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EU External Aid:
Who is it for?

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CONTENTS

Executive summary

- The UK currently contributes £1,424m to EU external aid spending, around 18% of the UK's £7,767m total aid budget. The UK Government has said that its recent "plans to redraw the aid map will concentrate efforts on countries where UK aid will, pound for pound, achieve the best results in fighting poverty and building a safer world." This redrawing of the map must also include EU aid.
- Money spent as EU aid continues to be poorly targeted at tackling poverty. Only 46% of EU aid reached lower income countries in 2009, compared with 74% of UK aid and 58% of EU member state governments' aid.
- Geographical proximity and ties with former colonies continue to determine the destination of much of the Commission's foreign aid. From 2000-2009, developing European countries received $10.49 per capita a year, while Sub-Saharan Africa received only $3.94 per capita. Turkey was the top recipient of EU aid in 2009 and other European neighbours Kosovo and Serbia were also in the top ten recipients.
- EU aid, which is managed by the European Commission, currently has administration costs of 5.4%, which are higher than the UK's Department for International Development's (DFID) costs of 4%, and the UK Government's target of reducing these to 2% by 2014-15. Some EU aid streams, such as the programme for African, Caribbean and Pacific countries, have administration costs as high as 8.6% - above the ceiling the UK imposes when giving grants to NGOs.
- €1.4bn or 10% of EU aid is needlessly passed on to other multilateral donors every year, such as the UN and World Bank. This money is simply being recycled between donors – up to three times in some cases – before it reaches a recipient country and is subject to unnecessary administration and transaction costs. In 2009, the Commission also agreed to 'delegate' €242.7m worth of aid spending back to the EU's national governments, which begs the question why the money was ever given to the EU by member states in the first place.
- EU aid is too often not aligned with other EU policies. For example, in 2008, the Commission established a migration centre in Mali to provide support to migrants seeking temporary jobs in the EU. However, with only Spain having signed a migration agreement with Mali, the €10m centre has helped only six Malians find work in Europe, although the centre also served as an information and education hub.
- The EU's current drive to transfer up to 50% of its aid directly to recipient governments' treasuries, through 'budget support', rather than pre-agreed projects means that the EU risks donating money directly to discredited or illegitimate regimes.
- While budget support does offer benefits, such as better alignment of aid with recipient countries' national policies, the EU often lacks the proper controls and

monitoring to ensure money is not wasted or lost to corruption. The huge focus on budget support risks an overreliance on an unproven development policy.

- Some aid funding does not even leave the EU, or even Brussels. In 2009 alone, the EU granted a Brussels-based communications agency nearly €500,000 to produce various promotional brochures and campaigns. This included €90,000 to co-ordinate an "I fight poverty" music contest amongst young people in Europe, to increase "development awareness". However, Open Europe also highlights examples of EU aid well spent, which could be built on in the future, where the link between aid and performance has been strong.

Conclusions and recommendations:

1 Despite some improvements, the EU's 'value added' remains unclear. Despite the moves towards a greater division of labour, the underlying principle in aid financing continues to be centralisation in Brussels. It makes no sense for national governments to pay into the EU aid budget only to receive some of their funds back, under so-called 'Delegation agreements', or see them passed on to another multilateral donor such as the UN.

2 Contributions to the EU aid budget should be made entirely voluntary, as the European Development Fund (EDF) element already is. DFID has stated that the EDF is far better targeted at reducing poverty than the rest of the EU's aid budget and that the UK has far more scope to improve performance, precisely because its contribution is voluntary. The UK should therefore spend its aid budget directly through DFID rather than via the EU, unless there is a demonstrable EU 'value added' in which case it could opt into specific programmes such as the EDF.

3 The role of the EU should be to provide a forum for coordination between donors, rather than to act as a '28th donor', serving as an intellectual centre in development issues and working to improve the aid effectiveness of the worst EU donors, for example through benchmarking and monitoring of the progress achieved. It would mean large savings in administration costs.

4 The EU needs to avoid overreliance on budget support for delivering its aid. Because budget support is less bureaucratic it is a way of getting money out of the door faster but, as the share of budget support increases, the risk is that speed is traded for effectiveness and accountability. The Commission should consider setting a 25%-30% limit on the portion of budget support as a total of EU aid until the effects of this method are better understood and evaluated.

5 Aid works only when it is combined with good policies and institutions. A large share of the responsibility lies with developing country governments, but the policies used by donors also matter. In particular, the EU should open up to globalisation and embrace the inflow of goods, people and ideas from the developing world. A good first step would be the phasing out of the Common Agricultural Policy, and a commitment to an ambitious opening of trade with developing countries.

