

House of Commons

International Development Committee

**THE EFFECTIVENESS OF THE  
REFORMS OF EUROPEAN  
DEVELOPMENT ASSISTANCE:  
GOVERNMENT RESPONSE to the  
Committee's Second Report of  
Session 2001-02**

Second Special Report of Session 2001-02

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## INTERNATIONAL DEVELOPMENT COMMITTEE

The International Development Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department for International Development and its associated public bodies.

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# SECOND SPECIAL REPORT

**The International Development Committee has agreed to the following  
Special Report:**

**THE EFFECTIVENESS OF THE REFORMS OF EUROPEAN  
DEVELOPMENT ASSISTANCE: GOVERNMENT RESPONSE TO THE  
COMMITTEE'S SECOND REPORT OF SESSION 2001-02**

The International Development Committee reported to the House on The Effectiveness of The Reforms of European Development Assistance in its Second Report of Session 2001-02, published on 23 April 2002 as HC 417. The Government Response to that Report was received on 24 June 2002 in the form of a memorandum to the Committee. It is reproduced as an Appendix to this Special Report.

## APPENDIX

### GOVERNMENT RESPONSE TO THE COMMITTEE'S REPORT ON THE EFFECTIVENESS OF THE REFORMS OF EUROPEAN DEVELOPMENT ASSISTANCE

#### MEMORANDUM FROM THE SECRETARY OF STATE FOR INTERNATIONAL DEVELOPMENT

##### INTRODUCTION

The Government welcomes the report of the International Development Select Committee on "The effectiveness of the reforms of European Development Assistance" (HC 417) published on 23 April 2002 and notes with appreciation the Committee's comments on DFID's response to these reforms.

The report made a wide-ranging series of recommendations and comments. This response addresses the key issues raised by the Committee.

**1. We agree with Clare Short's assessment that, "If we could drive forward a really coherent committed development agenda throughout the Commission it could be a fantastically powerful force for good"(paragraph 2).**

The European Community is the world's largest single multilateral donor and also the most important commercial partner for many developing countries. This combination should help the European Commission make a significant contribution to meeting the Millennium Development Goals. The Government's strategy is to secure the radical improvements needed to achieve this.

**2. It is highly regrettable that it is not possible to state with any precision how much of the budget for External Action is intended for development, a point we return to, and urge action on (paragraph 7).**

The Government agrees with the Committee's comments. The situation is complicated by the fact that development objectives are usually a part of a wider set of EU external policy goals, including political and economic aims such as security, stability and trade. In reality, significant volumes of funds are allocated without a clear development effectiveness focus and where the impact on poverty reduction is less than it should be, such as the case of the Mediterranean region. A more rigorous approach to match clear objectives with effective spending is therefore essential in all programmes. We continue to argue for this.

**3. ECHO has in fact been affected only marginally by the reform process, but, having been highly critical of it in the past, we were pleased to hear that substantial improvements have been made and that ECHO was performing well in Afghanistan and the surrounding region (paragraph 8).**

The European Community, through ECHO, is the world's largest provider of humanitarian assistance. ECHO is currently being reformed to improve its effectiveness in delivering humanitarian assistance. The Government believes many positive steps have been taken and encourages ECHO to pursue its reform agenda without any delays.

**4. The statement on development policy provides a clear statement of objectives, and a benchmark against which the EC can and should be held accountable for its development assistance, to ensure that its policy aspirations produce results. But the Commission must ensure that other EC policies which are likely to impact upon**

**developing countries are compatible with the poverty reduction objectives of EC development policy; and that the goal of poverty reduction is incorporated throughout EC policy. If poverty reduction is a priority, it must not be marginalised within the EC's external relations policies, including those which relate to issues of trade and security (paragraph 14).**

The Government strongly agrees with the Committee's comments.

**5. The fact that some of the gains arising from the Everything but Arms Initiative will come from re-distribution amongst developing countries, should not obscure the fact that the initiative does improve overall developing country access to EU markets. Most importantly this fact must not be allowed as an argument against further improvements in market access—and technical assistance to make market access a reality—for all developing countries (paragraph 17).**

The Government has strongly supported the EBA initiative and agrees with the Committee's comments on this. The Government is striving to achieve better market access for all developing countries and is pursuing this aim vigorously in the Doha round of WTO trade negotiations as well as in the negotiations for new Economic Partnership Agreements between EU and the ACP states.

**6. We recognise that development is one voice among many in EC policy-making, but take the firm view that greater attention must be paid to policy coherence so that EC policies in other areas, be they internal affairs, security, trade, or enlargement, at the very least do not undermine, and preferably promote, development. Most importantly, if we are to take at face value the EC's stated objective of making the Doha round of WTO negotiations a development round, progress must be made with reforming the EU's Common Agricultural Policy (paragraph 18).**

The Government strongly agrees with the Committee's comments and is advocating radical reform of EU's unsustainable Common Agricultural Policy in all relevant fora, including the preparations for the World Summit for Sustainable Development in Johannesburg in September 2002.

