



House of Commons  
International Development  
Committee

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**EU Development  
Assistance**

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*Additional written evidence*

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## The International Development Committee

The International Development Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Office of the Secretary of State for International Development.

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# Written evidence

## Written evidence submitted by Save the Children UK

### INTRODUCTION

Save the Children UK is a member of Save the Children International, working in more than 120 countries. We save children's lives. We fight for their rights. We help them fulfil their potential.

1. In 2010 the UK Government allocated 15% of its aid budget to the European Commission (EC). In 2010–11 about 20% of the £3.7 billion disbursed by Department for International Development (DFID) as core aid funding through multilateral organisations will go through EC budget instruments, whilst a further 15% will go through the European Development Fund (EDF). The UK is one of the leading development actors within the EC; having untied all aid, signed up to the Independent Aid Transparency Initiative and committing to meet 0.7% of GNI.

2. EU external assistance added to Member State's own budgets make the EU the largest provider of development assistance globally, accounting for 60% of global Overseas Development Assistance (ODA). This inquiry by the International Development Committee is particularly timely given the current EU Budget negotiations for the Multi Financial Framework (MFF) for the period 2014–20.

3. Save the Children, taking into account the evidence from the UK Government's multilateral aid review as well as our own experience, consider the EU to be an effective development partner. The size of the EU's financial contributions, its coordination of multiple donor agendas and the provision of predictable, long-term development assistance to countries at scale all add significant value to UK development cooperation.

4. Nevertheless we have some concerns about the management of the EU's funding around predictability, coordination and crucially the geographical distribution of aid. We also have some areas to highlight regarding policy priorities going forward, such as inclusive economic growth, private sector delivery for the poorest and various sector-specific policies in the *Agenda for Change*.

5. The EU is currently in the negotiation stages of the forthcoming MFF. The proposal of EUR 23, 294.70 million for the Development Co-operation Instrument (DCI) in the next MFF is very welcome. However there are a number of issues concerning the DCI and other funding architecture that need to be taken into account.

6. Our recommendations, which are outlined in greater detail throughout this submission, are as follows:

- To influence EU development policy and thus redress the challenges we highlight in our submission, we recommend that *the UK government plays a more proactive role within the EU's aid architecture.*
- The EU needs to take further steps to ensure that *development assistance benefits the poorest people who live in MICs* and not just countries within the EU neighbourhood region.
- In order to ensure inclusive growth, *greater emphasis must be placed on building the capacity of the local private sector* to increase the ability of the poorest people to access markets.
- The *Agenda for Change* fails to identify the risks and opportunities of private sector development; it is crucial that *private sector development must be used to deliver maximum benefit for the poor.*
- One way the EU can reform their focus on budget support is to *ensure conditionality measures are aligned to capacity gaps identified by the aid recipient country.*
- We believe it is crucial that the EC *actively engages with civil society* and explores and supports innovative mechanisms to aid collaboration between the governments and civil society.
- There needs to be *greater transparency and accountability in policy-making processes across all EU institutions* to ensure policy coherence for internal and external policy across all EU institutions.
- The EC's Communication on Food Security, whilst important is lacking a clear coherent focus on undernutrition. A *DevCo/ECHO Communication on Nutrition* should be formulated to provide an overarching policy dedicated to nutrition in emergency and development contexts.

A. *The comparative advantage of the EU as a channel for UK development and humanitarian assistance and the UK's ability to influence EU development policy*

7. Save the Children considers the EU to be an effective channel for UK development assistance. EU external assistance has considerable impact as a result of the size of its financial contributions, its ability to coordinate multiple donor agendas and to provide predictable, long-term development assistance to the world's poorest people and countries at scale.<sup>1</sup> It is highly complementary with UK bilateral ODA as its instruments support c 90 countries, many of which are UK priorities but do not receive UK aid. This is particularly important following the bilateral aid review (BAR), which resulted in the UK reducing the number of countries in which

<sup>1</sup> European Think Tanks Group (2010) *New Challenges, New Beginnings: Next steps in European development cooperation*. London: ODI Available at [www.odi.org.uk/resources/download/4735.pdf](http://www.odi.org.uk/resources/download/4735.pdf)

it works. In addition the multilateral aid review (MAR) praised the EC for having moderate to low administrative costs and strong performance on partnership behaviour.

8. From the perspective of aid recipient countries, the EU has a particularly valuable role to play in harmonising multiple donor agendas (it coordinates up to 27 bilateral donors) and can help reduce the number of individual funding streams, lowering management transaction costs for recipient governments.

9. *The European Development Fund (EDF)*—the main instrument for EU aid to African, Caribbean and Pacific (ACP) countries—is closely aligned to UK development objectives, including having a strong poverty focus. The use of a partnership model enables predictable long-term financing, and we support the attention to transparency and accountability.<sup>2</sup>

10. We consider the *EU's Humanitarian Aid Office (ECHO)* to be a high quality donor in the effective delivery of humanitarian assistance. This view is supported by multiple assessments.<sup>3</sup> In 2010, 140 million people benefitted from EC humanitarian aid.

11. A major benefit of ECHO is its use of professional humanitarian needs assessments that focus exclusively on the needs of affected populations and specific vulnerable groups. This gives ECHO the ability to balance responding to fast-onset emergencies with addressing long-term “forgotten” crises, with the aim of saving lives and reducing suffering. This significantly complements the separate funding of EU member states.

12. There are however some mechanisms, functions and focus areas in need of improvement. Regarding funding cycles, the EDF has limited flexibility after funds have been programmed, meaning funds can not always be reallocated to employ the most suitable, timely approach. In addition when a funding cycle comes to an end there can be a “cliff edge issue”, whereby future funding is uncertain resulting in a hiatus between programmes or a complete cut.<sup>4</sup> When funding is supporting essential services or protection work it is vitally important that the EC can accommodate a transition period to enable local actors or government institutions to take over project management so the population affected do not suffer unduly.

13. The EC has not upheld its commitments to effective aid delivery, for example use of country systems. This is a core principle of the Paris Declaration and Accra Agenda for Action, to which the EU is a signatory. Evidence from the health sector suggests that the EU has rapidly decreased its *use of national country systems*, in spite of compelling evidence to suggest that using *national systems is an effective way to ensure the poorest people access key services*. Similarly, there is evidence to suggest that the EC has considerably decreased its *use of countries' own procurement mechanisms*<sup>5</sup> a move which undermines the local economy, increases the cost of assistance, and compromises sustainability by failing to support the improvement of the local system.

14. Other areas in need of improvement include *the EU's bureaucracy*, which has inflexible and cumbersome procedures and rules with multiple layers of objective setting and often conflicting agendas. This can compromise certain EU mechanism's ability to disburse aid in a timely manner, raising concerns over the predictability of EU aid, which is critically important for aid recipient countries to undertake national planning and budgeting.

15. Perhaps the most important issue is the *geographical distribution of EC aid*, and the low proportion of aid spent in those countries most in need.<sup>6</sup> DFID's MAR found that 85% of EC's budget instruments' ODA is spent on Middle Income Countries (MICs), particularly in regions around EU. This is in spite of there being limited evidence of how spend in neighbourhood and pre-accession countries contributes to Millennium Development Goals (MDGs) and poverty reduction.

16. In order to redress these challenges and to influence EU development policy, we recommend that the *UK government plays a more proactive role within the EU's aid architecture*, engaging more frequently with the Directorate-General for Development and Cooperation—EuropeAid. The recent Fourth High Level Forum on Aid Effectiveness in Busan highlighted the UK Government's disengagement from EU development cooperation planning, with EC and UK negotiators not always well aligned. The three core agendas pushed at the Forum by the UK Government—results, transparency and aid to conflict affected and fragile states—were not reflected by strong commitments in the EU common position, and the issue of untying, where the UK is a global leader, was not mentioned at all.

17. The UK is one of the leading development actors within the EC; having untied all aid, signed up to the Independent Aid Transparency Initiative and committing to meet 0.7% of GNI in spite of the economic crisis. The UK should use these examples and its historical leadership in development to push the EU to address the

<sup>2</sup> DFID (2011) Multilateral Aid Review: Assessment of the European Development Fund (EDF) <http://www.dfid.gov.uk/Documents/publications1/mar/edf.pdf>

<sup>3</sup> DFID's Multi-lateral Aid Review (MAR) rated ECHO in the highest-performing category of high value for money, noting its record for delivering EU funds quickly in an emergency and maintaining a worldwide field presence. The MAR also assessed ECHO as “cost effective”. A review by Development Assistance Research Associates (DARA) ranked ECHO as 6th out of 23 OECD donors in terms of quality.

<sup>4</sup> DFID (2011) Multilateral Aid Review: Assessment of the European Development Fund (EDF) <http://www.dfid.gov.uk/Documents/publications1/mar/edf.pdf>

<sup>5</sup> IHP+ Results (2010) Development Partner Scorecard for the EC, <http://ihpresults.net/django/media/scorecards/partner-scorecard-EC-en.pdf>

<sup>6</sup> OECD DAC (2007) European Community (2007), DAC Peer Review: Main Findings and Recommendations, [http://www.oecd.org/document/0/0,3343,en\\_2649\\_34603\\_38897408\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/0/0,3343,en_2649_34603_38897408_1_1_1_1,00.html)

challenges outlined above and to encourage other member states to be more progressive in global forums. This will be particularly important from 2012 onwards, as the development community start to discuss the future framework for development cooperation, following 2015 and the expiration of the MDGs.

