

House of Commons

International Development
Committee

**THE EFFECTIVENESS OF
THE REFORMS OF
EUROPEAN
DEVELOPMENT
ASSISTANCE**

Second Report of Session 2001–02

Volume I

HC 417–I

House of Commons

International Development
Committee

**THE EFFECTIVENESS OF
THE REFORMS OF
EUROPEAN
DEVELOPMENT
ASSISTANCE**

Second Report of Session 2001–02

*Volume I:
Report and Proceedings of the Committee*

Ordered by The House of Commons to be printed 16 April 2002

HC 417-I

Published on 23 April 2002 by authority of the House of Commons

London : The Stationery Office Limited

£0.00

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.

Current Membership

Tony Baldry MP (*Conservative, Banbury*) (Chairman)
 John Barrett MP (*Liberal Democrat, Edinburgh West*)
 Mr John Battle MP (*Labour, Leeds West*)
 Hugh Bayley MP (*Labour, City of York*)
 Ann Clwyd MP (*Labour, Cynon Valley*)
 Mr Tony Colman MP (*Labour, Putney*)
 Mr Piara S Khabra MP (*Labour, Ealing Southall*)
 Chris McCafferty MP (*Labour, Calder Valley*)
 Mr Andrew Robathan MP (*Conservative, Blaby*)
 Mr Robert Walter MP (*Conservative, North Dorset*)
 Tony Worthington MP (*Labour, Clydebank and Milngavie*)

Mr Alistair Carmichael MP (*Liberal Democrat, Orkney and Shetland*) was also a member of the Committee during this inquiry.

Powers

The Committee is one of the departmental select committees, the powers of which are set out in the House of Commons Standing Orders, principally SO No. 152. These are available on the Internet via www.parliament.uk.

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at www.parliament.uk/commons/selcom/indhome.htm.

Contacts

All correspondence should be addressed to The Clerk of the International Development Committee, Committee Office, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is: 020 7219 1223; the Committee's e-mail address is: indcom@parliament.uk.

Footnotes

In the footnotes of this Report, references to oral evidence are indicated by 'Q' followed by the question number. References to written evidence are indicated by the page number as in 'Ev 12'. The oral and written evidence is published separately in Volume II (HC 417-II)

TABLE OF CONTENTS

	<i>Page</i>
REPORT	
Summary	5
Background and Acknowledgements	6
Explanatory Notes	
European Community or European Union?	6
Country Classifications and Types of Assistance	6
I INTRODUCTION	7
II AN OVERVIEW OF EUROPEAN DEVELOPMENT	
ASSISTANCE AND ITS REFORM	9
Financial Perspectives, Budgets and Resources	9
Reforms	11
III THE POVERTY FOCUS: POLICY AND RESOURCES	14
Development Policy and Policy Coherence	14
Resource Allocations	15
Aid Effectiveness	18
Budgetisation and the Role of Member States	19
IV EUROPEAID AND BEYOND: INSTITUTIONS AND PRACTICES	21
Structures and Institutional Relationships	21
EuropeAid and the Project Cycle	21
Relationships Between the DGs and With EuropeAid	22
Further Structural Reforms?	23
Country Strategy Papers and the Inter-service Quality Support Group	24
Deconcentration to Delegations and Staffing	25
Backlogs, Disbursements and NGO Payments	27
Backlogs and Disbursements	27
EC-NGO Relations	28
Evaluation	29
V CONCLUSION	31
Acronyms and Selected Glossary	32
LIST OF CONCLUSIONS AND RECOMMENDATIONS	33
PROCEEDINGS OF THE COMMITTEE RELATING TO THE REPORT	37
LIST OF WITNESSES	38

LIST OF MEMORANDA INCLUDED IN THE MINUTES OF EVIDENCE 39

LIST OF APPENDICES TO THE MINUTES OF EVIDENCE 39

LIST OF UNPRINTED MEMORANDA 40

SECOND REPORT

The International Development Committee has agreed to the following Report:

THE EFFECTIVENESS OF THE REFORMS OF EUROPEAN DEVELOPMENT ASSISTANCE

SUMMARY

The primary objective of the Department for International Development (DFID) is to reduce the proportion of people living in extreme poverty by half between 1990 and 2015. The international community has also adopted this objective as a Millennium Development Goal. This objective drives DFID's policies, programmes, and spending decisions.

Some 25 percent of DFID's budget is absorbed by its contribution to European development assistance. If DFID is to maximise its impact on poverty, this money—£709 million in 2000-2001—must be allocated effectively and managed efficiently.

We have examined the organisation of European development assistance in previous inquiries and have been dismayed at the inefficiencies we have found. A comprehensive programme of reforms was announced in 2000, beginning with a new statement on development policy which made poverty reduction the primary objective of European development assistance.

This report examines the range of these reforms, from policy statements, through resource allocations, to management procedures. Key themes include:

- The coherence of development policy with the European Union's policies in other areas;
- The geographical allocation and poverty focus of European development assistance;
- The relationships between the various Directorates General with an interest in development;
- The management of European development assistance, including Country Strategy Papers and the devolution of project management to Delegations.

Our findings suggest that the reforms have been reasonably successful at the level of policy and institutional change. The EuropeAid Cooperation Office has produced significant improvements in the management of European development assistance, Country Strategy Papers promise an improvement in programming, and the much-needed ability to report clearly on spending by sector as required by the OECD's Development Assistance Committee is being developed. We trust that the real-world impact of these reforms on poverty reduction—the central objective of European development assistance—will be apparent soon.

We remain concerned by the lack of transparency as to which funds are intended for poverty reduction, the continuing division of responsibilities between DG Development

and DG External Relations, and the questionable ability of the Commission to staff its Delegations adequately and appropriately.

More worryingly still, a shrinking share of European development assistance is spent on low income countries. If the target of a 50 percent reduction in poverty by 2015 is to be met, resources must be spent effectively and targeted appropriately.

Background and Acknowledgements

On 19 September 2001 we announced an inquiry into the effectiveness of the reforms of European development assistance. We received written evidence from a number of organisations, held four evidence sessions at Westminster, and visited the European Commission and the European Parliament in Brussels on 21 and 22 January where we also took formal evidence.

We are grateful to the people and organisations who gave evidence to the inquiry and have included a list of all those who gave oral evidence at the end of this report. We would like to thank particularly the Rt Hon Chris Patten, Commissioner, External Relations; Mr Poul Nielson, Commissioner, Development and Humanitarian Aid; Mr Giorgio Bonacci, Director-General of EuropeAid; and, Ms Costanza Adinolfi, Director of the European Community Humanitarian Aid Office (ECHO). We appreciated their openness, and their willingness to assist us with our inquiry.

Explanatory Notes

European Community or European Union?

The European Community (EC) was established by the Treaty of Rome in 1957, and is now one of the three pillars of the European Union (EU). The European Community's central feature is the Single Market, but it also encompasses a range of other policies, including development cooperation. In contrast to the EU's inter-governmental pillars of Foreign and Security Policy, and Justice and Home Affairs, in European Community affairs the European Commission is responsible for policy implementation.¹

Country Classifications and Types of Assistance

Development assistance refers to aid given to both transitional and developing countries. Transitional countries are those which appear in part II of the Development Assistance Committee (DAC) list of aid recipients;² assistance to such countries is termed Official Aid. Developing countries are those which appear in part I of the DAC list; assistance to such countries is termed Official Development Assistance. Low income countries are the poorest of the developing countries, and include the Least Developed Countries and the Other Low Income Countries as shown on part I of the DAC list.

¹ Adapted from DFID's *European Community Institutional Strategy Paper*; see also Ev 16 and Ev 17.

² The DAC list is the categorisation made and used by the members of the Organisation for Economic Cooperation and Development's, Development Assistance Committee. <http://www.oecd.org/htm/M00024000/M00024669.htm> (accessed on 16-4-02).

I INTRODUCTION

1. If European development assistance were properly targeted, it could make a significant impact on the reduction of poverty, the promotion of sustainable development, and the achievement of the Millennium Development Goals. The European Community spends around \$5 billion per year in Official Development Assistance, contributing nearly ten percent of the aid provided to developing countries by the members of the Organisation for Economic Cooperation and Development's Development Assistance Committee. In 2000, the EC was the fourth largest donor of ODA, behind Japan, the USA and Germany, with the UK in fifth place (see Table 1).³ European development assistance provided through the EC budget is funded in large part by Germany (24 percent), the UK (20 percent), France (16 percent), and Italy (12 percent).⁴ In 2000/2001 the Department for International Development (DFID) contributed £709 million towards the EC's aid effort,⁵ an amount which absorbed 25 percent of DFID's budget.⁶

Table 1: Major Donors' Net Disbursements of ODA in 2000

Donor	ODA Volume (\$ billion)
Japan	13.5
United States	10.0
Germany	5.0
European Community	4.9
UK	4.5
France	4.1

Data source: OECD International Development Statistics Online

2. With such a large proportion of DFID's budget being channelled through the EC, we are concerned—as other member states which make large contributions should be—to ensure that European development assistance is targeted appropriately and spent effectively on poverty reduction. But, we have no hesitation in supporting the principle of multilateral aid. We take the view that European development assistance can and must add value to what could be achieved by channelling the funds through the bilateral programmes of individual member states. A coordinated multilateral programme can deliver contributions from member states who might otherwise contribute little; prevent unnecessary duplication, inefficiency and the placing of unreasonable administrative burdens on developing countries; sustain a European-wide policy on international

³ Organisation for Economic Cooperation and Development (OECD) International Development Statistics Online.