Introduction

In 2010 the EU, in combination with its 27 member states, spent €53.8bn on Official Development Aid (ODA), making it the largest aid donor in the world.[1] €9.7bn of this aid was disbursed directly by the EU institutions.[2] The question is whether it makes sense for member states to provide so much of their aid via Brussels and whether it is spent effectively?

The Commission's external aid budget includes both Official Development Aid and other external funding. In 2009, the entire EU external aid budget was €12,298m, €11,764m of which was counted as Official Development Aid by the Commission. Confusingly, aid to Turkey, for example, through the EU's pre-accession funds is counted as ODA, in the same way as EU development spending in sub-Saharan Africa.[3] This budgeted figure, or 'commitments', is higher than the amount of money that is actually paid out in the given year.

The majority of EU development aid is spent as a portion of the EU's central budget, to which all member states contribute. The rest is spent via the European Development Fund, to which member states contribute voluntarily.[4] This aid is managed by various departments within the European Commission, the EU's newly formed External Action Service and EU delegations in third countries.

The EU's major aid instruments[5]

Aid funded directly from the EU budget	*Amount*
The Development Cooperation Instrument (DCI) covers country and regional programmes in Asia, Central Asia, South America, the Middle East and South Africa.	€16.9bn (2007-13)
The European Neighbourhood and Partnership Instrument (ENPI) covers Eastern Europe, the South Caucasus, the near Middle East (including the Middle East Peace Process), the Palestinian Authorities and North Africa. It is designed to support the implementation of the European Neighbourhood Policy.	€11.2bn (2007-13)

1 *European Commission* press release, 'Commissioner Piebalgs calls for EU to maintain its leadership on official development aid as new figures reveal it spent a record €53.8 billion in 2010', 6 April 2011; http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/410&format=HTML&aged=0&language=EN&guiLanguage=en
2 OECD figures show that the EU institutions disbursed $13.5bn in ODA in 2010 (2009 prices and exchange rate); http://www.oecd.org/dataoecd/54/41/47515917.pdf. Using the ECB s 2009 $-€ exchange rate of 0.716949 this gives EU institutions a figure of €9.7bn disbursed ODA. Disbursements are less than commitments, which in 2009 totalled €12.3bn.
3 *European Commission*, 'Annual report 2010 on the European Union's development and external assistance policies and their implementation in 2009', 2010, Tables 6.3, 6.4 and 6.5, p170-1; http://ec.europa.eu/europeaid/multimedia/publications/documents/annual-reports/europeaid_annual_report_2010_en.pdf;
4 *DfID*, 'Multilateral aid review: assessment of European Commission budget', 2011; http://www.dfid.gov.uk/Documents/publications1/mar/ecbudg.pdf; and *DfID*, 'Multilateral aid review: assessment of the European Development Fund', 2011; http://www.dfid.gov.uk/Documents/publications1/mar/edf.pdf
5 EU aid is comprised of a total of 10 different "instruments" but we have only chosen to highlight the five most significant in terms of funding here.

The Instrument for Pre Accession (IPA) covers all countries that are candidates and potential candidates for EU membership. Currently these include the Western Balkan countries, Turkey and Iceland.	€11.5bn (2007-13)
The Instrument for Stability (IFS) supports both short term and longer term projects on conflict prevention, crisis management and peace building.	€2.1bn (2007-13)
Aid outside the central EU budget	***Amount***
In addition to aid spending from the EU budget, there is also the separate **European Development Fund (EDF)**, a voluntary fund to which the UK contributes 14.8% of the total. It provides support to African, Caribbean and Pacific (ACP) countries as well as the EU's Overseas Countries and Territories.	€22.68bn (2008-13)

The EU is also a large provider of humanitarian aid, through the Commission's Humanitarian Aid & Civil Protection Directorate General (ECHO), with €930m spent by the ECHO in 2009.[6]

The UK spent £7,767m on external aid in 2009/10, £1,424m of which via the EU. The EU is by far the biggest recipient of UK multilateral aid spending, receiving over half of the UK's multilateral aid budget in 2009/10 and 18% of the UK's total aid spending.[7]

The UK Government has recently taken steps to achieve greater value for money from its aid and has stated that its "plans to redraw the aid map will concentrate efforts on countries where UK aid will, pound for pound, achieve the best results in fighting poverty and building a safer world, and where Britain is in the best position to deliver results".[8] Part of this "redrawing of the map" should include an evaluation of UK aid that is spent via the EU.