#### B. *The proposals set out in the “Agenda for Change”*

18. Save the Children welcomes the *Agenda for Change* and its renewed overarching focus on poverty elimination and the achievement of the MDGs. However, the EC has failed to *identify the links between various policy areas and how they impact on each other*. This missed opportunity is evident by the failure to identify malnutrition as one of the leading causes of slow economic growth; it is estimated by the World Health Organisation that 4 to 6% of the GDP of a country can be lost to malnutrition. Investing in tackling malnutrition, particularly between conception and the age of two, can yield dramatic reductions in under-5 mortality and generate lifelong economic returns through improved health, education and livelihoods.

19. Another area of general concern is that, despite the fact that three quarters of the world’s poor now live in Middle Income Countries (MICs), the EU has not taken sufficient steps to ensure that its *development assistance benefits the poor women and children who live in MICs beyond the EU neighbourhood region*.

#### Inclusive Growth

20. Sustained economic growth can be a powerful tool for reducing poverty, but the ways in which the benefits of economic growth are distributed is of equal importance.<sup>7</sup> Trade facilitation and investment in infrastructure are crucial to stimulating economic growth, although in isolation this will not translate into poverty reduction. We therefore welcome the EU’s commitment to *drive inclusive growth* through investment in education, health and social protection which are essential for enabling poor people to access the opportunities brought about by economic growth. Greater emphasis could also be placed on *building the capacity of the local private sector*, and particularly small holder farmers and Small or Medium Enterprises (SMEs), as the drivers of job creation, to increase the ability of the poorest people to access markets.

#### Nutrition-sensitive agricultural growth

21. The focus in the *Agenda for Change* on growth driven by investment in agriculture and sustainable energy is welcome. However, we urge the EU to *make nutrition security an explicit goal of agriculture policies and make climate-resilient agriculture a part of a broader nutrition-sensitive agricultural development framework*. While investment in sustainable agriculture and food security is welcome, increasing agriculture productivity at a regional, national or even household level does not automatically impact on child or maternal nutrition. Where possible *nutrition-friendly agriculture should be supported and integrated into agriculture systems*.

#### Education

22. We welcome the focus in the *Agenda for Change* on quality education to give young people the knowledge and skills to actively participate in society and the economy. However, the EU must strengthen the role it plays in *ensuring the most marginalised children, particularly girls, attend and complete basic quality education*. In particular, the *Agenda for Change* lacks a commitment to *increase funding for education in conflict-affected fragile states*. With already limited donor support for education, this commitment must be strengthened to support the access to quality education of over 42% of the world’s out of school population, particularly in conflict-affected countries.<sup>8</sup>

#### Health

23. We commend the EU’s programme for action, reiterated in the *Agenda for Change*, to tackle the critical shortage of health workers. It is crucial that the EU looks at providing additional support to national governments in *recruiting, training and paying community-based health workers a decent wage*. The EU should also disaggregate expenditure reporting to identify human resources spending. We urge the EU to *strengthen commitments to universal coverage of immunisation*. One way the EU can build on health commitments is to *continually evaluate progress* to ensure that the EU delivers its promises to strengthen health systems and deliver packages of quality healthcare free at the point of use.

#### Private sector

24. The strong focus in the *Agenda for Change* to develop the competitiveness of the domestic private sector is welcome.<sup>9</sup> However, a lack of access to markets for poor people, as well as the terms on which they participate in them, means that foreign direct investment and private-sector-led growth in unregulated markets

<sup>7</sup> A research paper for the European Commission finds, for example, that the correlation between rates of GDP and the achievement of the MDGs that relate to health, education, gender and the environment is “practically zero.” See: F Bourguignon *et al*, *Millennium Development Goals at Midpoint: Where do we stand and where do we go?*

<sup>8</sup> GMR Policy Paper 02, *Beyond Busan: Strengthening aid to improve education outcomes*, November 2011.

<sup>9</sup> Growth in labour-intensive sectors of the economy where poor people are mostly engaged—agriculture, small enterprises and industry—can have greater impacts on poverty than growth in other sectors.

does not always translate into inclusive growth. The *Agenda for Change* fails to identify the risks, as well as opportunities, of private sector development. *Private sector development must deliver maximum benefit for the poor*, in respect of human rights, sustainable natural resource use, payment of fair taxation, gender equality and foster local green economies. Enabling legislation to create a stronger business environment should be accompanied by *stronger standards and legislation to minimise harm*.

### C. The proposals for future funding of EC development cooperation

25. We welcome the EC proposal of EUR 23 294.7 million for the Development Co-operation Instrument (DCI) in the next EU Multiannual Financial Framework (MFF) 2014–20, which represents close to 25% of Heading 4. The overall objective of the DCI to maintain poverty reduction is commendable and we welcome the focus on increasing flexibility by simplifying the funding architecture in the future MFF.

26. The EC is proposing to simplify the funding architecture by reducing the number of instruments under DCI. We believe that simplifying the architecture will guarantee more efficient delivery and increased impact of the EU action in developing countries. However, while we support the overall principle, only 35% of DCI funding will be allocated to thematic instruments with at least 25% of that earmarked to climate change. This could lead to a number of thematic priorities being compromised. We ask that the EC avoids a taking a narrow focus on sectors that have traditionally been high on the political agenda, such as infrastructure and energy, neglecting key development issues crucial to achieving the MDGs such as food security, undernutrition, social development and human rights.

27. We support the proposal that the EC should *ring fence a sum of non-earmarked funding under DCI for actions targeted explicitly towards linking relief, rehabilitation and development (LRRD)*. The funding should be *flexible for both programming and implementation* but also needs to be *linked to clear regulation* that outlines the main criteria for the use of the funding of LRRD objectives.

28. The significant inter-relationship between development and security issues is widely recognised. It is important to highlight that in delivering a “joined up approach to security and poverty” *EU development assistance should be used exclusively to deliver development objectives*.<sup>10</sup> EU development assistance, of course, needs to take account of the security context, but development aid needs to have a clear link to development outcomes.

### Budget support

29. Under geographic instruments, we welcome the EC’s plans to focus on sector budget support and enhance monitoring of this approach. Both general and sector budget support have been shown to have a positive impact on the delivery of essential services by lessening the bureaucracy associated with the receipt of aid funds. Evaluations have also concluded that the Commission’s budget support increases the quantity of service delivery, usually in basic education or health.<sup>11</sup>

30. While decisions to provide budget support should be taken on a case-by-case basis, we recommend that the EU *maintain current levels of budget support*, including conditions for reform where necessary. *Conditionality measures should be aligned to capacity gaps identified by the aid recipient country* and must be based on principles of good governance, transparency and the Paris declaration, including supporting civil society action in developing countries.<sup>12</sup> It is crucial that budget support is *results-based and geared to achieving the objectives set out in the national poverty reduction strategy*.

### Cooperation with Civil Society

31. The *Agenda for Change* takes a limited view of civil society as a ‘watchdog’ rather than as an important and strategic partner in European Development Assistance in its own right. This is reflected in the level and nature of support for civil society in the next MFF. We urge the EC to *go beyond the traditional model of cooperation with civil society* through action grants. One way the EC could achieve this is by exploring and supporting *innovative mechanisms towards institutionalized collaboration between the governments and civil society*.

### Humanitarian Assistance

32. The EC spent €1.1 billion on humanitarian assistance in 2010. With humanitarian need predicted to increase over time, we strongly recommend that the forthcoming MFF for 2014–20, allocates at least €7 billion for humanitarian response across the seven-year period. The MFF should also *ensure a separate humanitarian budget line is maintained* to help uphold the independence, impartiality and neutrality of humanitarian action.

<sup>10</sup> *Agenda for Change*, Section 6.

<sup>11</sup> In 2008 Oxfam and the European Commission undertook an evaluation of the impact of the Commission’s general budget support. In EIGHT of the largest country recipients of budget support, government spending had increased by nearly a third. All but one experienced an increase in children’s primary school enrolment—in Madagascar, the number of children enrolled in primary education increased from 69% to 92% in one year.

<sup>12</sup> Communication (2011, COM 638) on the future approach of EU budget support to third countries.

33. We also recommend that a specific commitment to *Disaster Risk Reduction (DRR)* is included in the new MFF—the current draft MFF does not explicitly mention DRR. A commitment to DRR should form part of the Development budget line of the MFF, specifically under the Directorate General on Development (DG DEVCO).

#### D. Progress towards policy coherence for development in global food security, security, climate change and Migration

34. The importance that the EU places on policy coherence for development (PCD) and its inclusion in the *Agenda for Change* is extremely positive and could have a significant impact on achieving the goals of poverty reduction, sustainable development and human rights. EU policies—both internal and external—are likely to have an impact on developing countries, possibly with far-reaching repercussions for their development prospects. As the 2009 Communication on Policy Coherence for Development states “the dividing line between external and internal policies is becoming more blurred sometimes to the extent of losing both its empirical evidence and its political value”, which only serves to reinforce the need for PCD “to be taken into account more systematically” across the whole of the EU.<sup>13</sup> The minimum goal for *all policy areas should be to adhere to a “do no harm” principle*, while ideally all policies should enhance or positively contribute to the goals of development cooperation.

