and influence.

The following disadvantages for the UK of working through the EU were identified.

- Although policy making at the EU level is often critically important, it can sometimes result in compromise positions that do not give full effect to UK priorities or that lack impact. Parallel policy making at the EU level and at the national level also has the potential to result in conflicting policies.
- EU development programme management and delivery are overly complex and inefficient, and the EU does not systematically measure the results that EU aid achieves. The "Agenda for Change" programme, supported by the UK, will address this.
- The division of roles between the Commission Directorates-General and the EEAS is unclear and there can be a lack of coordination between Brussels and EU Delegations overseas.

1 The Millennium Development Goals were established following the United Nations Millennium Summit in 2000. The eight goals provide a framework for development planning for countries around the world, and time-bound targets by which progress can be measured.

- The EU institutions' capacity and development expertise is limited in relation to their scope and scale, although ECHO's humanitarian expertise is widely recognised.
- Although the EU's size and global influence make it one of the most important platforms for achieving Policy Coherence for Development (PCD),[2] the EU is not implementing it with full effect.

Future challenges and opportunities

As we approach the 2015 deadline for the Millennium Development Goals, and reflect on the tremendous progress that has been made in poverty reduction in the past 20 years, there is growing international debate about the evolving priorities ahead. No one can be certain about the pace and shape of future change, but some of the challenges that the EU may face in the future could include:

- The complexities involved in eliminating extreme poverty, particularly in fragile states and middle income countries;
- The need to address questions of sustainability and environmental challenges;
- The multiplication of actors operating in the area of international development; and
- The need to demonstrate results more systematically and ensure the effectiveness, efficiency and impact of limited aid resources.

[2] Policy Coherence for Development (PCD) requires the EU institutions and Member States to "take account of development objectives" in non-development policies that are likely to affect developing countries such as trade, agriculture and energy. See Box 2N for more information.

Introduction

The Balance of Competences Review

The Development Cooperation and Humanitarian Aid Report is one of 32 reports being produced as part of the Balance of Competences Review. The Foreign Secretary launched the Review in Parliament on 12 July 2012, taking forward the Coalition commitment to examine the balance of competences (the power to act in particular areas conferred on the EU by the EU treaties) between the UK and the EU. It will provide an analysis of what the UK's membership of the EU means for the UK national interest. It aims to deepen public and parliamentary understanding of the nature of our EU membership and provide a constructive and serious contribution to the national and wider European debate about modernising, reforming and improving the EU in the face of collective challenges. It has not been tasked with producing specific recommendations or looking at alternative models for Britain's overall relationship with the EU.

The review is broken down into a series of reports on specific areas of EU competence, spread over four semesters between 2012 and 2014. More information can be found on the review, including a timetable of reports to be published over the next two years, at https://www.gov.uk/review-of-the-balance-of-competences.

This report concerns EU competence in the areas of development cooperation and humanitarian aid.[1] It has been prepared by the Department for International Development (DFID), which leads the Government's fight against global poverty, delivering UK aid around the world.

The analysis in this report is based on responses gathered following a call for evidence. It draws on written evidence submitted, records of outreach meetings held during the call for evidence period and existing material which has been brought to our attention by interested parties such as past select committee reports or reports of the European Commission. Annex 1 contains a list of respondents and Annex 2 contains a list of participants at our outreach meetings. A literature review of relevant material as well as opinions received in the course of regular business from a range of organisations, people and countries have also been drawn on. We would like to thank all those organisations and individuals who wrote to us, responded to our online survey, or submitted oral evidence.

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1 See the definitions given in Box 0B.

The UK has conducted a number of reviews of EU aid in recent years, including:

- Department for International Development (DFID), *Multilateral Aid Review: Ensuring maximum value for money for UK aid through multilateral organisations* (March 2011) (MAR);[2]
- House of Commons International Development Committee (IDC), *Sixteenth Report: EU Development Assistance* (April 2012)
- National Audit Office (NAO), *The Multilateral Aid Review: Report by the Comptroller and Auditor General* (September 2012); and
- Independent Commission for Aid Impact (ICAI), *DFID's Oversight of EU Aid to Low-Income Countries* (December 2012).

This review has a marked difference in emphasis from these previous reviews because its focus is on the balance of competences between the EU and the UK, rather than the EU's performance or specific policy issues. However, since judgements about the right balance of competences should take into account assessments of performance or policy, this report will refer to previous reviews where relevant.

[2] See Box 0A.

Box 0A: DFID's Multilateral Aid Review

In 2010-11, DFID reviewed its multilateral aid programme, publishing the Multilateral Aid Review in March 2011. The MAR covered 43 organisations that, together, received £3,579 million in central funding in 2010-11, with the aim of informing DFID's multilateral funding plans and identifying where reform was needed.

The MAR was organised around a framework designed to assess the *overall value for money* for UK aid of putting money though each multilateral organisation. The framework was based on a number of criteria, which were grouped into two composite indices: the organisation's *contribution to UK development objectives* and its *organisational strengths*. The assessments were made of the organisations as a whole, including their management and their governing bodies.

The review was led by civil servants reporting directly to the Secretary of State for International Development, but was quality assured by two external reviewers: Alison Evans, Director of the Overseas Development Institute (ODI), and Lawrence Haddad**,** Director of the Institute of Development Studies (IDS). The assessments were based on a wide range of evidence including the organisations' own publications (e.g. strategy and policy documents, routine reporting, programme and thematic evaluations, etc.), independent evaluations and academic publications (e.g. the QuODA (Quality of ODA) assessment[3] and the Publish What You Fund Aid Transparency Assessment),[4] evidence gathered on ten country visits and written submissions by UK civil society organisations.

The NAO report on the MAR examined, among other things, the robustness of the MAR assessment process and its value in leading to better evidence-based funding decisions and encouraging reform within multilateral organisations. The NAO found that the MAR was "a significant step towards [DFID] being able to fully assess the cost-effectiveness of multilateral organisations",[5] and was valuable "both for providing accountability to UK taxpayers, and for promoting reform in multilateral organisations themselves".[6]

An update to the MAR assessment, which will assess the extent of progress on the reform priorities established in the 2011 assessment, is currently being produced.

The findings of the MAR are cited in various sections below, particularly in Box 2K.

The EU as an actor in international development

The EU is one of a number of multilateral organisations through which the UK channels its aid spending. In 2012-2013, the UK spent 43% of its aid budget through multilateral channels, which also include the United Nations (UN), the World Bank and global funds addressing specific issues such as malaria, HIV and AIDS.[7] The UK spends the remainder of its aid budget bilaterally, working directly with a number of recipient countries. Since 2011, the UK has focused its bilateral spending on 28 priority countries.[8]

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3 The QuODA assessment produced by the Center for Global Development and the Brookings Institution is available at: http://www.cgdev.org/page/quality-oda-quoda

4 The Publish What You Fund Aid Transparency Assessment is available at: http://www.publishwhatyoufund.org/

5 *The Multilateral Aid Review: Report by the Comptroller and Auditor General*, National Audit Office, September 2012, page 10.

6 *The Multilateral Aid Review: Report by the Comptroller and Auditor General*, National Audit Office, September 2012, page 6.

7 *Annual Report and Accounts 2012-2013*, DFID, June 2013, page 85.

8 *Annual Report and Accounts 2012-2013*, DFID, June 2013, page 10.

The EU is a big player in international development. The European Commission is the world's second largest donor behind the USA. Collectively, the EU – taking the Member States and the European Commission combined – provides approximately 60% of global Official Development Assistance (ODA).[9] In 2011, that amounted to €53 billion – or 0.42% of the collective Gross National Income (GNI) of the Member States.[10]

The EU also plays an important role in international fora and in agreeing the direction of development policy globally. In 2000, the EU played a leading role in forming the new global partnership around the Millennium Development Goals (MDGs).[11] The EU is also helping to shape the "post-2015 development agenda" – that is, the international framework for development policy that will replace the MDGs when they expire in 2015.[12] The European Commissioner for Development was a member of the High Level Panel on the post-2015 development agenda that was co-chaired by Prime Minister David Cameron.[13] The EU also has an influential position due, among other things, to its membership of the G8 and G20.[14]

Moreover, the EU has a huge indirect influence on development through its agriculture, trade, fisheries, migration, environment and climate strategies, and foreign and security policy. The EU, taken as a whole, is the main trading partner for most developing countries, and the European Commission plays an important role negotiating on behalf of all Member States at the World Trade Organisation (WTO).

9 See the definition given in Box 0B.

10 *Development Co-operation Report 2012: Lessons in linking sustainability and development*, OECD, 2012.

11 See footnote 1.

12 See Chapter 3.

13 In July 2012, UN Secretary-General Ban Ki-moon announced the 27 members of a High Level Panel to advise on the global development framework beyond 2015, the target date for the MDGs. The High Level Panel is co-chaired by President Susilo Bambang Yudhoyono of Indonesia, President Ellen Johnson Sirleaf of Liberia, and UK Prime Minister David Cameron, and it includes leaders from civil society, the private sector and government.

14 The Group of 8 (G8) is the forum of government leaders of eight large and industrialized nations, namely: USA, Japan, Germany, France, Britain, Italy, Canada, and Russia. The Group of 20 (G20) is the name given to the group of 20 finance ministers and central bank governors from 20 of the world's largest economies, which includes 19 countries and the European Union.

Box 0B: Key definitions

Development cooperation and humanitarian aid are both forms of what is commonly referred to as *overseas aid*, *foreign aid* or *international development*.

- **Humanitarian aid** is short-term assistance in response to crises such as conflicts or natural disasters. As a current example, the UK is providing vital food, medical care, shelter and other essential support to people affected by the fighting in Syria and to refugees in Lebanon, Jordan, Turkey and Iraq.
- **Development cooperation** (or development aid), by contrast, is longer-term assistance aimed at reducing poverty and promoting economic, environmental, social and/or political development in developing countries. For example, international donors recently pledged £300 million in support of child immunisation in the three remaining polio-endemic countries (Afghanistan, Pakistan and Nigeria).

In both cases, the assistance may be financial, material (e.g. equipment, shelters, medical supplies, food etc.) or technical (e.g. logistical expertise). It may be bilateral (i.e. given by the donor country directly to a recipient country) or multilateral (i.e. given by the donor country to an intermediary organisation such as the World Bank or one of the UN agencies, which then distributes it among recipient countries).

The most widely recognised measure of aid is **Official Development Assistance** (ODA), as defined by the Organisation for Economic Cooperation and Development (OECD).[13] In simple terms, this refers to official spending (i.e. spending by governments and international organisations) which has as its main objective the promotion of economic development and welfare, and which is offered at concessional (i.e. non-commercial) terms.

How much UK aid is channelled through the EU?

In 2011-2012, £1.2 billion of UK aid was managed through the European Commission, making the EU the UK's largest multilateral partner. By comparison, the UK channelled £1.0 billion through the World Bank and £0.4 billion through the UN.[16]

Most of the UK aid spent through the EU (amounting to £812 million in 2011-2012) is non-discretionary because it forms part of the UK's overall contribution to the EU budget, which it is legally obliged to pay by virtue of being a Member State. The EU's development spending falls under Heading Four, the fourth of six headings,[17] of the Multi-Annual Financial Framework (MFF), the seven year budget plan jointly agreed by the Member States (the Council) and the European Parliament that sets the spending ceilings for the EU's annual budgets.[18] Heading Four, which also covers other parts of EU external action[19] such as diplomacy and defence cooperation,

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15 The OECD's official definition of ODA is: "Flows of official financing administered with the promotion of the economic development and welfare of developing countries as the main objective, and which are concessional in character with a grant element of at least 25 percent (using a fixed 10 percent rate of discount)." Available at: http://stats.oecd.org/glossary/

16 Statistics on International Development, 2007/08-2011/12, DFID. Available at: https://www.gov.uk/government/organisations/department-for-international-development/about/statistics

17 Heading Four is called 'The EU as a Global Player'. The other MFF headings are: Sustainable Growth; Preservation and Management of Natural Resources; Citizenship, freedom, security and justice; Administration; and Compensations.

18 The current MFF covers 2007-2013. The MFF for 2014-2020 is currently being negotiated.

19 External actions are actions taken outside the territory of the EU Member States.

forms only 6% of the EU's overall budget, which in 2011 totalled €125 billion.[20] This funding is allocated between a series of financial instruments called "external instruments".[21]

The remainder of the UK aid spent through the EU (amounting to £417 million in 2011-2012) is channelled through the European Development Fund (EDF).[22] This fund sits outside of the EU budget and is governed by the Cotonou Agreement, an international agreement between the EU and the members of the African, Caribbean and Pacific (ACP) Group of States.[23] The UK's contribution to the EDF is effectively a voluntary contribution, albeit one that the UK is contractually obliged to meet once each multi-annual commitment is agreed by Member States. Nevertheless, the EDF is one of the largest individual recipients of the UK's discretionary ODA.

The UK is on target to meet its pledge of spending 0.7% of its GNI on ODA – a target internationally agreed through the UN – from 2013 onwards. UK aid managed by the European Commission counts towards this total. Any reduction in EU aid spending would therefore require a corresponding increase of UK aid resources into other bilateral and/or multilateral channels. The opposite is also true: the UK share of any increase in EU aid spending would need to be found by redirecting resources from other bilateral or multilateral commitments.

Box 0C: EU aid in figures

In 2011, the EU spent €9.8 billion through its external instruments, of which the Development Cooperation Instrument was €2.0 billion, the EDF was €2.7 billion, the Instrument for Stability was €0.13 billion, and humanitarian assistance was €1.2 billion.[24]

All Member States contribute to the EU budget and to the EDF. UK contributions to both are the third highest behind Germany and France; Italy is the fourth highest contributor.

Definition of EU competence

For the purposes of this review, we are using a broad definition of competence. Put simply, competence in this context is about everything deriving from EU law that affects what happens in the UK. That means examining all the areas where the treaties give the EU competence to act, including the provisions in the treaties giving the EU institutions the power to legislate, to adopt non-legislative acts, or to take any other sort of action. But it also means examining areas where the treaties apply directly to the Member States without needing any further action by the EU institutions.

The EU's competences are set out in the EU treaties,[25] which provide the basis for any actions the EU institutions take. The EU can only act within the limits of the competences conferred on it by the treaties, and where the treaties do not confer competences on the EU they remain with the Member States.

There are different types of competence: exclusive, shared and supporting. Only the EU may act in areas where it has exclusive competence such as the customs union and common

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[20] See http://ec.europa.eu/budget/figures/2011/2011_en.cfm

[21] The current set of external instruments, agreed as part of the MFF 2007-2013, is described in Chapter 1. The next set of external instruments is being negotiated as part of the negotiations over the MFF 2014-2020.

[22] Statistics on International Development, 2007/08-2011/12, DFID. Available at: https://www.gov.uk/government/organisations/department-for-international-development/about/statistics

[23] See Box 1D.

[24] *Annual Report 2012 on the EU's Development and External Assistance Policies and their Implementation in 2011*, European Commission, September 2012.

[25] See Box 1A.

commercial policy. In areas of shared competence, such as the single market, environment and energy, either the EU or the Member States may act, but the Member States may be prevented from acting once the EU has done so. In areas of supporting competence, such as culture, tourism and education, both the EU and the Member States may act, but action by the EU does not prevent the Member States from taking action of their own.

The EU must act in accordance with fundamental rights as set out in the Charter of Fundamental Rights[26] (such as freedom of expression and non-discrimination) and with the principles of subsidiarity and proportionality. Under the principle of subsidiarity, where the EU does not have exclusive competence, it can only act if it is better placed than the Member States to do so because of the scale or effects of the proposed action. Under the principle of proportionality, the content and form of EU action must not exceed what is necessary to achieve the objectives of the EU treaties.

Box 0D: EU competence in development cooperation and humanitarian aid[27]

In their present form, as defined under the Lisbon Treaty, EU competence in both development cooperation and humanitarian aid is a specific form of shared competence commonly referred to as *parallel competence*. This means the EU has competence to carry out activities and conduct a common policy, but the exercise of that competence does not prevent Member States from exercising theirs. Moreover, the Lisbon Treaty requires the EU's and Member States' policy in these areas to complement and reinforce each other. The EU has legal personality, and its competence in these areas extends to concluding international agreements with third states and international organisations, although this does not affect Member States' competence to do so.

Scope of the report

The EU's competence in development cooperation and humanitarian aid encompasses a broad range of actions and policies, many of which overlap with related areas of EU competence. This section sets out which of those areas fall within the scope of this report and which are covered in other reports in the Balance of Competences Review.

In 2011, 94% of EU "external actions" was classified as ODA.[28] This report will focus on the EU ODA activities that have poverty reduction or humanitarian response as their central purpose. In effect, this means the EU budget programmes under the Development Cooperation Instrument and the Humanitarian Aid Instrument, and the off-budget EDF. This report also covers the portion of the Instrument for Stability that counts as ODA.[29]

The EU also plays an important role in promoting economic development and supporting poverty reduction through related areas of competence, including: trade policy; enlargement; the neighbourhood policy; democracy and human rights; taxation; energy, environment and climate change; agriculture and fisheries; and migration. While these related areas of competence will

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26 The Charter of Fundamental Rights of the European Union enshrines political, social, and economic rights for EU citizens and residents into EU law. With the entry into force of the Lisbon Treaty on 1 December 2009, the Charter became legally binding.

27 See Chapter 1 for a fuller analysis of the current state of EU competence in development cooperation and humanitarian aid.

28 *Annual Report 2012 on the EU's Development and External Assistance Policies and their Implementation in 2011*, European Commission, September 2012.

29 These instruments are described in Chapter 1, along with the institutions that administer them.

for the most part be covered in other reports in this review, where they are funded as part of the instruments mentioned above they will feature in this report.

In addition, this report will include evidence on aspects of these related competences where they concern the EU's commitment to "Policy Coherence for Development" – that is, to take account of the objectives of development cooperation in other policies it implements that are likely to affect developing countries.[30]

This report will not cover:

- European assistance to neighbourhood countries (Eastern Europe, North Africa and parts of the Middle East) which, while largely classified as ODA, will be considered in the Foreign Policy Report;
- The EU's overarching competence in human rights policy, although human rights conditionality[31] in aid agreements will be included in this report;
- The non-ODA portion of the Instrument for Stability, the element supporting longer-term peacebuilding activities, which will be covered in the Foreign Policy Report;
- The EU's development cooperation activities in countries which are candidates for joining the EU, including the Instrument for Pre-Accession (IPA), which will be covered in the Enlargement Report in the fourth semester (Spring 2014 – Autumn 2014);
- Free trade agreements with developing country partners and the Generalised System of Preferences (GSP), which will be covered in the Trade and Investment Report in the second semester (Spring 2013 – Autumn 2013). This report will cover only trade-related development assistance (known as "Aid for Trade"); and
- Civil protection, which is also managed by ECHO, which will be covered fully in the Foreign Policy Report.