Attempts to reform

Since 2000, in response to criticism about the effectiveness of EU aid, the European Commission has embarked on a series of reforms.[9] Oxfam has suggested that, "EC aid for the large part is significantly more effective than it was a decade ago."[10]

6 *ECHO*, 'Breakdown of funding'; http://ec.europa.eu/echo/files/funding/budget/funding_breakdown_2010_en.pdf
7 *DFID*, 'Statistics on international development 2005/6 – 2009/10', 2010, p19; http://www.dfid.gov.uk/Documents/publications1/sid2010/SID-2010.pdf; This is the UK's Gross Public Expenditure on aid, which includes DFID's aid budget and all other sources of UK aid.
8 *DFID* press release, "Mitchell redraws aid map to transform lives of millions", 1 Mar 2011 http://www.dfid.gov.uk/Media-Room/Press-releases/2011/Mitchell-redraws-aid-map-to-transform-lives-of-millions/
9 See *Open Europe*, 'EU aid: is it effective', 2007 for a more in depth discussion about the history of EU aid; http://www.openeurope.org.uk/research/euaid.doc
10 *Oxfam*, 'UK multilateral aid review' august 2010, p9; http://www.oxfam.org.uk/resources/policy/debt_aid/downloads/ogb-multilateral-aid-review-100111-en.pdf

For the first time, the objectives of the Commission's aid budget were spelled out: there was to be a clear focus on poverty reduction; the EuropeAid office was established within the Commission as a single implementing agency to handle external aid; the bulk of aid management tasks were shifted from Brussels to the EU's 136 newly-upgraded delegations across the world; and Country Strategy Papers were introduced as part of a greater focus on achieving results.

The European Commission has made progress in stream-lining some of the bureaucracy involved in administering EU aid with the creation of the EuropeAid Development and Cooperation Directorate-General in 2011. This brings together the two former separate Directorates, DG Development and DG EuropeAid, and will act as a 'contact point' for both the EU's newly created External Action Service, which oversees EU delegations, and the various other Commission DGs involved in development policy, such as DG Trade and DG Enlargement.

The December 2005 'European Consensus on Development' was agreed under then Development Commissioner Louis Michel to increase aid effectiveness, proposing greater co-ordination of procedures and policies to divide labour more effectively between the Commission's activities and member states' bilateral aid programmes. A 2006 reform also consolidated a confusing 35 different aid instruments down into a more manageable 10 – the most significant of which are set out in the table above.

However, despite these reforms it remains unclear whether the Commission's role is to act as an all-encompassing aid donor or as a niche player complementary to the member states' existing aid programmes. While the EU could fulfil a valuable coordinating role, it makes no sense for the EU to be a '28th donor' with a large bureaucracy in parallel with the member states.

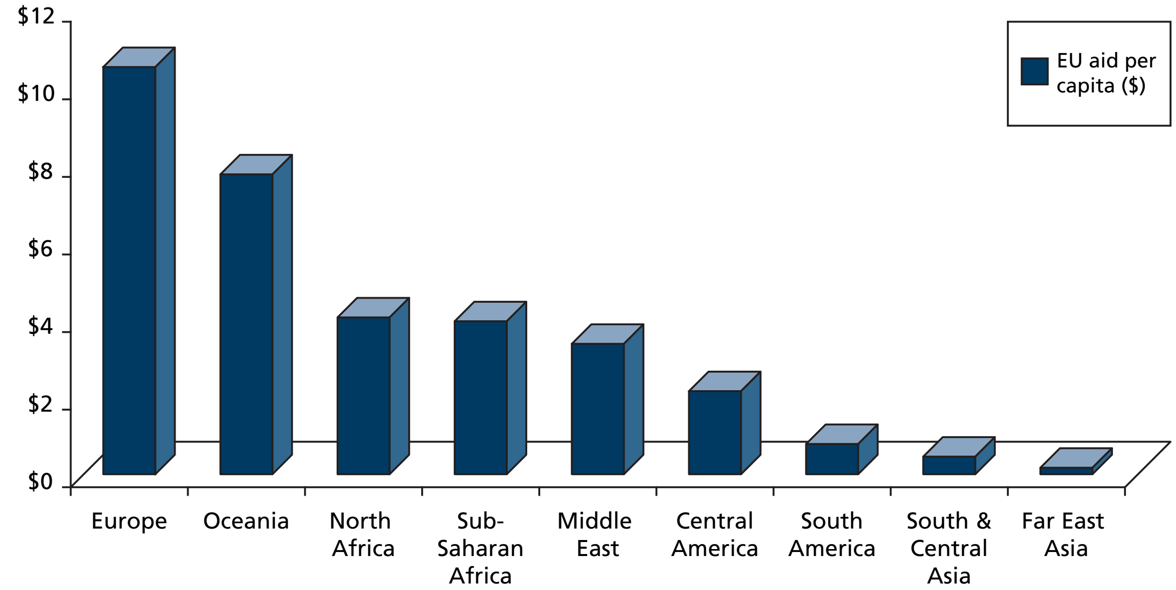
In the following section we outline the key problems with EU aid, which illustrate why the EU's role needs to be more narrowly and robustly defined vis-à-vis member states.