35. In practice, however, we are concerned that there is no consistent effort made to ensure coherence between policies is achieved—within the European Commission and across all the EU institutions. There are several examples of policies in one area conflicting with the goals of development cooperation, particularly where EU interests are at stake. One example is the introduction of the Blue European Labour Card scheme that is likely to impact negatively on the Joint Africa-EU Strategy’s Action Plan 2011–13 (partnership on the MDGs), which seeks to help partners’ strengthen their health systems through improved Human Resources for Health.<sup>14</sup>

36. To address this issue, there needs to be *greater transparency and accountability in policy-making processes* across all EU institutions. *Mechanisms also need to be established to assess the likely impact of EU policies*, systematically ascertain policy coherence for development across internal and external policies, and deal with conflicts of interests should they arise.

#### Food Security and Nutrition

37. There is global recognition that nutrition is “integral to the concept of food security”.<sup>15</sup> However, despite a renewed interest and commitment across the globe to tackle food insecurity, far too little interest has paid to ensure that these efforts achieve improved nutritional outcomes for the 195 million chronically malnourished and 55 million acutely malnourished children worldwide.

38. In March 2010, the Commission adopted Communications on Food Security and on Food Assistance.<sup>16</sup> While these are critical in stepping up the EU’s actions on hunger and nutrition, they remain insufficient to tackle the complexities of undernutrition and the comprehensive and holistic approach it requires. Subsequent development communications have made scant reference to undernutrition suggesting that 2012 may well be another missed opportunity for a strong EU policy framework on nutrition.

39. We strongly urge the EC to *formulate a DevCo/ECHO Communication on Nutrition* would provide a much needed overarching policy dedicated to ensuring adequate maternal and child nutrition in both emergency and development contexts. In addition, such a communication would ensure that nutrition is an EU priority, and not solely that of a handful of Member States.

40. Another area of concern is the growing evidence that climate change and disasters will significantly increase the risk of food insecurity and undernutrition, undermining gains in cutting extreme poverty and hunger rates. Declining agricultural production due to extreme climatic events reduces employment and income, diminishing poor people’s purchasing power and limiting their ability to invest in assets that increase their resilience.<sup>17</sup> In combination with other factors, climate change is expected to increase both price volatility and prices for the most common staple crops.<sup>18</sup>

41. It is important, therefore, that *EU policies on climate change adaptation address the issue of nutrition security as a priority*. Increased emphasis is needed on *nutrition-focused risk assessments in vulnerable*

<sup>13</sup> Commission Communication, *Policy Coherence for Development—Establishing the policy framework for a whole-of-the-Union approach* (2009).

<sup>14</sup> The *Agenda for Change*, section 3.1, explicitly states the need for policy coherence in the area of health.

<sup>15</sup> *Declaration of the World Food Summit* (2009).

<sup>16</sup> <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/404&format=HTML&aged=0&language=EN>

<sup>17</sup> Confalonieri, U & Menne, B (2007) Human Health. In M L Parry, O F Canziani, J P Palutikof, P J van der Linden & C E Hanson, eds *Climate Change 2007: Impacts, Adaptation, and Vulnerability. Contribution of Working Group II to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change*. Cambridge, UK, Cambridge University Press.

<sup>18</sup> Parry, M, Evans, A, Rosegrant, M & Wheeler, T (2009) *Climate Change and Hunger: Responding to the Challenge*. WFP, IFPRI, New York University Center on International Cooperation; Grantham Institute at Imperial College London; and Walker Institute at University of Reading. Available at [http://www.ifpri.org/sites/default/files/publications/wfp\\_fightingchunger.pdf](http://www.ifpri.org/sites/default/files/publications/wfp_fightingchunger.pdf).



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countries and on a “twin track approach” of direct nutrition interventions and safety nets combined with longer term promotion of climate-resilient nutrition-friendly agriculture and social protection.

#### Security

42. We recognise the significant inter-relationship between development and security issues. Taking account of the security context is indeed critical; nevertheless development should be used exclusively to deliver development objectives, even when wishing to deliver a ‘joined up approach to security and poverty.’<sup>19</sup>

43. The Commission’s 2009 Communication on Policy Coherence for Development (PCD) discusses “effective mandates for operations including peace-making military components, flanking policy and civilian components as well as wider stability measures”, leading to “a comprehensive peace building agenda” to help achieve the MDGs.<sup>20</sup> An integrated approach, however, brings significant risks for effective humanitarian response. *Humanitarian action must be based on need alone, and be clearly separate from political, military and security objectives.* Combining humanitarian and security objectives can compromise the effectiveness of aid and place aid workers and beneficiaries in danger. Increasing civil-military coordination must be achieved with these challenges in mind.

#### Climate Change

44. It is an accepted principle that developed countries, which are largely responsible for greenhouse gas emissions leading to climate change, should help finance additional costs that are being faced by developing countries in order to adapt to climate change and contribute to the global mitigation effort.<sup>21</sup> It is vital that the EU development assistance maintains the *principle of additionality* and that *additional and adequate climate finance is available for climate change adaptation* and this should not draw on existing ODA which is needed to bridge the existing development deficits.

45. The challenge is to ensure *clear accountability in commitments to funding climate change adaptation*, and at the same time *ensure that support for adaptive capacity to change is properly integrated into EU development assistance.* This is crucial to ensuring that parallel sets of activities are avoided at the local level for supporting adaptation on the one hand, and “doing development” on the other, which could risk failure in both.

#### Migration

46. As people decide to move from their countries of origin, through countries of transit to countries of destination, their choices and circumstances will have been, and will be, affected in turn by both EU external policy and EU internal policy.

47. The 2009 Communication on PCD focused on a number of areas; one of these was “making migration work for development”. However the reverse is also true; development needs to work for migration. EU development assistance should *support partner countries in order to achieve the goal of improving people’s opportunities*, so that the need for unsafe migration is reduced and migration becomes a safe choice rather than an unsafe survival tactic.

48. One way the Commission can address this issue is to find ways in which *coherence and consistency between policies and actions* can be ensured by all parties involved in dealing with migration to and from the EU. To this end, it is necessary to establish a clear “division of labour” and clear mandates for all interested or implicated Directorates-General.

January 2012

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### Written evidence submitted by Tearfund

#### INTRODUCTION

1. Tearfund welcomes this opportunity to contribute to the International Development Select Committee inquiry on EU development assistance. Tearfund is a Christian relief and development agency working directly in response to disasters and in partnership with organisations in more than 50 countries, working alongside or through networks of local churches. Tearfund has been a channel of EU development and humanitarian assistance since 1983 and 1998 respectively, receiving over £4 million in 2010–11 alone. This included eight ECHO grants for our direct operations and partner-led humanitarian responses and, in combination with our partners, funding for long term development projects in three countries.

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<sup>19</sup> *Agenda for Change*, Section 6.

<sup>20</sup> *EU Report on Policy Coherence for Development* (2009)  
[http://ec.europa.eu/development/icenter/repository/COM\\_2009\\_458\\_part1\\_en.pdf](http://ec.europa.eu/development/icenter/repository/COM_2009_458_part1_en.pdf)

<sup>21</sup> The agreement made in December 2010 at 16th session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC).

2. We note that over the past 10 years, the EU has significantly improved the quality and scale of EU aid,<sup>22</sup> with a focus on poverty reduction, the implementation of specific development instruments and explicit commitments towards principles such as Policy Coherence for Development. Tearfund supports the channelling of UK aid through EC institutions and weaknesses outlined below should be understood within this wider context.

3. In this submission we will be focusing on (i) the proposals set out in *Agenda for Change*; and (ii) the proposals for future funding of EC Development Cooperation and (iii) Policy Coherence for Development with a focus on revenue transparency and climate change. As members of BOND, we would also like to draw attention to the BOND submission which covers a number of other areas.

#### THE PROPOSALS SET OUT IN THE “AGENDA FOR CHANGE”

4. There are many aspects of the *Agenda for Change* that Tearfund welcomes. These include the reiteration of poverty eradication as the primary objective of EU development policy, the recognition of the role of the EU in contributing towards global challenges such as climate change and conflict prevention and the emphasis on improving governance records. We were particularly encouraged that the focus on results and mutual accountability between the EC and partner countries will not slacken their commitment to working in situations of fragility and conflict. We do however believe that these stated positions and policies are not consistently reflected throughout the Agenda.

We are concerned that states within a very broad category—Middle Income Countries (MICs)—are seen as having “graduated” from requiring development assistance if they have become donors in their own right. It is now accepted that more poor people live in MICs than in the poorest countries.<sup>23</sup> However, Tearfund appreciates that the financial capabilities of some MICs mean that donor relations with them must change. Tearfund is concerned that the EU has not responded well to this challenging dichotomy. We believe this is summed up by the comments at the end of the Agenda which note that there will be “an increased volume and share of EU aid to countries most in need...” We would argue that if poverty reduction is the aim of EU aid, this should read “to people most in need...” We believe DFID has adopted a sensible approach to this issue by utilising country-specific analysis to target aid to the poorest regions within MICs—whilst simultaneously developing new, dynamic partnerships with governments and supporting them to develop their own poverty reduction strategies. We recommend the UK government urges the EU to follow suit. We recall the Committee’s own report into DFID’s programmes in India, which recommended continued support whilst developing alternative relationships and modalities in preparation for ceasing support in 2015. The range of states counted within the term “Middle Income Countries” is extremely broad. The *Agenda for Change* recognises this and outlines the criteria the EU will use to decide levels of support. However, the process for the selection of each criteria and the weighting each is given is not explained. Greater transparency on these issues would enable the UK government to better scrutinise the suitability of EU aid spend.

