

European Commission's Response to DFID Multilateral Aid Review (MAR)

The European Commission welcomes the findings of DFID's Multilateral Aid Review of the Commission's main development financing instruments. The Commission is particularly pleased to note that the European Development Fund (EDF) is assessed as one of the top nine multilaterals offering very good value for money for achieving UK's development objectives, with a proven track record of delivering excellent results for poor people. It is good to see that our work in some of the poorest countries of Africa, the Caribbean and the Pacific was considered to be both innovative and effective, and that the EDF is seen as based on a unique and respected partnership model in line with country priorities. The EDF's strong monitoring and financial management systems and moderate administrative costs are also recognised in the report.

Aid through the EU general Budget is seen as offering adequate value for money with regard to UK's development objectives. The report emphasises that the Budget is consistent with the UK Government's wider external relations objectives.

This acknowledgement alone should explain why the EC Budget instrument cannot fully meet the objectives of any particular Member State. Unlike the EDF, the Budget was specifically designed as a complement of instruments to meet the range of development needs of poor, middle-income and enlargement countries and to suit the cross-government objectives of Member States and not their development objectives alone. This is why, as assessed by DFID, the Budget more clearly reflects HMG objectives rather than only UK development objectives.

It is reassuring to note that the assessment confirms that the Budget:

- contributes to DFID priorities of wealth creation, governance and security, stabilisation spending and climate change;
- makes the EC a vital partner in furthering economic growth in poorer nations;
- plays a key role in those countries from where many EU Member States, including the UK, have withdrawn;
- emphasises, through the neighbourhood instrument, governance reforms, trade cooperation and democratisation (critical now given the political events unfolding in many of the neighbourhood countries);
- puts political pressure on Member States to meet commitments, a role that OECD/DAC or member States alone cannot replace;
- coordinates EU at field level leading to more effective in-country and cross-country division of labour and so sets up a more effective international aid system;
- Oxfam's recognition that Commission aid is some of the best multilateral aid in the world.

Besides the many other attributes noted in the review, including those on organisational strengths, together they should make the Budget instrument complementary and relevant to the evolving global development priorities, specifically as reflected in the G20 Development Consensus and the Green Paper on EU development policy now under consultation.

However, despite assessing these attributes positively, the overall assessment that the Budget offers adequate value for money for achieving UK Development objectives is based on DFID's narrow focus on MDGs and on spending in poor countries. Crucially the assessment of the Budget presents a limited perspective and misses its strategic global vision.

DFID acknowledges that the methodology is its own and aimed specifically at gauging the Commission's value for money for achieving UK objectives. It also recognises that the Commission is significantly different from other multilaterals as it must act on consensus to balance the 27 Member States' individual political, geographic and thematic interests in its external actions.

The Commission is firmly committed to the MDGs and is working hard to eradicate poverty and to improve living standards for all by 2015. As recognised by the review it has robust policies, procedures and guidance to mainstream gender and to support fragile contexts and now needs to implement and report on these more rigorously. It has undergone major reforms to improve the delivery of its aid and the Lisbon Treaty commits it to further reform that is now underway.

Over the last ten years the Commission has focussed on 'More, Better, and Faster' aid. In August 2010 the Commission published *The EU contribution to the MDGs* to show the impact of its external assistance.

The Commission is now putting in place a more rigorous system to be able to track and report on the results of its aid. At the same time the Commission is working at the international level, particularly with the OECD-DAC, towards internationally-accepted standards for the measurement of the impact of its development assistance and towards further developing the use of its results oriented management (ROM) system to be able to systematically report on results.

We do share the assessment that in a rapidly changing global environment some aspects of the programmes under the Commission's Budget require adjustments, and this is exactly what we intend to propose in the context of the preparation of the financial instruments for external action after 2013 (next Multiannual Financial Framework).

With respect to the level of resource spending in different types of countries, we want to focus grant aid more on the poorest. In our cooperation with more advanced countries we want to promote partnerships based on common interests and addressing global public goods, with an increased use of blending loans with grants and other forms of innovative financing.

We also want to introduce more flexibility into the budgetary mechanisms to improve our ability to introduce innovative schemes (e.g. on how to deal with exogenous shocks) inspired by the EDF possibilities. Finally we want to implement the key Commission objective of simplification and make EU rules less 'inflexible and cumbersome'.

DFID's MAR review comes at an opportune time to inform these reforms and allow us to further improve our ability to support the development needs of our partner countries and make sure that European taxpayers' money goes to help those who need it most.