**7. The EC's ODA is much less focused on low income countries than that of its member states. If EC development assistance is to contribute effectively to the reduction of poverty and to retain the support of member states whose bilateral aid has a clearer poverty focus, this situation must change. The fact that we have criticised the allocation of European development assistance in our earlier reports only adds to our frustration at the lack of progress. (paragraph 20).**

The Government strongly agrees with the Committee's comments. The share of EU ODA (from the EU budget and the European Development Fund) allocated to low income countries has fallen from 76% in 1990 to 38% in 2000. Asia with two thirds of the world's poor receives less than the MEDA region with less than 2 % of the world's poor. This trend is in contrast with the EC's global statements on the aim of its development cooperation policy and programmes, and with the increasing recognition that grant aid should be focused on low income countries and that other instruments such as loans, technical assistance and better trade access, are more appropriate for middle income countries.

We continue to make the case with our EU partners, the European Commission and the European Parliament for greater focus on effectiveness of EC aid, including enhanced poverty focus, underlining the links between poverty, insecurity and instability.

**8. We recommend that either, sufficient reserves are set aside, or appropriately flexible procedures are established, to enable the rapid approval of new funds in situations of crisis (paragraph 21).**

The Government believes the best way to ensure that funds are available to respond to unforeseen crises is to maintain a reserve for unforeseen emergencies.

**9. We agree with Clare Short that the attribution of pre-accession funds to DFID's budget does not reduce DFID's budget for poverty reduction, but this accounting practice does give this impression. The Government should remove this source of confusion, and make progress towards the standards of transparency that we expect of the European Commission (paragraph 22).**

The present attribution practice within Whitehall is consistent with DFID's responsibility for bilateral aid to pre-accession states.

**10. We would welcome progress towards a separate budget heading for development, in order to make it clear which funds are earmarked for the elimination of poverty. More immediately, we look forward to the full introduction of activity-based budgeting, which needs to be done in a way which allows the EU to report on its development assistance expenditure in DAC-compliant terms so that accurate comparisons can be made, and co-ordination achieved with, the development assistance programmes of member states. Clare Short, DFID officials, and BOND all concurred in seeing DAC-compliant reporting as a priority. This is the only way to ensure that resources are re-allocated to policy priorities and to ensure that decisions about policy priorities are fully informed by related resource requirements. This should allow us, in Chris Patten's words, "to better compare apples with apples rather than other fruit" (paragraph 24).**

The Government agrees with the Committee's comments and refers to paragraph 2 above. The move towards activity based budgeting (ABB) in the European Commission is welcome as this will allow more rigorous management based on clear objectives and measurable impact indicators. ABB will be formally adopted when the new Financial Regulation takes effect in 2004 but the 2003 budget will be presented in both traditional and ABB format. Reporting against DAC-established classification criteria will be fully introduced by mid-2002.

**11. The Mediterranean and the Newly Independent States are important, but events and conditions in Africa and Asia matter too, not least to the billions of people who live there. This should be reflected in the EC's external allocation of resources. Poverty matters globally; as Clare Short reminded us, "bin Laden was in Sudan before he went to Afghanistan" (paragraph 25).**

The Government agrees with the Committee's comments.

**12. We recommend that the Commission adopts clear targets for the proportion of its ODA that is allocated to low income countries, and moves quickly towards a situation where the EC's focus on low income countries matches that of its member states (paragraph 29).**

The Government agrees with the Committee's comments.

**13. The Government needs to win the political argument and persuade other member states of the importance of a clear poverty focus and an effective allocation of aid to**

**low income countries, as well as continuing to press the Commission to become more efficient in its management of European development assistance (paragraph 33).**

The Government agrees with the Committee's comments. The Government consistently advocates better poverty focus of EC programmes and more effectiveness in the management of EC development assistance in its encounters with Member States and representatives from all EU institutions.

**14. We take the view that the split between policy and implementation which the current structures of European development assistance institutionalise, is likely to lead to tensions and to limit the feedback of experience from implementation to policy which is so important if lessons are to be learnt, and development assistance improved (paragraph 37).**

**15. We share Poul Nielson's assessment of EuropeAid and the structure of relationships as a "strange construction", and agree with him that putting the whole of implementation under the formal responsibility of someone other than the Development Commissioner—that is, the External Relations Commissioner—does not make sense (paragraph 39).**

**16. We regard the maintenance within the Commission of an institutional focus for development, and for relations with developing countries, as absolutely essential (paragraph 44).**

**17. The structures which govern European development assistance should be kept under review, and proposals for their reform examined very carefully. We re-iterate our view that the assignment of countries to DGs on a geographical basis makes little sense, and would welcome progress towards making a single Directorate General and Commissioner responsible for relations with all developing countries (paragraph 44).**

The Government believes that further improvements in the management of EC development programmes are clearly needed. The Government recognises that it is the Commission's responsibility to establish the most effective structures and internal management procedures but strongly agrees that any structure must ensure a clear and strong voice for development cooperation.