5. In setting out the overall context which has shaped the Agenda, the increased vulnerability of many developing countries is recognised, due to global shocks, climate change, resource scarcity and rising populations. Yet this awareness is not matched by any commitment towards increasing the resilience of affected populations, by mainstreaming Disaster Risk Reduction (DRR) across EU development activities. We are concerned that the Agenda does not take into account that DRR measures must primarily be drawn from development aid, rather than humanitarian spend.

#### *Good governance*

6. We believe that the *Agenda for Change* does not sufficiently address the challenges of natural resource management. The money lost in corruption reached up to nine times the flow of Official Development Assistance (ODA) to Africa in 2008.<sup>24</sup> A strong stance towards this issue is not only in line with the EU’s stated aim of poverty reduction, but if implemented, would help reduce the aid burden for all donors. Tearfund, a member of the “Publish What You Pay” coalition, has welcomed the European Commission’s recent proposal to bring forward amendments to the Transparency and Accounting Directives to secure mandatory disclosure of extractive industry payments to governments on a country-by-country and project-by-project basis. We would encourage DEVCO to continue following this legislation and hopefully once passed, to look at ways in which the key principle of financial transparency might be applied more widely in the future.

7. The UN Convention Against Corruption (UNCAC) is the most comprehensive global agreement on anti corruption signed by 155 countries. Its effective implementation has the potential to significantly combat corruption, for example through anti money-laundering, tackling bribery, protecting whistle-blowers and involving citizens in the prevention of corruption. However, its implementation has been limited in most countries. The UK should urge the EU to ensure that UNCAC is effectively implemented in each one of the

<sup>22</sup> For example, ECHO was rated in the top category (Very Good) in DFID’s Multilateral Aid Review, meaning it had a high contribution to UK development objectives and good organisational strengths. The EC budget scored highly on organisational strengths, and as providing adequate Value for Money. This was primarily due to a lack of flexibility and because a significant share of resources went to MICs: two weaknesses that the EC has now addressed via its 2014–2020 proposals.

<sup>23</sup> <http://tiny.cc/8cbpc>

<sup>24</sup> See: WTO, “International Trade Statistics”, 2009, p 42.

member States, including through enforcing laws criminalising foreign bribery. In addition to the capacity-building plans stated within the Agenda, the EU should also support developing country governments with UNCAC implementation, such as through providing technical assistance, cooperation in anti-money laundering and strengthening civil society participation.

## THE PROPOSALS FOR FUTURE FUNDING OF EC DEVELOPMENT COOPERATION

### *Multi-annual Financial Framework proposals*

8. Tearfund has broadly welcomed Heading Four—External Action—of the European Commission’s Multi-annual Financial Framework (MFF) proposal. The clear commitment to the 0.7% GNI development aid target and the continuing focus on poverty eradication are particularly strong. However, there are areas of weakness which the UK should aim to address during negotiations.

9. Development gains can be lost due to poor planning for disasters. As outlined in paragraph 5 above, this appreciation was not reflected at the policy level in the *Agenda for Change*. Accordingly, proposed instruments to translate EU development policy into practice do not recognise this. In the proposed Development Cooperation Instrument, Asia is the only region where disaster preparedness is highlighted as a possible area of cooperation. Similarly, whilst the proposed Instrument for Stability makes provision for crisis-prevention, it is clear throughout the document that this is primarily focussed on conflict situations. Conflict prevention is an essential component of Disaster Risk Reduction but the two are not synonymous. The EU must make sufficient provision within development activities for building the resilience of at-risk populations, and not rely on the 8–10% of ECHO DRR spend.

### *Funding Regulations*

10. Tearfund receives significant development and humanitarian funding from many institutional donors.<sup>25</sup> This experience enables us to reflect on the particular strengths and weaknesses of EU assistance provided via civil society organisations and local actors. We believe that proposals for future funding arrangements could provide an opportunity to improve the effectiveness of EU aid distributed in this manner. We welcome the Proposal on the Rules and Procedures for External Action Implementation released on 7 December,<sup>26</sup> which seeks to address some of these weaknesses. It notes that the simplification of the regulatory environment is a priority for the Commission, to ensure that civil society organisations (amongst others) are able to access EU aid. This is a very welcome commitment and we would recommend that the UK raises the specific problems below as examples of regulations and procedures which must be adjusted.

### *Humanitarian Funds*

11. At the ECHO Partners Conference in 2011, Humanitarian Aid Commissioner Kristalina Georgieva commented on humanitarian funding disbursement:

“Last year, I said that we were to go down in time of processing of project applications in average from three months to three weeks. We haven’t done that yet. In real emergency, the processing time now can be as low as two days. In a non-emergency, however, it can be as long as five months.”

This creates serious problems for recipients of EU aid. For NGOs such as Tearfund, they must take the risk of pre-financing without legal security in anticipation of receiving funds. As pressure on the unrestricted funds of all development actors increases due to the current economic climate, this option will become increasingly difficult and prevent some actors being able to access funds. Smaller/national NGOs can be the most effective humanitarian responders in some situations, due to their contextual knowledge and agility. However, they do not have the resources to absorb the risks of pre-financing in this manner. Consequently, they may be forced to delay implementation until funds are received, potentially reducing the timeframe for their intervention and thereby impacting the quality of their work and provision to beneficiaries.

12. ECHO have certainly made improvements in recent years and the introduction of the 2008 Framework Partnership Agreement sought to address a number of inefficiencies and speed up the application process. Previously, NGOs were required to provide a significant amount of financial detail in the first stages of an application, seriously hampering the release of humanitarian funds. Now, more basic details are required at the outset and the minutiae required towards the end of the application process. These adjustments were made in order to release 50–80% of grants within 45 days after signature of a Grant Agreement and in Tearfund’s experience, this does now happen. We commend ECHO for its willingness to address identified problems.

13. However, the negative impact of this alteration has been reduced efficiency in receiving the final 20% of a grant. At the end of the project, a final report is submitted and passed between agencies, EU desk officers, and EU finance officers. It can frequently take a year to receive the final portions of the grant, sometimes even

<sup>25</sup> USAID, CIDA, DFID, the UN and the Dutch, Scottish and Irish governments.

<sup>26</sup> 2011/0415 (COD), section 1.

longer. There is no sense of obstruction or intentionally awkward behaviour; unfortunately the current process simply has the potential to be extremely lengthy and inefficient. We note the need for careful scrutiny of EU taxpayer's money but believe this could be more efficiently achieved.

14. After this detailed inspection by ECHO's finance officers, ECHO subsequently audits selected projects of recipient NGOs post their completion. For ECHO partners of a "P" status<sup>27</sup> like Tearfund, this is only once every three to four years.<sup>28</sup> Unfortunately, most humanitarian projects average 12 months in duration and so by the time auditors are querying the financial details/receipts of a particular programme, the project has ceased and staff with institutional knowledge have left. This prevents further information being gathered and clarified as necessary, resulting in negotiations over the final amounts. This can cause serious problems for recipient agencies. By contrast, USAID audit projects annually. Whilst Tearfund applies the same standards in implementing both ECHO and USAID funded projects, the different levels of disallowances between them is striking and is due to the frequency and auditing approach taken by these donors. Recommendations for systems improvements are undermined because they are received years after completion of the project, by which time they may no longer apply. Other donors require pre-award awards,<sup>29</sup> which are more useful to the NGO and a better safeguard of donor money. As a high proportion of ECHO spend (50% in 2010)<sup>30</sup> is disbursed via civil society organisations, addressing the above issues has the potential to significantly improve the effectiveness and efficiency of EU aid.

### *Development Funds*

15. Tearfund supports the de-concentration of EU offices and staff, adopting a partnership approach and giving a wide field presence. However, this has resulted in discrepancies between the approaches of delegations. Due to the high percentage of applicants for EU development aid, the success rate is sometimes less than 5%. In light of this, the application process was altered so that, where possible, a concept note can be submitted for consideration first. Only if agencies pass this stage are full, detailed proposals then required. In Tearfund's experience this has proved a sensible approach, reducing the administrative burden of all parties. However, not all delegations follow this guidance as some ask for full proposals from the outset. We believe the concept note stage should therefore be mandatory, but Tearfund is concerned that this highlights a wider problem related to inconsistencies in the training of delegation staff. Field staff can appear badly informed about contract conditions, and sometimes too focussed on the details of the contract without an appreciation of what the project is trying to achieve. We recommend steps are taken to ensure de-concentration does not impact on the following of EU policy and regulations and that staff receive sufficient training regardless of their location.

