



Submission by Bond to UK/EU Balance of Competences Review on development aid and humanitarian policy

4 March 2013

Bond represents over 360 UK development and humanitarian NGOs. This submission was compiled by Germana Canzi, EU Policy Adviser, with input from Jenny Young, International Advocacy Adviser. It draws heavily on contributions from many NGOs within Bond's European Policy Group, and others which have commented or taken part in relevant seminars¹. For further information, please contact us at europa@bond.org.uk.

Impact on the national interest

QUESTION 1: What are the comparative advantages or disadvantages in these areas of the UK working through the EU, rather than working independently or through other international organisations?

The multiple challenges the world is facing are extremely significant. Among them: climate change, growing resource constraints (food, water, energy, etc), the financial crisis and its global impacts, the relative lack of progress in conflict affected and fragile states, etc. As many of these challenges are international or even global in nature, the UK needs to work with other countries to solve them, to avoid duplication, increase coordination and to pool limited resources.

How can the UK most effectively work to reduce poverty globally? This should be the yardstick to determine the advantages and disadvantages of the UK working alone, through the EU or through other institutions. Improving peace, security and development is essential to make the world a safer and more prosperous place, less likely to lead to conflict, resource constraints and large scale migrations, thereby serving the national interest.²

From this perspective, there are many advantages in working through the EU³:

- It is better for the UK to work through the EU because it is the best route for collective responses to global challenges. It would be much more difficult for the UK to make progress alone. The EU provides a forum for member states to influence and inform each other through, for example, **joint monitoring and implementation** of international commitments such as the **MDGs, the collective EU aid target** and **aid effectiveness commitments**.
- The EU is the **main trading partner** of many developing countries and the biggest provider of development assistance. Its policies – climate, energy, agriculture, etc - strongly affect international development. Working through the EU helps tackle wider issues that affect the UK and developing countries in a more coherent way.

- The European Commission is the **largest multilateral donor in the world**⁴. The UK has a large say on how this money is spent⁵.
- The UK contributes about 15% of the European Development Fund (which includes the main EU-Africa programme) but **can influence 100% of its spending**. The EDF is well aligned to DFID's priorities⁶.
- As a large multilateral donor the EU can deliver large-scale aid **more efficiently than 27 smaller** donors. This helps to **reduce fragmentation** of aid, waste, duplication or counter-productive action by Member States, reporting burdens for recipient countries, and to improve division of labour between donors.⁷
- UK aid transparency ranks highly. From within the EU, the UK can work with other EU member states to ensure improved transparency throughout the EU. Working through the EU is also the most effective means of delivering on UK commitments to ensure that aid is more predictable and harmonised.
- The UK gains an on-the-ground presence and influence from the EU's work in a number of developing **countries where the UK does not have a presence**.
- The EU is considered to be very **effective at engaging with African institutions**, African Union governments and think tanks (the Cotonou Agreement⁸ provides a basis for this).⁹
- The European Commission may be seen a **more neutral development player** than bilateral donors, some of which have a particular interests or history with a country or a region¹⁰. Other advantages cited are: its reliability (continued presence and capacity to establish long-term partnerships); its critical mass in terms of financial support; its ability to draw on a wide array of instruments; its long-term thematic experience and its credibility in terms of promoting democracy, peace and human rights.¹¹
- The EU is able to disburse sums on a wider scale and **through more variety of instruments compared to the UN**. Multilateral banks are able to mobilise large sums, but do not have the competence in trade that the EU has, nor the role in foreign and security policy – and they have not engaged in response to humanitarian crises.¹² HMG has comparatively more control over EU funded projects than over projects funded through multilateral banks, in particular because of the existence of specific **policy processes to engage in**, to achieve the changes it wants to see.
- The European Community Humanitarian Office (**ECHO**)¹³ **is valued for its responsiveness**, its well-prepared advisers, and its work with NGOs which makes it more agile compared to the UN.¹⁴

There are of course areas where the EU could improve, and we would like the UK to engage to ensure this happens. These include:

- The UK's 2010 Multilateral Aid Review (MAR) was critical of DG ECHO's ability to produce policy. This is an area of comparative strength for the UK Government.
- The MAR highlighted gender strategies as an area where the EU has work to do in transitioning from policy to implementation.¹⁵ This, too, is a priority area for the UK, in respect of which it has much to offer.