⁴ Calculated from European Commission Budget for 2001.

⁵ This includes contributions to both the European Development Fund, and budgetised assistance.

⁶ DFID *Statistics on International Development 1996/97-2000/01*: Table 8 for EC Contribution; Table 2.1 for DFID External Assistance Programmes.

development; and push development into other areas of European policy. **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".⁷**

3. Parliamentary scrutiny—by national Parliaments individually, and, as we discussed with members of the European Parliament's Committee on Development and Cooperation, in concert—has a vital role to play in driving forward the reform process. The International Development Committee has inquired into the EC's development policies and practices on three previous occasions, providing a comprehensive account of past weaknesses and inefficiencies, and—with increasing levels of concern—urging the EC to reform its development assistance.⁸ Following some earlier half-measures, the Commission eventually began a concerted process of reforms in 2000, to improve—as Mr Bonacci of EuropeAid put it—the quality, speed of implementation, and impact, of programmes.⁹ The reforms are at an early stage; the key issue now is their implementation. We share Chris Patten's view that a lack of significant improvement by the end of 2004 would constitute failure,¹⁰ and look forward to initial results this year. Ultimately, we are interested in on-the-ground impacts and improvements in the effectiveness of European development assistance and will continue to monitor this during the course of our overseas visits; this inquiry provides the Committee with an initial opportunity to assess whether the reforms are on track to produce these results.

4. In chapter two we set the context for, and provide an overview of, the reform process. In chapter three we examine the poverty focus of European development assistance, both in terms of policy and in terms of the allocation of resources. In chapter four our attention turns to the institutions and management of development assistance, looking in particular at the EuropeAid Cooperation Office. Finally, in chapter five, we draw together our conclusions about the effectiveness of the reforms of European development assistance.

⁷ Q230

⁸ Second Report from the International Development Committee, Session 1997-1998, *The renegotiation of the Lomé Convention*, HC 365; First Report from the International Development Committee, Session 1998-1999, *The future of the EC development budget*, HC 44; Ninth Report from the International Development Committee, Session 1999-2000, *The effectiveness of EC development assistance*, HC 669.

⁹ Q104

¹⁰ Q214

II AN OVERVIEW OF EUROPEAN DEVELOPMENT

ASSISTANCE AND ITS REFORM

Financial Perspectives, Budgets and Resources

5. The total volume of European ODA Payments in 2000 amounted to €4.9 billion (see Table 2). This constituted 75 percent of the EC's total development assistance to both developing and transitional countries. European development assistance is financed in two ways. The European Development Fund (EDF)—which provides finance for African, Caribbean and Pacific (ACP) countries as part of the Cotonou Agreement—is a voluntary fund which all member states contribute to. It is replenished every five years and is managed by the European Commission. In 2000, the EDF provided 31 percent, or €1.5 billion of the EC's development assistance. Secondly, European development assistance is financed as part of the EC's general budget. Development assistance of €5.1 billion was financed in this way in 2000, with budgetised ODA making up €3.4 billion of this total.

Table 2: Origins and Destinations of European Development Assistance in 2000 (€billion)

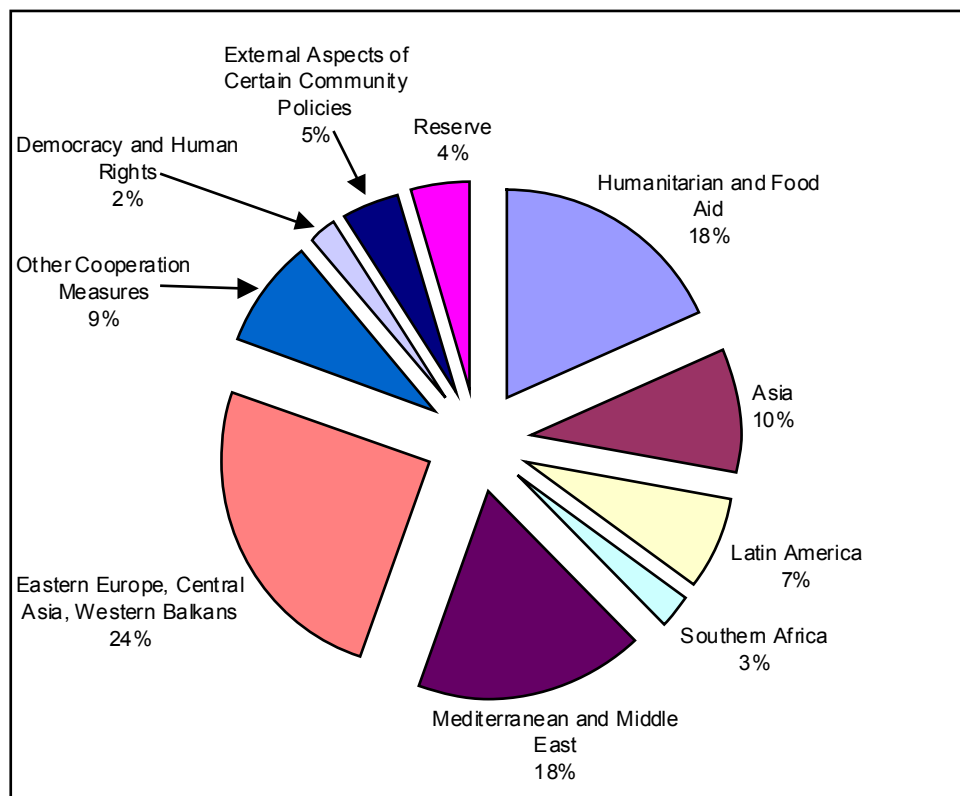
	Commitments	Payments
European Development Fund	3.8	1.5
General Commission Budget	8.1	5.1
Total Development Assistance	11.9	6.6
<i>of which</i>		
Official Development Assistance	8.4	4.9
Official Aid	3.5	1.7

Data source: European Commission Annual Report on the Implementation of the European Commission's External Assistance - situation as at 1 January 2001.

6. The amount of budgetised ODA is largely determined by the multi-annual spending ceilings which are set out in the Financial Perspective. The 2000–2006 Financial Perspective allocates around five percent of the EU's resources to External Actions (Category 4), the category of funds from which the vast majority of ODA resources are drawn. Subject to the limits set by the Financial Perspective, resource allocations within budget headings are determined on an annual basis through negotiations between the Commission, the Council, and the Parliament. In the 2002 budget, €8.3 billion is committed to External Actions, of which €3.3 billion is allocated for Pre-Accession Strategy spending. Figure 1 shows the allocations for 2002 within the External Action budget, with pre-accession funds excluded. It is not easy to state with any precision what resources are primarily intended for development. Financial perspective headings do not map neatly onto annual budget headings, and neither of these map directly onto policy

areas. Most confusingly, whilst spending in relation to the Pre-Accession Strategy has had its own financial perspective heading—Category 7—since 1998, it remains part of Budget Subsection B7 External Actions, a subsection which is primarily funded from Category 4 of the financial perspective.

Figure 1: Allocation of Budget Subsection B7 External Actions - with allocation to Pre-Accession Strategy removed (Appropriations for Commitments)



Data Source: Official Journal of the European Communities 'General budget of the European Union for the financial year 2002' (English edition) L29, vol.45, 31 January 2002, pp.363-4.

7. It is possible to give some indication of resources allocated for development and other external relations goals (see Table 3). In the 2002 Preliminary Draft Budget, €1.1 billion was allocated to the “Development and relations with ACP states” policy area, with €0.9 billion or 84 percent of this coming from the External action financial perspective heading. The “External relations” policy area was allocated €3.2 billion, with 91 percent of this total resourced from the External action financial perspective heading. “Humanitarian aid” was allocated €0.7 billion, 67 percent of which came from the External action financial perspective heading. Looked at from the other angle, from a total of €4.9 billion under the External action financial perspective heading, € 2.9 billion was earmarked for the policy area of “External relations”, €0.9 billion for “Development and relations with ACP states”, and €0.5 billion for “Humanitarian aid”. **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, below.**¹¹

Table 3: Resource Flows, from the External Action Financial Perspective Heading, and to the External relations, Development, and Humanitarian Aid Policy Areas (€ billion)

	External action financial perspective heading	Total
External Relations	2.9	3.2
Development and relations with ACP states	0.9	1.1
Humanitarian Aid	0.5	0.7

Data source: Preliminary Draft Budget of the European Communities for the financial year 2002, Volume 0, General Introduction, p.57, Table II.2

Reforms

8. Acknowledging its weaknesses and inefficiencies in the area of development assistance, the European Commission began an initial process of reform in 1998 with the establishment of the Common Service for External Relations (SCR)—the precursor to EuropeAid—to implement European aid. Following the resignation of the Santer Commission in 1999, the Commission was reorganised, with European development assistance planned and managed by a combination of the Directorate General (DG) for External Relations, DG Development, and EuropeAid. ECHO, which manages European Humanitarian Assistance, is the responsibility of the Development Commissioner, but is administratively autonomous. **ECHO has in fact been affected only marginally by the reform process, but, having been highly critical of it in the past,¹² we were pleased**

¹¹ See para. 24.