Other reports that will touch on development issues include the Environment and Climate Change Report and the Asylum and Immigration Report in the second semester, and the Energy Report, the Agriculture Report and the Fisheries Report in the third semester (Autumn 2013 – Summer 2014).

Structure of the report

The report is broken down into three chapters.

- **Chapter 1** sets out the current state of EU competence in development cooperation and humanitarian aid as defined under the Lisbon Treaty 2009. It provides a sketch of the origins of EU competence, outlines the current legal basis of the EU's competence, the ways it implements that competence, and the roles of the various EU institutions and actors in these areas. An overview of how the EU's competence in these areas was developed before the Lisbon Treaty is presented in Appendix 1.
- **Chapter 2** provides an analysis of the advantages and disadvantages of the present balance of competences for the UK national interest in development cooperation and humanitarian aid on the basis of the evidence received during our call for evidence and identified in our literature review.

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30 See Box 2N.

31 The requirements placed on the usage or distribution of aid money.

- **Chapter 3** explores the major development challenges that the EU may face in the future and considers whether the EU, as it presently stands, lends itself to meeting them.

Although development cooperation and humanitarian aid are two discrete areas, we have for the most part treated them together in this report. However, we have separated the discussion in some sections where relevant.

Chapter 1: Current state of competence

This chapter provides a brief description of the legal framework within which the EU acts in development cooperation and humanitarian aid. We begin with a sketch of the origins of EU competence in these areas. We then outline the current legal basis (within the EU treaty framework)[1] of the EU's competence, the ways it implements that competence, and the roles of the various EU institutions and actors in these areas.

For information on the EU's competence in the broader context of external action, please refer to the Foreign Policy Report.

The origins of EU competence in these areas[2]

1.1 Before the Maastricht Treaty (1993), there was no explicit basis for EU competence in development cooperation in the EU treaties. In the initial stages, development cooperation was therefore conducted through the existing areas of competence for external action – the policy of association[3] and the common commercial policy[4] – and through creating subsidiary powers to support other existing areas of competence.[5]

1.2 Although at first limited to countries and territories in Africa, the Caribbean and the Pacific, development cooperation expanded in geographical coverage as the EU formed agreements with countries in Asia and Latin America, on the one hand, and with neighbouring countries in the Mediterranean, the Middle East and North Africa, and the Balkans and the Former Soviet Union, on the other. In addition to this geographical expansion, the EU also began to take a thematic approach, creating instruments to target specific problems or sectors rather than partner countries or regions, beginning with food aid programmes in the 1960s.[6]

1.3 As the treaties did not fully define the EU's competence in these areas, the interpretation of their nature and scope was largely left to the European Court of Justice (ECJ). Whereas the use of association as an instrument of development cooperation was

[1] See Box 1A below for information on the EU treaties.

[2] See Appendix 1 for an overview of how the EU's competence was developed before the Lisbon Treaty.

[3] Article 238 TEC (now Article 217 TFEU).

[4] Article 113 TEC (now Article 207 TFEU).

[5] Article 235 TEC (now Article 352 TFEU).

[6] See e.g. the regulations implementing the Food Aid Convention: Art 22 bis, Regulation No 120/67/EEC and Art 23 bis, Regulation No 359/67/EEC.

never challenged, the extension of the common commercial policy competence to the conclusion of trade agreements and measures with a strong development focus was challenged twice in the ECJ. In both instances, the ECJ gave a broad interpretation of the competence, confirming that it extended to development-focused trade agreements[7] and, later, unilateral trade measures.[8] In two later cases, the ECJ confirmed that the competences in humanitarian aid[9] and development cooperation,[10] respectively, were forms of parallel, rather than exclusive, competence.

1.4 Subsequent major EU treaties consolidated these developments. While the Maastricht Treaty (1993) provided the first explicit treaty basis for cooperation with developing countries, the Nice Treaty (2003) provided a legal basis for financial and technical cooperation with third countries, notably including non-developing countries in the Balkans, the Middle East and North Africa. Most recently, the Treaty of Lisbon (2009) added an explicit basis for humanitarian aid.[11]

Box 1A: The EU treaties

The Treaty on the European Economic Community (EEC) was signed in Rome on 25 March 1957 – along with the Treaty establishing the European Atomic Energy Community (Euratom) – and entered into force on 1 January 1958. The EEC Treaty (also known as the Treaty of Rome) had a number of economic objectives, including the establishment of a European common market. Since 1957 there has been a series of treaties extending the objectives of what is now the European Union beyond the economic sphere. The amending treaties (with the dates on which they came into force) are: the Single European Act (1 July 1987), which provided for the completion of the single market by 1992; the Treaty on European Union (1 November 1993) – or, the Maastricht Treaty – which covered matters such as justice and home affairs, foreign and security policy, and economic and monetary union; and the Treaty of Amsterdam (1 May 1999), the Treaty of Nice (1 February 2003) and the Treaty of Lisbon (1 December 2009), which made a number of changes to the institutional structure of the EU.

Following these changes, there are now two main treaties which together set out the competences of the European Union:

1. The Treaty on European Union (TEU); and
2. The Treaty on the Functioning of the European Union (TFEU).

What is the legal basis for EU competence in these areas?

1.5 As highlighted in the Introduction, the EU's competence in development cooperation and humanitarian aid is a specific form of shared competence commonly referred to as a parallel competence. The treaties define the nature and scope of the EU's competence as follows:

> "In the areas of development cooperation and humanitarian aid, the Union shall have competence to carry out activities and conduct common policy: however the exercise of that competence shall not result in Member States being prevented from exercising theirs."[12]

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7 Opinion 1/78 re International Agreement on Natural Rubber [1979] ECR 2871.

8 Case 45/86 Commission v Council [1987] ECR 1493.

9 Joined Cases C-181 and 248/91 Parliament v Council and Commission [1993] ECR I-3685.

10 Case C-316/91 Parliament v Council [1994] ECR I-625.

11 Article 214 TFEU.

12 Article 4(4) TFEU.

1.6 The EU's competence in these areas must be exercised within the framework of the principles and objectives that apply to all of its external action. This requires the EU to "define and pursue common policies and actions" in order to "foster the sustainable economic, social and environmental development of developing countries, with the primary aim, of eradicating poverty".[13]

1.7 These principles and objectives of external action sit within the values that the EU seeks to uphold and promote in the wider world, which require it to:

> "contribute to peace, security, the sustainable development of the earth, solidarity and mutual respect among peoples, free and fair trade, eradication of poverty and the protection of human rights, in particular the rights of the child as well as to the strict observance and the development of international law, including respect for the principles of the United Nations Charter."[14]

1.8 The EU's competence in development cooperation and humanitarian aid is defined in detail in Part V of the TFEU, which sets out the overall framework of the EU's external action. The three legal bases for this competence are:

- **Development cooperation** (Articles 208–211 TFEU): This authorises the Council and the European Parliament to adopt, using the ordinary legislative procedure,[15] measures to implement development cooperation policy, including country programmes running over a number of years or thematic programmes across a number of countries.[16] The EU may also conclude agreements with third countries and international organisations.[17] The EU's policy must have as its primary objective the reduction and eventual eradication of poverty. Furthermore, the EU and Member States' development cooperation policies must "complement and reinforce each other."[18] As such, the EU institutions and Member States must coordinate their policies and consult each other on their development programmes, including in international organisations and international conferences.[19] The European Investment Bank (EIB) is also empowered to contribute to the implementation of any measures adopted by the EU.[20]

- **Economic, financial and technical cooperation with third countries** (Articles 212 – 213 TFEU): The EU also has competence to adopt measures of economic, financial and technical cooperation (including financial assistance) with non-developing countries, insofar as they are consistent with the EU's development policy and within the framework of the EU's external action. Measures adopted in this area are normally adopted under the ordinary legislative procedure. However, when providing urgent financial assistance, the EU acts by means of Council Decisions alone.[21]

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13 Article 21.2 TEU.

14 Article 3(5) TEU.

15 See Box 1B for information on EU legislative process.

16 Article 209(1) TFEU.

17 Article 209(2) TFEU.

18 Article 208(1) TFEU.

19 Article 210 TFEU.

20 Article 209(3) TFEU.

21 Article 213 TFEU.

- **Humanitarian aid** (Article 214 TFEU): The Lisbon Treaty introduced a new specific legal base for humanitarian assistance.[22] The EU can adopt measures, using the ordinary legislative procedure, to provide "ad hoc assistance and relief and protection for victims of natural or man-made disasters, in order to meet the humanitarian needs resulting from these different situations." The measures must be "in compliance with the principles of international law and with the principles of impartiality, neutrality and non-discrimination." The measures can include defining the framework within which the EU's humanitarian aid operations are implemented or within which the EU enters agreements with third countries or international organisations.[23] The Commission may take coordinating actions to enhance the efficiency and complementarity[24] of the EU and Member States' humanitarian aid.

Box 1B: The EU legislative process

EU legal acts such as Regulations and Directives are generally adopted by what, after the Lisbon Treaty, is known as the "*ordinary legislative procedure*" (formerly known as the "co-decision procedure"). In most cases, only the European Commission can *propose* a new legal act. However, a proposed legal act cannot become law unless it is jointly *adopted* by the Council (which is composed of Ministers from each Member State) and the European Parliament. Under this procedure, the Council acts on the basis of "*qualified majority voting*" (QMV), where only a specified majority of votes is required and the share of votes of each Member State reflects its population size. The treaties also set out a small number of cases where EU legal acts are adopted under different procedures (referred to as "*special legislative procedures*"). For example, acts in some areas, such as foreign and defence policy, can only be adopted if the Council acts unanimously, so the act will not be adopted if a Minister from any one Member State vetoes it.

The EU institutions and actors responsible for development are described below.

How does the EU implement its competence in these areas?

1.9 The EU implements its competence in development cooperation and humanitarian aid in three ways: through external instruments, through international agreements, and through its membership of international organisations.

External instruments

1.10 The programmes and projects that the EU implements under its development cooperation and humanitarian aid policy are financed by a series of financial instruments known as the external instruments.[25] The current external instruments were adopted for the duration of the MFF 2007-2013. The main instruments are set out in Box 1C below. Negotiations for the next round of instruments corresponding with MFF 2014-2020, which will be based on the legal bases provided under the Lisbon Treaty, are currently ongoing.

22 Before the Lisbon Treaty, the EU's humanitarian aid was based on its competence in development cooperation.

23 The Treaty also provides a legal basis (Article 214 TFEU) for the establishment of a European Voluntary Humanitarian Aid Corps. The rules and procedures for the operation of the Corps are to be established under a Regulation to be adopted under the ordinary legislative procedure. The Commission has recently brought forward a proposal for this.

24 Complementarity refers to the most efficient division of labour between various actors in order to achieve the most effective use of human and financial resources. This implies that each actor focuses its assistance on areas where it can add most value, given what others are doing.

25 This funding is managed at the working level by management committees of officials from the Member States and the European Commission.

Box 1C: EU External Instruments for international development

European Development Fund (EDF)

The EDF provides development assistance to 78 African, Caribbean and Pacific (ACP) states and to EU Overseas Countries and Territories (OCTs). It is the largest and longest standing funding vehicle for EU development assistance. It is governed by the Cotonou Agreement[26] and currently sits outside the EU budget, with Member States providing voluntary contributions. This means that, whereas the European Parliament has oversight of the budget instruments, it has no say over EDF expenditure. The EDF is currently funded through its tenth replenishment (EDF10), which covers the commitment period 2008 to 2013, with an overall budget of €22.68 billion.

Development Cooperation Instrument (DCI)[27]

The DCI is the EU's main on-budget instrument for financing development cooperation. It focuses on 47 countries in Latin America, Asia and Central Asia, the Gulf region (Iran, Iraq and Yemen), and South Africa. It also finances some thematic programmes that address cross-cutting issues affecting all developing countries, for example food security. In the current MFF 2007-2013, the DCI amounts to €16.897 billion. Approximately 97% of this funding counts as ODA.[28]

Humanitarian Aid Instrument (HAI)[29]

The HAI is the EU's main funding instrument for humanitarian aid. With a budget of around €1 billion per year, it funds assistance to victims of natural disasters, outbreaks of fighting or other comparable exceptional circumstances, with priority given to those in developing countries. Funding of activities can only be allocated for a period of up to six months. The aid can be (and typically is) implemented through non-governmental organisation or international organisations. The HAI is complemented by the off-budget Emergency Aid Reserve (EAR), with a budget of around €220 million per year, to supplement humanitarian activities in emergencies.[30]

[26] See Box 1D.

[27] Regulation (EC) No 1905/2006 of the European Parliament and of the Council of 18 December 2006 establishing a financing instrument for development cooperation. The legal basis for the DCI is Article 179 TEC (now Article 208 TFEU).

[28] The 3% non-ODA element of the DCI is the small thematic programme of cooperation with third countries in the areas of migration and asylum.

[29] Council Regulation (EC) No 1257/96 of 20 June 1996 concerning humanitarian aid. The HAI is legally based on the competence in development cooperation provided under the Treaty of Maastricht: Article 130w TEC (now Article 208 TFEU).

[30] Interinstitutional Agreement between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management (2006/C 139/01).

Box 1C: EU External Instruments for international development (continued)

Instrument for Stability (IfS)[31]

The IfS covers financial and technical assistance to help stabilise developing countries. The majority of support under the IfS takes the form of short-term crisis responses, which are covered in this report.[32] This focuses on a wide range of issues such as support to mediation, confidence-building, interim administrations, strengthening the rule of law, transitional justice or the role of natural resources in conflict. Under the IfS, these activities can be supported in situations of crisis or emerging crisis, when timely financial help cannot be provided from other EU sources. This element of the IfS has been used to date to finance a large number of crisis response projects worldwide, including in Africa, Asia-Pacific, the Balkans, the Middle East, Latin America and the Caribbean. The remaining element of support through the IfS concerns longer-term peace-building activities and help in building long-term international, regional and national capacity to address pervasive trans-regional and global threats.[33] These aspects are covered in the Foreign Policy Report.

International agreements

1.11 The EU has legal personality, enabling it to enter into international relations with third countries and international organisations in its own right, provided that it is acting within the limits of the competences conferred on it by the EU treaties.[34] The EU's competence in the areas of development cooperation and humanitarian aid extends to the conclusion of international agreements with third countries or international organisations.[35] The EU conducts a substantial part of its development policy through such agreements, most notably the Cotonou Agreement.[36]

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31 Regulation (EC) No 1717/2006 of the European Parliament and of the Council of 12 November 2006 establishing an Instrument for Stability. The IfS is based jointly on Articles 179 and 181 TEC (now Articles 208 and 212 TFEU).

32 Article 3, Regulation (EC) No 1717/2006. For the purposes of the IfS, a crisis or emerging crisis situation is defined as "a situation posing a threat to democracy, law and order, the protection of human rights and fundamental freedoms, or the security and safety of individuals, or a situation threatening to escalate into armed conflict or severely to destabilise the third country or countries concerned".

33 Article 4, Regulation (EC) No 1717/2006.

34 Article 47 TEU.

35 Articles 209(2), 212(3) and 214(4) TFEU. Article 218 TFEU sets out the procedural framework for the negotiation and conclusion of these agreements. In particular, it sets out who should negotiate on behalf of the EU, which voting rules apply to decisions in Council on the signature and conclusion of agreements, and the role to be played by the European Parliament (either consent or consultation, depending on the type of agreement). Article 218(11) TFEU confers on the European Court of Justice a specific jurisdiction to provide an Opinion on the compatibility of a proposed agreement with the EU treaties.

36 See Box 1D.

Box 1D: The Cotonou Agreement[37]

The Cotonou Agreement is a partnership agreement between the EU and its Member States, on the one hand, and the members of the African, Caribbean and Pacific (ACP) Group of States. It is a comprehensive agreement, providing for political dialogue and trade and economic cooperation, in addition to an integrated approach to development which encompasses economic, social and human development, and regional integration.

The partnership is centred on the objective of reducing and eventually eradicating poverty consistent with the objectives of sustainable development and the gradual integration of the ACP countries into the world economy.

The agreement was signed in Cotonou, Benin, in June 2000, entered into force in April 2003, and lasts for a period of 20 years, subject to interim revisions at five year intervals. The second and most recent revision was made in 2010. The agreement is due to be revised again in 2015.

Membership of international organisations

1.12 The treaties state that the EU “shall establish all appropriate forms of cooperation” with the UN and its specialised agencies, the Council of Europe, the Organisation for Security and Cooperation in Europe (OSCE) and the Organisation for Economic Cooperation and Development (OECD). The EU “shall also maintain such relations as are appropriate with other international organisations.”[38]

1.13 The EU’s competence to engage with international organisations enables it to exert an influence over the global development agenda, notably through its cooperation with UN agencies, the World Bank and regional development banks, as well as the Commission’s membership of the Development Assistance Committee of the OECD (OECD-DAC), the G8 and the G20. The EU also works closely with the European Bank for Reconstruction and Development (EBRD), in which the European Commission and European Investment Bank own shares.

[37] Partnership agreement 2000/483/EC between the members of the African, Caribbean and Pacific Group of States of the one part, and the European Community and its Member States, of the other part, signed in Cotonou on 23 June 2000; as amended by Council Decision 2010/648/EU.

[38] Article 220 TFEU.

EU institutions and actors responsible for development

1.14 This section outlines the role of the main EU institutions in the areas of development cooperation and humanitarian aid.

1.15 The **European Council** is responsible for defining "the general political directions and priorities" of the EU, which may at times have implications for the EU's development cooperation and humanitarian aid policies.[39] It has no legislative power and acts by unanimity, on the basis of recommendations from the Council of Ministers. It is chaired by the President of the European Council, a role created by the Lisbon Treaty, and is composed of the Heads of State or Government of the Member States (the Prime Minister normally attends for the UK), along with the President of the European Commission. It meets twice every six months, although when the situation necessitates it the President can convene a special meeting.

1.16 The **Council of Ministers** (also known as the Council of the European Union, or simply the Council) is composed of one minister from each Member State. In addition to the European Council, it is the main institution through which Member States can influence EU policy and law making. Since the ordinary legislative procedure[40] applies to the adoption of most measures in development cooperation and humanitarian aid,[41] the Council acts as a co-legislator, along with the European Parliament. Together, they adopt the legal acts that form the framework for the EU's development cooperation and humanitarian aid policies, as well as the EU's annual budget. The Council also helps coordinate Member States' policies and concludes international agreements on behalf of the EU. The Council sits in different configurations, according to the subject of the meeting, and is attended by ministers from the relevant government department of each Member State. The configuration principally dealing with development cooperation and humanitarian aid is the Foreign Affairs Council (FAC), which the UK's Secretary of State for International Development attends when development is on the agenda.[42] The Council's decision-making in these areas is by qualified majority voting (QMV).