**18. We warmly welcome the institution of CSPs as a way of focusing country programming. In particular we endorse their philosophy which emphasises country ownership, civil society involvement and donor coordination. As Glenys Kinnock stated in her submission, CSPs have "the potential to improve the focus and clarity of the EC's work", and, as such, are an important step forward. We also join with DFID in applauding the establishment of the IQSG as a mechanism to promote best practice (paragraph 46).**

The Government agrees with the Committee's comments that the establishment of a common framework for country strategy programming is an important advance along with the cross Directorate General group (iQSG) to ensure quality control of them.

**19. It is important that NGOs, DFID, and other donors continue their efforts to build the capacity of civil society organisations in developing countries so that they can participate in consultations, share in the local ownership of development strategies, and hold donors to account for their actions. There may be merit too in examining how civil society consultation takes place as regards the disbursement of the EDF funds within the context of ACP-EU relations. Under this arrangement, consultation with non-state actors is a contractual requirement and resources are provided to help**

**make this a reality. We look forward to seeing CSPs, produced through proper consultation with civil society organisations, assume a central role in the programming and implementation of European development assistance (paragraph 48).**

The role of non-state actors in the design, implementation and review of CSPs, and in particular the ACP CSPs, is new and important. This will be a gradual learning process both for the EC and for many non-state actors in partner countries. But it is also important that civil society in developing countries is not expected to participate in large numbers of separate negotiations. European Commission CSPs should be increasingly focused on implementing countries' own Poverty Reduction Strategies.

**20. We are strongly supportive of the principle of de-concentration. If it is done properly, it is likely to improve dialogue between donors and local communities, to facilitate coordination between donors, and to enable the EC's Delegations to play an important role in the generation and implementation of coherent national development plans (paragraph 49).**

The Government agrees with the Committee's comments. Insufficient staffing and delegation of authority to the EC delegations has been a serious obstacle to improvement in EC programmes. Reinforced EC delegations should have a largely positive impact on EC's overall performance and role on the ground. It is of vital importance that the de-concentration exercise is implemented as scheduled and with full backing from EC headquarters.

**21. It is clear to us that the Commission is struggling to balance the demands of speed and quality as regards the process of de-concentration to Delegations. There is a need for action; otherwise the success of the whole reform programme will be put at risk. Firstly, there is a need for more flexible contracts so that suitably qualified staff with development skills can be attracted. We urge the Commission to prioritise its efforts to amend its staffing regulations to allow longer-term contracts. Secondly, it is vital that the budgetary authorities provide, in the 2003 and 2004 budgets, the financial resources needed to complete the process of de-concentration. We urge DFID and the UK Government to support the Commission in meeting its staffing requirements (paragraph 53).**

The Government agrees with the Committee's comments on the importance of more flexible contracts for development professionals, and on the need for adequate financial resources for de-concentration. Review of the staff regulation is a key element of the ongoing Commission-wide reform and should lead to more flexible arrangements and better human resource management overall. The Government has supported adequate provisions for de-concentration in budget discussions. Ratification of the Cotonou Agreement is also important to access funding for de-concentration in ACP countries. The Government ratified this Agreement in December 2001.

**22. We urge the Commission to be as transparent as possible in its dealings with NGOs, because it is the uncertainty—as well as the delays—that causes problems for the NGOs (paragraph 58).**

The Government agrees with the Committee's comments. Recent reforms in the management of budget resources for NGOs should lead to more efficient relations with the EC.

**23. We are pleased that evaluation is being taken increasingly seriously in the Commission, and are encouraged that there has been some progress with producing**

**an Annual Report, improving the information systems, and with beginning to report on the sectoral breakdown of spending. Work remains to be done with clarifying which budget categories are focused on development objectives, and care must be taken to guarantee the independence of the evaluation unit and the transparency of its processes. We do not wish to demand more from the EC than we expect from other donors, but we trust that the EC will continue to work with other donors to develop a set of useful performance indicators (paragraph 64).**

The Government agrees with the Committee's comments on the importance of a well-functioning evaluation service for lesson learning, and on a clear performance management system, including an annual report which records progress against objectives. The Commission has made efforts to improve their management and information systems. These efforts must now be translated into improvements in performance and overall effectiveness of EC's development programmes.

*Secretary of State for International Development*  
*24 June 2002*