¹² Ninth Report from the International Development Committee, Session 1999-2000, *The effectiveness of EC development assistance*, HC 669, para. 53.

to hear that substantial improvements have been made and that ECHO was performing well in Afghanistan and the surrounding region.¹³

9. In April 2000, the Commission issued a statement on development policy which outlined a comprehensive approach to development, focussed on poverty reduction.¹⁴ The statement on development policy, and a subsequent joint Council and Commission statement,¹⁵ established poverty reduction as the central objective of EC development programmes and other EC programmes in developing countries. In May 2000 an initial reform programme was outlined to improve the quality and speed of delivery of projects, ensure sound financial management, and increase the impact of European development assistance.¹⁶ In February, and then in May 2001, the Commission produced a rolling programme of action, setting out clearly the reform programme in terms of aims, actions, expected results, an indicative timetable, and the progress made.¹⁷

10. As regards programming and the planning of development interventions, the key innovation has been the establishment of guidelines for the production of Country and Regional Strategy Papers. As a new approach to programming, Country Strategy Papers (CSPs) are intended to focus on poverty, to be comprehensive, to emphasise country ownership, to promote work-sharing and complementarity, to involve consultation with civil society organisations, to focus on a limited number of areas, and to incorporate a number of cross-cutting issues such as human rights, gender equality, and environmental concerns.¹⁸ An Inter-service Quality Support Group (IQSG) is charged with reviewing the strategy papers and promoting best practice.

11. On 1 January 2001, the EuropeAid Cooperation Office was established as a single department to handle the EC's external aid, with the exception of pre-accession programmes, humanitarian activities, macro-financial aid, the Common Foreign and Security Policy, and the Rapid Reaction Facility. The intention was to rationalise the management and implementation of development assistance, by moving further away from a geographical assignment of responsibilities to DGs—the arrangement in which DG External Relations deals with non-ACP countries, and DG Development deals with ACP countries—and integrating the various stages of the project cycle.¹⁹ DG Development and DG External Relations are now charged with the programming phase of the project cycle—policy and strategies—for ACP and non-ACP countries respectively. EuropeAid is focussed on the remaining five stages of the project cycle, right through to evaluation. EuropeAid is managed by a board comprising Chris Patten (Chairman) representing DG

¹³ Q256; Ev 99

¹⁴ Communication from the Commission to the Council and the European Parliament *on the European Community's Development Policy*, 26-4-2000, COM (2000) 212 final.

¹⁵ Statement by the Council and Commission *on the European Community's Development Policy*, 10-11-2000.

¹⁶ Communication to the Commission *on the Reform of the Management of External Assistance*, 16-5-2000.

¹⁷ Commission Staff Working Paper, *The European Community's development policy: Programme of Action*, 21-5-2001, SEC(2001) 808.

¹⁸ European Commission, Secretariat of the Inter-service Quality Support Group, *Guidelines for the implementation of the Common Framework for Country Strategy Papers*, 4-5-2001.

¹⁹ The project cycle has six stages. These are: programming, identification, appraisal, making the financing decision, implementation, and evaluation.

External Relations, Poul Nielson (Chief Executive Officer) representing DG Development, Pascal Lamy representing DG Trade, Pedro Solbes Mira representing DG Economic and Financial Affairs, and Günther Verheugen representing DG Enlargement. At the field level are the Commission's Delegations. Formally, all Delegations are responsible to DG External Relations; in practice, they are dealt with by EuropeAid. Figure 2 shows these arrangements, highlighting: firstly, the division of programming responsibilities for ACP and non-ACP countries between DG External Relations and DG Development; secondly, the split between programming and subsequent stages of the project cycle; and thirdly, EuropeAid's complex management structure and position between the DGs and the Delegations.

12. The devolution of project management towards the Commission's Delegations in partner countries—a process which is often termed deconcentration—is a further key aspect of the reform process. Echoing the principle of subsidiarity, this move is intended to give Delegations greater responsibility and authority for the implementation of EC programmes, and to allow them to work more closely with other actors at the local level. The principle is that “everything that can be better managed or decided locally, close to the field, should not be managed or decided in Brussels”.²⁰ In addition to improving the implementation of European development assistance, EuropeAid has the task of clearing the accumulated backlog of old (pre-1995) and dormant (not resulting in payments within two years) commitments, reducing the number of budget lines to prevent further accumulation of management problems, simplifying and harmonising its contracting procedures, and improving the Commission's ability to evaluate its development assistance programmes.

²⁰ European Commission (2002) *Annual Report on the Implementation of the European Commission's External Assistance, Situation as at 01.01.2001*, p.16.

III THE POVERTY FOCUS: POLICY AND RESOURCES

13. We set out to assess whether the EC's policies and objectives in the sphere of international development are backed up by an appropriate allocation of resources. Such an assessment requires that we consider: the EC's development policy, and its coherence with other policies which impact on developing countries; the allocation of resources for development; and related issues of clarity and control—is it clear what resources are intended to achieve development objectives, and who controls the allocation of resources?

Development Policy and Policy Coherence

14. In our previous report on the effectiveness of EC development assistance, we welcomed “the production of a clear statement of the developmental aims and objectives of the EC”, and hoped that it would be a first step towards making EC development policy more effective, poverty -focussed, and accountable.²¹ These sentiments were echoed in the written evidence received by the Committee during this most recent inquiry.²² **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.**

15. Whilst we welcome the statement on development policy, we agree with DFID that “Considerable work remains to be done ... to operationalise the Development Policy across all the programmes that it applies to”, and to work through the implications of the poverty focus.²³ In particular we are concerned to 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.

16. As regards trade, we were encouraged to hear Mr Defraigne—the Chef de Cabinet to Mr Pascal Lamy, the Trade Commissioner—state that the EU had a strategic objective to make the coming round of World Trade Organization negotiations a “development round”. We were somewhat sceptical however about his assertion that “the focus has changed from arranging business among rich countries to integrating the developing countries”.²⁴ It is good that the EU has inaugurated a new office to enable ACP countries

²¹ Ninth Report from the International Development Committee, Session 1999-2000, *The effectiveness of EC development assistance*, HC 669, para.23.

²² Ev 1, [para. 3]; Ev 18, [para. 4]; Ev 54, [para. 4]

²³ Ev 1, [para. 6]

²⁴ Q133

to participate more fully in World Trade Organization (WTO) negotiations in Geneva,²⁵ but, in a context where EU spending on agricultural support and export subsidies is nine times greater than European development assistance; where developing countries' access to EU markets—including those for key agricultural products such as sugar, rice and beef—continues to be restricted; where food processed in many developing countries still attracts punitive tariffs—during its recent visit to Ghana the Committee learnt that Ghanaian chocolate exports to the EU face an average duty of €50 per 100 kg, while unprocessed cocoa beans are tariff free; where many developing countries' efforts to deal with their HIV/AIDS crises are hampered by disagreements about intellectual property rights; and where developing countries' negotiating capacities are being stretched to exhaustion by the inclusion on the WTO agenda of new issues, we remain to be convinced that the EU is serious about delivering a “development round”. There is a range of concerns, but we would agree with Chris Patten that, “the most important issue that we will have to resolve as a Union and as a Commission in order to convince developing countries that we really have their interests at heart is the whole issue of [Common Agricultural Policy] CAP reform”.²⁶ It is time that the EU backed up its warm words with good deeds, and made concrete progress with removing export subsidies and improving access to the EU market.

17. We welcome the EU's Everything-but-Arms (EBA) initiative as a move in the right direction. This initiative aims to provide tariff and quota-free access to EU markets for all products, except arms, exported from the world's poorest countries. As such, the initiative provides least developed countries with improved access to EU markets, and gives a signal that the EU is serious about opening its markets. We acknowledge that the EBA initiative in part improves the competitive position of the least developed countries by eroding the preferences enjoyed by other merely low income countries; in part the least developed countries gain at the expense of the not-quite-so-poor.²⁷ This is not a reason to scrap the EBA initiative. Rather, the market access enjoyed by low income countries which do not qualify for the EBA, such as Ghana, should be improved too, especially as regards the many products which they are not competing with least developed countries to export to the EU. **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.**

18. We are also keen to ensure that development policy does not get subsumed within the EU's Common Foreign and Security Policy. We note the view that “there is a long-term congruence of foreign policy and poverty reduction”,²⁸ but are not sure that such a congruence necessarily exists in the short term. There is a danger that development will be marginalised. We agree with Glenys Kinnock—Member of the European Parliament's Committee on Development and Cooperation—that a key challenge will be to ensure that

²⁵ http://europa.eu.int/comm/trade/miti/devel/pr160102_en.htm (accessed 16-4-02).

²⁶ Q216

²⁷ Q114; Q128

²⁸ Q19

we do not lose a specific development perspective in the process of strengthening the EU's foreign policy.²⁹ **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.³⁰ 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.**

Resource Allocations

19. In our view too much European development assistance is allocated to middle income countries on the basis of political priorities and the wish to foster stability in the countries surrounding the EU—the “near abroad”—rather than in order to eliminate poverty. The proportion of EC ODA spent in low income countries, having been at 76 percent a decade earlier, reached a new low of 39 percent in 2000. For the UK, the share of ODA going to low income countries in 2000 was 77 percent, for EU member states 66 percent, and for all DAC donors combined 63 percent.³¹ Chris Patten may be correct in suggesting that the reason why EC development assistance is less focussed on low income countries than that of member states is because member states have decided that their assistance to the “near abroad” is best managed at the European level,³² but from our perspective this possibility does not justify the skewed—and increasingly skewed—resource allocations we currently observe. We are of course pleased that the total volume of the EC's ODA has nearly doubled over the last decade, but this must not be allowed to obscure the fact that the absolute volume of EC ODA to low income countries has fallen by \$217 million or nearly 12 percent over the same time period.³³ Over the years 1999–2000, the top ten recipients of EC ODA were: Yugoslavia (including Kosovo); Morocco; Bosnia and Herzegovina; ex-Yugoslavia; Egypt; Tunisia; South Africa; Turkey; Albania; and Macedonia (former Yugoslav Republic of).³⁴ At 1 January 2000, none of these were classified as low income countries by the DAC.