The key problems with EU aid

1. Lack of poverty focus

Despite the Lisbon Treaty stating that the EU's development policy "shall have as its primary objective the reduction and, in the long term, the eradication of poverty," not enough EU aid reaches the world's poorest countries. Geopolitical considerations (immigration from and political stability in neighbouring countries) and old colonial ties still dictate where much of the EU's money is spent.

Concord, a group of European NGOs, has noted that although EU development funding has increased in past years, the EU neighbourhood and enlargement budgets are expanding much faster than the budget available for the poorest countries. They note that, "Between 2004 and 2008 aid to Europe increased by 135% in constant terms while aid to the world's least developed countries only grew by 35%."[11] Turkey was the top recipient of EU development aid in 2009 and other European neighbours Kosovo and Serbia were also in the top ten recipients.[12]



Average net ODA per capita 2000-2009, OECD DAC database; http://stats.oecd.org/index.aspx

The above regional breakdown of EU aid spent annually between 2000 and 2009 shows huge disparities, with developing European countries receiving $10.49 per capita on average, while Sub-Saharan Africa receives only $3.94 per capita and South and Central Asia only $0.46 per capita. Geographical proximity and, in the

11 *Concord*, 'Penalty against poverty: more and better EU aid can score Millennium Development Goals', p21, 2010; http://www.actionaid.org/assets/pdf/concordreportlight.pdf

12 *OECD DAC Database*; http://stats.oecd.org/index.aspx. Turkey received $787m, Kosovo $316m and Serbia $293m from the EU in ODA in 2009.

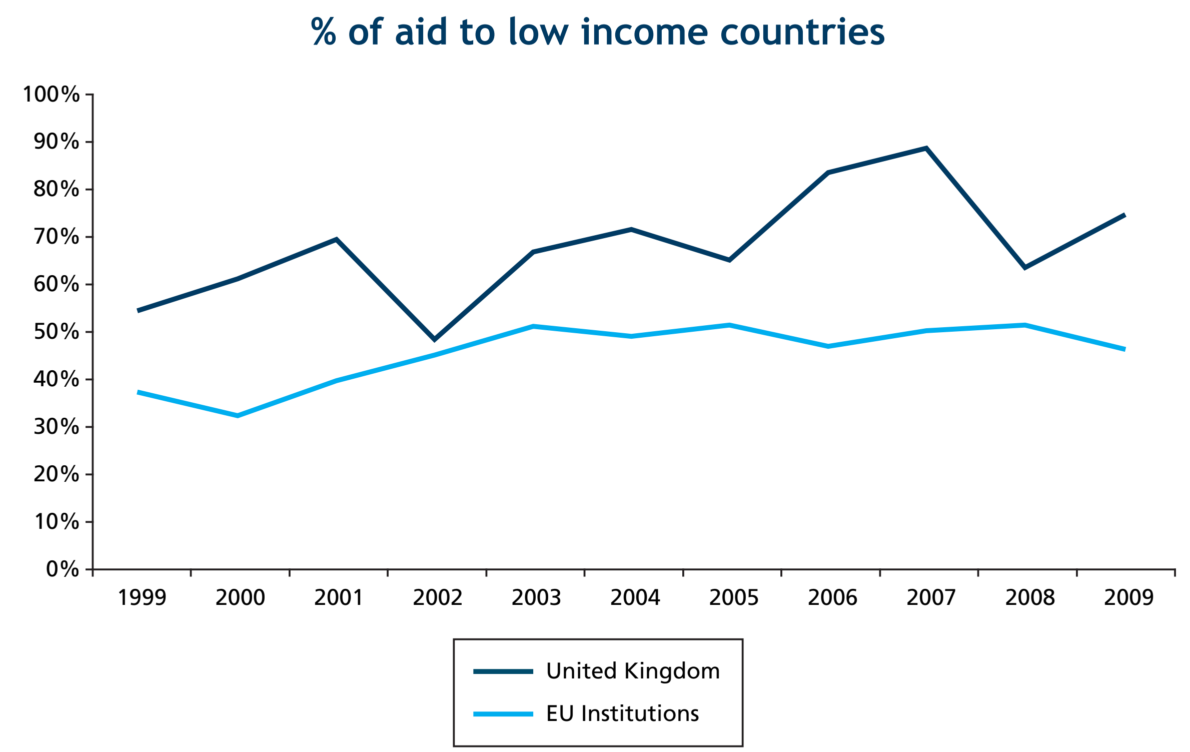
case of the Oceanic countries of the Pacific ($7.73 per capita), ties with former colonies, continue to determine the destination of the Commission's foreign aid.