### PROGRESS TOWARDS POLICY COHERENCE FOR DEVELOPMENT IN CLIMATE CHANGE, AS ONE OF THE FIVE PRIORITY AREAS IDENTIFIED BY THE COMMISSION FOR MEETING THE MDGs

16. Climate change is already impacting the lives of the poorest people around the world, increasing the risk of food insecurity, migration and disaster. Development progress will be severely undermined if it is not complemented by climate change mitigation and adaptation activities. The EU must provide its fair share of the international commitment to mobilise at least US\$100 billion of climate finance annually for developing countries by 2020. Tearfund welcomes the commitment to earmark 20% of the EU's total budget for climate change and low-carbon activities, and the mainstreaming of climate in external instruments.<sup>31</sup> Under the 2009 Copenhagen Accord, the EU and Member States pledged and then confirmed in Cancun and in Durban this year that resources for mitigation and adaptation will be "new and additional". However the proposals for future funding of the EU indicate that some of this figure will be taken from ODA. We would recommend that the UK urges the EU to ensure that climate finance commitments are met from new and additional sources to ensure the scale up in public finance needed to mobilise at least \$100 billion by 2020.

17. For the sake of policy coherence for development, it is absolutely imperative that EU countries reduce their greenhouse gas emissions in line with the scientific consensus. Some of the world's most vulnerable countries are being hit hardest by climate change and the cost of inaction will be much greater than responding now. In that context Tearfund has welcomed the EU's stated commitment to ensure that global average temperature rise is kept as far below two degrees as possible. In line with this, the EU must increase its ambition and agree a target to reduce greenhouse gas emissions by at least 30% by 2020 based on 1990 levels.

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<sup>27</sup> "P" status indicates a "trusted" partner who therefore receives greater flexibility in managing humanitarian action, for example in the area of procurement.

<sup>28</sup> Sooner if concerns have been raised.

<sup>29</sup> For example, DFID recently conducted pre-award awards for recent Global Poverty Action Fund funding.

<sup>30</sup> <http://tinyurl.com/cwretn7>, pg 136.

<sup>31</sup> See: <http://tiny.cc/02a8q>, page 10 and in the original MFF policy fiches proposal, <http://tiny.cc/8jrw2>, page 13.

## Written evidence submitted by CAFOD

### 1. INTRODUCTION

1.1 CAFOD welcomes the opportunity to provide written evidence to the International Development Committee's Inquiry on EU development and humanitarian assistance.

1.2 CAFOD is the official relief and development agency of the Catholic Church in England and Wales, providing humanitarian assistance in many countries worldwide. CAFOD aims to strengthen communities' and partners' response to disasters and link its relief and development work. CAFOD prioritises work through local church organisations as they have a permanent presence in the country and country-wide structures which are rooted in local communities.

1.3 This submission focuses entirely on the EU's humanitarian assistance, delivered through the Directorate General for Humanitarian Aid and Civil Protection (DG ECHO). It addresses two main aspects of the inquiry: the comparative advantage of the EU as a channel for UK humanitarian assistance and the UK's ability to influence EU Humanitarian policy.

1.4 The European Community Humanitarian Office (ECHO) receives the largest proportion of the Department for International Development's (DfID) humanitarian assistance budget. In 2009–10 the British government spent £528 million on humanitarian assistance. About £100 million (almost 20%) of this was channelled through ECHO, which in turn funds UN agencies, the Red Cross Red Crescent Movement and NGOs. By contrast, the next largest recipients of UK humanitarian assistance, the ICRC and OCHA received £66 million and £58 million respectively.

1.5 Of the 500 million Euros ECHO provided to NGOs in 2009–10 to deliver humanitarian aid, 27% went to UK based organisations, a significant percentage.

1.6 CAFOD currently has two contracts directly with ECHO for delivery of humanitarian assistance. These are a water and sanitation project in Sudan, and a food security project in Zimbabwe. A third project, for food security in Zimbabwe ended in September 2011. CAFOD is also an implementing partner in Ethiopia for the NGOs and Humanitarian Reform Project2 (Pilot phase, due to transition into full Phase 2 early in 2012), funded by ECHO with the Danish Refugee Council as the contract holder.

### 2. COMPARATIVE ADVANTAGE OF THE EU AS A CHANNEL FOR UK HUMANITARIAN ASSISTANCE

2.1 ECHO is the second largest global provider of humanitarian aid. The British government provides one sixth of ECHO's funding. Collectively the European Union provides half of all official humanitarian aid.<sup>32</sup> In 2009 ECHO spent Euros 900 million on humanitarian aid, through some 200 partners, including NGOs, Red Cross/Red Crescent Societies and UN agencies. These partners are pre-certified through a Framework Partnership Agreement (FPA). ECHO acts independently of the European Commission and European Union Delegations.

2.2 ECHO is guided by the Lisbon Treaty on the Consensus on Humanitarian Aid, (known as the Humanitarian Consensus) adopted in 2007 as a policy framework and complimented by an Action Plan agreed in May 2008. The Consensus affirms the primacy of the humanitarian principles of humanity, neutrality, impartiality and operational independence, and international law, and enshrines a clear distinction between civil and military action in humanitarian crises.

2.3 In 2011 CAFOD, through its membership of Caritas Europa commissioned research into how far the Humanitarian Consensus is an effective instrument for promoting principled humanitarian assistance, safeguarding humanitarian space and for facilitating the delivery of aid to those most in need. Although it is non-binding in nature and compliance depends on goodwill rather than sanctions or treaty obligations, the research found that the Humanitarian Consensus is an important framework for the promotion of humanitarian principles. However, the report also noted that awareness of the Humanitarian Consensus is not widespread within the European Commission and other EU institutions and that much work remains to be done to increase awareness, knowledge and application of the document within Member States themselves as well as with EU institutions. The report recommended that an independent end-of-phase evaluation in 2013 examines the impact of the Humanitarian Consensus and its Action Plan to ensure a strong continued commitment to humanitarian principles post-2013.<sup>33</sup>

2.4 The work of ECHO is underpinned by annual action plans and strategies which enable relatively strong coherence between policy and practice.

2.5 The British government's Multilateral Aid Review (MAR) published in March 2011 gave ECHO the highest category performance for value for money, which it only awarded to nine out of the 42 bodies reviewed. This was echoed by the Humanitarian Response Index 2011 which ranked ECHO 5th of 23 OECD donors.

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<sup>32</sup> Humanitarian Emergency Response Review, March 28 2011.  
<http://www.dfid.gov.uk/Documents/publications1/HERR.pdf>

<sup>33</sup> Bridging the Gap Between Policy and Practice: the European Consensus on Humanitarian Aid and Humanitarian Principles Caritas Europa, October 2011 available on <http://www.cafod.org.uk/resources/policy/humanitarian-policy>

2.6 UK funding to ECHO for rapid on-set emergencies enables DfID to pass-through money. This means a lowered administrative burden for the UK in directly managing funds for medium and even large-scale emergencies. This is in keeping with DfID's strategy of funding UN administered pooled funds, for example the Central Emergency Response Fund (CERF), and the country-level pooled funds, the Common Humanitarian Funds and the Emergency Response Funds and lowers the UK government's administrative costs. The HERR<sup>34</sup> recommended that DfID should look for ways of co-financing ECHO responses where this would add value.

2.7 ECHO's administration costs are lower than the Commission average at 3%. Its pre-qualification arrangements mean that it can in optimal circumstances react to new emergencies within 72 hours.

2.8 ECHO's Global Needs Assessment framework includes a Vulnerability Assessment Methodology and a Forgotten Crisis Assessment tool which are important for assessing needs and allocating funding. This framework is widely acknowledged to be one of the best needs assessment tools in use by donors, and enables ECHO to focus on needs of affected populations and specific vulnerable groups, in order to save lives and ameliorate suffering.

2.9 ECHO coordinates closely with implementing partners to ensure that neglected crises, as well as those in the media spotlight are funded.

2.10 The MAR found that ECHO makes a strong contribution to UK development objectives. The MAR found that ECHO's humanitarian aid is "*highly relevant and congruent with DfID's priorities in terms of the Millennium Development Goals*", that "*ECHO is crucial*" in the rapid disbursement of EU funds in emergencies and that it has a strong global field presence with "*highly respected technical experts*". The review also noted that ECHO has a "*strong mandate and policy framework for dealing with fragile and conflict sensitive situations*".<sup>35</sup>

2.11 Several reviews have found that ECHO's Framework Partnership Agreements (FPAs) enable ECHO to act quickly to provide rapid funding in crisis situations.<sup>36</sup> Although the Humanitarian Commissioner Kristalina Georgieva, in her speech to ECHO partners in October 2011 admitted that ECHO have failed in their target to respond to emergencies within three weeks.

2.12 Although it can act faster than many other humanitarian donors, the administrative requirements for proposals and reporting are complicated and overly onerous, and place a heavy burden on fund recipients. For example the "Single Form Proposal and Reporting Format" is not user friendly when it comes to programmes where frequent reports and changes are required. ECHO expects partners to make use of their own resources, (like vehicles or other infra structure) for faster and more timely response, but when it comes to claiming cost recovery, the administrative requirements and processes make this so challenging that it often becomes impossible to claim full expenditure.

2.13 Administrative delays can cause significant problems for NGOs implementing ECHO-funded projects, particularly if unrestricted reserves are not available to cover delays. For example CAFOD had a project approved by ECHO for start in February of 2011 but did not receive the contract until June.