1.17 The principal role of the **European Parliament**, which acts as co-legislator alongside the Council, is the approval (or rejection) of measures (for example, proposals for legislation or the annual budget) proposed by the Commission. The European Parliament's consent is also required in order for the Council to conclude international agreements with third countries or international organisations. In addition, the European Parliament plays a key role in exercising scrutiny of the Commission's spending and implementation of measures in these areas. The European Parliament has a standing Committee on Development (called DEVE), which is responsible for matters relating to the promotion, implementation and monitoring of the EU's development policy, the Cotonou Agreement, and the European Parliament's involvement in election observation missions.[43]

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[39] Article 15 TFEU. See, for example, the European Council's endorsement of the Council conclusions of 15th October 2012 on the humanitarian situation in Mali: EUCO 156/12.

[40] See Box 1B above.

[41] An exception applies under Article 213 TFEU where the Council can adopt the necessary decisions alone in cases where a third country "requires urgent financial assistance."

[42] At the working level, the main groups working under the Council in the areas of development cooperation and humanitarian aid are: the Development Cooperation Working Party (CODEV), the Humanitarian Aid and Food Aid Working Party (COHAFA), the ACP Working Party and the Budget Working Party.

[43] Other relevant Committees include the Budgets Committee, the Budgetary Control Committee, the External Affairs Committee and the International Trade Committee.

1.18 The **European Commission** is, broadly speaking, the functional equivalent of a Member States' civil service. One of its primary duties is to ensure the consistency of the EU's external affairs. It conducts much of the day-to-day work in these areas, particularly programme and budget management of actions financed by the various external instruments and the EDF. Whilst it holds no legislative power, the Commission drafts proposals for new measures to be adopted (including the next round of external instruments due to accompany the new MFF, 2014-2020). In addition, the Commission can submit proposals for the opening of negotiations with third countries and international organisations, can make recommendations to the Council on positions to take in international negotiations, and can act as negotiator on behalf of the EU at the international level.[44] The Commission's departments (or, Directorates-General) for development cooperation and humanitarian aid are known as Directorate General for Development and Cooperation – EuropeAid (DEVCO) and Directorate-General for Humanitarian Aid and Civil Protection (ECHO) respectively.

Box 1E: European Consensuses on Development and Humanitarian Aid

The European Consensuses on Development and Humanitarian Aid are two major EU policy statements that set out the EU's vision of development and humanitarian aid policy.[45] They began as proposals by the Commission, and were later agreed by the European Council and the European Parliament, with all three institutions signing them as joint declarations in 2006 and 2007, respectively.

The European Consensus on Development states that the overarching aim of EU development cooperation policy is to reduce poverty worldwide by achieving the MDGs. To this end, the EU concentrates its activities in the following areas:

- Trade and regional integration;
- The environment and the sustainable management of natural resources;
- Infrastructures;
- Water and energy;
- Rural development, agriculture, and food security;
- Governance, democracy, human rights and support for economic and institutional reforms;
- Prevention of conflicts and of state fragility;
- Human development; and social cohesion and employment.

The European Consensus on Development emphasises the need for policy coordination and complementarity between the Commission and Member States, including a commitment to working towards joint programming in developing countries.[46] It also closely associates the central objective of poverty reduction with the complementary objectives of good governance and respect for human rights.

[44] Article 218 TFEU.

[45] Joint statement by the Council and the representatives of the governments of the Member States meeting within the Council, the European Parliament and the Commission on European Union Development Policy: 'The European Consensus' (2006/C 46/01); Joint Statement by the Council and the Representatives of the Governments of the Member States meeting within the Council, the European Parliament and the European Commission: The European Consensus on Humanitarian Aid (2008/C 25/01).

[46] See Box 2C.

Box 1E: European Consensuses on Development and Humanitarian Aid (continued)

The European Consensus on Humanitarian Aid bases the common European vision for humanitarian aid on the humanitarian principles, a set of internationally agreed principles that guide the conduct of humanitarian aid:

- **Humanity**: human suffering must be addressed wherever it is found, particularly in the weakest;
- **Neutrality**: in an armed conflict or a dispute, aid must not favour any section of the population;
- **Impartiality**: aid must be provided solely on the basis of the population's needs, without discrimination between people;
- **Independence**: the autonomy of humanitarian aid from political, economic, military or other objectives, its sole purpose being to relieve and prevent populations' suffering.

The European Consensus on Humanitarian Aid also stresses the importance of international humanitarian law and highlights the need for coordination, coherence and complementarity between the actors involved, to share information and expertise.

1.19 The Lisbon Treaty created the role of the **High Representative (HR/VP).**[47] The High Representative presides over the Foreign Affairs Council of Ministers (FAC), is one of the Vice-Presidents of the Commission, and conducts political dialogue with third parties on the EU's behalf and expresses its position in international fora. The High Representative also has authority over the European External Action Service and over EU delegations in countries across the world and in international organisations.

1.20 The High Representative is assisted by the **European External Action Service** (EEAS), the organisation and functioning of which was agreed upon by the Council in July 2010.[48] The EEAS structure comprises both Brussels-based desk offices and the network of EU delegations around the world. The EEAS assists the High Representative in ensuring the consistency and coordination of the EU's external action and prepares policy proposals, implementing them after their approval by the Council and the European Parliament.

[47] Article 18 TEU. The new office merges, in relation to external affairs (including development cooperation and humanitarian aid), the roles formerly played by the President of the External Relation Council, the High Representative for Common Foreign and Security Policy and the European Commissioner for External Relations.

[48] Council Decision (2010/427/EU) of 26 July 2010 establishing the organisation and functioning of the European External Action Service ("the EEAS Decision"). The High Representative is currently conducting a review of the EEAS, based on the first two years' experience, which is expected to be published by the end of this summer.

Box 1F: The roles of the Commission and the EEAS in development cooperation and humanitarian aid

The introduction of the EEAS brought changes to the conduct of the EU's external actions. In the areas of development cooperation and humanitarian aid, these functions are now split between the EEAS and the Commission. Although the Commission retains responsibility for developing policy proposals and for the overall management of the external instruments, the EEAS contributes to the programming and management of the main external instruments. In doing so, the EEAS works with the Commission throughout the process and submits proposals to the Commission for adoption. The High Representative (and therefore the EEAS) is also tasked with ensuring the overall political coordination, as well as the unity, consistency and effectiveness, of the EU's external actions and instruments.[49]

1.21 The **European Investment Bank** (EIB) is one of the largest actors in international public finance, supporting EU policies by providing long-term finance to investment projects. The EIB is owned by EU Member States; the UK's shareholding is about 16%. It chiefly lends from its own resources, generated on the capital markets, though it also lends from the EDF through its Investment Facility. Most of its lending is within the EU, but 10% (approx. €7 billion in 2011) is dedicated to lending directed outside of the EU.

1.22 Finally, the **European Court of Justice** (ECJ) has in the past played a significant role in shaping and expanding the EU's competence in development cooperation and humanitarian aid and will likely continue to play an important role under the framework of the Lisbon Treaty.

[49] EEAS Decision, Article 9(1)-(3).

Box 1G: Governance and accountability of EU aid – combating fraud and corruption

The first line of defence for EU aid against fraud and corruption is the Commission's financial management systems. The checks built into these systems have contributed to a common criticism of the Commission – that it is overly bureaucratic.[50]

The Commission works to prevent and detect fraud and to investigate allegations of fraud through the **European Anti-Fraud Office (OLAF)**. OLAF is an independent body that works in partnership with DEVCO, ECHO, the EIB and other donor organisations.

The Commission's finances are externally audited by the **European Court of Auditors (ECA)** which also has a role of contributing to improving EU financial management systems. If the ECA has reason to suspect fraudulent activity it will report this to OLAF. The Commission also has an **Internal Audit Service** which provides an extra level of scrutiny below that of the ECA.

The ECA released its reports on the EU's 2011 budget and EDF in November 2012.[51] Its findings in the area of external relations were that error rates were not significant (likely error rate of 1.1% in the case of the budget instruments; 5.1% for the EDF) and causes of errors revolved around perceived weaknesses of the Commission's "partially effective" supervisory and control systems. The higher EDF error rate can be explained by the fact that EDF interventions are implemented in and by countries in which internal control systems and capacity are generally weak. The Commission maintained that the ECA did not take into account sufficiently the adjustments it was able to make retrospectively through its multi-annual control systems and ex-post evaluations.

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[50] See Chapter 2.

[51] *Report concerning the financial year 2011*, European Court of Auditors, November 2012 (OJ C 344, 12.11.2012).

Chapter 2: Impact on the national interest

This chapter provides an analysis of the advantages and disadvantages of the present balance of competences for the UK national interest in development cooperation and humanitarian aid on the basis of the evidence received during our call for evidence and identified in our literature review.

Introduction

2.1 The UK's overarching aims in the areas of development cooperation and humanitarian aid are, respectively, to eliminate poverty and to respond effectively to disasters.[1] As the Secretary of State for International Development, Justine Greening MP, recently made clear, this means, "giving people, wherever they are in the world, the chance to stand on their own feet, to be healthy, and to be able to pursue their lives in their own way, to make the most of their talents". This is in the UK's national interest not only because it is the right thing to do. It is also the smart thing to do: "[the] development relationships we have in place today create the genuine, the right, deep-rooted working partnerships based on common objectives and mutual trust that are the essential conditions for any successful economic relationship later".[2]

2.2 The UK makes choices about the combination of channels needed to achieve these aims: we work independently, in partnership with other donor countries, through NGOs or other organisations, and through multilateral bodies.

2.3 Besides the EU, our main multilateral partners are the United Nations, the World Bank and regional development banks, the Commonwealth, humanitarian organisations such as the International Committee of the Red Cross (ICRC), and a number of innovative global funds specialised in addressing specific issues, for example the Global Fund to fight AIDS, TB and Malaria (GFATM) and the Global Partnership for Education (GPE). These channels allow the UK to work on these issues in three main ways: through programmes focused on specific countries, for example Ethiopia or Bangladesh; through programmes that deliver wider policy objectives, often across a number of countries, for example eradicating polio or making affordable contraceptives available in poor countries; and

1 In line with the International Development Act 2002, under which DFID operates, the purpose of development assistance provided by the UK is "to contribute to a reduction in poverty", whilst humanitarian aid is provided "for the purpose of alleviating the effects of a natural or man-made disaster or other emergency" in countries outside the UK.

2 Speech delivered by Justine Greening MP at Bond's Annual General Meeting, 23 October 2012. The transcript is available at: https://www.gov.uk/government/speeches/justine-greening-bonds-annual-general-meeting

through cooperation at an international level to agree standards, rules or collective action, for example the UN Convention on Anti-Corruption.

2.4 In deciding whether to pursue a particular option, whether it is bilateral or multilateral, we must weigh up its advantages and disadvantages, drawing a conclusion on how far it will help us achieve our objectives and maximise the effectiveness and impact of our spending. Whereas acting independently we have the greatest choice over where to target our spending, the multilateral organisations often do things that we cannot do ourselves such as provide economies of scale, shape markets, leverage financial contributions from other donors or act in places where the UK does not have a presence. Benefits such as these provide good reasons for choosing each of the partners we work with or through, but working this way can also come at a cost (slower procedures, or more bureaucracy, for example), and we need to adapt our role accordingly. In all partnerships, whether bilateral or multilateral, we need to influence our partners in order to achieve certain outcomes.

2.5 The EU works in some ways like the other multilateral partners available to us, but in many other ways it is unique. The EU is a members' organisation, imposing duties on Member States as well as giving them rights and benefits. Its members are fewer in number than those of larger organisations such as the UN or the World Bank. Unlike those larger organisations, it has legal authority to make laws and policies both in relation to development and in other areas directly relevant to our development objectives, including trade, environment and climate. The EU can also use security policy and diplomatic actions in poor countries either alone or in combination with other policies in a way that no other multilateral organisation can.

2.6 Correspondingly, the extent of the UK's engagement with the EU goes beyond that of our engagement with any other multilateral partner, encompassing the whole breadth of our Government. As a member of the EU, our work through it is not limited to the areas of development, but also covers foreign policy, trade, agriculture, environment and many more areas. Our development relationship with the EU therefore affects and is affected by other policy areas and our wider EU membership.

Box 2A: Millennium Development Goals and DFID's Key Objectives

DFID's current approach is framed by the Millennium Declaration adopted by the UN in 2000 and the associated Millennium Development Goals (MDGs). These goals focus international action on a range of areas including hunger, health, education, gender equality, and the environment, and require progress on related issues such as the reduction of conflict and the creation of wealth.

These areas form the basis of DFID's Key Objectives set out in its Business Plan 2012-2015, which are to:

- honour international commitments, including the Millennium Development Goals;
- drive transparency, value for money and open government;
- boost wealth creation;
- strengthen governance and security in fragile and conflict-affected countries and make UK humanitarian response more effective;
- lead international action to improve the lives of girls and women; and
- combat climate change.

DFID's Key Objectives will be revised in 2015, taking account of discussions on the successor framework for the MDGs.[3]

Summary of views on the present balance of competence

2.7 Most respondents supported the present parallel competence in the areas of development cooperation and humanitarian aid. Their view was that, while there is a need for improvement in many areas of EU activity, the advantages of working through the EU outweigh the disadvantages. One submission called for a strengthening of EU competence in humanitarian aid in the interests of ensuring that the efforts of all donors are fully in line with each other, while two submissions questioned the value for the UK of working through the EU in the area of development cooperation. No submission called for the EU to have sole (exclusive) competence.

2.8 The majority of the evidence submitted concluded that there is a valid place for action by both the European Union and its Member States in the areas of development cooperation and humanitarian aid. CONCORD, the European Confederation for Relief and Development NGOs (non-governmental organisations), said it "does not question the way competences are divided but works hard on putting forward key recommendations for the EU to make best use of its existing competence in the area of development aid and humanitarian policy."[4] The Catholic Agency for Overseas Development (CAFOD) took a similar line, proposing that "there be no fundamental change in the way competences are divided".[5]

2.9 The Trades Union Congress (TUC) said that the UK gained enormously from involvement in EU development cooperation and humanitarian assistance. In its view, criticism levelled at the EU "makes the case for improvement, not repatriation". If these powers were repatriated to the UK, the UK would achieve less with its expenditure than it did now, and the activities of EU Member States put together would also achieve less.[6]

[3] See Chapter 3 for more information.

[4] CONCORD, submission of evidence.

[5] CAFOD, submission of evidence.

[6] TUC, submission of evidence.

2.10 However, Open Europe, a think tank, and the Freedom Association (TFA), a pressure group, both departed from this consensus. Open Europe called for a more flexible approach to EU funding. While it did not question the EU's role in development cooperation and humanitarian aid, it recommended that Member States' contributions to the EU development aid budget should be made entirely voluntary on a similar basis to the European Development Fund (EDF).[7] Nevertheless, it advocated a strong EU presence in the area of humanitarian aid.[8]

2.11 TFA submitted the most critical evidence. It argued that EU aid spending has been wasteful, ineffective and even harmful to the UK's stated objectives in these areas. It argued that the UK could achieve its development goals more effectively if it were to take more action bilaterally, or even through other multilateral channels, independent of the EU.[9]

2.12 No one submitted evidence arguing that the EU should have sole (exclusive) competence in these areas. However, the ONE Campaign (ONE) argued that because aid coordination is so vital in humanitarian crises, the EU's competence in humanitarian aid should be strengthened. As such, "the UK may not need to maintain such a strong competence in this area at the national level".[10]

2.13 The remaining sections of this chapter explore in more detail the advantages and disadvantages for the UK of working through the EU in these areas, as raised in the evidence.

Advantages of working through the EU

Major impact on global poverty reduction

2.14 **The EU is a major contributor to global efforts to reduce poverty and make progress towards the other Millennium Development Goals. The EU provides a platform for collective action and seeks to coordinate the efforts of its Member States. These attributes add value to the UK's own efforts to achieve its policy objectives in international development.**

The EU's actions contribute to achieving UK development objectives

2.15 Respondents observed that much of the EU's development work focuses on issues and geographical areas that are closely aligned with UK development policy priorities. Working through the EU can therefore help the UK achieve its development policy objectives.

2.16 Like the UK, the EU places poverty reduction at the centre of its development policy. The primacy accorded to poverty reduction is legally binding, with the Lisbon Treaty stipulating that it must be the "primary objective" of EU development policy.[11] ONE argued that this stipulation makes the EU unique, when compared with other donor organisations (both multilateral organisations and donor countries), in setting out the eradication of poverty as a legally binding objective of ODA. ONE also noted that the Lisbon Treaty states that both the EU and Member States must meet their UN commitments, including the 0.7% GNI target, which the UK is on track to meet.[12]

2.17 The MAR considered that the EDF, in particular, was strong on a range of UK poverty reduction priorities including wealth creation and promoting good governance.[13] The

[7] See page 14.

[8] Open Europe, submission of evidence.

[9] TFA, submission of evidence.

[10] ONE, submission of evidence.

[11] Article 208 TFEU.

[12] ONE, submission of evidence.

[13] *Multilateral Aid Review: Assessment of the European Development Fund (EDF)*, DFID, March 2011.

MDG Initiative is an example of the Commission's work on achieving the MDGs funded by the EDF.

Box 2B: MDG Initiative

The EU launched the €1 billion MDG Initiative at the UN MDG Summit in 2010 to speed up progress towards the MDGs. Funded by the EDF, the initiative combines an allocation of €700 million (approx.) to fund projects targeting the most off-track MDGs in 36 African, Caribbean and Pacific countries – namely, eradicating hunger, improving maternal health, curbing child mortality and improving access to water and sanitation – with a €300 million (approx.) of performance-based funding for countries with a good track record for implementing aid.[14]

2.18 In addition, the evidence indicated that the geographical focus of EU aid spending is also aligned with the UK's geographical focus. In particular, the MAR reported that the EDF gave crucial support to many Commonwealth countries and was sometimes their only source of grant funding other than the UK Government. The UK funded 15% of the EDF, which in turn channelled 40% of its funds to Commonwealth countries and supported the poorest UK Overseas Territories. The EDF was also one of the largest providers of regional support, of key importance for economic integration in Africa and the Caribbean, both of which are UK Government priorities.[15]

The EU acts as a platform for collective action by Member States

2.19 In line with the Lisbon Treaty requirements,[16] the EU institutions and Member States coordinate both the formulation and implementation of development policy, with the intention of combining their individual contributions to achieve greater impact. Most respondents stated that one of the main reasons the EU can achieve such a major impact on poverty reduction and other development challenges is its ability to harness the power of collective action. For example, Christian Aid made the point, echoed by most of the respondents, that coordinated EU action can improve the efficiency and impact of Member States' aid spending. This is because it eases the administrative burden on both Member States and aid recipient countries, and reduces the risk of duplication, gaps and other inefficiencies. From the Member States' perspective, this collective approach can be more influential with interlocutors in recipient countries, and can produce budget savings.[17] As the African Foundation for Development (AFFORD) stated, "pooling resources for development is both fiscally prudent and arguably more cost effective".[18] Meanwhile, this donor coordination means that aid recipient countries benefit from dealing with what James Hewitt, an independent consultant, described as a "single interface".[19]

2.20 Many of the respondents confirmed the benefits of the EU's role in joining up Member States' engagement through the shared policy approaches embodied in the European Consensus on Development[20] and, most recently, the Agenda for Change.[21] CONCORD and Christian Aid recognised that the EU provides a valuable platform for Member States

[14] See http://ec.europa.eu/europeaid/what/millennium-development-goals/mdg_initiative_en.htm

[15] *Multilateral Aid Review: Assessment of the European Development Fund (EDF)*, DFID, March 2011.