Table 4: Percentage of ODA Spent in Low Income Countries

	1980	1990	2000
DAC Countries	60	58	63
European Community	85	76	39
UK	73	77	77

²⁹ Ev 54, [para. 9]

³⁰ Q73

³¹ OECD International Development Statistics Online.

³² Ev 85

³³ OECD International Development Statistics Online.

³⁴ OECD 2001 *Development Cooperation Report*, Table 32.

Data source: OECD 2001 International Development Statistics Online

20. There is clearly a mismatch between the objective of poverty reduction and the allocation of resources. The Commission's programme of action states that "financial resources (from the EDF and budget resources from under Category 4 for external actions) must be allocated to maximise their effect on poverty reduction. Consequently the least developed and other low income countries should be given particular attention".³⁵ The Commission is failing to achieve this objective. **The EC's ODA is much less focussed 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.**³⁶

21. Just as we heard suggestions that the overall allocation of resources is determined by short-term political priorities rather than by development objectives, we also heard concerns about the vulnerability of development spending and development budget lines to "raids" for specific and immediate political objectives, for instance to foster stability and reconstruction in the Balkans, or in Afghanistan and the surrounding region.³⁷ In addition, we heard concerns voiced about development spending being squeezed by spending in pursuit of more diffuse objectives such as shoring up support for the "coalition against terrorism".³⁸ Such objectives may well be important, but they must not be pursued and funded at the expense of developing countries. We agree with Action Aid that, "If there is a political need to increase funding for Afghanistan, then new funding needs to be approved by the EU, instead of trying to squeeze already oversubscribed existing budgets".³⁹ **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.**

22. In our previous report, we undertook to return to the issue of the attribution to DFID's budget of the UK's contribution of funds for pre-accession countries. We were concerned to satisfy ourselves that DFID's funds were focussed on poverty reduction,⁴⁰ and that the attribution of pre-accession funds to DFID's budget did not actually reduce DFID's budget for spending in developing countries. As part of the current inquiry, Clare Short described the attribution of pre-accession funds to DFID's budget as "not logical", but explained that as an allowance was made for this in the Comprehensive Spending Review,

³⁵ Commission Staff Working Paper, *The European Community's development policy: Programme of Action*, 21-5-2001, SEC(2001) 808.

³⁶ First Report from the International Development Committee, Session 1998-1999, *The future of the EC development budget*, HC 44, para. 22; Ninth Report from the International Development Committee, Session 1999-2000, *The effectiveness of EC development assistance*, HC 669, para. 18.

³⁷ Ev 106

³⁸ Ev 21, [para. 21]

³⁹ Ev 102, [para. 23]

⁴⁰ Ninth Report from the International Development Committee, Session 1999-2000, *The effectiveness of EC development assistance*, HC 669, para. 9.

she did not feel that this accounting practice resulted in a loss of funds for DFID's poverty reduction goals.⁴¹ The Secretary of State did reason however that once countries have joined the EU and are then in receipt of structural funds, such assistance must not draw-down on DFID's budget. This makes perfect sense. **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.**⁴²

23. The European Commission has no qualms about justifying its allocation of resources. Whilst DFID told us that "The balance of EC spending is out of line with international best practice",⁴³ Chris Patten plainly and without compunction stated that, "We spend in Poland, an enlargement candidate, every year more than we spend in Asia and Latin America together",⁴⁴ and asserted that spending in the "near abroad" was not at the expense of allocations to low income countries.⁴⁵ Defending forcefully the allocation of EC resources, and explaining carefully that Category 4 External Actions is not a development budget, Chris Patten argued that, "What bedevils this debate is, first of all, that one is very often comparing apples with oranges".⁴⁶

24. It would indeed be a mistake to simply compare the poverty focus of DFID's budget with that of the EC's Category 4, and we are aware that this conceptual mistake is sometimes made. Our concern however, is simply to ensure that development objectives and development spending are not marginalised by concerns about the "near abroad". This task is not made any easier by the fact that Category 4 of the EC's Financial Perspective includes funds for a variety of external actions, not all of which are primarily about poverty reduction and development. Neither is transparency improved by the fact that financial perspective headings do not easily map onto budget headings; for instance, budget subsection B-7 is funded from both financial perspective categories 4 and 7.⁴⁷ **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,⁴⁸ DFID officials,⁴⁹ and BOND⁵⁰ 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**

⁴¹ Q229

⁴² Ev 85

⁴³ Ev 2, [para. 7]

⁴⁴ Q222

⁴⁵ Q220

⁴⁶ *Ibid.*

⁴⁷ See para. 6.

⁴⁸ Q253

⁴⁹ Q52

⁵⁰ Q99

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".⁵¹

25. In addition, whilst we agree with Chris Patten that the stability, security and prosperity of neighbouring countries is important to the stability, security and prosperity of the EU, such inter-dependence is hardly limited to the EU's relations with countries in Eastern Europe and the Mediterranean; this much must surely be clear. As Clare Short put it, "in this globalising world, this concept of [a] near abroad is becoming really very foolish."⁵² **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".⁵³**

Aid Effectiveness

26. Clarity about resources and objectives is important, but will not in itself bring about a sharper focus on poverty reduction. As Clare Short argued, "Improving the financial systems is important but it will not deliver different political priorities. You need to improve the financial systems so that they can follow the shift in political priorities. ... if we do not win the political argument about where aid is best allocated we will just have a more efficient way of measuring spending that is skewed against the poor".⁵⁴ Decisions about aid allocations ought to be based on evidence and analyses about the effectiveness of aid in reducing poverty.

27. Aid is most effective at reducing poverty when it is focussed on countries with high poverty levels, and government policies which create an environment for broad-based growth and poverty reduction. Unpublished research by David Dollar of the World Bank shows that in 1998, while 63 percent of global aid went to countries with high poverty levels, only 38 percent of EC aid did, and 18 percent of EC aid went to countries which had both low levels of poverty and poor government policies.⁵⁵ Such allocations of aid are not the most efficient way of reducing poverty. A million Euros spent in high-poverty good-policy countries will lift more people out of poverty, than the same amount spent elsewhere. As Clare Short explained, "if the existing money in the system was deployed according to its greatest effectiveness in reducing poverty ... we could probably double the value in terms of poverty reduction of the money we have got in the international development system".⁵⁶ This is not to suggest that countries which are not the poorest,

⁵¹ Q225

⁵² Q241

⁵³ Q241

⁵⁴ Q253

⁵⁵ Dollar, *An assessment of the poverty efficiency of European Commission aid*, Unpublished paper. See Ev 2, [para. 8].

⁵⁶ Q254

or which have less than ideal policies, should be ignored; rather, more thought should be given to the quality and type of assistance that is provided to such countries.

28. The current allocation of financial resources to Europe's "near abroad" is not a developmentally efficient allocation of aid; the money could be better spent elsewhere. In addition, providing large volumes of ODA is not the best way of reducing poverty in such middle income countries; more effective assistance could be provided to Europe's neighbours. As Anthony Smith—the head of DFID's EU department—clearly expressed it, "there is a high political priority for the Union in dealing with the Mediterranean, because it is a neighbouring region, whatever the logic of that might be; but ... [the fact that it is a] ... high political priority does not mean you throw money at it in an ineffective way".⁵⁷ Rather than simply providing middle income neighbours with large volumes of scarce development assistance, we can best assist them by reducing barriers to trade, improving the international financial architecture, and working to shape the broader policy environment.⁵⁸

29. If the EC's development assistance is not allocated effectively to poor countries and the elimination of poverty, the EC's policy statements and management reforms will not have the desired impact. The admirable objectives of poverty reduction must be backed up with financial resources, targeted appropriately. Otherwise, observers may be forgiven for doubting the value of the EC's multilateral development assistance. **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.**

Budgetisation and the Role of Member States

30. In contrast to budgetised ODA, spending from the European Development Fund (EDF) is not subject to approval by the European Parliament. The EDF, which is made up of voluntary contributions from member states, is managed by a Committee consisting of members states' representatives. This EDF Committee considers for approval both general strategies for supporting partner countries, and specific larger projects. The EDF's activities are also audited by the European Court of Auditors.

31. Debates about the budgetisation of the EDF—bringing it into the Commission budget, and subjecting it to the approval of the European Parliament—have surfaced periodically over the last twenty years. Action Aid, British Overseas NGOs for Development (BOND), and Glenys Kinnock argued in favour of the budgetisation of the EDF in their evidence.⁵⁹ Those in favour of budgetisation—particularly the European Parliament's Committee on Development and Cooperation, and Committee on Budgets—argue that it would improve the coherence and integration of European development assistance, reduce the administrative burden placed on recipient developing countries, and,

⁵⁷ Q250

⁵⁸ Ev 2, [para. 9]; DFID (2001) *Eliminating global poverty: The middle-income countries*.

⁵⁹ Ev 101, [para 9]; Ev 22, [para. 26]; Ev 56, [para. 28]

through subjecting the funds to approval by the European Parliament, increase oversight and transparency, and enhance accountability. On the other side of the debate, it is argued that budgetisation would reduce member states' control of the funds, and might make funds for the ACP countries susceptible to the same sort of raids to which budgetised development funds are currently vulnerable.