2.14 National and local NGOs are prevented by ECHO regulations from becoming direct FPA holders, something which is in contradiction to the aims of the Humanitarian Reform agenda.<sup>37</sup> Humanitarian donors should be working to strengthen local actors, who often are the first responders in times of emergency. Simplification of the ECHO administrative requirements would strengthen collaboration and effective field action. The British government has a strong commitment to the aims of the Humanitarian Reform agenda and should work with ECHO to explore ways in which national humanitarian responders can further benefit from ECHO funds.

### 3. THE UK'S ABILITY TO INFLUENCE EU HUMANITARIAN POLICY

3.1 The independent Humanitarian Emergency Response Review (HERR) commissioned in 2010 to examine the way the UK government responds to humanitarian emergencies found that despite the fact that the British government provides a sixth of ECHO's funding, it does not engage with ECHO strategically, either at the policy level or at the programme level. The review found that "*the lack of effective partnership with ECHO is a wasted opportunity*". It noted that "*DfID needs to have a more consistent strategic dialogue with ECHO. It needs to be aware of ECHO's strategic planning processes and engage with these. Most importantly, DfID needs to get smarter at sharing resources with ECHO*".

<sup>34</sup> Humanitarian Emergency Response Review, March 28 2011.  
<http://www.dfid.gov.uk/Documents/publications1/HERR.pdf>

See point 3.1 of this submission for further details.

<sup>35</sup> <http://www.dfid.gov.uk/What-we-do/Who-we-work-with/Multilateral-agencies/Multilateral-Aid-Review-summary-Humanitarian-Aid-and-Civil-Protection-ECHO/>

<sup>36</sup> [http://www.oecd.org/document/0/0,3343,en\\_2649\\_34603\\_38897408\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/0/0,3343,en_2649_34603_38897408_1_1_1_1,00.html)

<sup>37</sup> Synthesis report: Review of the engagement of NGOs with the humanitarian reform process, commissioned by the NGOs and Humanitarian Reform Project, October 2009 available at [www.icva.ch/ngosandhumanitarianreform.html](http://www.icva.ch/ngosandhumanitarianreform.html). See also Adinolfi, C, Bassiouni, D S, Lauritzen, H F, and Williams, H R (2005) Humanitarian Response review: An independent report commissioned by the United Nations Emergency Relief Coordinator and Under-Secretary-General for Humanitarian Affairs, Office for the Coordination of Humanitarian Affairs, (OCHA), New York, United Nations.  
URL: [www.icva.ch/doc00001434.pdf](http://www.icva.ch/doc00001434.pdf)

3.2 In its response to the Humanitarian Emergency Response Review the British government noted the need to engage more strategically with ECHO at the policy and operational level, “*particularly in areas such as accountability, innovation, donor coordination, UN reform and resilience.*”

3.3 The British Government’s September 2011 Humanitarian Policy: Saving Lives, preventing suffering and building resilience builds strongly on the findings and recommendations of the HERR. It articulates support for the European Consensus on Humanitarian Aid and follows up HERR by stating: “*We will support the European Commission Humanitarian Office in its role as the primary vehicle for EU humanitarian assistance. We will work more closely with the EU ... and others through the Good Humanitarian Donorship initiative to promote an effective multilateral system.*”

3.4 There is ample opportunity for the British government to forge closer policy links with ECHO. ECHO has a small humanitarian policy unit, which is currently headed up by a British national. One of EU Humanitarian Commissioner Georgieva’s staff specifically covers relations with the UK government. DfID regularly meets ECHO officials in such policy forums as the Good Humanitarian Donors group, as well as UN agency donor liaison and support groups.

3.5 It would be useful in this inquiry for the International Development Committee to explore how the British government, through the Department for International Development, is implementing its policy commitment to work more closely with the EU in relation to humanitarian assistance.

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#### Written evidence submitted by TUC

1. The TUC welcomes the new Communication of EU Commission on *Increasing the impact of EU Development Policy*, appreciates its innovative and positive approach to development cooperation and takes this opportunity to endorse some of the proposed policy orientations as well as point to the shortcomings and challenges that remain to be addressed.

2. While agreeing with the need for the promotion of equitable and inclusive growth in development co-operation policies and practices, we should like to emphasize that priority should be given to development strategies and interventions designed to enhance growth prospects through decent work.

3. We would particularly welcome EU support for development interventions in the following areas of special interest to us in the trade union movement:

- The decent work agenda, social protection schemes and floors and policies aimed at facilitating regional labour mobility.
- Job creation, guarantee of rights at work, social protection and social dialogue.
- Continuation of “Structured Dialogue” which will enable EU to further strengthen its links with civil society organisations, social partners and local authorities, through regular dialogue and use of best practice.
- Promotion of corporate social responsibility at international and national level to avoid a “race to the bottom” on human rights, international social and environmental standards and promote responsible business conduct consistent with internationally recognised instruments.
- Greater coherence of EU policies in thematic programmes.

4. The TUC welcomes further refinements of criteria for EU development interventions and should like to make the following observations on some specific issues.

#### *Emphasis on the need to focus aid where the EU can have a real impact*

5. In our view, this is too narrow a focus based on efficiency criteria and results management of aid delivery and could lead to the neglect of themes or issues worthy of support. While appreciating the need for concentrating aid effort where it is most likely to produce desired outcomes in most situations, we are in favour of a broader vision which entails some risk-taking inherent in development cooperation initiatives.

#### *EU activities should be concentrated in each beneficiary country in a maximum of three sectors*

6. We understand that the choice is to be made by the EU in partnership with the government of the country concerned. We strongly advocate the inclusion of social partners in policy dialogue in order to ensure adherence to the principle of democratic ownership of development policies and practices.

#### *Reiteration of conditionality on human rights, good governance and democracy*

7. We would welcome a more direct and explicit reference to internationally agreed human rights instruments and the need for their strict observance of the rights and entitlements enshrined in them. We appreciate the readiness to limit the use of budget support in situations where commitment to respect of human rights by

national governments is found to be lacking in substance and credibility and agree that assistance should preferably be channelled through non-state actors.

#### PRIVATE SECTOR AND DIALOGUE WITH SOCIAL PARTNERS

8. Business environment and regional integration: support for local private sector should include local procurement. Moreover, there is no mention of the role of social partners. The TUC proposes the inclusion of following points.

9. Dialogue with social partners (workers' and employers' organizations) should be recognized as an essential element in all initiatives to promote private sector in a partnership for sustainable development. Social dialogue is a pre-requisite to ensure democratic ownership of economic and social development objectives, including the respect of core labour standards and the promotion of social equity. Through social dialogue employers and workers' representatives contribute to effective social and economic development strategies and improve conflict management and resolution and promote industrial peace and harmony.

10. Private sector actors should respect the ILO principles and labour standards as set out in ILO Conventions and monitored by the ILO supervisory system. The private sector—transnational companies in particular—should observe the Guiding Principles on Business and Human Rights: Implementing the United Nations “Protect, Respect and Remedy” Framework, the ILO Tripartite Declaration on Multinational Enterprises and Social Policy, the OECD Guidelines for Multinational Enterprises, the UN Global Compact, and follow the best practice of the IFC (WB)-ILO cooperation on promoting core labour standards throughout the production chain.

11. Private sector support can be beneficial for development but Official Development Assistance should not be used to underwrite private sector risk or to promote the provision through the private sector of vital public services. Private-Public Partnerships (PPP) should be based on a thorough analysis of real needs, appropriateness in the longer term, fair risk sharing for the community, accessibility and affordability of goods and services based on a multi-stakeholder approach.

12. Social economic entities (including cooperatives) should be supported and their potential as key actors for sustainable development should be developed.

#### PARTNERSHIPS WITH DEVELOPING COUNTRIES

13. Poverty has not disappeared from many African, Asian and Latin American countries now classified as middle-income countries. There is an ever widening gap between the rich and the poor in them. Some 75 % of the poor are still living in middle-income countries with growing inequalities in income and wealth. This means that fostering democratic and equitable societies with strong social partnerships should still be a relevant objective for the EU geographic programmes.

14. All developing countries should remain eligible for receipt of EU assistance under thematic programmes. The policy choice to phase out the “wealthier developing countries” should be made on the basis of relevant indicators such as the UN human and social development, as well as, by international consensus and must remain the prerogative of the DAC.

15. The TUC hopes that the above comments will be taken into serious consideration by the EU and the UK Government and that they will be adequately reflected in EU development policies and practices in the coming years.

January 2012

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### Written evidence submitted by Oxfam

#### INTRODUCTION

1. Oxfam International welcomes the opportunity to submit evidence to the International Development Committee's enquiry on EU Development Assistance. *We believe in the positive contributions the European Union (EU) can have in the fight against poverty and the added value of EU development assistance in addition to bilateral assistance. In this regard, we urge the UK to support the increase in the EU development budget for 2014–20 (both heading 4 “Global Europe” and the European Development Fund) proposed by the European Commission in June 2011 and to work with the European Commission to constantly improve the quality of EU development assistance.*

2. Oxfam's contribution complements the submission made by BOND, the UK membership body for UK non-governmental organisations working in international development, of which our British affiliate, Oxfam GB, is a member. It will therefore not repeat the points made in BOND's submission, but add points on issues such as budget support, humanitarian aid, role of civil society, private sector, agriculture and health and education.