[16] Article 208(1) TFEU: the EU institutions and Member States' policies must "complement and reinforce each other".

[17] Christian Aid, submission of evidence.

[18] AFFORD, submission of evidence.

[19] James Hewitt, submission of evidence.

[20] See Box 1E.

[21] See Box 2H.

to establish such policy positions as well as joint strategies for particular countries or sectors, and to share analysis and best practices.[22] This supports the finding in the MAR that the Commission was in an "excellent position to ensure better policy coherence, promote best practice and ensure more donor coordination".[23] The EU's work in promoting aid effectiveness is discussed in Box 2C below.

2.21 The EU's coordination function was particularly valued in the context of humanitarian aid, where it ensures a timely and effective response to humanitarian crises. CAFOD considered that ECHO's role enables an enhanced level of coordination and complementarity between and within Member States, in a way that the UK Government acting alone could not achieve. The European Consensus on Humanitarian Aid provides a strong framework that forms one of the main pillars of the UK Government's own humanitarian aid policy and practice, while the EU's Committee on Humanitarian Aid and Food Aid (COHAFA) provides an important forum for coordination and strategy discussions between Member States. Funding provided by ECHO is relatively efficient, timely and flexible, in part thanks to its range of unique tools and procedures, including: its Global Needs Assessment and Forgotten Crises Assessments;[24] its Framework Partnership Agreements (FPA), which establish continuing partnerships with 180 vetted European NGOs to enable rapid funding disbursement at the onset of crises; and the flexible Emergency Aid Reserve (EAR).[25] Moreover, as participants at one of our outreach meetings with NGOs observed, the UK, as a Member State of the EU, has the opportunity to influence not only joint EU policy positions and development programmes, but also those of other Member States. The UK is therefore in a position to ensure that EU collective action and other Member States' individual actions also support UK priorities.[26] This is explored further below.[27]

Box 2C: Promoting aid effectiveness

The principles of aid effectiveness aim at maximising the impact of aid and stepping up efforts to make progress towards the MDGs. The principles were discussed and codified at a series of international meetings of senior representatives from over 100 countries, as well as representatives of the the EU, the UN, the World Bank, private foundations and civil society organisations. At the first of these meetings, or High Level Fora, held in Paris in 2005, delegates signed a declaration establishing five principles of aid effectiveness: *ownership* by recipient governments of their own development policies and strategies; *alignment* of aid programmes with recipient countries' national development strategies; *harmonisation* (coordination between donors to avoid duplication and reduce transaction costs); *management for results* (systematically measuring the results of aid programmes); and *mutual accountability* between donors and recipient countries. This declaration was confirmed and built upon at subsequent senior meetings held in Accra (Ghana) and Busan (South Korea) in 2008 and 2011 respectively.

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22 CONCORD, submission of evidence; Christian Aid, submission of evidence.

23 *Multilateral Aid Review: Assessments of the European Development Fund (EDF) and the European Commission Budget*, DFID, March 2011.

24 ECHO's *Global Needs Assessment* (GNA) comprises two indices: a vulnerability index identifying in which countries humanitarian needs are likely to be greatest in the event of a disaster; and a crisis index identifying which are effectively in a humanitarian crisis situation. Taken together the two indices define the priorities for humanitarian intervention. ECHO's *Forgotten Crises Assessment* (FCA) attempts to identify severe protracted humanitarian crisis situations where affected populations are receiving no or insufficient international aid and where there is no political commitment to solve the crisis.

25 CAFOD, submission of evidence.

26 Record of outreach meeting with NGOs.

27 See the section on "Multiplier effect for UK priorities and influence", page 45.

Box 2C: Promoting aid effectiveness (continued)

In line with these declarations, the EU has increasingly sought to promote aid effectiveness in the following ways.

- **Division of labour**: in 2007, the EU launched its Code of Conduct on Division of Labour in Development Policy.[28] The Code aims to encourage a "division of labour" between various EU donors (the European Commission and institutions and Member States) in order to achieve optimum use of human and financial resources, encouraging each donor to focus its assistance on areas where it can add most value, given what others are doing. One aspect of this is *delegated cooperation*, whereby portions of EU aid funding are allocated to the Commission or a single Member State for disbursement and management. Another is *joint programming*, whereby EU donors (either the Member States or the Commission represented by the EU Delegation) active in a particular partner country work together to plan and synchronise, in consultation with that partner country, their development programmes.[29] The UK Government strongly believes any incentives for joint programming need to come out of ongoing partnership discussions with developing countries, and be owned and led by the partner country. Joined up working within the EU must therefore be pragmatic, flexible, open to other donors, aimed at reducing transaction costs and not least adapted to the realities on the ground.
- **Budget support**: a further key EU policy is contained in the European Commission's Communication, "*The Future Approach to EU Budget Support to Third Countries*",[30] which strengthened the eligibility criteria for providing budget support[31] to developing countries and proposed policies for an EU-coordinated approach.

Transparency and accountability

2.22 The EU has taken significant steps to strengthen the transparency and accountability of its aid programmes in recent years. This was recognised in the MAR, which rated the Commission's performance on both issues as satisfactory. In relation to transparency, it noted that the Commission had a formal disclosure policy and was signatory to the International Aid Transparency Initiative, but did not proactively publish all relevant information on its programmes and projects as a matter of course. The MAR also noted that the Commission was ranked second highest out of 32 donors in terms of transparency in the Quality of ODA (QuODA) assessment.[32] The MAR assessment of the Commission's performance on accountability was more mixed. For example, although formal and informal dialogue processes ensured that partner countries were consulted in relation to the budget instruments, those partners did not have a formal role in governance. Similarly, although the Cotonou Agreement gave partner countries a

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28 *Communication from the Commission to the Council and the European Parliament of 28 February 2007 entitled "EU Code of Conduct on Division of Labour in Development Policy"*, European Commission, 2007. COM(2007) 72 final.

29 *Communication from the Commission to the Council and the European Parliament of 2 March 2006: Increasing the impact of EU aid: A common framework for drafting country strategy papers and joint multiannual programming*, European Commission, 2006. COM(2006) 88 final.

30 *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: the Future Approach to EU Budget Support to Third Countries*. European Commission, 2011. COM(2011) 638 final.

31 Budget support refers to financial transfers to the national treasury account of the partner country, accompanied by political dialogue, performance assessment and capacity development. Eligibility criteria have to be met before and during the programme and conditions need to be fulfilled before payments are made.

32 See footnote 3 on page 11.

strong voice in the EDF's governance structures, it fell short of decision-making power. In relation to humanitarian aid, the assessment found that ECHO was highly transparent and accountable to donors, but there was very little partner country involvement in its governance.[33]

2.23 The view of NGOs represented by Bond and CONCORD was that the EU has strong mechanisms in place to ensure transparency and accountability.[34] According to CONCORD, the EU had very comprehensive and transparent procurement requirements to ensure economy, sound human resources policies that encouraged performance and transparency, and sound policies and processes in place for financial accountability, aimed at ensuring careful checks to avoid corruption and fiduciary risk. This is reflected in the positive assessments of the EU institutions by the OECD's Development Assistance Committee, the European Court of Auditors and independent organisations such as Publish What You Fund.[35] Both Bond and CONCORD highlighted that the Agenda for Change had increased emphasis on governance conditionality, especially for budget support.[36] Similarly, CARICOM, the Caribbean Community Secretariat, said that the EU's Anti-Fraud Unit's oversight activities served to support transparency, enhancing initiatives in the region. It said that EU operating procedures included regular evaluations of EDF-financed programmes and projects, and improved monitoring to measure the results of EU-funded activities.[37]

2.24 The British Red Cross (BRC) said that requirements for partner organisations receiving EU funding to report to the EU on their spending are rigorous, but pointed out that this could at times be perceived as a disadvantage of EU grants because it could create additional administrative burdens on partner organisation capacities.[38] Open Europe argued that as the proportion of funds allocated to budget support increased, there is a risk that speed would be traded for effectiveness and accountability. In its view, this could result in support to illegitimate regimes with a history of human rights abuses, for example those ousted by the Arab Spring.[39]

Size and ability to leverage resources

2.25 **The Commission's large aid budget, which is pooled from contributions by all Member State, gives it comparative strengths in certain areas such as large scale infrastructure or regional projects.**

2.26 As highlighted in the Introduction, the European Commission is the world's second largest individual aid donor behind the USA. The size of the Commission's aid budget gives it comparative strengths in a number of areas, when compared to other aid donors. The IDC report, and evidence from the ACP Secretariat, indicated that the Commission's large budget means that it is able to implement large-scale infrastructure projects such as road building which the UK or other Member States would be unable to do alone.[40] ONE

[33] *Multilateral Aid Review: Assessments of the European Commission Budget, the EDF and ECHO*, DFID, March 2011.

[34] Bond, submission of evidence; CONCORD, submission of evidence.

[35] CONCORD, submission of evidence.

[36] Bond, submission of evidence; CONCORD, submission of evidence. See Box 2C for more information on budget support.

[37] Caribbean Community Secretariat, submission of evidence.

[38] British Red Cross, submission of evidence.

[39] Open Europe, submission of evidence.

[40] *EU Development Assistance,* House of Commons International Development Committee, April 2012, page 12; record of meeting with ACP Secretariat.

pointed out that the EU is comparatively strong in delivering regional projects working across a number of countries, investment-heavy projects, and rapid-response projects such as the EU Food Facility.[41] With regard to humanitarian aid, CAFOD said that ECHO's Global Needs Assessment and Forgotten Crisis Assessment,[42] which it regarded as among the best tools in the humanitarian sector for identifying needs, require resources that the UK and other Member States could not on their own provide.[43]

2.27 The Commission's large aid budget is pooled from mandatory contributions from all Member States. Respondents highlighted the importance of the EU's role in leveraging resources from all Member States, including those that might otherwise provide less development financing. In particular, the MAR and IDC both found that this allows Member States that have not historically provided aid to channel their development obligations effectively.[44] ONE and Christian Aid underlined the importance of this leveraging function, pointing out that the EU, unlike other multilateral channels such as the UN or development banks, has legislative power and therefore can hold Member States to their budgetary commitments.[45]

2.28 One particular benefit of EU aid cited by respondents was that, because EU aid is allocated over the seven-year MFF cycle, it provides a more predictable and longer term source of finance than aid provided by donor countries (including the UK) or other organisations. For instance, the World Food Programme office in Malawi commented that the EU can "provide access to longer and sustainable funds to priority areas".[46]

2.29 A number of respondents also recognised the important role played by the European Investment Bank (EIB) in leveraging resources from the private sector financing to fund development programmes. CONCORD described the EIB as "an important additional tool for the efficiency of aid effectiveness", particularly for its role in developing innovative funding instruments "to make the best use of little money".[47] The African Development Bank (AfDB) and others cited the EIB's role in managing the EU-Africa Infrastructure Trust Fund, as a striking example of this.[48]

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41 ONE, submission of evidence.

42 See footnote 24.

43 CAFOD, submission of evidence.

44 *Multilateral Aid Review: Assessment of the European Development Fund (EDF)*; DFID, March 2011. *EU Development Assistance*. House of Commons International Development Committee. April 2012, page 12.

45 ONE, submission of evidence; Christian aid, submission of evidence.

46 World Food Programme, Malawi, submission of evidence.

47 CONCORD, submission of evidence.

48 African Development Bank, submission of evidence. See Box 2D.

Box 2D: The EIB's role in supporting regional infrastructure projects

The African Development Bank (AfDB) reported its effective coordination with the European Investment Bank (EIB) and other lenders through the Cooperating Partners Group (CPG) in Zambia over recent years. In particular, AfDB noted that its energy team coordinated very closely with the EIB and the French Development Agency (AFD), which co-financed the Itezhi-Tezhi hydropower and transmission project in Zambia. AfDB commented that the parties' agreement to use its procurement rules and guidelines set a precedent for future projects in the power sector co-financed with the EIB and AFD. AfDB also commented on the value of the technical assistance that the EIB provided to the government on implementing reforms to improve sector governance, structure and financial management, and the interest rate subsidy for the project that the EIB secured from the EU-Africa Infrastructure Trust Fund (ITF), which further reduced the cost of delivering the project to the client.[49]

Another example of the EIB's work in financing regional infrastructure projects is the Great East Road Rehabilitation Project, which links Zambia and its neighbouring countries. Started in 2010, this Aid for Trade (AfT) project involves the improvement of 360km of single carriageway highway on Zambia's Great East Road, which connects Lusaka, the capital, to Zambia's Eastern Province and forms part of the Nacala Corridor, a regional transport corridor linking Zambia and Malawi to the deep sea port of Nacala in Mozambique. The project, costing in total €250 million, was funded by blending €38 million in the form of grants from the 10th EDF with investment loans from the EIB's and AfDB's own resources under the umbrella of the EU-Africa Infrastructure Trust Fund (ITF).[50]

Global reach

2.30 **The EU's global reach is greater than that of any of the Member States acting individually. Used effectively, the EU's programmes can therefore address the full range of countries where poverty reduction remains a priority, and the varied and interlinked issues that affect their development. The EU's geographical focus for its aid programmes is broadly aligned with that of the UK, particularly with regard to aid to Commonwealth countries, and the EU's wider geographical coverage means the UK can channel aid through it to reach countries that the UK could not reach alone.**

2.31 The evidence we reviewed indicated that the UK benefits from the EU's geographical reach since the EU has a presence in countries where there are UK development interests but no UK programmes. At the time of its enquiry, the IDC (quoting the European Commissioner for Development) noted that the EU was present in around 150 countries, such as the Solomon Islands, "addressing poverty issues in the countries that member countries alone will never reach". This provided a vehicle for the transfer of funds to countries like Haiti and Niger, where 700,000 lives had been saved from famine through emergency food assistance by the European Commission.[51]

2.32 NGOs pointed out that the EU's presence is particularly important and substantial in fragile states and in forgotten crises (for example, in Niger or the Central African Republic), both of which are prone to instability and conflict.[52] As a comparison, the IDC reported, at the time of its enquiry, that the EU was present in 43 fragile states, whereas the UK Government had bilateral programmes in only 11.[53] Bond argued that, despite not having a presence in these countries itself, the UK gains "on the ground presence and influence" via the EU's

[49] African Development Bank, submission of evidence.

[50] *Aid for Trade Report 2012*, European Commission, Staff Working Paper, July 2012, page 37.

[51] *EU Development Assistance*, House of Commons International Development Committee, April 2012, page 12.

[52] Record of outreach meetings with NGOs.

[53] *EU Development Assistance*, House of Commons International Development Committee, April 2012, page 12.

operations. The UK is also able to learn from the experiences of the EU institutions and other Member States in these partner countries, especially because the location of EU Delegations in many of them makes possible a deep understanding of the local context.[54] Respondents also argued that the UK's ability to influence EDF and budget instrument spending (through its vote in the Council and EDF management committees) gives it a strategic influence on development activities in these countries that it would not have if it did not work through the EU.[55]

Box 2E: EU aid has a wider geographical reach than UK aid

While the UK currently focuses its bilateral assistance on 28 of the world's poorest countries, it still retains a key interest in many other countries. EU aid provides valuable support to a significant number of such countries. An important example of this is EU aid to the Commonwealth and UK Overseas Countries and Territories (OCTs): whereas the UK currently funds development programmes in 15 Commonwealth countries and 3 UK OCTs, EU aid currently reaches 45 Commonwealth countries and 12 UK OCTs.

Range of policies and instruments

2.33 **Working through the EU gives the UK access to the EU's comprehensive range of external instruments and policies, which can be combined to tackle problems in fragile states and address a range of global development challenges.**

2.34 Respondents observed that, unlike other multilateral organisations that provide development assistance such as the UN or the World Bank, the EU is a political organisation with the authority to act in a range of policy areas that have significant implications for international development, including trade, energy, agriculture and foreign policy. According to ODI: "The UN, the multilateral development banks and the EU have very different mandates and roles. The UN has the political role, but not the capacity to disburse on the scale or with the variety of instruments available to the EU. The World Bank and the other multilateral development banks have the financial resources, but not the voice on trade, nor the role in foreign and security policy".[56] As a senior partner at PwC stated, when considering the added value of EU aid, one must view it as part of the EU's wider offer to recipient countries: "The relationships built via development work will clearly have implications for other important areas of [UK] government interest such as trade and security."[57]

2.35 The IDC reported that the EU "offers the potential for joined-up engagement in international development, combining aid, diplomacy, military power and economic tools such as trade policy". Working through the EU therefore helped to tackle wider issues that affect the UK and developing countries in a more coherent way.[58] Most respondents shared the view that, because of this, the EU is well positioned to address development challenges of an increasingly global and interlinked nature and to provide global public goods.[59] However, they felt that the EU is falling short of realising this potential for joined-up action.[60]

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[54] Bond, submission of evidence.

[55] Record of outreach meetings with NGOs.

[56] ODI, submission of evidence.

[57] PwC, submission of evidence.

[58] *EU Development Assistance*, House of Commons International Development Committee, April 2012, page 13.

[59] Public goods are defined as goods and services that are "non-rival" (i.e. no one can be excluded from their benefits) and "non-excludable" (i.e. their consumption by one person does not diminish consumption by another). They are "global" when their benefits flow to more than one country and when no country can effectively be denied access to those benefits. Clean environment, health, knowledge, property rights, peace and security are all examples.

[60] See e.g. record of outreach meetings with NGOs. The EU's implementation of Policy Coherence for Development (PCD) is covered below.

2.36 Many respondents welcomed the EU's efforts to develop a "comprehensive approach" to external action, encompassing military action, diplomacy, development cooperation and humanitarian aid, but commented that the EU has a long way to go in defining and implementing the approach. The Italian Ministry of Foreign Affairs said that an integrated and coordinated EU approach is the key to avoiding fragmentation or duplication between donors and promoting a common approach to budget support. Such an approach can result in positive outcomes across a number of sectors, as demonstrated by the combination of election monitoring, promoting political dialogue and reconciliation, and support for the provision of health, sanitation and basic services deployed in Mali.[61] Box 2F below outlines the EU's comprehensive approach to external action in Mali and other countries of the Sahel region, as well as in the Horn of Africa and in North Africa.