32. Budgetisation has not taken place so far because the member states have not been sufficiently in favour of it. Largely, this has been because member states want to maintain their control rather than surrender it to the European Parliament.⁶⁰ DFID has in the past been opposed to budgetisation, but currently seems ambivalent. Whilst we agree with Clare Short that such a technical solution would not necessarily lead to a more intelligent allocation of resources,⁶¹ we do regard budgetisation as desirable in the long term. However, as it is not likely to happen soon, pushing for budgetisation now would perhaps be a distraction from the pressing work of making the current arrangements more effective. We will continue to monitor the workings and use of the EDF and the wider issue of the organisation of European development assistance into budgetised and non-budgetised assistance.

33. The debate about budgetisation illustrates an issue which runs throughout discussions of European development assistance; the role of member states. We acknowledge the point made most forcefully by Commissioners Patten⁶² and Nielson,⁶³ that it is member states that decide on the geographical and political priorities of aid programmes through their participation in the Council of Ministers. This in no way relieves the European Commission of its responsibility to manage its development assistance efficiently and effectively, but it does usefully refocus attention on the role of member states in determining development policy and the allocation of resources. **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.**

⁶⁰ Q66

⁶¹ Q250

⁶² Ev 84 and Ev 85

⁶³ Letter from Poul Nielson, published in the Guardian, 8 February, p.21.

IV EUROPEAID AND BEYOND: INSTITUTIONS AND PRACTICES

34. In tandem with refocusing policy on poverty reduction, the programme of reforms has included a range of institutional and management reforms. These reforms have included the establishment of EuropeAid as the implementing agency for European development assistance, the institution of Country Strategy Papers as a framework for programming, the devolution of project management to the EC's Delegations, a series of measures to reduce backlogs and to increase the speed of disbursements, and, improvements to the evaluation of European development assistance.

Structures and Institutional Relationships

EuropeAid and the Project Cycle

35. The EuropeAid Cooperation Office was set up on 1 January 2001. EuropeAid was established to unify all the post-programming phases of the project cycle, to put responsibility for the implementation of all European development assistance in the hands of one agency, and to clarify relationships between the various DGs which have responsibilities for development policy and/or developing countries. In our previous report into EC development assistance we welcomed proposals to expand the role of the Common Service for External Relations (SCR), to reunify the bulk of the project cycle, and to clarify relationships between the various DGs.⁶⁴ As such, we welcome the creation of EuropeAid as the successor to the SCR, and are strongly supportive of the attempt to unify much of the project cycle and to clarify relationships between various DGs.

36. EuropeAid is key to the effectiveness of the reforms, and certainly seems to be an improvement on what went before. BOND told us that EuropeAid has contributed to addressing key shortcomings, including strengthening programming, integrating the project cycle, and initiating urgent measures to reduce backlogs.⁶⁵ DFID too reported that "there has been a reduction in the number of steps that people have had to go through and the amount of shuffling backwards and forwards between Directorates that were needed".⁶⁶ We are pleased to hear that things are better than they used to be, especially given the complexities and inefficiencies which beset European development assistance prior to the current reform process, and which EuropeAid inherited. However, as we note below, substantial problems still remain.

37. The creation of EuropeAid has been part of a reallocation of responsibilities for the various stages of the project cycle, but rather than unifying the project cycle, we believe that it perpetuates a split between policy and programming, and implementation. We accept that different donors organise their development assistance in a range of ways. But, whilst we acknowledge that other respected donors have opted for a model which differs

⁶⁴ Ninth Report from the International Development Committee, Session 1999-2000, *The effectiveness of EC development assistance*, HC 669, para. 59.

⁶⁵ Ev 19, [para. 5]

⁶⁶ Q16

from the UK where DFID deals with all stages of the project cycle, we tend to agree with Poul Nielson's criticism of the current arrangements; "I still find it a real error in terms of management and policy responsibility that we have a tension between the upstream policy part and the 'do it' part".⁶⁷ **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.**

38.

Relationships Between the DGs and With EuropeAid

39. A related set of problems concerns the continuing lack of clarity about the respective roles and responsibilities of DG External Relations, DG Development, and EuropeAid. In response to our question as to whether there is clarity as regards their various roles and responsibilities, Poul Nielson answered with a short and honest "no".⁶⁸ As Mr Bonacci of EuropeAid explained to us, some of the confusion and lack of clarity can be explained as a short-term problem, resulting from the creation of EuropeAid and the associated changes to the roles of the DGs.⁶⁹ That is, it may take some time for DG Development and DG External Relations to feel comfortable relinquishing some of their implementation responsibilities to EuropeAid.

40. The lack of clarity about roles and responsibilities seems to exist at the level of Commissioners too. There remains a split between Commissioner Nielson's DG Development which has programming responsibility for the ACP countries, and Commissioner Patten's DG External Relations which has programming responsibility for non-ACP countries. In our previous inquiry we welcomed progress in reducing the number of Commissioners concerned with development from four to two, but argued that the ultimate goal must be a single development DG, headed by a single Commissioner with responsibility for ACP and non-ACP countries.⁷⁰ The establishment of EuropeAid as the sole implementing agency was in part an effort to address this continuing geographical split of responsibilities at the Commissioner level. However, EuropeAid's management structure—with Chris Patten as Chair, and Poul Nielson as CEO—reveals firstly that the split remains, secondly that EuropeAid was something of a half-measure, and thirdly, that the power lies ultimately with External Relations. **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.**⁷¹

⁶⁷ Q183

⁶⁸ Q181

⁶⁹ Q106

⁷⁰ Ninth Report from the International Development Committee, Session 1999-2000, *The effectiveness of EC development assistance*, HC 669, para. 13.

⁷¹ Q182

41. At the very least, the split between policy and implementation, and the lack of clarity as regards the roles and responsibilities of EuropeAid and the DGs, demands excellent communication between the institutions.⁷² The Inter-service Agreement between DG Development, DG External Relations, and EuropeAid which was produced in June 2001, has the purpose of clarifying working arrangements, and improving communication.⁷³ The production of such an Agreement is perhaps indicative of the level of confusion about roles and responsibilities, but we do welcome this as an important innovation. We were also pleased to hear that there is a regular programme of formal and informal meetings between the DGs and agencies with a stake in international development issues. Trade Commissioner Mr Lamy's Chef de Cabinet told us that there are weekly breakfast meetings between the six Commissioners from the External Relations family of DGs and agencies (Development, ECHO, Enlargement, EuropeAid, External Relations, Trade) and six-weekly meetings between the associated Chefs de Cabinet, in addition to the formal EuropeAid board meetings.⁷⁴ Mr Nielson too told us that "Although one has to be careful about giving rosy pictures of these things, in substance, the working relationship between the group of RELEX Commissioners is much, much better than the rumour has it, much better; it is quite good".⁷⁵

Further Structural Reforms?

42. Several witnesses told us that they expected further reforms in the future. Action Aid told us about a recently prepared Internal Audit Service report which criticises the Commission's current external relations structure and suggests that there should be three divisions in future with the two strands of trade and development under an overarching foreign policy umbrella. The inference drawn was that either DG Development or EuropeAid will disappear.⁷⁶ Glenys Kinnock suggested that "after the next European elections and the next Commission is put in place, I do not think we will see the same structures as we see now. I do not know how they will do it but I think there is a momentum now behind pulling Development and other External Relations people together, maybe with some kind of division but pulling the whole thing together".⁷⁷ The disappearance of DG Development is seen in some quarters as a very likely, if not already decided, outcome.⁷⁸

43. The basic problem is simply that the EU's relationships with other countries can either be organised in terms of country-types (for instance, ACP or non-ACP, or developing or developed), or in terms of issue areas (for instance, trade, development or security). Whichever organising principle is selected, there will always be some overlap of responsibilities. Poul Nielson himself, as the Commissioner with responsibility for DG

⁷² Ev 106; Ev 54, [para. 7]

⁷³ *Inter-service Agreement between DG External Relations, DG Development and EuropeAid Co-operation office*, June 2001.

⁷⁴ Q117

⁷⁵ Q184

⁷⁶ Ev 100, [para. 7]

⁷⁷ Q140

⁷⁸ Ev 23, [para. 33]

Development, described efforts to perfect structures which manage the relationships between development assistance and external relations as a case of squaring the circle; there is no perfect solution.⁷⁹ He could, however, see ways of better integrating development and external relations, either at the level of Commissioners and DGs or at the level of implementation within EuropeAid.⁸⁰ More specifically, in an interview with European Voice on 28 February, Poul Nielson called for a radical shake-up, with DG Development joining forces with EuropeAid, as part of the External Relations DG. Nielson's proposal seeks to achieve two things: firstly, the bringing together within DG External Relations of programming for ACP and non-ACP countries; and, secondly, at a later date, the transfer of programming for all countries into EuropeAid so as to unify the project cycle and leave the DGs with the job of ensuring policy coherence.⁸¹ We are of course well aware that there are different models of how to organise development assistance both in relation to managing the project cycle, and as regards the relationship between development and external relations.⁸² There is no perfect solution, but the EC's current solution is far from perfect. We regard the division of responsibilities for different stages of the project cycle between the DGs and EuropeAid as an important issue. But, we maintain most strongly that it would be best to have relationships with all developing countries—both ACP and non-ACP—dealt with by a single Directorate General.