In 2009, the latest figures available,[13] only 46% of EU aid reached low income countries, compared with 74% of UK aid, 58% of EU member state governments' aid and 56% of US aid.

% of aid to low income countries

Year	UK	EU member states (DAC members[14])	EU institutions
2009	74%	58%	46%

OECD DAC database, % of allocable net ODA disbursement to least developed and low income countries; http://stats.oecd.org/index.aspx



The graph above shows that although there has been some improvement in the focus of EU aid on the lowest income countries since 2000, reaching around 50% in 2003, this has levelled out and stalled at between 45%-50%. The 46% of EU aid reaching low income countries in 2009 is well below the OECD Development Assistance Committee (DAC) average of 60% and, at the other end of the scale, the 19% of EU aid to upper middle income countries compares to a DAC average of just 9%.

13 At the time of publication the OECD had released its figures for overall aid spending for 2010 but not a breakdown of where funds had been spent so we have used the 2009 figures.

14 Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and the UK are members of the OECD's Development Assistance Committee.

For example, Barbados, with a GNI per capita of $21,673, receives over 35 times more EU aid per person than Bangladesh, which has a GNI per capita of only $1,587.[15] Barbados, which is currently ranked a relatively high 42nd on the United Nations Development Programme's Human Development Index (HDI), received €21.80 of EU aid per person while Bangladesh, ranked a lowly 129th on the HDI, received only €0.58 per person.[16]

Various EU member states' Overseas Territories also receive EU aid, despite often being fairly well-off. For example, the UK's Falklands Islands received €4.5m of EU funding during the period 2004-2007,[17] and are due to get another €4.6m[18] for the period 2008-2013, despite having a per capita GNP of €40,000 in 2007, well over the EU average of €25,000 for the same year.[19]

Case study: Wealthy ex-colony New Caledonia given €50m in aid from 2000-2013

New Caledonia is a French Overseas Territory, a collection of tropical islands with a population of just 244,600 in 2008. Rich in natural resources, New Caledonia is home to a quarter of the world's nickel reserves. The EU itself recognises that the standard of living is "similar to the EU". In fact in 2004, GDP per capita was nearly identical to the EU average, with an average of €20,388 in New Caledonia, and €21,700 in the EU.[20]

Despite its relative wealth, the EU gave €30.2m in aid to New Caledonia during the finance period 2000-2007 and it is receiving a further €19.8m for 2008-2013.[21] This works out as roughly €16/person every year.

2. Effectiveness and accountability

The UK's Department for International Development (DFID) has stated that there have been some improvements in the effectiveness of EU aid. But Nemat Shafik, DFID's Permanent Secretary, speaking in November 2009, made "a big distinction" between the European Development Fund (EDF), which focuses on low-income countries, and the other programmes that make up the bulk of EU aid, which she noted are "more politically driven and less poverty-focused with much less supervision on the ground" (see table on page 3 for a breakdown of the EU's main aid streams).