Box 2F: The EU's "comprehensive approach" to external action[62]

A prominent example of the comprehensive approach is the EU's activity in the Sahel region of Africa. The Sahel lies between the Sahara and the remainder of sub-Saharan Africa, spanning the whole continent, from the Gambia in the west to Eritrea in the east. It is one of the poorest regions of the world and has seen severe droughts and food crises, rapid population growth, and increasing instances of instability and violent extremism. The EU's comprehensive approach in the region is based on the EU Strategy for Security and Development in the Sahel, which was approved by the Council in March 2011.[63] The strategy recognises the interconnections between development and security issues and emphasises the need for regional cooperation to tackle these issues (working closely with the African Union and the Economic Community of West African States (ECOWAS)), as well as capacity-building and economic growth. It focuses initially on Mauritania, Niger and Mali. A significant focus of the EU's development programme has been on building the region's resilience to food crises through the Global Alliance for Resilience Initiative (AGIR), which aims to achieve "zero hunger" in the region by 2020. In June 2013, the EU reported providing up to €517 million in humanitarian funding since 2012, reaching 12 million people.[64]

Similar development and security problems exist in the Horn of Africa, where the EU's approach is underpinned by its Strategic Framework for action in the region, approved by the Council in November 2011.[65] The EU's approach focuses on Somalia and combines a number of foreign and security policy actions (including anti-piracy operations, military training missions and support for maritime security) with development and humanitarian assistance. As in the Sahel, the EU aims to link up short term humanitarian responses to crises with a longer term development effort aimed at building the region's resilience.[66]

A further example of the comprehensive approach is the EU's response to the Arab Spring, which adopted an incentive-based "more for more" approach, making available EU support in the form of the "Three Ms" (money, markets and mobility) to those partner countries most advanced in carrying through political reforms.

61 Italian Ministry of Foreign Affairs, submission of evidence

62 For more details on the EU's comprehensive approach in these areas, please refer to the Foreign Policy Report.

63 *Council conclusions on a European Union Strategy for Security and Development in Sahel*, Council of the European Union, March 2011.

64 *Factsheet on AGIR – Sahel: Building resilience to food and nutrition crises in the Sahel*, European Commission, June 2013. For more information on resilience, see Box 2G.

65 *Council conclusions on the Horn of Africa*, Council of the European Union, November 2011.

66 See Box 2G.

2.37 Respondents also identified that the EU is in a good position to support developing countries in their building resilience to shocks that can impede development such as conflicts, droughts or other natural disasters. This involves combining short-term humanitarian responses to disasters when they occur with longer-term development work aimed at building up a country's, and its population's, preparedness to deal with future disasters. The MAR reported a weak link between the EU's humanitarian interventions and longer-term development work, in particular because DEVCO had slower approval processes when compared to ECHO.[67] However, respondents recognised that the EU has made significant progress in this area. According to CAFOD, the EU's policy statements on resilience represent "an important contribution" that are likely to have a greater impact in influencing other Member States than anything the UK Government could do on its own. As such, "the work of the EU adds considerable value to the British government efforts".[68] Similarly, the Italian Ministry of Foreign Affairs said that the EU's approach to resilience is a comprehensive and cost-effective way to tackle the root causes of recurrent crises.[69]

Box 2G: The EU's approach to building developing countries' resilience to disasters

At present, the EU's approach to resilience centres on two large regional programmes: the Alliance Globale pour l'Initiative Resilience (AGIR) programme, discussed in Box 2F above, and the Supporting Horn of Africa Resilience (SHARE) programme, discussed here.

Severe drought has affected the Horn of Africa since the end of 2010. In 2012, the European Commission (under ECHO) allocated €162 million for humanitarian assistance to the region. Funds are as a priority channelled into providing food assistance, nutrition, clean water, sanitation and shelter to affected populations.

The Horn of Africa hosts over one million refugees. In 2012, the Commission reported an allocation of €30 million to meet the basic needs of approximately 700,000 refugees living in camps. This included providing shelter, food, water, health and protection services as well as education and livelihoods support. In addition, the Commission has, since 2006, been actively involved in disaster risk reduction across the Horn of Africa region. This initiative focuses on drought preparedness and aims to make local communities more resilient while building up their capacity to cope with the impact of recurrent drought, reducing the need for emergency responses.[70]

Multiplier effect for UK priorities and influence

2.38 **The EU's development objectives are closely aligned with, and complementary to, those of the UK, meaning the UK can focus on its own areas of strength or priority. The EU can be perceived as politically neutral, enhancing its ability to work with certain partners or to address issues such as democracy, human rights, electoral support and conflict prevention. Further, the UK has proven its ability to influence the EU's position.**

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67 *Multilateral Aid Review: Assessments of the European Commission Budget and ECHO*, DFID, March 2011.

68 CAFOD, submission of evidence.

69 Italian Ministry of Foreign Affairs, submission of evidence.

70 See *EU approach to resilience: learning from food crises*, European Commission, May 2013.

Complementarity of UK and EU priorities

2.39 A number of respondents pointed out that the close alignment of UK and EU policy objectives means that, where the EU is active in a certain area or on a certain issue, the UK effectively has a choice either to work in parallel with the EU in that area or on that issue, or to focus on other priorities. ODI described the parallel action by the EU and Member States as a "safety valve" ensuring that the latter are still able to act independently on issues they feel strongly about.[71] The British Red Cross also pointed out that the EU's role in humanitarian crisis response means that the UK does not have to respond directly to every humanitarian crisis. For example, during the Sahel food crisis in 2012,[72] the UK deferred to the EU response but, later, when the situation was at its most critical, was able to allocate £4m in bilateral aid to partner agencies working in the region.[73] Similarly, the UN Office for the Coordination of Humanitarian Affairs (OCHA) commented that it benefits from a combination of funding where the UK supports and finances UN multilateral action with central funding, whereas the EC almost exclusively provides funding for specific projects (primarily for specific country operations). In its view, this complementarity would be lost if the current arrangement of parallel competence were altered.[74]

Political neutrality

2.40 A number of respondents pointed out that, while many Member States have strong and long-standing relations with a range of developing countries, the EU is viewed as a separate entity from the individual Member States, which often allows it to bridge historic sensitivities and be perceived as more politically neutral. This can enhance the EU's ability to address issues such as democracy, human rights, electoral support and conflict prevention.[75]

2.41 Respondents commented that the EU's perceived political neutrality and strong adherence to the humanitarian principles of humanity, neutrality, impartiality and independence[76] enable it to be a major player in humanitarian aid. The British Red Cross observed in particular that ECHO can provide funding where a UK presence and funding might prove difficult or contentious, especially in fragile states.[77] ODI observed that the EU's flexibility in funding NGOs also makes it potentially better placed than other multilateral bodies: "The EU potentially has greater flexibility than other multilateral agencies, including the UN, to provide aid directly to non-state institutions. This is particularly important in conflict-affected countries where the [UK] government is perceived to be an active player in the conflict".[78]

Working with other organisations and representing the Member States

2.42 Respondents observed that the EU plays an important role in working with other international and regional organisations, host governments in partner countries and non-governmental organisations. It can also reinforce Member States' own influence in international fora such as the UN and the G20.

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[71] ODI, submission of evidence.

[72] For more information on EU action in the Sahel, see the case study in Box 2F and the Foreign Policy Report.

[73] British Red Cross, submission of evidence.

[74] OCHA, submission of evidence.

[75] Records of outreach meetings with NGOs and think tanks.

[76] See Box 1E on the European Consensus on Humanitarian Aid.

[77] British Red Cross, submission of evidence.

[78] ODI, submission of evidence.

2.43 Many of the respondents recognised the value of the influence that the EU, as a result of its size and reach, can bring to bear in international organisations and relationships with other states. Christian Aid pointed out that "the EU can have a stronger voice in multi-lateral groupings than Member States".[79] Similarly, the Swiss Agency for Development and Cooperation (SDC) highlighted the effective dialogue and cooperation that it maintains with the European Commission in Brussels and in developing countries.[80]

2.44 Many of the respondents stressed the good relationships that the EU has with other regional bodies. OCHA said that, because EU institutions appear less representative of specific national interests, they are better placed to facilitate a dialogue "among peers" with regional organisations such as the AU and ASEAN.[81] This was confirmed by several such regional organisations: the ACP Secretariat particularly welcomed the EU's role in trade and regional integration working with the African Union, the ACP Group of States and their affiliates,[82] while the Caribbean Community (CARICOM) Secretariat was positive about its relationship with the EU. The latter particularly commended the EU on a €3.4 million financing agreement providing important disaster management capacity building in partnership with the Caribbean Disaster Emergency Response Agency (CDERA).[83] Equally, the Africa-Europe Platform and AFFORD's partners in Europe and in Africa considered the EU to be more effective than individual Member States in working with a range of African institutions including African governments, the African Union, ECOWAS and other regional groupings, as well as think tanks and businesses. The Cotonou Agreement provides a ready example of this.[84] Lastly, the Asian Development Bank (ADB) cited numerous successful examples of collaboration and co-financing with the EU, including the €52 million Tsunami Affected Area Rebuilding Project (TAARP).[85]

2.45 Respondents also recognised the EU's strengths in working with partners on-the-ground in developing countries. ONE argued that, since EU Delegations have the mandate to help Europe "speak with one voice", they can facilitate cooperation with other important development actors operating in the same country, such as the United States or the World Bank, when the UK does not have sufficient resources, or chooses not to do this independently. This is aided by the fact that EU financial regulations allow other international organisations to manage EU funds in accordance with their own procedures (under the condition that these met EU standards for implementation, monitoring and spot checks).[86] The Euclid Network and the TUC also considered that the UK benefits from the EU's partnerships with a wide range of civil society organisations, including trade unions and employers.[87] In the context of humanitarian aid, CAFOD, in particular, observed that ECHO's field presence enables it to contribute towards shared donor analysis and enables it to promote improvements within UN agencies. ECHO also provides substantial funding to NGOs, one third of which goes to UK NGOs.[88]

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79 Christian Aid, submission of evidence.

80 Swiss Agency for Development and Cooperation, submission of evidence.

81 OCHA, submission of evidence.

82 Record of meeting with the ACP Secretariat.

83 CARICOM, submission of evidence.

84 AFFORD, submission of evidence.

85 Asian Development Bank, submission of evidence.

86 ONE, submission of evidence.

87 Euclid Network, submission of evidence; TUC, submission of evidence.

88 CAFOD, submission of evidence.

2.46 Respondents recognised that the EU's role in representing its Member States internationally can play to the UK's overall advantage because it can often give the UK "two voices" in international fora.[89] According to CONCORD, this means that "through parallel competence, the UK can both stress its own points in UN agencies, as well as multilateral development banks and the G20, and work with the EU to have a stronger voice."[90] CAFOD confirmed that this extends to the humanitarian context. By way of example, the EU's approach on major global humanitarian reform issues – such as the reform of UN humanitarian aid, the Inter-Agency Standing Committee's Transformative Agenda[91] and the Good Humanitarian Donorship (GDH) Fora[92] – "reinforces the British government's own position".[93]

Securing UK influence

2.47 The UK's ability to use the EU as a multiplier for its policy priorities and global influence depends on its ability to secure its influence on EU development spending and policy making. Respondents observed that the UK could secure such influence through a variety of channels. At the institutional level, the UK has a say over key policy and spending decisions through representatives in the Council of Ministers and its working groups, and in the management committees for each of the development instruments. According to ONE and Bond, these policy processes mean that the UK is more able to influence the EU than it is the UN, the World Bank or other development banks. This is bolstered by the fact that the UK is the third largest contributor to the EU aid budget.[94] At the working level, UK officials stationed at the UK Representation to the EU or seconded in the Commission or EEAS maintain effective working relationships with EU officials. Meanwhile, in countries where both the UK and EU were present, UK officials can influence the programming and implementation of EU programmes through regular dialogue. Lastly, British NGOs and think tanks that support UK policy positions can provide additional influence through campaigning and lobbying EU officials. The examples of the UK's role in negotiating the Agenda for Change and the MFF 2014-2020 (see Boxes 2H and 2I below) show how the UK, working through the EU, can deliver on its policy priorities.

[89] Record of outreach meetings with NGOs. See the section below on how the UK secures influence in the EU.

[90] CONCORD, submission of evidence.

[91] In December 2011, following a comprehensive inter-agency review of the approach to humanitarian response, a set of actions were agreed to address acknowledged challenges in leadership and coordination, as well as to enhance accountability for the achievement of collective results.

[92] The Good Humanitarian Donorship (GHD) initiative is an informal donor forum and network which facilitates collective advancement of GHD principles and good practices.

[93] CAFOD, submission of evidence.

[94] ONE, submission of evidence; Bond, submission of evidence.

Box 2H: The EU's Agenda for Change

In October 2011, the Commission published an "Agenda for Change" with a view to increasing the impact of EU development policy.[95] It was approved by the Member States in the Council in May 2012.[96] The Agenda does not supplant the main statements of EU development policy, which are still found in the European Consensuses, but proposes twelve practical steps to increase their impact.[97]

UK influence on the Agenda for Change

In its report of December 2012, the Independent Commission for Aid Impact (ICAI) found that DFID could "fairly claim to have been influential" on the development of the Agenda for Change. In particular:

"Work commissioned by DFID and undertaken by the Overseas Development Institute (ODI) was important in shaping the Agenda at an early stage. DFID's input during the consultation phase was also influential and was based on widespread consultation across government departments to develop a clear UK position. DFID wanted more monitoring and evaluation capacity, further engagement with the private sector and a stronger focus on poverty. These priorities are reflected in the Agenda. The Agenda also reflects a convergence of Member States' thinking on the priorities for change within EuropeAid."[98]

2.48 With regard to aid spending, respondents remarked that the UK can secure influence not only over its proportionate contributions to the various on-budget instruments and the EDF, but over the total aid budget. The EU's legal structure means that each Member State, through its representatives in the Council, has legal power to have a say not only on how their contributions to the EDF and budget instruments are spent, but also on how the total funds, pooled by all Member States, are spent. As such, although the UK's contribution to the EDF amounted to approximately 15% of the total fund, for example, it can, through its Council representatives and through working with other Member States, influence how the entire fund is spent.[99] Bond recognised that, in relation to the EDF, the UK has "a strong say in determining how EU aid is spent": it not only has the third most powerful vote in the EDF management committee, it has even more say "beyond the official committee process" because its large on-the-ground presence means it is often consulted more than other Member States by EU Delegations when planning development programmes.[100]

[95] *Commission Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Increasing the Impact of EU Developing Policy: an Agenda for Change, European Commission*, October 2011. COM(2011) 637 final.

[96] Council Conclusions *'Increasing the Impact of EU Development Policy: an Agenda for Change': 3166th Foreign Affairs Council meeting*, 14 May 2012.

[97] The twelve points of the Agenda for Change are: an increased share of EU country and regional cooperation programmes dedicated to policy priorities; the concentration of EU activities in each country on a maximum of three sectors; an increased volume and share of EU aid to the countries most in need and where the EU can have a real impact, including fragile states; enhanced importance of human rights, democracy and good governance trends in determining the mix of instruments and aid modalities at country level; continued support for social inclusion and human development through at least 20% of EU aid; a greater focus on investing in drivers for inclusive and sustainable economic growth, providing the backbone of efforts to reduce poverty; a higher share of EU aid through innovative financial instruments, including under facilities for blending grants and loans; a focus on helping reduce developing countries' exposure to global shocks such as climate change, ecosystem and resource degradation, and volatile and escalating energy and agricultural prices, by concentrating investment in sustainable agriculture and energy; tackling the challenges of security, fragility and transition; joint EU and Member States response strategies based on partners' own development strategies, with a sectoral division of labour; a common EU results reporting framework; and improved Policy Coherence for Development, including through new thematic programmes that build synergies between global interests and poverty eradication.

[98] *DFID's Oversight of EU Aid to Low Income Countries*, Independent Commission on Aid Impact, 2012, page 8.

[99] Record of outreach meetings with NGOs.

[100] Bond, submission of evidence.

2.49 However, respondents recognised that there are limits to the extent to which the UK can influence EU policy making and spending. Open Europe claimed that EU aid allocation is ultimately driven by geopolitical considerations and old colonial ties, which differ between Member States. It noted that, while the MAR rated the EDF higher than the Commission's budget instruments in terms of their contribution to the UK's development objectives, the UK's contribution to the budget instruments was substantially greater than its contribution to the EDF.[101] The IDC also reported that "our concern is that DFID money is being spent through Europe on projects in middle income countries which would not qualify for DFID bilateral funding."[102]

Box 2I: Negotiating the Multiannual Financial Framework for 2014-2020

On 8 February 2013, the Member States (meeting as the European Council) reached an agreement on their position for the EU Multiannual Financial Framework (MFF) for 2014-2020. The UK played a key role in influencing the outcome of these negotiations, achieving its primary objective of ensuring budgetary restraint whilst, at the same time, protecting EU spending on development assistance.

Outcomes of MFF negotiation in the European Council

For the first time in history, the Member States agreed to cut the EU's overall multiannual budget. However, despite cuts to other areas of the budget, the Member States agreed to increase development spending. In particular, the Member States agreed that:

- The part of the EU budget allocated to external action (Heading 4 of the MFF), which includes development cooperation and humanitarian assistance, should increase from €56.8 billion in 2007-2013 to €58.7 billion in 2014-2020.
- The EDF, which will remain an off-budget voluntary fund, should be allocated €26.8 billion (in 2011 prices)
- The Emergency Aid Reserve should increase from €1.8 billion in 2007-2013 to €2.0 billion in 2014-2020.

Differentiation and results focus

As a result of UK influence, the Member States agreed that the EU's approach to development cooperation should be "differentiated" according to each recipient countries' circumstances. Future EU aid will have a greater focus on the world's poorest countries and will be linked more closely to countries' own development priorities and needs. The relationship between the EU and upper middle income countries will move from a traditional aid relationship to one of strategic cooperation in areas of mutual interest such as trade and climate change.

The negotiations also represent an important step for the EU in moving towards a stronger focus on measuring and communicating the results that EU aid are achieving. In negotiations over the EDF, the UK helped to secure agreement on a real freeze for administrative support costs at 3.2% of the total fund, with a further ring-fenced amount of 0.25% explicitly set aside for work on results and evaluation.

[101] Open Europe, submission of evidence.

[102] *EU Development Assistance*, House of Commons International Development Committee, April 2012, page 16.

Disadvantages and potential risks of working through the EU

Governance and decision making at the EU level

2.50 **Although policy making at the EU level is often critically important, it can sometimes result in compromise positions that do not fully give effect to UK priorities or that lack impact. Parallel policy making at the EU level and at the national level also has the potential to result in conflicting policies.**

2.51 A number of respondents observed that, because strategic and policy decisions in the EU, as with any other multilateral organisation, are group decisions, the outcomes may not always fully reflect UK priorities. Despite its demonstrable influence in EU decision making, the UK must at times accept a compromise. As a senior partner at PwC expressed, the UK faces a trade-off of "the potential benefits in economy, efficiency and effectiveness [gained by coordination at the EU level] against the ability to target national expenditure on UK determined priorities. The balance of this decision is essentially a political one – whether the extra cost and inefficiency of not cooperating is outweighed by the ability to target." He continued: "in practice the disadvantage for the UK, as with many other aspects of cooperation with other countries, is that the agenda of the EU as a whole differs in terms of development policy [and] strategy. This means that EU expenditure will not be limited to the countries which DFID has chosen as important in its review of bilateral aid and there will be differences in emphasis in how this money is spent."[103]

2.52 Respondents perceived further shortcomings in governance and decision making at the EU level. In ODI's view, Member States tend to shape EU development policy by "uploading" their policies and objectives to the European level, meaning EU policy can therefore be a composite of many Member States' policies. This results in an EU development programme with an overloaded agenda, operating in almost every country in the world. At the same time, the requirement for all Member States to have a bilateral programme means that there are at least 28 different donors plus the Commission who are formulating "European policies".[104] Similarly, AfDB observed, "a key risk within the 'parallel competence' approach is that due to the inherent complexities of development such an approach may lead to unforeseen inconsistencies between the approach of [Member States and the EU institutions] – with a risk of increasing administrative [and] financial overheads that reduces the overall effectiveness of development spend".[105] The Freedom Association went further by arguing that, because EU policy could at times contradict Member States' policy, the UK should pursue its policy aims unilaterally rather than looking for EU coordination.[106]

[103] PwC, submission of evidence.