44. We share Chris Patten's reluctance to disrupt things any further at this stage of the reforms,⁸³ and feel that the most important thing at the moment is to try to make the current arrangements work. As Clare Short put it, "You cannot stop in the middle of a reform effort and change your mind or you waste another couple of years".⁸⁴ That said, the structures and relationships which govern European development must be reviewed periodically; if they do not foster clarity about roles and relationships, they must be revised. It would be overly disruptive to alter things now, but this is not a licence for continuing confusion until some unspecified point in the future.

45. Clare Short suggested to us that the loss of DG Development would be a disaster.⁸⁵ We too were most concerned to hear about its possible disappearance. **We regard the maintenance within the Commission of an institutional focus for development, and for relations with developing countries, as absolutely essential.** However, it is this institutional focus—preferably bringing the management of relations with ACP and non-ACP developing countries together—that is the key issue, rather than the continuing existence of an entity called DG Development. With DG Development currently undergoing a slow death, and even Poul Nielson calling for its integration with EuropeAid under the umbrella of DG External Relations, it may be more sensible to focus attention on how best to ensure that developmental concerns are well-represented in some form within the Commission. **The structures which govern European development assistance**

⁷⁹ Q185

⁸⁰ Q187

⁸¹ *European Voice*, 28-2-2002.

⁸² Prior to the establishment of DFID as a separate Government Department in 1997, development issues were dealt with by the Overseas Development Administration, as part of the Foreign and Commonwealth Office.

⁸³ Q214

⁸⁴ Q270

⁸⁵ Q268

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—ACP or non-ACP—makes little sense, and would welcome progress towards making a single Directorate General and Commissioner responsible for relations with all developing countries.

Country Strategy Papers and the Inter-service Quality Support Group

46. Country Strategy Papers (CSPs) are—for the EU if not for DFID which has pioneered their use—a new approach to programming. The CSP approach provides a standard template for assessing the diverse needs of individual partner countries and formulating appropriate development strategies. CSPs are intended to focus on poverty reduction, encourage consultation with civil society, promote donor coordination, emphasise country ownership, concentrate efforts on a limited number of priority issues, and promote a number of cross-cutting issues such as human rights, gender equality, and environmental concerns. The expectation is that in time CSPs will mesh with the assistance strategies of other donors, leading to improved donor coordination and resource-pooling, and decreased administrative burdens for developing countries.⁸⁶ In addition it is hoped that the CSP framework will ensure that careful thought is given to the coherence of the various EC policies which are likely to impact on a country.

47. Country Strategy Papers are the formal responsibility of DG Development (ACP countries) and DG External Relations (non-ACP countries), but an Inter-service Quality Support Group (IQSG) has been established to review the strategy papers and promote best practice. This group brings together staff from DG Development, ECHO, DG Economic and Financial Affairs, DG Enlargement, EuropeAid, the Evaluation Unit, DG External Relations and DG Trade. More than 100 country and regional strategies have been produced and assessed by the IQSG; 29 have been formally adopted by the Commission.⁸⁷ **We warmly welcome the institution of CSPs as a way of focussing 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.⁸⁸ We also join with DFID in applauding the establishment of the IQSG as a mechanism to promote best practice.⁸⁹**

48. However, whilst we firmly believe that the adoption of the CSP approach is a very positive development, we do have some concerns about how the process is being conducted in practice. There is a tricky balance between the goals of donor coordination, civil society consultation, and country ownership; we are concerned that the right balance is not in some

⁸⁶ Q43

⁸⁷ *European Development Policy Targets and Indicators*, pp.44-46 (European Commission Paper for European Parliament Workshop on 26 February 2002).

⁸⁸ Ev 54, [para. 5]

⁸⁹ Q6; Q48.

cases being achieved. The Committee heard of a CSP being “written in Washington”,⁹⁰ the implication being that the World Bank was the prime mover, and also heard the level of consultation with civil society described as “patchy”. BOND reported that, “The reality on the ground is that very little genuine consultation takes place”.⁹¹ In this instance the finger of blame cannot be pointed at the Commission; in some cases Governments are either unable or unwilling to consult with civil society, in others local civil society organisations are either absent, or lack the capacity to participate in consultations. As far as the content of the CSPs is concerned, some witnesses expressed concern that the CSPs produced so far had tended to opt for transport or unspecified macro-economic support as priority issue areas.⁹² We however share DFID’s view that within the context of a nationally-owned development plan, a country’s choice of priorities is something of a “second order” issue.⁹³

49. 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 requirement⁹⁴ and resources are provided to help make this a reality.⁹⁵ 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.

Deconcentration to Delegations and Staffing

50. The success of the CSP process is predicated on the European Commission having effective Delegations which are well-staffed and have the authority to make decisions. The devolution of project management to Commission Delegations in partner countries transfers responsibility and authority for implementation away from Brussels and into the field. EuropeAid coordinates this process of “deconcentration” to Delegations, and will, ultimately, be left as the “manager of the system”,⁹⁶ with the Delegations in charge of project implementation. The objective of deconcentration is to make the implementation of development assistance more responsive to locally felt needs and partners’ priorities, and to enable Delegations to work more closely with actors at the local level. **We are strongly supportive of the principle of deconcentration. 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.**

⁹⁰ Q76

⁹¹ *Ibid.*

⁹² Ev 103, [para. 27]; Ev 22, [para. 30]; Ev 56, [para. 32]

⁹³ Q10

⁹⁴ Q202

⁹⁵ Q198

⁹⁶ Q104

51. Mr Bonacci of EuropeAid told us that reasonable progress was being made with an ambitious schedule of deconcentration to Delegations. The plan is to devolve project management to 78 Delegations over the course of 2001–2003. The first phase was to take place in 2001 and to include devolution to the following 21 Delegations: Croatia and Russia in Europe; China, India, Indonesia and Thailand in Asia; Egypt, Morocco, Tunisia and Turkey in the Mediterranean; Argentina, Brazil, Bolivia, Mexico and Nicaragua in Latin America; Ivory Coast, Kenya, Mali, Senegal and South Africa in Africa; and, the Dominican Republic in the Caribbean. By 30 January 2002, devolved project management had started in 10 countries, and was expected to begin in the remaining 11 countries within a couple of months. Beginning in the latter half of 2002, a second phase is to involve 26 countries, completing the process for countries in Europe, Asia, Latin America and the Mediterranean, and extending it to fourteen ACP countries. Completion in the remaining ACP countries is scheduled for 2003.⁹⁷ We are glad that there is a timetable for deconcentration, but we do not understand the logic behind the sequencing of deconcentration to Delegations, and wonder why an important regional country such as Nigeria was not included in the first phase of Deconcentration.

52. The European Commission, along with many NGOs, has long insisted that the success of the reforms of European development assistance, and of deconcentration more specifically, depends on adequate staffing, both in terms of number and quality. As Saferworld put it in written evidence, “It is vital that the proposed decentralisation of authority to the delegation level is matched by adequate levels of staffing from the outset”.⁹⁸ The impressive performance of the European Agency for Reconstruction in implementing aid for Kosovo, in part on the basis of adequate and appropriate staffing, illustrates and reinforces this point.⁹⁹ In our previous inquiry into EC development assistance, staffing was a contentious issue. The Commission argued forcefully for more staff,¹⁰⁰ Clare Short stated that she would “fight to the death” to prevent this,¹⁰¹ and we suggested that any reassessment of staffing needs must take account of progress made with increasing the efficiency of European development assistance.¹⁰² In evidence to the current inquiry we heard that Clare Short and DFID now supported the increased staffing needs of the Commission, and no longer felt that the issue of staffing was solely being used as an excuse for under-performance.¹⁰³

53. Action Aid and BOND reminded us that the staffing issue is about appropriate skills and experience, as well as about adequate numbers. Action Aid explained that “It is

⁹⁷ *Ibid.*; *Deconcentration Progress Report* as of 30 January 2002 – Not printed, copy placed in library.

⁹⁸ Ev 105

⁹⁹ The European Scrutiny Committee referred to us a European Court of Auditors Report concerning the financial accounts of the European Agency for Reconstruction and the implementation of aid for Kosovo for the year 2000. This report concurs with our view – paras. 51 to 53 – about the importance of appropriate and adequate staffing. See also: Ev 3; Ev 55, [para. 17].

¹⁰⁰ Ninth Report from the International Development Committee, Session 1999-2000, *The effectiveness of EC development assistance*, HC 669, para. 62.

¹⁰¹ *Ibid.*, para. 65.

¹⁰² *Ibid.*, para. 69.

¹⁰³ Q42

not just a question of the number of personnel either in the field or in Brussels but the extent to which they are equipped and trained to undertake their tasks. The Commission needs to ensure that personnel working in EuropeAid are trained in, have experience of, and apply, participatory, people-centred development".¹⁰⁴ Drawing on evidence from Bangladesh, South Africa, and Nicaragua, BOND told us that Delegations were unable to take seriously gender issues and policies.¹⁰⁵ Complaining about the Commission's staffing of Delegations, BOND suggested to us that "It is impossible seriously to implement the commitments that they have made to poverty elimination, to promoting equality between men and women, to promoting respect for human rights, unless they seriously step up the quality of their staff and expand the training to all the other staff".¹⁰⁶ Our concerns were not alleviated by Chris Patten's acknowledgement that out of 209 top-level officials working for the RELEX family of DGs, only 56 had worked as civil servants beyond the EU's borders for more than a year.¹⁰⁷ Appropriate skills, training and experience is as important as adequate numbers of staff.