EU aid is not perfect – aid never is. But as indicated there are significant ways in which its performance as well as its synergies with DFID priorities make it an effective channel for British ODA,

bearing in mind opportunities for HMG to use its influence and experience to push for improvements where these are necessary.

Policy making and implementation through parallel competences

QUESTION 2: What is the impact of the current system of parallel competences on policy making and implementation in these areas, especially in terms of:

- a) efficiency, effectiveness and value for money;
- b) transparency (including checks against fraud and corruption); and
- c) working with other international partner organisations (e.g. UN, World Bank etc.)?

From the perspective of alleviating poverty worldwide, parallel competences¹⁶ have a lot of advantages, compared to e.g. exclusive or supporting competences. These include:

- The UK can draw on its extensive experience in international development for its bilateral aid work, whilst also having **influence over** development and humanitarian **policies of the EU and other member states**, in accordance with its priorities.¹⁷
- The UK is able to learn from other member states' experiences and to **draw upon EU experience** in countries where the **UK does not have a presence**.
- The UK can work with the EU to have a **stronger voice in UN agencies**, as well as **multilateral development banks and the G20**.
- The UK can benefit from the fact that the EU is potentially better placed to take risks in disbursing money to fragile states, and the EU's reputation in Africa.
- DFID's MAR awarded the European Development Fund its highest possible rating¹⁸. The OECD's peer review of EU aid in 2012 found that the EU was a "formidable player in global development"¹⁹.
- The EU also has very comprehensive procurement requirements to ensure **economy**²⁰. In recent years, these have become **more transparent and user-friendly**.²¹ There are sound processes in place for financial accountability to reduce potential for corruption and fiduciary risk.²²
- There is scope for further improvements as a result of the Agenda for Change, including increased emphasis on governance conditionality, especially for budget support. While we do not agree with all the policy changes brought about by the Agenda for Change, the UK's influence over its formulation is an indication that the UK is able to exert its influence in EU development policy.

There are also areas where this system could be improved:

- When the UK's position and that of other Member States are not aligned, conflicts over competences can arise – for example over the role of the European External Action Service (EEAS). The added-value of the EU depends on the degree to which each Member State is willing to allow shared competencies to work and clarity about division of labour in multi-lateral organisations, such as the UN²³.

Relationship between development cooperation/humanitarian aid and other policy areas

QUESTION 3: How far do EU development policies complement and reinforce policies in areas such as trade, security, stability, human rights, environment, climate change etc., and vice versa?

Rather than asking whether EU development policies reinforce other areas of policy, the really crucial question is whether other areas of policy reinforce EU development policy or at the very least do not undermine development goals. This is an obligation under the Lisbon Treaty²⁴ and there are some initial signs of success. The Policy Coherence for Development (PCD) approach has created a clear path to more efficient aid, streamlining it into a number of policy areas which are aimed at aligning EC strategy with global development targets, primarily the Millennium Development Goals (MDGs)^{25, 26}.

Another positive example of success is the EU's growing work to **help developing countries raise more tax** and initiatives to boost transparency of multinational company accounts. Strengthening the ability of developing countries to collect revenue domestically not only increases the resources available for development spending, but also strengthens governance.

However, there are also major challenges. Policy making in areas such as trade, energy, agriculture, etc, often undermine poverty reduction goals. PCD suffers from low visibility and political attention in these areas of EU (and UK) policy making. But if current commitments to PCD are put into practice at EU level, the UK has a lot to gain. This would mean that development co-operation and humanitarian aid priorities would be mainstreamed into policy areas that have the potential to impact on development (e.g. trade, agriculture etc.)

The UK has an interest in making sure that these other policies are coherent with its own goals in the area of global development, rather than undermining them, as is sometimes the case. This means the **UK needs to engage fully in these other processes to ensure this happens**. The balance of competences in those areas is therefore crucial, just as much as it is in EU development and humanitarian aid policy.

It is not possible in this paper to cover all aspects of EU policy which have an impact on developing countries. Here are some key, crucial issues, as examples.