[104] ODI, submission of evidence.

[105] AfDB, submission of evidence.

[106] TFA, submission of evidence.

Box 2J: OECD Development Assistance Committee Peer Review of the EU, 2012

In an independent peer review of the EU's aid administration led by Japan and Norway, the OECD's Development Assistance Committee (OECD DAC) reported the following findings.

"Since the 2007 peer review, the EU institutions have taken positive steps to make the programme more effective and increase its impact. These steps include major organisational restructuring; efforts to streamline financial instruments; and a strategic approach to making co-operation more co-ordinated and aligned. They have also enhanced their dialogue with civil society.

"However, the EU institutions need to make more progress in a number of areas. In completing the reorganisation they need to be clear about responsibilities of each institution as they work together to implement the development co-operation programme. The EU institutions also need to strengthen knowledge management and lower the administrative burden on partners and EU staff to improve the impact of the programme. They should also do more to demonstrate and communicate results. The EU institutions should also build on the renewed political will at the Commissioner level to develop a coherent approach to programming in post-crisis and transition contexts. Finally, the Commission has developed a sound strategic framework for promoting policy coherence for development, and should make every effort to use its mechanisms to their full potential."[107]

Inefficiency of programme management and delivery

2.53 **Although the Commission's management of its development programmes has improved considerably in recent years, particularly with the implementation of extensive accountability and transparency mechanisms, its programme management and delivery are overly complex and inefficient. There remains significant scope to match them to the EU's strategic priorities. The Commission's capability to demonstrate the results of its activities also needs to be strengthened.**

2.54 From the perspective of the UK's national interest, judgements about the right balance of competences should take into account assessments of the efficiency and impact of EU aid, and the value of working through the EU ultimately depends on its effectiveness. As a senior partner at PwC commented, "the political issue of balance of competence between UK and EU comes down to the extent of commonality of interest. If there is high [commonality] of interest then in principle greater collaboration might make sense as there are likely to be significant effectiveness and value for money benefits. However this presupposes that development expenditure can be delivered effectively via the EU".[108]

2.55 The MAR provided a systematic assessment of the EU's management systems and procedures, which is summarised in Box 2K.

[107] *Peer Review of EU Development Assistance*, OECD, 2012, page 13.

[108] PwC, submission of evidence.

Box 2K: DFID's Multilateral Aid Review: assessment of the EU's organisational strengths

In relation to the Commission's management of the on-budget instruments, the MAR rated the Commission's strategy and performance management and its financial resources management as weak, and its cost and value consciousness as satisfactory. The MAR noted significant strengths in DEVCO's aid management, for example:

- Strong monitoring and financial management systems, with moderate administration costs;
- Predictable funding, which is allocated according to needs and performance and generally released on schedule;
- High levels of budget support, released in tranches based on proven results, which encourages recipient countries to ensure value for money is achieved; and
- Effective partnership with recipient countries, particularly in relation to the EDF.

However, the MAR also noted significant weaknesses, including:

- Projects (as opposed to budget support assistance) have less of a focus on value for money;
- Commission rules are inflexible and cumbersome, which hamper management's ability to strive for results;
- No clear overall system for demonstrating the results of EU-funded activities; and
- Limited flexibility after funds have been committed to specific activities and risk of steep falls in support once EU funding has ended.

On the same three measures, the MAR rated ECHO's management of humanitarian aid as satisfactory, reporting that ECHO works hard to improve coordination between donors and partners on the ground. However, weaknesses included that evaluations were insufficiently followed up, and that strict financial management procedures can delay swift action by partners.[109]

2.56 A number of respondents observed that EU aid tends to involve more burdensome and time consuming bureaucratic processes than UK aid. The Malawi Ministry of Finance, for example, said that the EU has "huge dossiers or rules and regulations on procurement which are hard to comprehend by many implementers".[110] These comments support the OECD Peer Review's finding that EU procedures are "long, complicated and not the same for all instruments. The resulting inflexibility is felt most acutely in fragile situations, where rapid support is important and where the capacity to follow complex procedures is limited."[111]

2.57 Respondents recognised that this is, to a certain extent, inevitable given the large scale of the EU aid administration and the need to maintain accountability and transparency at all levels through approval processes. However, they felt that the EU should seek

[109] *Multilateral Aid Review: Assessments of the European Commission Budget, the EDF and ECHO*, DFID, March 2011.

[110] Malawi, Ministry of Finance, submission of evidence.

[111] *Peer Review of EU Development Assistance*, OECD, 2012, page 21.

to streamline these processes further, particularly by devolving more authority to EU Delegations in-country.[112] As outlined above,[113] the EU has introduced measures – including joint programming, delegated cooperation and increased use of budget support – to improve the effectiveness of EU aid. While many respondents, particularly NGOs,[114] felt confident these measures could improve the efficiency and impact of EU aid, others were more sceptical. In particular, Open Europe argued that delegated cooperation and the transfer of EU aid to other multilateral organisations creates a wasteful "aid transfer chain", in its view effectively doubling the transaction costs involved.[115]

2.58 Respondents observed that inefficiencies in EU administration also had implications for the administrative costs involved. Open Europe noted that, while the UK Government was committed to reducing its administrative costs from 4% to 2% of the total aid budget by 2014-15, the EU's administrative costs in 2009-10 stood at around 5.4%.[116] On the other hand, the IDC reported that the EU's administrative costs over 2008-2010 were lower than those of other multilaterals such as the World Bank. The IDC also highlighted, citing evidence from ODI, that the UK channels a substantially larger portion of its aid budget through multilaterals than the EU does (62% compared to 2% in 2010). As such, comparisons between the UK's and EU's administrative costs needed to take into account that the UK was effectively "exporting" its costs.[117]

2.59 Further, respondents commented that inefficiencies could result from inconsistent parallel action by the EU institutions and Member States. AfDB commented, "for beneficiary countries, parallel competences in the area of development cooperation very often translate in having to keep pace with a series of competing priorities from different donors. This results in delays in policy-making since beneficiary countries simply do not wish to displease any donor." In its view, "the current reality is that too often parallel competences imply a 'tug-of-war' between [the EU institutions and Member States] on how to support a beneficiary country (e.g. on the type of conditionality framework that will be defined)," rather than full agreement by them on the division of labour, sequencing of roles and respective comparative advantages.[118]

2.60 One of the major weaknesses of the Commission's aid administration identified by both the MAR and the OECD Peer Review was that the EU lacked a "results framework" and did not systematically measure, report or communicate to the public the results it achieved across all of its programmes.[119] The OECD reported, "with increased public scepticism and more intense scrutiny, measuring and communicating development results is even more important. The EU institutions need to build a communication culture and shift the current emphasis on ensuring visibility of EU development support towards communicating priorities, challenges and impacts."[120] Box 2L outlines how the UK is working with the EU to ensure the implementation of a results framework.

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[112] Record of outreach meetings with NGOs.

[113] See Box 2C.

[114] Record of outreach meetings with NGOs.

[115] Open Europe, submission of evidence.

[116] Open Europe, submission of evidence.

[117] *EU Development Assistance*, House of Commons International Development Committee, April 2012, page 13.

[118] African Development Bank, submission of evidence.

[119] See Box 2J and Box 2K.

[120] *Peer Review of EU Development Assistance*, OECD, 2012, page 16.

Box 2L: Working with DEVCO to implement a results framework for EU aid

MAR assessment

One of the findings of the MAR assessment of the European Commission was the need for DEVCO to implement a results-based approach to aid, with a results framework to measure performance and to enable the results achieved across all EU aid programmes to be reported. This was identified as the key reform priority to be taken forward by DFID.

Follow up by DFID

DFID has held, and continues to hold, extensive discussions with DEVCO. This has included a visit by senior management from DEVCO to DFID to learn about DFID's approach to results and to discuss how DFID could support the Commission on this agenda.

At the suggestion of DFID, the commission set up an EU Experts Working Group on results. This group provides a forum for officials from the Commission and Member States to exchange experiences on results and to assist in developing an operational results framework.

Progress on a results framework

As a result of this work, the Commission has committed to putting in place a results framework by the end of 2013, following the proposal it included in the Agenda for Change. It is currently developing a Staff Working Document that will set out its approach to implementation. The UK Government will assess this document and discuss it with the Commission and other Member States once it is published. We are also looking at other opportunities to place secondees in DEVCO to assist it in taking a more results-focused approach to its work.

Relations between the EU institutions

2.61 **The three main EU institutions responsible for development – DEVCO, ECHO and the EEAS – coordinate reasonably well. However, some of their procedures are overly complex and the links between the EEAS's role in considering the EU's overall external priorities, DEVCO's role in pursuing development policy and ECHO's role in managing humanitarian aid need to develop further.**

2.62 The present institutional arrangement for development cooperation and humanitarian aid is the result of a significant process of reform, with a dedicated Commissioner for Humanitarian Aid appointed for the first time in February 2010,[121] the EEAS established in July 2010, and DEVCO formed in January 2011.[122] With this in mind, the OECD reported, "the EU institutions have undergone major organisational changes in the last two years. Risks involved in these change processes include: (i) unclear division of responsibility amongst the EU institutions, particularly over programming of EU development co-operation; (ii) duplication of or poorly aligned procedures and activities; (iii) confusion over contact points for support and lines of authority – both for field staff and for external partners; and (iv) loss of expertise".[123] It further reported that "the value of the EEAS to

[121] Previously, humanitarian aid fell under the portfolio of the Commissioner for Development.

[122] DEVCO was formed as a merger of the previous DG DEV, which was responsible for policy-making, and AidCo, which was responsible for implementation.

[123] *Peer Review of EU Development Assistance*, OECD, 2012, page 20.

the development agenda will depend on its ability to bring together the EU's many tools of influence – economic and political, plus civil and military crisis management. To do this well, the role of each EU actor must be made clear."[124] The IDC also concluded that there was a need for clarity on the division of roles and responsibilities between the three organisations and that, in particular, having two separate Directorates-General in the Commission dealing with development aid and humanitarian aid could "pose problems for linking relief, rehabilitation and development".[125]

2.63 Respondents raised particular concerns about relations and division of roles between DEVCO and the EEAS. An independent report by CONCORD on the EEAS one year after its advent found that, "there seems to be a prevailing wind of competition rather than cooperation between the EEAS and DEVCO".[126] Bond said that since that report, to which it was one of the main contributors, it saw "continuing evidence of disagreements".[127] For ECDPM, the difficulties that DEVCO and the EEAS faced in concluding an agreement on how to divide their responsibilities were telling of the "protectionism" between them.[128]

2.64 NGOs expressed concerns about the EEAS's policy priorities and indicated that development objectives are being marginalised in favour of other foreign policy concerns. Bond, for instance, argued that "EU foreign policy is turning a blind eye to poverty eradication" and said that, in regions such as the Sahel and the Horn of Africa, anti-terrorism and security operations have been prioritised with "little consideration to long-term development efforts".[129] Meanwhile, as Interact Worldwide observed, "a concern remains over the appropriateness of the EU delegation being led by the EEAS, insofar as it merges the development and foreign affairs efforts at country level. This can reduce coherence and the focus on poverty reduction." Similarly, at the international level, "a common challenge among Member States is the tension between prioritising the national perspective and allowing space for the EEAS in international meetings. A strong and competent EEAS is predicated on sound investment by Member States in the European political process from which the EEAS draws its position".[130]

2.65 The lack of coordination between the EEAS headquarters in Brussels and the worldwide network of EU Delegations was also signalled as being problematic. DFID's MAR found that, in relation to both the budget instruments and the EDF, the EU made insufficient use of country systems and that there was limited financial delegated authority in-country, with decisions mainly being taken in Brussels.[131] The feedback we received from NGOs indicated that this situation has not significantly improved since that assessment. Bond observed, "a gap is growing between the realities of development and poverty in the field and decisions taken in Brussels". As such, the EU's efforts to take decisions closer to the local context have made "little progress".[132] Box 2M below outlines some of the areas where the UK is seeking reform to improve the coordination between Brussels and the EU's activity in developing countries.

[124] *Peer Review of EU Development Assistance*, OECD, 2012, page 14.

[125] *EU Development Assistance*, House of Commons International Development Committee, April 2012, page 10.

[126] *"EEAS One Year On: Work in progress for poverty eradication"*, CONCORD, November 2011, page 8.

[127] Bond, submission of evidence to the House of Lords Select Committee on the European Union inquiry on the European External Action Service, December 2012.

[128] *EU development cooperation after the Lisbon Treaty: People, institutions and global trends*, European Centre for Development Policy Management, December 2011.

[129] Bond, submission of evidence to the House of Lords Select Committee on the European Union inquiry on the European External Action Service, December 2012.

[130] Interact Worldwide, submission of evidence.

[131] *Multilateral Aid Review: Assessments of the European Commission Budget and the EDF*, DFID, March 2011.

[132] Bond, submission of evidence to the House of Lords Select Committee on the European Union inquiry on the European External Action Service, December 2012.

Box 2M: Working more effectively with the EU in developing countries: taking forward the recommendations of the Independent Commission on Aid Impact

The Independent Commission for Aid Impact (ICAI) report on DFID's Oversight of the EU's Aid to Low-Income Countries, published in December 2012, issued a number of recommendations that DFID is taking forward.

1. ICAI recommended that, in order to inform and challenge dialogue with recipient governments, the EU secure on-going input from intended beneficiaries and gather effective intelligence on what is needed on the ground. DFID is pressing the Commission to issue guidance to EU Delegations on how to implement its policy on engaging civil society organisations in developing countries.

2. ICAI recommended that DFID provide better guidance to its country offices on how they should contribute to EU country strategies and to existing coordination fora so as to ensure a better combined impact from UK and EU funds. In order to address this DFID is currently rolling out a communications strategy with country offices to update its existing guidance on how to engage with the EU.

3. ICAI further recommended that DFID engage more actively on developing and driving through the EU's planned improvement of its risk management processes. The Commission has made significant progress in this area, with its most recent guidelines on budget support including an explicit risk management analysis. As part of the wider MFF negotiations, DFID is pushing for the revised DCI and EDF to allow more flexibility in regional programming guidelines on the choice of implementing partners.

Institutional capacity and expertise

2.66 **The EU institutions' capacity and development expertise is limited in relation to their scope and scale, although ECHO's humanitarian expertise is widely recognised. Some strengthening would be appropriate but this should link to agreement on new EU priorities and measures to strengthen the effectiveness of EU programmes.**

2.67 At the time of its enquiry, the IDC reported concerns that the Commission was "under-resourced to look at the big development challenges" and that, having visited a number of EU delegations in developing countries including South Sudan, it was not convinced that the Commission had enough development staff on site.[133] The MAR also found that the Commission faced a "continued challenge with recruiting development-specific expertise" and that the "uneven availability of relevant skills in EU Delegations" could have a particular impact on the Commission's work in fragile states.[134] Similarly, the OECD Peer Review recommended that "knowledge management should be a clear corporate priority for all the EU institutions involved in development co-operation. Greater investment in expertise and knowledge management would help the EU institutions, especially [DEVCO], to implement programmes more effectively, improve their reputation and convince Member States of the real added value of their role."[135] The views of NGOs and other respondents confirmed that development knowledge and technical expertise amongst DEVCO and

[133] *EU Development Assistance*, House of Commons International Development Committee, April 2012, page 14.

[134] *Multilateral Aid Review: Assessments of the European Commission Budget*, DFID, March 2011.

[135] *Peer Review of EU Development Assistance*, OECD, 2012, page 20.

EEAS staff was lacking and that there were problems with recruitment.[136] UNICEF Malawi, for instance, asserted that one result was that "there is a tendency for DFID to be more attentive on policy making than the EU".[137]

2.68 These capacity constraints may be due in part to the recent organisational changes outlined above.[138] According to ECDPM, "DEVCO has undergone a substantial reallocation of staff, which has led to a significant loss of capacity in thematic directorates but has not necessarily resulted in an equally important strengthening of expertise at geographical level".[139] In its view, the reallocation of staff with country-specific expertise from DEVCO to the EEAS limits the former's ability to examine the suitability of the latter's proposed programming for particular countries. Meanwhile, development expertise in the EEAS is itself limited since there is only one horizontal division in the EEAS headquarters with development as its core business.[140]

2.69 In contrast, most respondents were very positive about ECHO's capacity and expertise, with CONCORD recognising that "ECHO's responsiveness since 1992 has been recognised by many actors",[141] and Christian Aid describing it as "a widely respected and professional donor".[142]

Achieving Policy Coherence for Development (PCD)

2.70 **Although the EU's size and global influence make it one of the most important platforms for achieving Policy Coherence for Development (PCD), the EU is not implementing it with full effect. With no formal mechanism to ensure collaboration on PCD issues between the Commission Directorates-General and the EEAS, the potential for progress is largely dependent on the priorities of individual Commissioners.**

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136 Record of outreach meetings with NGOs.

137 UNICEF Malawi, submission of evidence.

138 See page 55.

139 *EU development cooperation after the Lisbon Treaty: People, institutions and global trends*, European Centre for Development Policy Management, December 2011.

140 *EU development cooperation after the Lisbon Treaty: People, institutions and global trends*, European Centre for Development Policy Management, December 2011.

141 CONCORD, submission of evidence.

142 Christian Aid, submission of evidence.

Box 2N: Policy Coherence for Development

With many advanced economies facing declining aid budgets, a serious commitment to ensuring that policies in areas such as trade, agriculture and foreign policy are aligned with, and do not undermine, development policies is all the more important to maximise the impact of limited aid resources.

The EU's commitment to "Policy Coherence for Development" (PCD) requires the EU institutions and Member States to "take account of development objectives" in non-development policies that are likely to affect developing countries such as trade, agriculture and energy. Underlying this commitment is a recognition that, no matter how carefully designed the Commission's or Member States' development policies are, these policies may be undermined or rendered ineffectual by contradictory policies in other areas.