I. *The comparative advantage of the EU as a channel for UK development and humanitarian assistance and the UK's ability to influence EU development policy*

3. Aid delivered by the European Commission (EC) has unique characteristics that bring an added value or comparative advantage to the EU, its Member States, as well as the wider donor community, and importantly recipient governments. Such characteristics include its global presence, its promotion of policy coherence for development, its specific competence and expertise, its right of initiative at community level, its facilitation of coordination and harmonisation, and its supranational character. The EC is the world's biggest multilateral donor (bigger than the World Bank) with an annual aid budget in 2010 of around €10 billion. This size and the presence of the 130 delegations—recently upgraded to represent the whole of the EU—around the world allows the EC to implement development programmes on a scale bilateral donors cannot match, and in places they cannot reach. For the UK for example, aid channelled through the EC is supporting countries across West Africa—some of the poorest in the world and currently experiencing a critical food crisis—where DFID does not have significant bilateral programming.

4. EC aid for the large part is significantly more effective than it was a decade ago. The EC has made very significant improvements in its effective delivery of aid since the reforms of 2001 instigated by former Commissioner for External Relations, Chris Patten. In 2007, the DAC OECD peer review recorded that [the Commission] “*has shown significant improvement in financial management, contracting and processing of Commission paper work in the last decade*”.<sup>38</sup> The Commission has undertaken significant reforms in the last 10 years to considerably improve its reputation as an efficient, transparent, results-based and accountable agency. For example, a 2006 reform consolidated the previously confusing 35 financial instruments (ODA and non ODA funds) into a more manageable set of ten instruments. We believe that the new financial instruments for the period (2014–20) can be an opportunity to further improve the effectiveness of EC aid.

5. As stressed by a recent EC study *the potential efficiency gains of a more European approach on aid could amount to €3 to 6 billion per year between 2010 and 2015*.<sup>39</sup>

The comparative advantage of EU development assistance: the example of budget support

6. Oxfam believes that to promote sustainable development, developing country governments need long-term and predictable support that becomes part of their annual budget. In this regard, budget support is one of the best aid modalities in line with the principles of increased local ownership, use of country systems, promoting capacity development in partner countries, ensuring alignment of aid with national policy, and reducing the transactions of aid delivery.

7. *Budget support is the EC preferred aid modality. In 2010, budget support represented €1.8 billion of all commitments from the EU budget and the EDF (27% General Budget support, 63% Sectoral budget support.)*<sup>40</sup> *It is an area where the EC has a significant expertise due to its experience and its leadership at the global level in the last decades* (for example by using innovative mechanisms such as the MDG contracts).

8. EC budget support is generally in line with good quality criteria: long-term, predictable, and tied to mutually agreed outcomes on health, education, gender equality, and other targets contained in the MDGs. Unlike the World Bank, EC budget support agreements are not linked to invasive economic policy conditions.

9. *The MDG Contracts* launched by the EC in 2008 in eight ACP countries are an example of the EC leadership in this area. It is also a *perfect example of what can be done to link delivery of aid to results, in a way which helps developing countries reach the MDGs*. It provides general budget support to developing country governments over a six-year period, with at least 15% of the finance linked to the countries performance in meeting a series of MDGs related targets, which are assessed mid-way through the agreement. The approach is a win-win for donors and recipients: it allows developing country governments a substantial degree of predictable up-front financing directly to their budgets, which is vital to enable scaling up in the provision of much needed basic services like health and education. And, it also provides an incentive for good performance by withholding some of the money until results have been delivered.

10. *EC budget support has delivered significant results*. Oxfam's own research in 2008 reveals that *out of the top 10 recipients of EC budget support seven had increased their public health expenditure by on average 46% between 2001 and 2004*. In five of them there was also a fall in maternal mortality rates, which can be seen as a sign of strengthened national systems. In Rwanda, primary school completion rates increased from 52% to 75.6%—and 80% for girls—between 2006 and 2009–10.<sup>41</sup> These agreements also have a good record on gender, for example 40% of the health and education indicators used by the EC are gender specific.<sup>42</sup>

<sup>38</sup> OECD DAC peer review of European Commission Development Assistance (2007), <http://www.oecd.org/dataoecd/57/6/38965119.pdf>

<sup>39</sup> European Commission: “*Aid Effectiveness agenda: Benefits of a European approach*” (2009). Study prepared by HTSPE, [http://ec.europa.eu/development/center/repository/AE\\_Full\\_Final\\_Report\\_20091023.pdf](http://ec.europa.eu/development/center/repository/AE_Full_Final_Report_20091023.pdf)

<sup>40</sup> Data for 2010 according to the European Commission “*2011 Annual report on the European Union's development and external assistance policies and their implementation in 2010*” [http://ec.europa.eu/europeaid/files/publications/europeaid\\_annual\\_report\\_2011\\_en.pdf](http://ec.europa.eu/europeaid/files/publications/europeaid_annual_report_2011_en.pdf)

<sup>41</sup> European Commission “*2010 Annual report on the European Union's development and external assistance policies and their implementation in 2009*” [http://ec.europa.eu/europeaid/multimedia/publications/documents/annual-reports/europeaid\\_annual\\_report\\_2010\\_en.pdf](http://ec.europa.eu/europeaid/multimedia/publications/documents/annual-reports/europeaid_annual_report_2010_en.pdf)

<sup>42</sup> Ibid 4.

Moreover, EC geographic evaluations finalised in 2009 show that in nearly all countries and regions the shift towards budget support had a positive impact for instance on dialogue with partner countries, donor coordination, Public Financial Management (PFM) and policy reforms in the beneficiary countries.

11. The recent EC communication on the future of EU budget support,<sup>43</sup> the upcoming updated guidelines and Council conclusions (expected in May 2012) provide an opportunity to continue to improve EU budget support and put in place necessary reforms in terms of domestic accountability and transparency.

12. Oxfam therefore believes that *the use of this aid modality and the quality of EC budget support provide a comparative advantage to EU development assistance*. This has been clearly recognised by other providers of aid such as the OECD DAC 2007 peer review of EC aid, which states that the European Commission should be “*commended for embracing what is a difficult but potentially high impact instrument*”<sup>44</sup> and the DFID 2011 Multilateral aid, which underlined the quality of EU budget support, notably the MDG contracts.

13. *The UK has supported EC work on budget support* in the past, both through its budget and European Development Fund (EDF) commitments, and through the provision of Additional Voluntary Contributions. The UK should continue to do so. It *should encourage the EC to increase its use of budget support, explore the possibility to provide additional contribution and use, contribute to the debate on the future of EU budget support in order to ensure that EC budget support keeps improving*.

14. The UK should promote DFID good practice at EU level. It should promote the involvement of an inclusive group of Parliamentarians, civil society organizations, media, and audit institutions in different stages of the budget support process (from designing budget support policy, defining benchmarks and conditions to monitoring and evaluating the impacts and outcomes) to improve domestic accountability. *The UK should take the lead in promoting the idea to give a certain amount of budget support funds the EC and EU Member States provide to support the capacity of civil society stakeholders, parliaments and audit in their role of holding governments and donors to account and making aid work*. This is in line with DFID stated policy to spend up to 5% of budget support on accountability work within recipient countries. It should however be noted that after the UK Government made this commitment and defined what they meant by accountability work they calculated that they had already met the 5% target—so this commitment is unlikely on its own to have led to increase in spending on accountability. This is especially true given that the Government’s commitment was to spend “up to 5%” on accountability work.

15. *The UK should ensure that EC budget support remains a poverty reduction tool and a not a political tool*. The OECD Development Assistance Committee stipulates that attaching specific political conditions to budget aid should be handled in the context of the overarching policy dialogue between a partner country and its donors, and not applied to one single aid instrument only.

16. Given the positive impact of the MDG contracts, the UK should back up the model (long term, predictable, based on MDG) by asking for more countries to be made eligible, for applying the model to the new type of budget support contracts (governance and development contracts, sector reforms contracts) proposed by the EC for the next EU budget (2014–20) in its Communication on the “*Future of EU budget support to third countries*”, or by co financing them.

#### Added value of the EC humanitarian aid

17. The EC is also the second largest provider of humanitarian assistance and the relative independence of DG ECHO and its extensive presence on the ground has enabled it to build a solid reputation for its in-depth involvement in humanitarian response and clear focus on core humanitarian principles including humanity, neutrality and impartiality. It also takes a leading role in advocating for respect for humanitarian law and the preservation of humanitarian space by all parties. In the context of the current emerging food crisis in West Africa, ECHO have so far played an important role in drawing attention to the crisis and the need for early response. They have been swift to provide funds (an extra €10 million was committed in November 2011) and are playing an important diplomatic role in encouraging other donors to start unlocking funds.

#### II. Oxfam additional points on the proposals set out in the “Agenda for Change”

18. *We welcome the blueprint’s emphasis on health, education and agriculture—as these sectors lie at the heart of poverty eradication*.

19. This emphasis need to be applied to the next EU budget (2014–20) by, for example, ensuring that the Agenda for Change commitment to “*continued support for social inclusion and human development through at least 20% of EU aid*” applies to the European Development Fund and the Development Cooperation Instrument (thematic AND geographic programmes). The terms “*Social inclusion and human development*” should however be changed to “*basic social sectors*” as “*social inclusion and human development*” is too broad a wording to ensure the right focus on essential services, which is necessary to achieve the MDGs.