54. There is a tension between the desire to make progress with deconcentration, and the need to staff Delegations adequately and appropriately. We were very concerned to hear that the process has already slipped slightly behind schedule,¹⁰⁸ and were not filled with confidence by Mr Bonacci's admission that "we still have some doubts ... we do not know whether we will be in a position to find all the staff needed".¹⁰⁹ **It is clear to us that the Commission is struggling to balance the demands of speed and quality as regards the process of deconcentration 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.¹¹⁰ 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 deconcentration. We urge DFID and the UK Government to support the Commission in meeting its staffing requirements.**

Backlogs, Disbursements and NGO Payments

Backlogs and Disbursements

55. Huge backlogs, low levels of disbursement, and long delays between commitments and payments have long plagued European development assistance. In our previous report we supported the Commission's proposal to examine old and dormant commitments with

¹⁰⁴ Ev 102, [para. 18]

¹⁰⁵ Ev 20, [para. 14]

¹⁰⁶ Q85

¹⁰⁷ *European Voice*, 31-10-2001. The breakdown by DG was: Development, 12 out of 31; ECHO, 3 out of 10; Enlargement, 4 out of 20; EuropeAid, 15 out of 62; External Relations, 16 out of 58; Trade, 6 out of 28.

¹⁰⁸ Q32; Q104

¹⁰⁹ Q106

¹¹⁰ Ev 3, [para. 17]

a view to rescinding them, and recommended that the Commission propose a clear timetable for achieving this objective.¹¹¹ We are pleased that the Commission set itself the task of dealing with these issues, and welcome the progress that has been made.¹¹²

56. As Poul Nielson explained, to improve speeds of disbursement, it is first necessary to deal with the existing backlog.¹¹³ The Commission, and EuropeAid specifically, has made considerable progress with clearing the backlogs of old and dormant commitments. By November 2001 the level of old commitments (pre-1995) had been reduced by 45 percent compared to the level in November 1999. The level of dormant commitments (not resulting in payments within two years) had fallen too, by 30 percent from the end of 1999 to November 2001.¹¹⁴ As regards disbursement levels too, progress has been made. Mr Bonacci reported a 17 percent increase in disbursements for the EDF and budgetised ODA combined, for each of the years 2000 and 2001.¹¹⁵ Finally, progress has been made in reducing the delay between funds being committed and fully disbursed. From a peak of just less than five years in 1998, by 2001 the average delay had fallen to just less than four years; as regards the EDF, the delay had fallen from just less than six years in 2000 to around four and a half years in 2001.¹¹⁶ We remain concerned however that these welcome average improvements hide serious problems in particular cases. During our recent visit to Nigeria for instance, we were told that there are €600 million of unspent funds, and that a so-called “quick start” project had taken 2 years to disburse its first Euro. Such delays are unacceptable and demand further progress.

57. EuropeAid is also in the process of simplifying and harmonising its contracting procedures in order to reduce the time taken to complete the tendering process, to increase disbursement capacity and to prevent backlogs building up in future. The new financial regulation, the reduction in the number of contracting procedures from forty-six to eight, and the provision of a “sunset clause” to place a time limit on the validity of budgetary commitments were all commended to us as useful innovations.¹¹⁷ It is good that progress has been made, but further progress is needed and cannot be taken for granted. In 2000, payments of ODA still amounted to an unacceptably low 59 percent of commitments.¹¹⁸ In addition, we are concerned to ensure that the speed of payments is not increased at the expense of the quality of projects, and reserve judgement on the “sunset clause” until the details are known. We hope that a time limit will encourage better design and appraisal and hence speedier agreement, and not act as a disincentive to participatory and inclusive development.

EC-NGO Relations

¹¹¹ Ninth Report from the International Development Committee, Session 1999-2000, *The effectiveness of EC development assistance*, HC 669, para. 50.

¹¹² Q104; Ev 40 and Ev 41

¹¹³ Q203

¹¹⁴ *Overview on Budget Implementation 2001* - Not printed, copy placed in library.

¹¹⁵ Q104

¹¹⁶ Ev 41

¹¹⁷ Ev 2, [para. 11]; Ev 55, [para. 21]

¹¹⁸ European Commission (2002) *Annual Report on the Implementation of the European Commission's External Assistance, Situation as at 01.01.2001*, p.141.

58. As noted in our previous inquiry into EC development assistance, NGOs have faced problems of late payments and complex procedures.¹¹⁹ The reform process was intended to bring about improvements to EC-NGO relations, and in particular to reduce payment delays. As such, the last two years have been a time of major change to the management of the budget line for NGO co-financing, B7-6000, and to EC-NGO relations more generally.¹²⁰ Perhaps not surprisingly given the associated disruption, and some tensions around the relationship between the Commission and the Liaison Committee of Development NGOs to the EU in Brussels, there have been some difficulties and continuing delays, of which NGOs have been highly critical. Action Aid told us that “As far as grants to NGOs are concerned the situation is bleak although it is not too late for the current reforms to radically improve the situation”, and said that the Commission’s “ad hoc measures” were threatening to undermine the objectives of the reform process.¹²¹ Complaints focussed on continuing unacceptable delays, and a lack of transparency as regards the timetable for calls for proposals and the criteria for making decisions.¹²² BOND did report that some progress was being made with clearing the backlog and reducing delays, and welcomed the new framework – the General Conditions—for the B7-6000 co-financing budget line, but worried that the separation of EuropeAid from DG Development had damaged EC-NGO dialogue and led the Commission to view increasingly NGOs as implementers rather than development actors in their own right.¹²³

59. EC-NGO relations have clearly been damaged by a lack of transparency and trust. NGOs, which can ill-afford to be paid late, have also had to deal with much uncertainty as regards both individual funding decisions, and the long-term future of EC-NGO relations and the associated funding environment. There can indeed be little doubt that the nature of European NGOs’ relationships with the EC is likely to evolve, especially as the capacity of developing country NGOs increases. Whilst this is a longer-term issue, and one which deserves serious consideration, it does seem to us that the Commission has recognised the problems of late payments and lack of transparency in decision-making, and is endeavouring to institute procedures to enable it to cope with the huge volume of applications it receives. This is very welcome. **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.**

Evaluation

60. Evaluation is of paramount importance to any organisation. Evaluation is the basis for accountability, transparency, learning, and informed decision-making. High-quality evaluation is fundamental to any assessment of the Commission’s progress in implementing its reforms successfully. In particular, evaluation in terms of a standard framework is a

¹¹⁹ Ninth Report from the International Development Committee, Session 1999-2000, *The effectiveness of EC development assistance*, HC 669, para. 51.

¹²⁰ <http://europa.eu.int/comm/development/sector/ngo/b7-6000en.htm> (accessed 16-4-02)

¹²¹ Ev 101, [para. 11]

¹²² Ev 101 and 102, [paras. 11-17]; Ev 20, [para. 17]

¹²³ Ev 20, [para. 20].

prerequisite if comparisons are to be made between the poverty focus and effectiveness of European development assistance and that of member states' bilateral programmes.

61. The first Annual Report on the Implementation of the European Commission's external assistance was published in January 2002.¹²⁴ As a baseline report, it refers to the situation at 1 January 2001, the date of establishment of EuropeAid. We join with others, including Ministers attending the European Development Council on 8 November 2001, in welcoming the recognition that it is important to make such a report, but in being extremely disappointed with the structure and content of the report itself. The Annual Report makes no attempt to measure impact, fails to say how the Commission intends to measure impact in future, and neglects to discuss priorities or compare the different regional or sectoral programmes. The Annual Report is a step in the right direction, but a disappointingly small step which must be improved upon next year.

62. Evaluations of specific programmes are managed by the Evaluation Unit. Located within EuropeAid, this unit is in charge of the evaluation of the Commission's development and cooperation programmes. It covers all geographical regions, as well as sectoral programmes. Its stated objectives are, firstly to learn lessons to improve policy and practice, and secondly to improve transparency and accountability. The evaluation unit reports directly to the five RELEX Commissioners on the board of EuropeAid, and as such might be described not as being independent of the Commission, but as having an independence within the Commission.¹²⁵ This placing of the evaluation unit within the implementing agency – whilst apparently peculiar – is not dissimilar to the approach employed by DFID. Poul Nielson responded to our questions about the location of the evaluation unit within EuropeAid, saying that: firstly, the EC's evaluation unit makes use of external evaluators as much as other donors do; secondly, that internal evaluators tend to communicate their findings more clearly and with less fear of losing subsequent contracts; and thirdly, that were the evaluation unit to be located in DG Development or DG External Relations, it would then be too close to the programming phase of the project cycle.¹²⁶

63. We agree that for the purposes of learning, an internal evaluation unit can be best, but feel that this might not be the case as far as accountability and transparency are concerned. In addition, we were not convinced by Poul Nielson's suggestion that an external unit is likely to be less willing than an internal one to want to rock the boat. We are also aware of serious concerns about the independence of the evaluation unit and the transparency of its processes, concerns which have been voiced by professional evaluators which much experience of working with and for the EC.¹²⁷ We recommend that further consideration is given to the multiple objectives of evaluation and the best way of achieving these in a transparent manner.

¹²⁴ European Commission (2002) *Annual Report on the Implementation of the European Commission's External Assistance, Situation as at 01.01.2001*. A draft version of this document was referred to us by the European Scrutiny Committee; our opinion on the annual report is given in para. 60.

¹²⁵ Q49

¹²⁶ Q206

¹²⁷ Portes and Montes letter of 19-2-02 to Patten and Nielson – Not printed, copy placed in library.