Political and legal commitments to PCD at the EU level

The Member States' first major political commitment to PCD was made in the European Consensus on Development. As a signal of its importance, this commitment was given a legal underpinning in the Lisbon Treaty (2009) and was reiterated by the Council in 2012.[143]

In 2009, the Council agreed to focus its approach on five key development challenges with a view to accelerating progress towards achieving the MDGs: trade and finance; climate change; food security; migration; and security.

Implementation of PCD at the EU level

The Commission implements its PCD commitment through a range of procedural mechanisms. It conducts consultations between the various Directorates-General, the EEAS and other institutions (called "inter-service consultations") and impact assessments on policy and legislative proposals, which take into account PCD considerations, albeit without compulsory follow up action. DEVCO produces biennial reports to the Council monitoring progress on PCD in the EU institutions and in Member States.[144] It also coordinates two informal networks – one for Commission and EEAS officials, and one for Member State officials – to encourage an exchange of views and practices. The European Parliament's Committee on Development (DEVE) has a Standing Rapporteur who is authorised to convene hearings concerning PCD. The Council has reiterated the need for coherence between development and other policies in various Council Conclusions.

2.71 DFID's MAR found that both the on-budget instruments and the EDF supported EU and UK Government priorities across a number of cross-cutting policy areas including climate change, trade and crisis response. It found that "the Commission is in an excellent position to ensure better policy coherence … though so far the picture is mixed".[145]

2.72 Respondents from NGOs and think tanks recognised the potential that the EU's PCD approach offers for integrating development policy objectives across a range of policy areas. Bond said this approach has "created a clear path to more efficient aid, streamlining it into a number of policy areas which are aimed at aligning [EU] strategy with global development targets".[146] The EU is better placed than Member States to achieve this

[143] Joint declaration by the Council, the European Parliament and the Commission on the development policy of the EU entitled "The European Consensus" (signed 20 December 2005), February 2006.

[144] DEVCO is currently producing the 2013 report.

[145] *Multilateral Aid Review: Assessments of the European Commission Budget and the EDF*, DFID, March 2011.

[146] Bond, submission of evidence.

coherence largely by reason of its size and resources, its global influence and, as AFFORD noted, its "interests and bargaining power" across the range of domains where it has competence, including trade, energy and security.[147] The German Development Institute (DIE) also argued that the EU's "multi-stakeholder approach" to decision-making, which takes into account a diversity of interests, means that development policy was "less likely to fall prey to other external policy interests that may, at times, be incoherent with it".[148]

2.73 However, the majority of respondents felt that this potential has not been realised. Bond argued that PCD "suffers from low visibility and political attention" in other areas of external policy. This could undermine EU development policy, as the Centre for European Reform (CER) argued: "the main fault with EU development policy is not the quality of spending, or even the insufficient quantity, but the fact that other EU policies, such as the Common Agricultural Policy, damage poor countries."[149]

2.74 NGOs attributed much of the lack of progress on PCD to the failure of the EEAS (which is responsible for ensuring consistency and coherence in the EU's external policies) to play an active coordinating role in promoting PCD. According to Bond, "there is still a lack of clarity as to which role the EEAS should be playing". As a result, no capacity had been allocated to PCD within the EEAS, which is already over-stretched in terms of development expertise.[150] Meanwhile, Bond said the shift of many of DEVCO's responsibilities to the EEAS meant that "in practice the commitment to development objectives, and to partner countries' best interests, had been diluted". [151]

2.75 The following sections set out respondents' views on the progress of PCD in relation to some of the major policy areas that can have an impact on development policy.

Trade

2.76 Since the EU has exclusive competence in the area of trade policy, it is uniquely positioned to ensure coherence between trade and development policies at the EU level. Yet, the UNICEF office in Malawi, and others, argued that, in PCD terms, trade is the most neglected area of potentially conflicting policy. In particular, the question of how to link EU development cooperation with a recipient country's overall long term trade strategy is overlooked.[152]

2.77 Open Europe argued that trade barriers (including tariff quotas on agricultural products and rules of origin) reduced imports to the EU from developing countries, especially Mediterranean partner countries, which not only "restrict[s] the economic prospects" of those countries, but also increases the number of people seeking to settle in Europe, therefore putting more pressure on Member States' migration policies.[153] CER cited, as an example of the impact of tariffs and quotas excluding produce from developing countries, the collapse of Ghana's poultry industry in the 1990s, which it ascribed to an influx of cheap subsidised chicken parts from the EU.[154]

[147] AFFORD, submission of evidence.

[148] DIE, submission of evidence.

[149] CER, submission of evidence.

[150] Bond submission. See also the section on "Institutional capacity and expertise", page 57, above.

[151] Bond, submission of evidence to the House of Lords Select Committee on the European Union inquiry on the European External Action Service, December 2012.

[152] UNICEF Malawi, submission of evidence.

[153] Open Europe, submission of evidence.

[154] CER, submission of evidence.

2.78 CER also pointed to the timber industry as an area of incoherence between EU aid and trade policy, criticising the EU for importing wood from Ghana, most of which it said comes from illegal logging.[155] Nevertheless, according to the Ford Foundation, the EU's Forest Law Enforcement Governance and Trade (FLEGT) Action Plan represents important progress in this field. The Ford Foundation argued that this initiative is an "innovative combination" of aid and trade policy, combining supply side controls (e.g. the requirement for supplier countries to conform with EU standards of governance) with demand side measures (measures to encourage sustainable private and public sector procurement practices across the EU internal market). In its view, the measure is "raising the bar amongst Member States encouraging recalcitrant Member States to also clean up their act". Moreover, confirming the essential incentive of the Voluntary Partnership Agreements (trade agreements) agreed by the EU and supplier countries, the Ford Foundation argued that equivalent bilateral partnerships formed by individual Member States "would have not had the same 'teeth' or impact".[156]

2.79 The TUC was critical of another area of EU trade policy – the Economic Partnership Agreements (EPAs) concluded between the EU and a number of ACP countries – on the grounds that they require "premature and inflexible liberalisation" for the partner ACP countries. This can have an adverse impact on those countries' industrial development, food security and tariff revenue, as well as trade in regional groupings. The TUC also raised concerns about free trade agreements that the EU has concluded with countries with poor human rights records such as Colombia and Guatemala.[157] CONCORD, on the other hand, noted that the EU legal framework requires EU trade policy to comply with human rights and that EU preferential trade schemes systematically include human rights clauses.[158]

Environment, energy and climate change

2.80 The MAR found that the European Commission had "a strong policy framework for addressing and prioritising climate change and sustainable development" and that guidance on climate change and the environmental considerations was "integrated into all external assistance strategies", although it was too early to judge their impact at the time of the assessment.[159]

2.81 We received mixed responses on the progress of PCD at the EU level in these areas. TUC pointed to the EU's target of committing 20% of its Multi-annual Financial Framework (MFF) to climate change reduction and to the EU's Resources Efficiency Roadmap as positive examples of EU action in this area.[160] By contrast, CONCORD argued that the EU (and the UK) is not showing sufficient ambition in its climate change policies, and particularly domestic greenhouse gas reduction efforts".[161]

2.82 CER, CONCORD and TUC levelled criticisms at EU biofuel policies for undermining development objectives. These policies were said to encourage "land grabs" (in which companies buy large amounts of arable land in developing countries) and deforestation, which causes environmental damage, deprives local farmers of access to arable land, and increases food prices and risks to food security.[162]

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[155] CER, submission of evidence.

[156] Ford Foundation, submission of evidence.

[157] TUC, submission of evidence.

[158] CONCORD, submission of evidence.

[159] *Multilateral Aid Review: Assessments of the European Development Fund (EDF) and the European Commission Budget*, DFID, March 2011.

[160] TUC, submission of evidence.

[161] CONCORD, submission of evidence.

[162] CER, submission of evidence; CONCORD, submission of evidence; and TUC, submission of evidence.

Agriculture, fishing and food security

2.83 Numerous respondents, including CER, CONCORD and TUC, commented that the EU's Common Agricultural Policy (CAP) can have a damaging impact on developing countries' food security and their ability to compete on international markets for agricultural produce.[163]

2.84 CER and TUC both said that EU subsidies given to EU-registered fishing fleets under the Common Fisheries Policy encourages fishing in developing countries' waters, partly because there are fewer fish to catch in European waters.[164] CER indicated that "around a quarter of all fish caught by EU-registered boats come from the waters around developing countries," which damages local livelihoods by raising the price of fish and reducing employment. CER also pointed to Member States' failure to prevent European trawlers fishing illegally in the waters of developing countries that had cancelled fishing agreements with the EU, as Senegal did in 2006.[165]

Security and stability

2.85 Although respondents recognised the EU's work in fragile states as one of its key comparative strengths and welcomed the development of a comprehensive approach to EU external action,[166] security and stability policy were cited as areas where development issues are not sufficiently taken into account.

2.86 The MAR reported that the Commission had a strong mandate and policy framework for dealing with fragile and conflict-sensitive situations, that procedures were in place for ensuring fast response and flexibility, and that frequent political dialogues made the Commission uniquely placed to address conflict and fragility at country level. However, it noted that the EU's fragility work may be affected by an uneven availability of relevant skills in EU Delegations and by incoherence with wider EU policies.[167] CONCORD echoed the MAR's findings, arguing that "at present, misplaced development assistance, inequitable trade and foreign investment, irresponsible arms sales and disenfranchisement are feeding conflict and stability".[168] Meanwhile, Bond said that the EEAS's responses to crises, such as the Arab Spring, had "mostly reproduced the former EU crisis response scheme … driven by reaction rather than anticipation and prevention".[169]

2.87 DIE highlighted in particular the African Peace Facility (APF), which funds Peace Support Operations (PSOs), as an example of the tensions between security and development priorities. Since the EU budget cannot legally finance military operations, the APF is funded from EDF as a temporary, pragmatic measure. Yet this conflicts with the EDF's primary rationale, namely the eradication of poverty, and potentially compromises the independence of aid. In DIE's view, as the APF is likely to be expanded over the coming years to tackle security issues in Somalia and elsewhere, it will need a more sustainable funding solution, with an appropriate legal base and greater predictability and flexibility than the current arrangements offer.[170]

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[163] CER, submission of evidence; CONCORD, submission of evidence; and TUC, submission of evidence. See also the section on Trade, page 60 above.

[164] CER, submission of evidence; CONCORD, submission of evidence; and TUC, submission of evidence.

[165] CER, submission of evidence.

[166] On the comprehensive approach, see Box 2F above.

[167] *Multilateral Aid Review: Assessment of the European Commission Budget*, DFID, March 2011.

[168] CONCORD, submission of evidence.

[169] Bond, submission of evidence to the House of Lords Select Committee on the European Union inquiry on the European External Action Service, December 2012.

[170] *"Sustaining EU Financing for Security and Development: The Difficult Case of the African Peace Facility"*, DIE, Briefing Paper, July 2011.

Conclusion

2.88 The EU leverages considerable contributions for poverty reduction from other Member States that might not otherwise provide aid and is therefore able to deliver significant results for poverty reduction and disaster relief. It has a global reach that no Member State can match individually, and the range of the EU's external instruments – trade, political and regional relationships in addition to development and humanitarian aid programmes – enable the EU to address a wide range of challenges of direct interest to the UK. Our development leadership role and working relationships have resulted in the EU being an effective multiplier for UK priorities.

2.89 We are working with the Commission and others to improve the effectiveness of EU programmes, and the exercise by the Commission, the European Parliament and EEAS of their powers lies within agreed parameters. There are additional steps that could be taken to address other constraints to effectiveness, notably the working relationships between the Commission and the EEAS and the skills of some staff.

Chapter 3:
Future options and challenges

This chapter explores the development challenges that the future might hold and considers whether the EU, as it presently stands, lends itself to meeting them.

Future challenges in international development

3.1 As we approach the 2015 deadline for the Millennium Development Goals, and reflect on the tremendous progress that has been made in poverty reduction in the past 20 years, there is growing international debate about the evolving priorities ahead.[1] No one can be certain about the pace and shape of future change, but some of the challenges that the EU may face in the future could include:

- **Getting to zero:** despite tremendous progress being made towards the MDGs, there are still major challenges ahead in trying to end extreme poverty. With stable countries often enjoying significant growth and poverty reduction, the focus for international efforts is shifting to fragile and conflict-affected states. No fragile state is likely to achieve any of the MDGs. There are complex challenges in fragile states, including building transparent and accountable governance, justice and security, and economic development that creates and sustains jobs. Levels of extreme poverty also remain high in some middle income countries which have experienced both economic growth and rising populations. Those countries want access to world-class expertise and policy advice that is appropriate for sophisticated economies responding to global challenges;
- **Sustainability, resilience and global challenges:** the drive to secure sustainable development – in all three dimensions: economic, environmental and social – will remain a priority, not least because efforts to end extreme poverty will be undermined if issues of environmental sustainability are not addressed. Increased global demand for energy and increased consumption will increase the strain on the world's natural resources. There is also a trend of increasing natural disasters that, again, affects poor countries more. In addition to continuing critically needed humanitarian aid, part of the answer to this problem is to improve poor countries' resilience by investing in disaster prevention and in the ability of communities to respond effectively to natural resource scarcity. But we also need to tackle the root causes of these challenges, through collective global action;

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1 See, for example *A new global partnership: Eradicate poverty and transform economies through sustainable development, High Level Panel of Eminent Persons on the Post-2015 Development Agenda*, May 2013; *Realizing the Future We Want for All*, UN System Task Team on the Post-2015 UN Development Agenda, May 2012.

- **Multiplication of actors:** the development cooperation and humanitarian aid fields have become increasingly crowded in recent years with more prominent roles being played by large charitable foundations, national and international NGOs, the private sector and "South-South cooperation" between less developed countries. This means that all development organisations have greater opportunities for innovation and also a strong need to collaborate in more complex relationships; and

- **Demonstrating results and making the money go further:** with many donors facing significant budgetary constraints, the need to ensure the effectiveness, efficiency and impact of limited aid resources is greater than ever. In part, this will mean diversifying the sources of development finance beyond ODA, with taxation, private sector finance and remittances playing a more prominent role. However, effective monitoring and evaluation mechanisms to ensure that lessons are learned, and a strong drive for results, will be increasingly important.

3.2 The international debate on the framework to replace the MDGs when they expire in 2015 is still on-going.[2] Box 3A below outlines the EU's current position on this issue.

Box 3A: The Commission's Communication on "A Decent Life for All"

In February 2013, the Commission announced the principles of its proposal for an overarching framework for post-2015.[3] The Commission states that the challenges of eradicating poverty and ensuring that prosperity and well-being are sustainable are "universal and inter-related" and need to be addressed together by all countries through a "unified policy framework".

The framework proposed by the Commission would draw the elements of the MDGs and the Sustainable Development Goals[4] together in order to cover, in an integrated manner, basic human development, the drivers of structural economic transformation needed for sustainable and inclusive growth and development, and sustainable management of natural resources. In its view, the framework should also address justice, equality and equity (e.g. human rights, democracy, rule of law, gender equality), as well as peace and security.

In June 2013, the Council approved this framework, stressing that "that the eradication of poverty in all its dimensions and the promotion of sustainable development are intrinsically linked, mutually reinforcing and should be integrated into a single overarching post 2015 framework as proposed by the Commission".[5]

Does the EU lend itself to meeting those challenges?

3.3 The question of whether the EU lends itself to meeting the future challenges outlined above raises a number of important issues:

- **Strategic and flexible approaches:** the EU has at its disposal a range of external

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[2] For more information, see page 12.

[3] *Communication from the Commission to the European Parliament, The Council, The European Economic and Social Committee and the Committee of the Regions: A Decent Life For All: Ending poverty and giving the world a sustainable future*, European Commission, February 2013. COM(2013) 92 final.

[4] At the UN Conference on Sustainable Development held in Rio de Janeiro, Brazil (called "Rio+20"), UN Member States agreed to begin developing a set of "Sustainable Development Goals" (SDGs), which would accelerate global progress towards achieving environmental sustainability. The UN General Assembly set up a special "Open Working Group" (OWG) for Member States to look into this issue. The OWG has been asked to prepare a proposal on the SDGs for consideration at the UN General Assembly between September 2013 – September 2014.

[5] *Council Conclusions on the Overarching Post 2015 Agenda*, Council of the European Union, June 2013.

instruments (covering foreign policy, security and other areas, as well as development) that can be combined to suit different circumstances. However, although the EU uses strategic frameworks for much of its work, its strategy development is not always strong or as evidence-based as some other organisations. At present, responsibility for the EU's external relations is split between the High Representative and four Commissioners, namely for Development, Humanitarian Aid, Trade and Enlargement. In the absence of effective coordination mechanisms, this does not guarantee coherent and flexible strategies;

- **Fragile states:** the EU is an important partner in many fragile states, with the ability to bring a range of relevant instruments to bear. Recent work in the Sahel illustrates this, with a mix of humanitarian aid, long-term development programmes, a focus on resilience and an engagement in security issues. There will also be links to other policies such as migration and counter terrorism where the EU can also play a helpful role. The EU's experience in addressing governance issues varies;
- **Middle income countries (MICs):** reducing poverty in middle income countries such as India poses challenges that are more similar to those faced by advanced economies, for example in relation to job creation, education and skills, inequality, and competitiveness. The match with the EU's development practices in its largest current programmes is less obvious and their role may be limited, though the relationships it maintains in areas beyond poverty reduction will be increasingly extensive and significant;
- **Sustainability and resilience:** the EU has increasing experience both at international policy level and in developing countries in working on these issues. For example, its AGIR programme for the Sahel is the leading work programme tackling resilience issues in that region.[6] In addition, the EU is extensively engaged in environmental policy and international negotiations;
- **Innovation:** in common with many large development agencies, the EU relies on a relatively limited range of development instruments and approaches. These centre on government to government grant financing but also include some loans through the European Investment Bank. The EU also provides significant funding to civil society, and the EU and ACP support some institutions focused on the private sector. However, in the EU the appetite for risk appears relatively low and the range of skills is limited, for example in the area of private sector development and innovative financial instruments. In addition, the slower pace of EU programming can constrain rapid response to new proposals or changing circumstances; and
- **Results and efficiency:** the EU is working to improve its results management in order to be clearer about results it is achieving and to be able to make firmer commitments about results it is planning to achieve. At present, the EU's results framework and results commitments are weaker than those of a number of other multilateral organisations, notably the development banks.

Potential risks to UK interests

3.4 Given its present capabilities, the EU looks likely to continue to be able to make an important contribution to UK development and humanitarian interests in many, but not all, areas. This contribution could increase if some of the issues identified in Chapter 2 are addressed.

[6] See Box 2F.