- The European Union (EU) is an important global player in **trade**, both bilaterally and as a member of the World Trade Organisation (WTO). The European Commission is responsible for the negotiation of co-operation and trade agreements on behalf of all Member States. As a major trade and investment partner to some of the world's poorest countries, the EU is in a unique position to ensure that trade is an instrument for development and that the agreements it makes do not undermine human rights and the environment in partner countries. In particular, Europe and Africa are connected by strong trade links, making the EU the biggest export market for African products.²⁷ This gives the EU both great responsibility and great opportunity to enhance development.
- Today, 925 million people throughout the globe suffer from hunger and 195 million children are chronically malnourished worldwide. The EU has a special responsibility in this, among other reasons because it is the world's largest actor in **agricultural trade**.²⁸

- Christian Aid estimates that developing countries lose \$160 billion a year as a result of **tax dodging** by some multinational companies – more than they receive in aid²⁹. HMG is increasingly affirming the need to address tax-dodging by individuals and companies. Because tax dodging very often involves people and companies hiding money offshore, **there are limits to what one country can do** alone – and this would risk simply displacing tax-dodgers to countries with weaker regulations and tax authorities. To succeed, the UK therefore needs to work with other governments, and working within the EU is particularly useful.³⁰
- Working with the EU is essential to tackle **climate change**, which cannot be solved by any individual country alone. However, both UK and EU need to do far more to on this.³¹ No EU investment - inside the EU or outside - should support infrastructure or technology which results in lock-in to fossil fuels, and coal in particular. Instead, the UK and the EU should invest in a transformation to a low-carbon economy.³²
- The EU must stop promoting the growth of **biofuels** which have having a negative impact on food prices and are connected to land-grabbing trends.
- The current critical global discussion about what will replace the Millennium Development Goals (MDGs) after 2015 will be another important **test case** for PCD.³³

In order to reflect its commitment to development objectives and to PCD, HMG could support efforts to ensure the EU does more to:

- Strengthen the **Inter-Service Consultation** process within the European Commission. This could be an effective tool to ensure PCD, but is this potential has yet to be exploited.
- Strengthen the **Impact Assessment** process to make it more development-friendly and conflict sensitive. This could be another important tool for infusing PCD into the EU policy machine.³⁴
- The EEAS could do more to make sure the **consultations it holds with civil society** in third countries have more influence over EU policy.

Future options and challenges

QUESTION 4: Bearing in mind the UK's policy objectives and international commitments, how might the UK benefit from the EU taking more or less action in these areas, or from more action being taken at the regional, national or international (e.g. UN, OECD, G20) level – either in addition or as an alternative to action at EU level?

- By working with other institutions such as those mentioned above, the UK would be able to work with more countries and have a more global reach. However, organisations such as OECD and G20 – unlike the EU - are **not able to legislate**. The G20 in particular could have an important role in building political commitment from a large group of powerful countries - for example on corruption or tax. But this commitment eventually needs to be implemented through specific legislation at UK or EU level, and the national legislators of G20 countries. By working with the EU, the UK would ensure that a large group of countries implement existing and new commitments made in these international fora.
- Being an EU Member State allows the UK the opportunity to influence the EU (which has G20 membership) position, as well as developing its own position in advance of G20 meetings.

- As a specific example, the UK is to be commended for sticking to its commitment to devote 0.7% of GNI to overseas aid. By ensuring a sufficient level of funding is allocated to EU aid in the EU Budget, it can **encourage other countries** to also meet their aid commitments.³⁵

QUESTION 5: Are there ways in which the EU could use its existing competence in these areas differently, or in which the competence could be divided differently, that would improve policy making and implementation, especially in terms of:

- a) efficiency, effectiveness and value for money;
- b) transparency (including checks against fraud and corruption); and
- c) working with other international partner organisations (e.g. UN, World Bank etc.)?

The creation of the **EEAS has the potential to boost PCD** by increasing the ability of the Union to monitor the impact of its policies on the ground in developing countries. However, this potential has yet to fully materialise. For the time being, NGOs observe that the EEAS is too driven by foreign policy and that development policy has been marginalised within it.³⁶

Through its detached/seconded UK staff in the EU delegation, the **UK could invest work in clarifying the coherence for development** at the country level.

QUESTION 6. What future challenges or opportunities might the UK face in the areas of development cooperation and humanitarian aid, and what impact might these have on questions of competence and the national interest?

The EU's perceived neutrality in fragile states may also turn out to be an increasingly important asset. It is therefore in the UK's national interest to ensure effective cooperation between countries at EU level, as well as within the UN and other international fora.

