

# **REVIEW OF THE BALANCE OF COMPETENCES BETWEEN THE UNITED KINGDOM AND THE EUROPEAN UNION**

## **Development co-operation and humanitarian aid report Evidence submitted by the Centre for European Reform**

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### **Impact on the national interest**

*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?*

International organisations can deliver economies of scale, reduce administrative costs, deliver aid to countries or parts of countries where the UK does not have a presence, and reduce administrative and reporting obligations for recipients.

The EU has 136 delegations working on development around the world. These reduce the need for member-states to have their own offices. Commission management also reduces the administrative burden on recipients: developing country governments often complain about having to report to large numbers of donors separately. A 2011 report for the Commission estimated that greater co-ordination could result in annual administrative savings to donors and recipients of €5 billion.<sup>2</sup>

The advantages of working through the EU rather than other international organisations are that the UK has greater influence over the EU than it does over the UN or the World Bank. In addition, the EU – unlike these other organisations – works extensively with sub-central and local government. This is an important route to deliver the Millennium Development Goals for poor people in middle income countries.

### **Policy making and implementation through parallel competences**

*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.)?*

Commission aid programmes are not perfect – no aid programmes are. But the quality of EU aid is widely recognised by international organisations, national governments and non-governmental organisations. The OECD's Development Assistance Committee concluded in 2012 that the EU was a "formidable player in global development" and that EU programmes had improved significantly since its previous review in 2007. Co-ordination had been improved, and financial processes streamlined. The Commission had begun working more with civil society.<sup>3</sup>

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<sup>1</sup> This evidence is submitted by a research institution. The UK government may publish the name of the organisation and the author.

<sup>2</sup> SOGES, 'The aid effectiveness agenda: The benefits of going ahead', 2011.

<sup>3</sup> OECD, 'European Union: Development assistance committee peer review', 2012.

The UK government has also acknowledged the Commission's good performance on aid. For example, the 2011 Multilateral Aid Review commended Commission aid programmes for strong financial management and transparency systems, moderate administration costs and predictable funding. The review awarded the highest possible rating to the European Development Fund.

By supplying aid through national channels as well as through the EU, the UK is able to target separate development objectives. Through the EU, it can address generic development objectives, while through the national channel DfID can emphasize specific development objectives that also serve UK economic and strategic interests.

### **Relationships between development co-operation/humanitarian aid and other policy areas**

*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?*

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. Since 2005, the EU has aimed to make all its policies coherent with its strategy for development. However, the OECD concluded in its 2012 report that the Commission is still not doing this well enough, particularly in agriculture and fisheries.

Take Ghana, for example. Ghana's poultry industry collapsed in the 1990s because of an influx of cheap subsidised chicken parts from the EU. Most of Ghana's wood comes from illegal logging, yet the EU imports much of it. The EU should substantially reduce payments to European farmers, by much more than the Commission proposed and the Council agreed on 8<sup>th</sup> February 2013. The EU should also remove tariffs and quotas which exclude produce from developing countries. It should also enforce measures against imports of illegal timber much more strongly.

The EU's fisheries policies also undermine some of the goals of its development policy. EU subsidized fishing fleets have increased activity off developing countries in recent years, partly because there are fewer fish to catch in European waters. Around a quarter of all fish caught by EU-registered boats come from the waters around developing countries. This raises the price of fish for the inhabitants, and reduces employment. Developing country governments often sign fishing agreements with the EU, for which they get paid. But even when they cancel agreements, as Senegal did in 2006, illegal European trawlers still fish their waters. Member-states need to become much more active at preventing such law-breaking. And the EU should revisit subsidies to those European fishing fleets that operate outside EU waters.

The EU's ambitious plans to expand renewable energy are also not fully coherent with its development policies. Increased demand for energy from crops leads to 'land grabs' in which companies buy large areas of arable land in the developing world. This reduces the land available to grow food. The EU should prevent this by excluding crops grown on land that has been used to grow food in the last two decades from any contribution to its renewable energy targets.<sup>4</sup>

### **Future options and challenges**

*4. Bearing in mind the UK's policy objectives and international commitments, how*

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<sup>4</sup> Stephen Tindale, 'How to expand renewable energy after 2020', Centre for European Reform, December 2012.

*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?*

*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.)?*

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

The EU should support rural renewable energy projects. This will help protect the global climate. It will also provide real assistance to rural populations in many developing countries. Renewable energy technologies are well suited to providing decentralised energy, so reducing the need for electricity or gas grids.

A focus on rural energy would enable the EU to continue to assist poor people in middle income countries. The Commission should work with sub-central (regional and local) governments rather than central governments. For example, in India it should work with the governments of poor regions such as Rajasthan, Uttar Pradesh, Orissa and West Bengal. A number of regional governments in Europe have made great progress with energy efficiency and renewable expansion – most notably Upper Austria.<sup>5</sup> So the EU can help with expertise and policy advice, as well as money.

The ability and willingness to work with sub-central units of government in developing countries is one of the Commission's strengths. Other international development organisations, such as the World Bank and the UN, do very little of this – partly for legal reasons (they are only permitted to do so if the central government agrees) and partly due to their institutional cultures. Working with regional and local governments will enable the Commission to deliver development aid to poor people in middle income countries – a group which now constitutes most of the world's poor.

## **General**

*7. Are there any general points on competence you wish to make which are not captured above?*

EU development aid should also support specific strategic objectives, for instance resource security. The EU's resource strategy "Resource Efficient Europe" aims to increase sustainable development practices in the developing world, to achieve guaranteed supply of resources. The EU supports the EITI (Extractive Industries Transparency Initiative) in order to reduce corruption and theft in the mining sector. The EIB also supports various mining projects in Africa aimed at

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<sup>5</sup> Prashant Vaze and Stephen Tindale, 'Repowering communities: Small scale solutions to large scale energy problems', Routledge, 2011.

stimulating sustainable extraction of raw materials. The European Development Fund also supports good governance programs in resource-producing states.