3.5 However, there are also some potential risks to UK interests. These are in three broad areas:

- **Policy:** the positive impact of the EU as a multiplier for UK policy priorities is not guaranteed. No single member state has strong enough influence to ensure that EU policies consistently correspond with its own views. Although it remains possible to block positions we disagree with, there would also be damage to our interests from an ineffective EU approach to issues, including when negotiating as a bloc in international processes;

- **Efficiency:** there are inevitable costs in working through a multilateral organisation. These are offset by the benefits, but if efficiency worsened significantly in the EU then, given the scale of our engagement and contributions, this would result in a significant impact on our interests; and

- **Powers:** the limits on the exercise of powers in the field of development policy and humanitarian aid could be stretched, not least because of the wide range of situations that arise, for example security crises or international negotiations as well as development programme activity. The differing legislative processes between the on-budget instruments and the European Development Fund are also a factor. There have, for example, been proposals for increases in the oversight powers of the European Parliament, and for the EU to be able to determine some programme activities that are at present the responsibility of Member States. Our judgements about the UK interest might change if there were changes such as these in the respective powers of the Member States and the EU institutions.

Conclusion

3.6 The EU's present structure, approach and capacities will need to adapt to meet fully the development challenges ahead. Whether or not the EU is able to meet those challenges, it will nonetheless remain important to continue to work to improve the effectiveness and impact of EU development and humanitarian policies and programmes. However, the EU's impact goes well beyond programmes and extends to policy-making and engagement in international processes, as well as to the impact of other policies such as agriculture and trade on development objectives. This increases the complexity of any assessment of the impact of the EU on UK interests. While there is no immediate indication that the risks identified in this Chapter will increase significantly in the near future, there will be a case for periodically reassessing the position and the impact of any changes on UK national interests.

Appendix 1: Development of competence

This appendix provides an overview of how the EU's competence in these areas was developed before the Lisbon Treaty.

Development cooperation before the Maastricht Treaty

Development cooperation through association agreements with African, Caribbean and Pacific (ACP) countries

A1.1 The competence of the then European Economic Community (EEC) in development cooperation first appeared in the guise of "association" in the Treaty of Rome (TEC) 1957. This allowed for the overseas countries and territories of European states (notably France) to be "associated" with the EEC and receive its financial and technical support.[1]

The Treaty of Rome Implementing Convention on Association

A1.2 The association system was first regulated by the Implementing Convention on Association (IC), annexed to the TEC.[2] In particular, this set up the European Development Fund (EDF),[3] which was managed by the Commission[4] and to which Member States made annual contributions over a five year period. The fund supported projects designed to finance either social institutions (for example, hospitals, education and research institutions) or economic investments in the public interest[5] in 18 African countries (including Madagascar).

A1.3 The IC was followed by a series of association agreements between the European Community (EC) and an expanding number of African and, later, Caribbean and Pacific states.[6] Each convention governed a new round of the European Development Fund (see the Chart A1A). The EC entered these conventions on the basis of its competence under Article 238 TEC to conclude association agreements with international organisations or with other states.

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1 Article 238 and Part IV TEC.

2 Implementing Convention on the Association of Overseas Countries and Territories, annexed to the Treaty of Rome 1957 (IC).

3 Article 1, IC.

4 The Commission determined, by qualified majority, the allocation of funding to the proposed projects: Article 4, IC. Article 7, IC laid out the respective voting rights. A similar procedure applied to subsequent ACP agreements: e.g. Article 21-22, Yaoundé I Convention 1963; Article 22-23, Yaoundé II Convention.

5 Article 3, IC. Implementing Convention on the Association of Overseas Countries and Territories, annexed to the Treaty of Rome 1957.

6 The African, Caribbean and Pacific states in question later formally grouped, under the Georgetown Agreement of 1975, to form the African, Caribbean and Pacific (ACP) Group of States.

Chart A1A EDF Rounds, Governing Agreements and Eligible ACPs

EDF Round	Governing agreement	Eligible ACPs
First EDF: 1959-1964	Treaty of Rome (IC)	n/a
Second EDF: 1964-1970	Yaoundé I Convention	18
Third EDF: 1970-1975	Yaoundé II Convention	18
Fourth EDF: 1975-1980	Lomé I Convention	46
Fifth EDF: 1980-1985	Lomé II Convention	58
Sixth EDF: 1985-1990	Lomé III Convention	65
Seventh EDF: 1990-1995	Lomé IV Convention	68
Eighth EDF: 1995-2000	Revised Lomé IV Convention	70
Ninth EDF: 2000-2007	Cotonou Agreement	77
Tenth EDF: 2008-2013	Revised Cotonou Agreement	78

The Yaoundé Conventions

A1.4 Decolonisation in the early 60s, during which many of the African countries associated under the 1957 Implementing Convention gained independence, necessitated a new association agreement. Under the resulting Yaoundé I Convention, the EC was empowered to 'participate in measures calculated to promote the economic and social development' of the eighteen associated states (which were all African).[7] The Yaoundé I Convention broadened the range of projects that could be financed by the EDF to include: economic and social investments; technical cooperation; aid for diversification of production; and advances to alleviate temporary price fluctuations.[8] The Yaoundé I Convention also established EC competence in humanitarian aid, setting up a reserve fund to provide support to countries suffering natural disasters.[9]

A1.5 The EDF was renewed under the Yaoundé II Convention (1969), which was similar in scope and objectives to the Yaoundé I Convention.[10] Under Yaoundé II, the scope of the reserve was extended to cover exceptional emergency support in response to both natural disasters and price fluctuations.[11]

A1.6 Alongside Yaoundé II, a separate agreement – the Arusha Agreement (1969) – was concluded with three Anglophone African countries, Kenya, Uganda and Tanzania. This agreement granted preferential trade access for those states to the EC market, but did not provide for financial or technical aid.

The Lomé Conventions

A1.7 After the UK's accession to the EU in 1973, a new convention was negotiated, this time between the (now nine) Member States and forty six developing countries in Africa, the Caribbean and Pacific, of which a substantial number were Commonwealth countries.[12] The resulting Convention, signed in February 1975 was the first of a series of conventions,

[7] Article 15, Yaoundé I Convention 1963.

[8] Article 17, Yaoundé I Convention 1963.

[9] Article 39, Protocol 5 of the Yaoundé I Convention 1963.

[10] Article 17, Yaoundé II Convention 1969. The EDF could be used to support projects including economic and social investments; technical cooperation; and supporting the marketing and promotion of associated countries' exports.

[11] Article 20, Yaoundé II Convention 1969.

[12] Subsequently, these states formally grouped together as the African, Caribbean and Pacific (ACP) Group of States under the Georgetown Agreement of June 1975.

all signed at Lomé, the capital of Togo, regulating the EDF during the period 1975-2000.

A1.8 Whilst the overall objective of the projects and programmes funded by the EDF was, as before, to "contribute essentially to the economic and social development of the [recipient] countries," the Lomé I Convention (signed in 1975) added the express purpose of "correct[ing] the structural imbalances in the various sectors of the ACP States' economies."[13] Special attention was also to be paid to the needs of the least developed ACP states.[14] Significantly, Lomé I also introduced the "STABEX" to compensate ACP countries for any shortfalls in export earnings due to fluctuations in the prices or supply of commodities. As under the Yaoundé Conventions, an emergency reserve was made in the EDF for humanitarian aid for natural disasters or comparable circumstances.[15]

A1.9 The Lomé II Convention[16] (signed in 1979) renewed the EDF for another five year cycle, but did not substantially change its scope or objectives. Lomé II did, however, introduce the "SYSMIN" system to support the mining industry in ACP countries strongly dependent on it.

A1.10 Under the Lomé III Convention[17] (signed in 1984) and Lomé IV Convention[18] (signed in 1989), the EDF was expanded and took on a political dimension. Most notably, under the Revised Lomé IV Convention (signed in Mauritius in 1995), which regulated the EDF in 1995-2000, funding was made conditional on the respect for human rights, democratic principles and the rule of law, meaning that allocated funds could be retrieved from a country failing to uphold these requirements. The Convention also emphasised decentralised cooperation through participatory partnership, especially with civil society actors.

A1.11 In an important case regarding the scope of the Lomé IV convention,[19] the ECJ held that the EC's competence in development was not exclusive. Member States were entitled to enter commitments (in this case, financial commitments) with non-Member States, either collectively or individually, or jointly with the Community.

The Cotonou Agreement

A1.12 The latest in the series of association agreements between the EU Member States and the ACP countries was signed at Cotonou in Benin in 2000 (after the Maastricht Treaty).[20] The agreement was made for 20 years and is subject to interim revisions at five year intervals. The most recent version of the Cotonou Agreement is discussed in Box 1D above.

Development cooperation in non-ACP states

A1.13 Alongside the series of association agreements with the ACP countries, much of the EC's development cooperation with non-ACP states prior to the Maastricht Treaty was also achieved through bilateral agreements, concluded on the basis of the association provision (Article 238 TEC) or, more often, the flexibility provision (Article 235 TEC). The latter allowed

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13 Article 40, Lomé I Convention.

14 Article 48, Lomé I Convention.

15 Article 59, Lomé I Convention.

16 Second ACP-EEC Convention signed at Lomé on 31 October 1979.

17 Third ACP-EEC Convention signed at Lomé on 8 December 1984.

18 Fourth ACP-EEC Convention signed at Lomé on 15 December 1989.

19 Case C-316/91 *Parliament v Council* [1994] ECR I-265.

20 Partnership agreement between the members of the African, Caribbean and Pacific Group of States of the one part, and the European Community and its Member States, of the other part, signed in Cotonou on 23 June 2000 (2000/483/EC).

the Council[21] to take measures necessary to attain EC objectives where the treaty did not expressly provide powers to do so.

A1.14 In addition to agreements with countries in the eastern and the southern neighbourhoods, cooperation agreements containing provisions for financial and technical assistance, based on Article 235 TEC, were concluded with India (1973), ASEAN (1980), China (1985), with South American countries in the Andean Pact (1983) and with Central American countries (1985). These agreements were supported by financial aid provided under a series of autonomous Regulations, also based on Article 235 TEC.[22] For more information on these agreements, please refer to the Foreign Policy Report.

Development cooperation after the Maastricht Treaty

A1.15 The Maastricht Treaty (1993), which amended the Treaty of Rome (1957), established, for the first time, a treaty basis explicitly conferring competence for development cooperation. The new treaty basis, Article 179 TEC (now Article 208 TFEU), confirmed that this was a parallel competence, stating that it was to be "complementary to the policies pursued by Member States".

A1.16 Article 179 TEC allowed the Council, acting with the Parliament under the cooperation procedure,[23] to take measures (including programmes running over several years) to fulfil the objectives of the EU's development cooperation policy. These objectives were namely to foster:

— the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them,

— the smooth and gradual integration of the developing countries into the world economy,

— the campaign against poverty in the developing countries.[24]

A1.17 In addition, such measures were required to contribute to the general objective of "developing and consolidating democracy and the rule of law, [and] respecting human rights and fundamental freedoms".[25]

A1.18 The EU's competence under the Maastricht Treaty also extended to concluding agreements with third countries and international organisations.[26]

A1.19 This provision formed the legal basis for a wide range of thematic and geographic instruments. Indeed, at present, the EU's principal development cooperation instruments are still based on this provision.

A1.20 The Nice Treaty (2003) later added a general treaty basis – Article 181 TEC – for economic, financial and technical cooperation with third countries, allowing assistance to be accorded to non-developing countries, therefore including candidates for accession. Again, this competence extended to concluding agreements with third countries and

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21 Acting unanimously on a Commission proposal and after consulting the Parliament.

22 Council Regulation (EEC) No 442/81 of 17 February 1981 on financial and technical aid to non-associated developing countries.

23 Article 189c TEC.

24 Article 179, para. 1, TEC.

25 Article 179, para. 2, TEC.

26 Article 181 TEC (Article 211 TFEU); the procedure under Article 228 TEC applied to the conclusion of these agreements.

international organisations. The consultation procedure with qualified majority voting applied to all measures adopted under Article 181, except for accession and association agreements, which required unanimity.

A1.21 Article 181 TEC (now Article 212 TFEU) forms the legal basis for some of the current instruments, notably the Instrument for Stability.[27]

[27] Regulation (EC) No 1717/2006 of the Parliament and of the Council of 12 November 2006 establishing an Instrument for Stability.

Appendix 2:
List of acronyms

ACP	African, Caribbean and Pacific Group of States
ADB	Asian Development Bank
AFD	French Development Agency (*Agence Française de Développement*)
AfDB	African Development Bank
AFFORD	Africa Foundation for Development
AfT	Aid for Trade
AGIR	Global Alliance for Resilience Initiative (an EU development programme)
Aprodev	Association of World Council of Churches related Development Organisations in Europe
AusAID	Australian Agency for International Development
BRC	British Red Cross
CAFOD	Catholic Agency for Overseas Development
CAP	EU Common Agricultural Policy
CARICOM	Caribbean Community
CEPS	Centre for European Policy Studies
CER	Centre for European Reform
CFP	EU Common Fisheries Policy
CIDA	Canadian International Development Agency
CODEV	Development Cooperation Working Party (working group of the Council of Ministers)
COHAFA	Humanitarian Aid and Food Aid Working Party (working group of the Council of Ministers)
CONCORD	European Confederation for Cooperation of Relief and Development NGOs
CSO	Civil society organisation
DAC	OECD Development Assistance Committee
DCI	Development Cooperation Instrument
DEVCO	European Commission Directorate-General for Development and Cooperation – EuropeAid
DEVE	European Parliament Committee on Development
DFID	Department for International Development
DG	Directorate-General of the European Commission

DIE	German Development Institute (*Deutsches Institut für Entwicklungspolitik*)
EAR	Emergency Aid Reserve
EBRD	European Bank for Reconstruction and Development
ECA	European Court of Auditors
ECDPM	European Centre for Development Policy Management
ECFR	European Council on Foreign Relations
ECHO	European Commission Directorate-General for Humanitarian Aid and Civil Protection
ECJ	European Court of Justice
ECOWAS	Economic Community of West African States (ECOWAS)
EDF	European Development Fund
EEAS	European External Action Service
EEC	European Economic Community
EIB	European Investment Bank
EIDHR	European Instrument for Democracy and Human Rights
ENP	European Neighbourhood Policy
ENPI	European Neighbourhood and Partnership Instrument
EPA	Economic Partnership Agreement
EPLO	European Peacebuilding Liaison Office
Eurodad	European Network on Debt and Development
EVHAC	European Voluntary Humanitarian Aid Corps
FAC	Foreign Affairs Council (part of the Council)
GNI	Gross National Income
GSP	Generalised System of Preferences
HAI	Humanitarian Aid Instrument
IADB	Inter-American Development Bank
ICAI	Independent Commission for Aid Impact
IDC	International Development Committee (House of Commons)
IfS	Instrument for Stability
IPA	Instrument for Pre-Accession Assistance
ITF	EU-Africa Infrastructure Trust Fund
JICA	Japan International Cooperation Agency
MAR	DFID Multilateral Aid Review
MDG(s)	Millennium Development Goal(s)
MFF	Multiannual Financial Framework
NAO	National Audit Office
NGO	Non-governmental organisation
NORAD	Norwegian Agency for Development Cooperation
OCHA	United Nations Office for the Coordination of Humanitarian Affairs
OCTs	Overseas Countries and Territories
ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Cooperation and Development

ONE	The ONE Campaign
OSCE	Organisation for Security and Cooperation in Europe
PCD	Policy Coherence for Development
QMV	Qualified Majority Voting
QuODA	Quality of ODA assessment (the Center for Global Development and the Brookings Institution)
SDC	Swiss Agency for Development and Cooperation
SDG(s)	Sustainable Development Goal(s)
SHARE	Supporting Horn of Africa Resilience (an EU development programme)
TEU	Treaty on European Union
TFA	The Freedom Association
TFEU	Treaty on the Functioning of the European Union
TUC	Trades Union Congress
UNICEF	United Nations Children's Fund
UNISDR	United Nations International Strategy for Disaster Reduction
USAID	US Agency for International Development
VOICE	Voluntary Organisations in Cooperation in Emergencies
WFP	United Nations World Food Programme
WTO	World Trade Organisation

Annex 1:
List of respondents

The following organisations and individuals submitted responses during the call for evidence period.

Africa Foundation for Development (AFFORD)
African, Caribbean and Pacific (ACP) Group of States Secretariat
African Development Bank (AfDB)
Asian Development Bank (ADB)
Australian Agency for International Development (AusAID), Bangladesh
Bond
British Red Cross (BRC)
Brussels and Europe Liberal Democrats (Members of the European Parliament)
Care, Bangladesh
Caribbean Community Secretariat (CARICOM)
Catholic Agency for Overseas Development (CAFOD)
Centre for European Reform (CER)
Christian Aid
Confederation for Cooperation of Relief and Development NGOs (CONCORD)
Euclid Network
European Bank for Reconstruction and Development (EBRD)
European Commission
European External Action Service (EEAS)
European Investment Bank (EIB)
European Scrutiny Committee (UK Parliament, House of Commons)
European Union Select Committee (UK Parliament, House of Lords)
Fire Sector Federation
Ford Foundation, USA
The Freedom Association (TFA)
German Development Institute (DIE)
Give a Billion, UK
Interact Worldwide
Inter-American Development Bank (IADB)

Italian Ministry of Foreign Affairs
James Hewitt, independent consultant
Malawi Education Ministry
Malawi Electoral Commission
Malawi Finance Ministry
The ONE Campaign (ONE)
Open Europe
Overseas Development Institute (ODI)
PwC
Population Services International Somaliland, Somalia
Sarah Harrison, independent consultant
Scottish Government
Senior European Experts
SHIP Peace Charity
The Signet Institute, Cairo
Stonewall
Swiss Agency for Development and Cooperation (SDC)
Taxpayers' Alliance
Trades Union Congress (TUC)
United Nations Office for the Coordination of Humanitarian Affairs (UN OCHA)
United Nations World Food Programme (WFP), Malawi
United Nations Children's Fund (UNICEF), Malawi
United Nations International Strategy for Disaster Reduction (UNISDR)

Annex 2:
List of participants at outreach meetings

The following organisations attended outreach meetings that we held during our call for evidence period.

Absolute Return for Kids
African, Caribbean and Pacific (ACP) Group of States Secretariat
Africa Foundation for Development (AFFORD)
Association of World Council of Churches related Development Organisations in Europe (Aprodev)
Australian Agency for International Development (AusAID)
Bond
British Red Cross (BRC)
Catholic Agency for Overseas Development (CAFOD)
Canadian International Development Agency (CIDA)
Centre for European Policy Studies (CEPS)
Centre for European Reform (CER)
Confederation for Cooperation of Relief and Development NGOs (CONCORD)
Cord
European Bank for Reconstruction and Development (EBRD)
European Centre for Development Policy Management (ECDPM)
European Centre for International Political Economy (ECIPE)
European Council on Foreign Relations (ECFR)
European Network on Debt and Development (Eurodad)
European Peacebuilding Liaison Office (EPLO)
Friends of Europe
Interact Worldwide
Japan International Cooperation Agency (JICA)
Leonard Cheshire Disability Foundation
Malaria Consortium
Norwegian Agency for Development Cooperation (NORAD)
ONE
Overseas Development Institute (ODI)

Oxfam International
Royal College of Nursing
Save the Children
Sightsavers
The Brooke
US Agency for International Development (USAID)
Voluntary Organisations in Cooperation in Emergencies (VOICE)
WaterAid