<sup>43</sup> European Commission “The Future Approach to EU budget support to third countries” COM(2011) 638 final, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0638:FIN:EN:PDF>

<sup>44</sup> OECD DAC peer review of European Commission Development Assistance (2007), <http://www.oecd.org/dataoecd/57/6/38965119.pdf>

20. *But the right sector focus will not be enough. The upcoming EU programming guidelines will need to put in place the right policies to ensure the maximum impact on poverty reduction.*

21. *In agriculture, the EU should focus on supporting small scale farmers, particularly women farmers who represent the majority of farmers, and have the greatest potential to increase production, build food security and contribute to local economic growth. Approaches in agriculture should focus on ecologically sustainable farming methods and be in line with the EU's food security policy framework which was agreed by all Member States in 2010.*

22. *In health and education, the EU should focus on helping developing countries to build strong public health and education systems for example through providing more long term, predictable budget support. It should support developing countries in providing free and public health and education for all. There is a growing consensus on the need to abolish user fees but few donors are yet providing the proactive support countries need to successfully remove them and expand service delivery. The EC budget support could be used either to directly give governments funding to abolish user fees or to finance the growing recurrent costs necessary to pay the additional teachers, doctors, and supplies needed following the increase in the number of patients and students.*

23. *In regards to the the proposed focus on the private sector—While we agree that economic growth is an essential element to enable a country to develop—benefits will not automatically trickle down and safeguards need to be put into place to ensure inequality is addressed. To ensure long term results for the poorest and in a time where ODA is limited, the EU needs to use aid funding only where private sector finance is otherwise not available and where it is demonstrated ex ante through an in depth analysis that the benefits will be concentrated in the poorer parts of the population. The EU should also focus on the local private sector not the European private sector and simplify its public procurement system to make sure local companies can benefit from it. It needs to put into place safeguards to ensure that private companies respect human rights, decent job and pay their taxes in the countries where they operate. We would also strongly advise against concentrating on the private sector in delivering social public services as evidence shows that it does not sufficiently address the needs of the poorest.<sup>45</sup>*

24. *Before deciding to use more the blending loan and grants mechanisms as proposed in the Agenda for Change, the EU should conduct an in depth analysis of already existing mechanisms such as the African Infrastructure Funds impact on poverty reduction. It should put safeguards into place and also clarify where, in which sectors and with which private sectors it wants to use this mechanism. To our knowledge, this has not been done yet.*

25. *The Agenda for Change does not give enough roles to civil society.* While a crucial lesson learned from the recent upheavals in the Arab world is the growing need to engage with societies, Oxfam partners for example regret that the EU has not reached out enough to civil society in the design of the new neighbourhood policy. The future EU development policy should not make the same mistake and ensure that civil society is integral part of the discussions for example on the programming at country level. As stressed by our partners in Egypt, Morocco, Tunisia, and Yemen, EU Delegations should make an effort to communicate the EU's policy to civil society and schedule consultations on reform criteria and benchmarking to achieve genuine participation of civil society organizations in the reform process. The EU's intentions for a stronger role for civil society and its reformist concept of "More for More" will not succeed, and the EU will also not be helping the Arab world move ahead and build on the people power that has lead to revolution, without forthright but negotiated proposals for reform, and genuine dialogue with civil society and legitimate governments.

26. *The EU needs to demonstrate consistency at country, regional, and global level in making democratic reform and human rights an important element of ALL EU policies, not only development cooperation.* A case in point is the green light given by the Council on 14 December 2011 for the EC to proceed with negotiations on a 'Deep and Comprehensive Free Trade' area with Egypt—this while the authorities in place are neither elected by the people nor accountable to them and while serious human rights violations remain ongoing.

### III. *The proposals for future funding of EC development cooperation*

27. *In light of the significant added value of EU development assistance the UK should support the increase in the EU development budget for 2014–20 (both heading 4 "Global Europe" and the European Development Fund) proposed by the European Commission in June 2011. In light of the UK leadership on development cooperation, it should make the defence of heading 4 one of its priorities during the discussions on the EU budget. Since—in a context of economic crisis—the general EU budget is unlikely to increase, the UK should ensure that the proportion of the general budget heading 4 represents at least increases compared to 2007–13 and reaches a level at or above one proposed by the EC in June (7%). It should also ensure that the Development Cooperation—the main poverty-focused instrument- represents at least 29.5% of heading 4 as proposed by the European Commission in June 2011.*

<sup>45</sup> Oxfam "Blind optimism: challenging the myths about private health care in poor countries"  
[http://www.oxfam.org.uk/resources/policy/health/downloads/bp125\\_blind\\_optimism\\_private\\_health\\_care\\_summary.pdf](http://www.oxfam.org.uk/resources/policy/health/downloads/bp125_blind_optimism_private_health_care_summary.pdf)

28. On the proportion of the EU funding that should go to basic social sectors—see point 19.

January 2012

### Written evidence submitted by Adam Smith International

#### 1. INTRODUCTION

This brief note summarises some of our experience with the procurement and administration of Europeaid technical assistance programmes. That experience is relatively limited in that in recent years we have only carried out a few larger projects, as well as a number of smaller ones procured through framework consortia of which we are a part. We also implemented some EU projects around 15 years ago. In the intervening time we decided to largely withdraw from the EU market, before now starting to look at EU tenders again. We are thus able to provide somewhat of a comparative analysis over time.

#### 2. PROCUREMENT

The procurement process is still bureaucratic and cumbersome, with much form-filling and detailed procedures to comply with. For example one needs to provide copies of the academic degree certificates of each of the consultants that one is putting forward. Signed project references from clients of past projects are also required. There has been a bit more flexibility here over the years, but not much. Eg if your previous client has died the EU will take a sworn statement from you instead, rather than insisting that he still signs. The EU is very particular—if they say an expert needs 15 years of experience then 14 years 11 months will not do.

Although it is not an explicit requirement, in practice one needs to form a pan-European consortium to have a good chance of winning a tender. Large unwieldy consortia are sub-optimal for delivery of technical assistance however. A strictly merit-based approach would be preferable. Some years ago it was more of a policy to share the work around member states—so contract awards themselves were only partly merit-based. This tendency seems to have declined somewhat.

The fee rates that the EU is prepared to pay for expertise are generally below that paid by DFID and some other donors. Given that this is a highly competitive market the result is that on the whole a lower quality of specialist serves the EU market. One finds that there is a different group of advisers who work most of the time on EU projects, signifying the different nature of the market.

#### 3. TIME TAKEN TO LAUNCH PROGRAMMES

Time taken to develop and start projects and programmes is also an issue. The following is an analysis of the EU timetable from publication of project forecast.

	<i>Min Days</i>
Publication of Individual Service Contract Forecast	30
Publication of Procurement Notice	30
Receipt of Standard Application Forms	0
Establishment of Shortlist	30
Distribution of Tender Dossiers	0
Submission of Tenders	50+
Evaluation of Technical Offers	45
Evaluation of Financial Offers	9
Notification of award and submission of evidence	15
Signature of Contract	<30
	239

NB. Figures showing in italics are estimates.

Of course before the publication of the project forecast a considerable time will be spent in project concept development and then design. All this means that it takes a long time for a project to actually start, which means that the EU is not well placed to react fast and flexibly to emerging or changing circumstances.

The EU can respond by utilising a framework contract but upper limits (circa 200k Euro) on such contracts mean that many projects are too small to achieve impact at scale particularly in politically challenging and unsettled country contexts. It would be preferable if the EU would use a DFID approach of using framework agreements to provide large programmes of assistance quickly.

#### 4. IMPLEMENTATION OF PROJECTS

When it comes to the implementation of projects, the approach is not as flexible as that of DFID. There is a strong emphasis on carrying out the original terms of reference and it is difficult to change the terms of reference and focus of the project if the needs have changed.

Our own experience has been that contract lengths are often too short to achieve real results and that launching a second phase often takes too long, leading to a gap in assistance provided and preventing the continuity that is required to preserve and extend results already gained.

One plus is that the administration of projects and their finances has been simplified. Some years ago it used to take a huge amount of effort and a long time to get paid by the EU. If a few taxi receipts were missing the whole invoice would remain unpaid. Matters have subsequently been substantially simplified. Many small items of reimbursable expenditure are now combined with daily fee rates, and whole invoices do not generally remain unpaid because of a few queries. A substantive up-front payment is made against a bank guarantee.

#### 5. RECOMMENDATIONS FOR REFORM

Overall we would suggest that much greater flexibility is required in Europeaid programmes as well as a greater emphasis on quality. This should be achieved, inter alia, by:

- Removing as many bureaucratic requirements as possible from the procurement process, which effectively act as a barrier to entry.
- Selecting providers of technical assistance on the basis of merit only.
- Removing fee rate restrictions and being prepared to pay higher fees for a higher quality of adviser.
- Speeding up processes such that projects can be conceived and launched much more quickly.
- Switching to the much faster approach of using framework contracts to procure much larger programmes.
- Building a greater results focus into the entire Europeaid programme.

*February 2012*

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