The UK needs to play its part in ensuring that the EU is able to operate efficiently – for example by ensuring there are sufficient resources to deliver its objectives through the Multi-Annual Financial Framework. Given the demands put on the EU regarding external action by the Lisbon Treaty and the creation of the EEAS³⁷, and the growing number of global challenges and humanitarian crises, there is a big risk that the budget for the EU's external action in 2014-2020 will be insufficient to tackle these global challenges. The UK needs to do much more to ensure that aid to the poorest and humanitarian aid are more heavily prioritised within a more constrained EU budget.

¹ While we have made every effort to consult a wide range of organisations, due to the complex nature of the subject, this submission does not necessarily represent the views of the entire Bond membership.

² DFID's key objectives for 2012-2014 – which are referred to in the consultation document - are also important as a tool to analyse advantages and disadvantages of working through the EU.

³ £1.36 billion of the Department for International Development (DFID) £7.72 billion aid budget (about 20%) was spent through the European Commission in the financial year 2011/2012.

⁴ The EU spent €11.3 billion (approximately £9 bn) on aid in 2011.

⁵ The UK has a strong say in determining how EU aid is spent. At least 13 member states (out of 27) must vote in favour for a project to be approved. The weight of each vote is partly determined by how much money the member state contributes to the EDF. As the third largest EU donor the UK has the third most powerful vote in the committee. Between January and June 2012 there were four committee meetings and 36 votes. The UK

voted in favour all 36 times. Beyond the official committee process the UK has even more say in how the money is spent. Before starting a new project, European Commission's on-the-ground delegations consult member states. As DFID has a large on-the-ground presence, the UK is consulted more than other EU countries.

⁶ Around 93% of the EDF geographic funding is directed towards LDCs and LICs. The EDF also offers longer term aid predictability and is based on the Cotonou Partnership (see note 10) which highly values the participation of civil society and recognizes it as a key actor in development.

⁷ World Development Report 2011

⁸ The Cotonou Agreement is the most comprehensive partnership agreement between developing countries and the EU. Since 2000, it has been the framework for the EU's relations with 79 countries from Africa, the Caribbean and the Pacific (ACP). http://ec.europa.eu/europeaid/where/acp/overview/cotonou-agreement/index_en.htm

⁹ From NGO comments at DFID BOC seminar

¹⁰ From NGO comments at DFID BOC seminar

¹¹ The thematic evaluation of EC support to conflict prevention and peacebuilding in the period 2001-2010 http://ec.europa.eu/europeaid/how/evaluation/evaluation_reports/2011/1291_docs_en.htm

¹² If the UK were to work more through the World Bank, it would be important to establish stronger links between energy infrastructure projects and measuring the impact on climate change and to ensure that increase work through the World Bank was not at the expense of EU mechanisms for tackling climate change.

¹³ From NGO comments at DFID BOC seminar. ECHO's annual Forgotten Crisis Assessment is also highly valued. This identifies crises that have been overlooked or neglected by the international humanitarian community and the global media. http://ec.europa.eu/echo/about/presentation_en.htm

¹⁴ Which generally works with host countries.

¹⁵ Given the size and scope of these Institutions it is important that this transition is made. The comparative strength of DFID in implementing gender strategies makes this is an area where further engagement by the UK could support the EU.

¹⁶ The EU's competence in development cooperation and humanitarian aid is a specific form of shared competence commonly referred to as a parallel competence: development cooperation and humanitarian aid, the Union is able to carry out activities and conduct common policy, but this does not prevent Member States from carrying out their own activities and setting their own policies.

¹⁷ With its worldwide network, the EU is uniquely positioned to coordinate and harmonise development programmes through health sector reviews. This is increasingly true with the trend towards joint country programming with the EU as lead. The EU Consensus for Development provides for a sustainable and long term policy approach on sensitive issues like family planning, reproductive health and LGBT rights. This supports the UK objectives on sexual and reproductive health in countries where few donors are present or are able to provide significant aid and can limit the impact of other large donors withdrawing support for vital issues like population assistance.

¹⁸ a double 'strong' for both 'contribution to UK development objectives' and 'organisation strengths'.

¹⁹ The OECD review also said that the EU had taken "positive steps to make the programme more effective and increase its impact" since its previous peer review in 2007.

²⁰ as defined in the PRAG, a Practical Guide to contract procedures for EU external action, which applies to the EC and decentralised contracting authorities as well as tenderers/applicants in contract award procedures.