15 2008 prices, 2010 United Nations Human Development Index, Table 1, http://hdr.undp.org/en/media/HDR_2010_EN_Tables_reprint.pdf
16 See *European Commission*, 'Annual report 2010 on the European Union's development and external assistance policies and their implementation in 2009', Table 6.11, p180, 2010; UNDP's HDI available at http://hdr.undp.org/en/statistics/data/
17 *European External Action Service (EEAS)*, http://eeas.europa.eu/falkland_islands/index_en.htm
18 *EEAS*, http://eeas.europa.eu/falkland_islands/index_en.htm
19 *Eurostat*, "Gross domestic product (GDP) at current market prices at NUTS level 2: 1997-2008", 2011 http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nama_r_e2gdp&lang=en
20 *Eurostat*, "Gross domestic product (GDP) at current market prices at NUTS level 2: 1997-2008", 2011; http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nama_r_e2gdp&lang=en
21 *EEAS*, Country profile: New Caledonia, http://www.eeas.europa.eu/new_caledonia/index_en.htm

This analysis has not changed since 2009. In its 2011 multilateral aid review, DFID noted that, while the EDF (€3.6bn a year) has a strong poverty focus (85% of funds are spent in low income countries), more than 85% of the EU's other development aid programmes' budget (€7bn a year) is spent in middle income countries. The EDF is rated "strong" on both its contribution to the "UK's development objectives" and on its "organisational strengths" but the rest of the Commission's aid budget is rated "weak" and "satisfactory" on the same respective measures.[22]

Despite this varying performance, in 2009/10, the UK contributed £397m to the better performing EDF but a much higher £789m to the poorly targeted and less effective central Commission budget.[23]

DFID suggested that the UK had been able to "drive much better performance with the EDF" rather than other EU aid because the latter was an "assessed contribution over which we have very little choice over the amount."[24] This illustrates the need for accountability: a clear link between aid priorities and member state contributions.

The EDF relies on voluntary funding from national governments, which gives member states much greater power to push for reform and a greater poverty focus – a key objective of UK aid spending. The rest of EU aid is simply taken as a percentage of the EU's total budget, to which member states have no choice but to contribute.

Although the destination of this centralised EU aid is still decided primarily by national governments, decisions at the EU level necessitate compromise and there is no method for member states to withdraw funding if they feel money is being spent inappropriately or wastefully. Once the link is broken between member state contributions and the management of funds, it is far harder for the better performing member state donors to push for EU reform.

Very few donors' aid is completely development focussed, but the huge proportions of aid spent under the EU's 'neighbourhood policy' (ENPI) and 'pre-accession agreements' (IPA) illustrate the role the broader aims of political stability, security, enlargement and stemming the flow of immigration play in determining EU aid. Crucially, according to both the Commission and the OECD, most of this aid counts as 'development' aid.

Even the Development Cooperation Instrument (DCI) – the most development focussed instrument in the EU's central aid budget – has been used to fund

22 *DFID*, 'Multilateral Aid Review: Ensuring maximum value for money for UK aid through multilateral organisations', March 2011, p170-171; http://www.dfid.gov.uk/Documents/publications1/mar/multilateral_aid_review.pdf; DFID also rates the European Commission's €800m humanitarian aid office, the ECHO, giving it scores of strong for meeting the UK's development objectives and "satisfactory" for organisational strengths.

23 *DFID*, 'Multilateral Aid Review: Ensuring maximum value for money for UK aid through multilateral organisations', March 2011, p170-171; http://www.dfid.gov.uk/Documents/publications1/mar/multilateral_aid_review.pdf

24 *HoC International Development Committee*, 'DFID's Performance in 2008–09 and the 2009 White Paper', 2010, p39-40; http://www.publications.parliament.uk/pa/cm200910/cmselect/cmintdev/48/48i.pdf

projects aimed at tackling illegal immigration from neighbouring countries rather than purely for development.

Case study: €10m to train Libyan law enforcement authorities to halt illegal immigration to Italy
Between 2007 and 2009, €10m of EU aid funding under the Development Cooperation Instrument was earmarked to train Libyan law enforcement and authorities to combat illegal immigration to Europe. The project, which started in February 2010 was due to finish in January 2013,[25] was implemented by the Italian Ministry of the Interior.

The project's expected results included: "Special units trained/able to gather intelligence information by debriefing the illegal migrants detected"; "Capacity of surveillance along the borders and along the main routes leading from the border crossing points towards the internal parts of the country and the coastal areas enhanced"; and "Technical equipment provided to improve the operational capacity of the relevant Libyan agencies in charge of border and migration management, search and rescue operations, investigation".[26]

Deciding to use EU funds to train the Libyan police force and law enforcement agencies, in what was clearly an oppressive regime, as recently as 2010, highlights that the EU was willing to prioritise domestic fears about illegal immigration over the potential danger for human rights abuses that this project represented.

The Commission and the European Parliament in particular have been strong proponents of incorporating the voluntary-funded EDF into the main EU budget, which would give MEPs and the Commission more power over how it is spent. This is a demand likely to be made in negotiations on the EU budget post-2013.[27] However, the greater effectiveness of the EDF, precisely because contributions to it are voluntary, is in fact an argument for making more, if not the entire amount, of member states' contributions to EU aid spending voluntary.