64. No matter whether conducted by an internal or an external unit, any assessment of the (cost)-effectiveness of development assistance depends upon information about both spending, and about the impacts of that spending. Attempts to assess the effectiveness of the European Commission's development assistance programmes are lacking on both counts. Echoing a point made earlier—paragraph 24—the Development and Cooperation Committee of the European Parliament stated in its opinion on the Budget for 2002 that, “The system for budget classification is beneath contempt, making it more or less impossible to establish the detailed distribution of EU aid money sector by sector”.¹²⁸ Lacking proper systems for information management, the EC has, up until now, failed to provide a sectoral breakdown of its development spending, something which would enable comparisons to be made between the EC and other DAC donors. The EC accepts that this needs addressing. Poul Nielson described the process of retrieving data to report on what the EC does in terms of development assistance as “archaeology”,¹²⁹ and said that being able to report in the same way as other DAC donors do would be “a measure of going normal, going mainstream.”¹³⁰ We were encouraged to hear that the Common Relex Information System (CRIS) will be operational by mid-2002, and that the clear intention is to be able to produce a sectoral breakdown for spending in 2002, and to perhaps produce a retrospective breakdown for 2000 and 2001.¹³¹ We congratulate EuropeAid on its progress in this area, and encourage further endeavours—particularly in terms of developing project-profiles which go beyond the DAC sectoral breakdowns—to improve transparency and accountability, and to inform decision-making.

65. 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 focussed 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.

¹²⁸ European Parliament Committee on Development and Cooperation, *Opinion on the draft budget for 2002*. 12-9-2001.

¹²⁹ Q190

¹³⁰ Q204

¹³¹ Letter of 4-1-02 from Poul Nielson to Mr Joaquim Miranda, Chair of the European Parliament Committee on Development and Cooperation – Not printed, copy placed in library.

V CONCLUSION

66. European development assistance could make a major contribution to the elimination of poverty; the current reforms are an effort to realise this potential. Overall, we welcome the reforms, and look forward to seeing their impact on the ground. In respect of the management of European development assistance, we are persuaded that the reforms are on track. As regards the allocation of resources, we are concerned that there remains too much of a focus on the “near-abroad”, at the expense of developing countries. Our key conclusions are that:

- The new procedures for the programming and implementation of European development assistance – the Country Strategy Papers, the Inter-service Quality Support Group, deconcentration to Delegations, and efforts to improve evaluation and to reduce payment delays—are extremely welcome and, whilst delays are still unacceptable, these reforms seem to be broadly on track;
- The EC’s ability to staff its Delegations adequately and appropriately is crucial to the success of the reform programme and must be addressed as a matter of urgency;
- The current allocation of roles and responsibilities amongst DG Development, DG External Relations and EuropeAid is confusing. Maintaining a strong institutional focus for development, a single Directorate General and a single Commissioner should have responsibility for development as regards both ACP and non-ACP countries;
- The EC must work to maximise coherence between its development policy and policies in other issue areas. In particular the issue of agricultural export subsidies must be addressed if the coming round of WTO trade negotiations is really to be a “development round”;
- The EC’s development assistance and specifically its ODA remains insufficiently focussed on low income countries and the elimination of poverty; clear targets must be set to improve the poverty focus of EC development assistance.

1. After too many years of disappointment and frustration with the inefficiencies of European development assistance, we have been pleased to see some progress. We hope that this predominantly Brussels-based progress is translated quickly into on the ground improvements in development practice. We remain concerned however that too much EC development assistance is spent on the “near abroad”. Clare Short outlined to us her nightmare scenario; a future in which the EC is an efficient channel for the disbursement of aid—including an increasing share of UK aid—to the EU’s middle income neighbours.¹³² If we are to avoid this outcome, progress must now be made with improving the poverty focus of European development assistance.

2.

¹³² Q238

Acronyms and Selected Glossary

ACP	African, Caribbean and Pacific countries
Budgetisation	The integration of European Development Funds into the EU budget.
Cotonou Agreement	The successor to the Lomé Convention, governing aid and trade relations between the EU and ACP countries.
CAP	The EU's Common Agricultural Policy.
CSP	Country Strategy Paper
Deconcentration	The devolution of powers and responsibilities from Brussels to Delegations in the field.
DAC	The Development Assistance Committee of the OECD.
EBA	The European Union's Everything But Arms initiative which grants improved market access to least developed countries.
EC	European Community. See explanatory note.
ECHO	European Community Humanitarian Aid Office
EDF	European Development Fund. Non-budgetised assistance for ACP countries.
EU	European Union.
IQSG	Inter-service Quality Support Group which vets Country Strategy Papers.
Official Aid	Aid to transitional countries. See explanatory note.
ODA	Official Development Assistance to developing countries. See explanatory note.
OECD	Organisation for Economic Cooperation and Development
PRSP	Poverty Reduction Strategy Paper
SCR	Common Service for External Relations – forerunner to EuropeAid.
WTO	World Trade Organization

LIST OF CONCLUSIONS AND RECOMMENDATIONS

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).**
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).**
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).**
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).**
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).**
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).**

7. **The EC's ODA is much less focussed 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).**
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).**
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).**
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).**
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).**
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).**
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).

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 (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).**
18. **We warmly welcome the institution of CSPs as a way of focussing 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).**
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).

- 20. We are strongly supportive of the principle of deconcentration. 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).**
- 21. It is clear to us that the Commission is struggling to balance the demands of speed and quality as regards the process of deconcentration 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 deconcentration. We urge DFID and the UK Government to support the Commission in meeting its staffing requirements (paragraph 53).**
- 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).**
- 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 focussed 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).**

PROCEEDINGS OF THE COMMITTEE RELATING TO THE REPORT

TUESDAY 16 APRIL 2002

Members present:

Tony Baldry, in the Chair

Mr John Barrett
 Mr John Battle
 Hugh Bayley
 Ann Clwyd
 Mr Tony Colman
 Chris McCafferty
 Mr Andrew Robathan
 Tony Worthington

The Committee deliberated.

Draft Report [The Effectiveness of the Reforms of European Development Assistance], proposed by the Chairman, brought up and read the first time.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs entitled 'Summary', 'Background and Acknowledgements' and 'Explanatory Notes' read and agreed to.

Paragraphs 1 to 66 read and agreed to.

Resolved, That the Report be the Second Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Ordered, That the provisions of Standing Order No. 134 (Select committees (reports)) be applied to the Report.

Several papers were ordered to be appended to the Minutes of Evidence.

[Adjourned till Thursday 18 April at a quarter to Three o'clock.

LIST OF WITNESSES

Tuesday 4 December 2001
Page

Mr Barrie Ireton, Director General, International and Western Asia,
and Mr Anthony Smith, Head, European Union Department,
Department for International Development
Ev 4

Tuesday 18 December 2001

Ms Helen O'Connell, Vice-Chair, Ms Constanza de Toma, EU Policy Officer,
and Ms Ruth Coles, Former Chair of EC Funding Group, British Overseas NGOs for Development (BOND)
Ev 25

Tuesday 22nd January 2002
(Morning)

Mr Giorgio Bonacci, Director General, Europe Aid
Ev 42

Mr Pierre Defraigne, Head of Cabinet to Mr Pascal Lamy,
Member of the European Commission (Trade)
Ev 48

Mrs Glenys Kinnock, a Member of the European Parliament,
and member of the European Parliament's Committee on Development and Co-operation Ev 58

Tuesday 22nd January 2002
(Afternoon)

Ms Constanza Adinolfi, Director, European Community Humanitarian Aid Office
Ev 64

Mr Poul Nielson, Member of the European Commission (Development) Ev 68

Monday 4 February 2002

The Rt. Hon. Chris Patten, Member of the European Commission (External Relations)
and Mr Patrick Child, Member of Commissioner Patten's Cabinet . . . Ev 78

Tuesday 5 February 2002

The Rt. Hon. Clare Short MP, a Member of the House, Secretary of State for International Development, and Mr Anthony Smith, Head, European Union Department, Department for International Development Ev 86

**LIST OF MEMORANDA
INCLUDED IN THE
MINUTES OF
EVIDENCE**

Page

Department for International Development	Ev 1, 16, 99
British Overseas NGOs for Development (BOND)	Ev 18
5. EuropeAid	Ev 37
Mrs Glenys Kinnock MEP	Ev 53
7. ... DG Development	Ev 76
The Rt. Hon. Chris Patten	Ev 84

**LIST OF APPENDICES
TO THE MINUTES OF
EVIDENCE**

1. ActionAid	Ev 100
2. Saferworld	Ev 104

**LIST OF UNPRINTED
MEMORANDA**

The following memoranda have been reported to the House, but to save printing costs they have not been printed and copies have been placed in the House of Commons Library, where they may be inspected by Members. Other copies are in the Record Office, House of Lords, and are available to the public for inspection. Requests for inspection should be addressed to the Record Office, House of Lords, London SW1A 0PW (tel: 020 7219 3074). The Record Office is open to the public from 9.30 am to 5.00 pm on Mondays to Fridays.

3. Letter to Mr Joaquim Miranda, Member of the European Parliament, from Mr Poul Nielson, Member of the European Commission (Development)
4. European Commission Progress Report on the Reform of the Management of EU External Assistance, February 2002
5. European Commission Progress Report on Deconcentration, as of 30 January 2002

6. European Commission
Overview on Budget
Implementation 2001

7. Letter to Mr Chris Patten,
Member of the European
Commission (External
Relations) and Mr Poul
Nielson, Member of the
European Commission
(Development), from Mr
Jonathan Portes and Mr
Carlos Montes,
Development Strategies

8.