²¹ The European Commission is the 5th (out of 72) most transparent donor in the world according to the Publish What You Fund 2012 Aid Transparency Index. It improved its score significantly from 2011 largely due to publishing to the IATI Registry and scoring on the evaluations and results indicators for the first time. Most project information is found in DG DEVCO's comprehensive IATI files and in a comprehensive database. It is ranked above every EU member state except the UK and the Netherlands. ECHO ranked 14th out of 72 donors (in the "fair" category) in the same index.

²² These procurement policies often result however in the EC being described as bureaucratic, time-consuming and cumbersome – including by NGOs.

²³ AS documented in EPIN, "Reviewing Member States' commitment to the External Action Service", p.14. <http://www.ceps.eu/book/reviewing-member-states%E2%80%99-commitment-european-external-action-service>

²⁴ Lisbon Treaty, article 208

²⁵ Some success has already been seen in areas such as environmental sustainability and energy, and case studies have now been set up to specifically test the effects of EU policies on developing countries and in particular on their capacity to reach MDG 1/ reducing hunger and MDG 6/ the fight against HIV/AIDS

²⁶ There is also a permanent rapporteur in the European Parliament on PCD. This can help ensure stronger accountability on PCD from EU institutions.

²⁷ However, far from contributing to trade justice, the EU's trade agenda often risks the opposite outcome – which again calls for more engagement on the UK to ensure this situation changes. At the WTO, developing countries themselves have rejected the trade liberalisation approach from rich nations, including the EU. Many African Caribbean and Pacific (ACP) countries did not sign Economic Partnership Agreements (EPAs) before the deadline at the end of 2007 because of development concerns.

²⁸ The EU's Common Agricultural Policy (CAP) needs to be deeply reformed, as it is currently in contradiction to EU development objectives and the UK needs to continue playing a role in this debate. The EU should also lead the way for improved international governance of food security based on the Right to Food. In addition to market regulation, food buffer stocks can help both safeguarding food security and maintaining price stability.

²⁹ Death and Taxes, 2008: <http://www.christianaid.org.uk/images/deathandtaxes.pdf>

³⁰ The UK is doing this through the EU, specifically in relation to the Accounting and Transparency Directives currently under consideration in the European Parliament, which will require companies in the extractives and forestry sectors to disclose certain financial information country by country. This is an important step which will make it harder for firms artificially to shift profits out of the countries where they were made and into tax havens.

³¹ The costs of current inaction are high and are already being seen in vulnerable places and communities across the world. Climate change will increase impacts of disaster, food and energy security, and loss and damage in many developing countries.

³² In addition, climate financing must be additional to ODA commitments already made because climate change places a new burden on developing countries. Innovative sources of climate finance can best be effectively discussed at the EU level, such as from a levy on shipping and aviation or from a financial transaction tax. Additionally, pressure across the EU for other member states to deliver on their climate finance commitments, including fast start funding will be important.

³³ Two processes are currently operating in parallel through the UN system. These are the post-2015 development framework consultation and High Level Panel, of which the Prime Minister is Co-chair, and the Working Group on Sustainable Development Goals, a key output of the Rio+20 process. Coherence in approach to both these processes will be essential and a unified EU voice will give strength to the UK's position. The European Commission Communication of 27 February 2013 is in line with the UK's preferred approach that the post-2015 framework and SDG processes should merge to produce one set of goals. The Council and European Parliament will take forward discussions based on the Commission Communication.

³⁴ At the moment IAs do not include a specific enough question on development e.g. on the impact on MDGs. Development issues are also not considered systematically. IAs should be made public at an earlier stage, giving civil society more opportunities to comment.

³⁵ For example, EU institutions support UK objectives on family planning both financially and politically. EU Institutions in 2010 (latest available data) were in the top ten of donors for family planning (1.47 USD million), and the top five of donors for reproductive health (113.43 USD million) (Source: UNFPA/NIDI Resource Flows Project Database). This supports the UK's objectives around the Family Planning Summit in 2012 (FP2020) by leveraging funds from other EU Member States who would otherwise spend little in this area.

³⁶ See Bond's submission to the House of Lords EU Affairs Committee, December 2012
<http://www.bond.org.uk/news.php/280/development-should-be-top-eu-external-action-priority>

³⁷ As illustrated in the EPIN report, p 16, at the end of 2011 the EEAS consisted of 3,267 personnel, not much more than the number of people employed by the Danish Ministry for Foreign Affairs – with a budget of around €500 million; almost equivalent to the defence budget of Slovenia.