Case study: EDF-funded EU aid to Uganda improving access to water supply
Between 2001 and 2007, the European Commission provided €14.75m to the Ugandan towns of Hoima, Mubende and Masindi as part of its Mid-Western Towns Water and Sanitation Project, reaching around 25,000 people, through the voluntary-funded European Development

25 A EuropeAid official confirmed to Open Europe by telephone on 4 April 2011 that the project had started in February 2010 and was terminated at the start of the Libyan conflict.
26 *EuropeAid*, 'Thematic Programme on cooperation with Third Countries in the Areas of Migration and Asylum', 2009; http://ec.europa.eu/europeaid/what/migration-asylum/documents/migration_and_asylum_2007-2008.pdf, p74
27 *European Parliament* press release, 'MEPs scrutinise work done by ACP-EU assembly in 2009', 23 November 2010; http://www.europarl.europa.eu/en/pressroom/content/20101123IPR98009/html/MEPs-scrutinise-work-done-by-ACP-EU-assembly-in-2009

Fund.[28] DFID notes that "With the water now flowing in Hoima and in neighbouring towns, thousands of people have a chance to lead cleaner, healthier lives."[29] Aid funding for improved water supply has made significant improvements to the lives of Ugandans. According to the World Health Organisation/UNICEF joint monitoring programme for water supply and sanitation, access to improved drinking water in Uganda increased from 57% in 2000 to 67% in 2008.[30]

3. High administrative costs and unnecessary bureaucracy

Under the terms of the UK's Comprehensive Spending Review, DFID, which manages around 86% of the UK's development aid, is committed to reducing its running costs, which include administration and frontline staff, from 4% to 2% of the total budget by 2014-15.[31]

In contrast, the EU's administration costs, as a percentage of its official development aid disbursed, currently stand at around 5.4%.[32] However the costs of administering specific programmes seems to vary, with the cost of administering EU aid to the African, Caribbean and Pacific (ACP) countries standing at a much higher 8.6%.[33] To put this into context, DFID only allows NGOs receiving UK aid a maximum spend on administration of 8% of total budget.[34]

In addition to this internal bureaucracy, the EU channels a huge amount of money through other international multilateral organisations. In 2009, agreements for a total of €935 million and €469 million were signed with the UN and the World Bank Group, representing around 10% of total EU aid commitments.[35] This means a wasteful chain of transfers: national agencies administering a transfer to the EU, which then administers a transfer to either the UN or World Bank, which then administer the final transfer of aid to the recipient country – with administrative costs and delay at each stage. The result is that less aid reaches the people that need it.

28 EU delegation to Uganda website; http://www.deluga.ec.europa.eu/index.php?option=com_content&view=category&layout=blog&id=97&Itemid=307
29 *DFID* website, 'Clean water makes for good living in Uganda', http://www.dfid.gov.uk/Media-Room/Case-Studies/2009/Uganda-sanitation/; Commission aid to Uganda is funded from the EDF, see Country Strategy Paper here: http://ec.europa.eu/development/icenter/repository/print_ug_csp_en.pdf
30 *WHO and UNICEF*, 'Progress on sanitation and drinking water: 2010 update', 2010, p50; http://www.wssinfo.org/fileadmin/user_upload/resources/1278061137-JMP_report_2010_en.pdf; DFID puts access to drinking water at 65% in 2008-9.
31 *HoC International Development Committee*, 'Department for International Development Annual Report & Resource Accounts 2009–10', 2011, p5; http://www.publications.parliament.uk/pa/cm201011/cmselect/cmintdev/605/605.pdf
32 *European Commission*, 'Annual report 2010 on the European Union's development and external assistance policies and their implementation in 2009', 2010, p186, Table 6.14 shows total ODA at €9,799.7m and administration costs of €524.48m.
33 This figure was confirmed by the European Commission via email on 17 March 2011. ACP administration spending totals €434m, while the budget managed under this team totals €5.1bn (including money from the European Development Fund).
34 *Action Aid*, 'Real Aid 2: making technical assistance work', 2006, p12; http://www.actionaid.org.uk/doc_lib/real_aid2.pdf
35 *European Commission*, 'Annual report 2010 on the European Union's development and external assistance policies and their implementation in 2009', 2010, p12 and 162; http://ec.europa.eu/europeaid/multimedia/publications/documents/annual-reports/europeaid_annual_report_2010_en.pdf

Since the EU's 2005 'Consensus on Development', the Commission has placed more focus on co-ordinating the division of labour between itself and member states and among member states. Such coordination is beneficial because, by reducing the number of donor countries present in a given country, it reduces the amount of bureaucracy the recipient country needs to deal with.

However, the logic underpinning the EU's coordinating role is still centralisation and, in particular, the centralisation of financing. Under so-called "Delegation agreements", national governments' contributions to the EU aid budget are now, in some cases, being sent back to member states because they, rather than the Commission, are judged to be the best conduit to deliver aid to a given country.

In 2009, there were 48 Delegation agreements (from the Commission to a member state) under preparation or signed for a total of €242.7 million.[36] For example, in 2008, the Dutch governmental aid body SONA was awarded two contracts by the Commission, worth €43.5m over six years, to carry out urban infrastructure work in the Netherlands Antilles. On award of the contracts, the Commission noted that, "Implementation of the 9th EDF and previous EDFs had been slow (underspending and bureaucracy). Given the positive results that SONA had achieved with bilateral financing from the Netherlands, indirect centralised management seemed an efficient instrument for EC funded activities with SONA as implementing agency".[37] This division of labour seems sensible given SONA's better track-record in, and knowledge of, the Netherlands Antilles compared to the Commission.

However, what in theory is a good idea (simplifying the number of donors and prioritising the most effective donors operating in recipient countries), under the current system in practice, simply generates greater bureaucracy and cost at the EU level. It makes no sense for member states to hand over money to the Commission only to get it back again before delivering it to recipient countries.

The system does also work the other way, with member states delegating additional amounts of their bilateral aid to the Commission. But delegating aid to the EU in such a way involves one less transaction and is potentially a good model for providing aid voluntarily through the EU. And, in contrast to the 47 agreements worth €242.7m to delegate aid back to member states in 2009, there were only 17 agreements worth €123.3m where member states handed extra aid to the Commission. This begs the question of why the net difference (€119.4m) was ever handed over to the EU in the first place.

If you combine the €1.4bn of EU aid that is passed onto other multilateral donors, such as the UN and World Bank, with the €243m of EU aid delegated back to national governments, this gives a total of €1.65bn that is subject to unnecessary

36 *European Commission*, 'Annual report 2010 on the European Union's development and external assistance policies and their implementation in 2009', 2010, p25; http://ec.europa.eu/europeaid/multimedia/publications/documents/annual-reports/europeaid_annual_report_2010_en.pdf

37 *Commission*, "Annex 6 to the Annual Activity Report Implementation through national or international public-sector bodies", p2, 2008, http://ec.europa.eu/atwork/synthesis/aar/aar2008/doc/aidco_annex6.pdf

transactions. This money, which is simply being recycled between donors up to three times before it even reaches a recipient country, is subject to unnecessary administration and transaction costs, which can only reduce the amount of aid that reaches those in need of it.

There is no obvious reason why European aid financing cannot be coordinated before these needless transactions take place – it should be the EU's role to act as a forum for member states to decide where their aid is best spent and by which donors in a specific recipient country rather than acting as banker managing a central pot of money.

4. Mismanagement, waste and a lack of transparency

Mismanagement

It is difficult to get a quantitative measure of whether EU administered aid is more susceptible to mismanagement than the aid spent by member states. However, there is clear evidence of problems with fraud and waste in the EU's aid programmes. Less than 9% of the total EU budget is spent on overseas aid, but aid programmes account for 25% of active fraud investigations by OLAF, the EU's anti-fraud agency – so fraud in this area is far higher than the Brussels average.

OLAF's 2009 annual report explains that, "In the external aid area, OLAF investigators often encounter modus operandi typical of organised fraud", identifying the "allocation of grant aid, auditing, monitoring, evaluation and the operation of warning systems" as particular shortcomings.[38]

The UK has also identified fraud as a problem with EU aid. UK International Development Secretary Andrew Mitchell warned in December 2010 that British contributions could be held back unless problems of fraud were adequately addressed. "We want to bring the level of scrutiny up to British levels", he said.[39] Mitchell's threat of withholding Britain's contribution illustrates the influence national governments can potentially have over the performance of the voluntary-funded EDF. The absence of this influence over the much larger portion of the aid budget that is spent directly via the EU budget is noteworthy.

Waste

We have also found evidence of poor project selection; projects that either fail to effectively target poverty or are inconsistent with other EU policies, for example on immigration.[40]

38 *OLAF*, 'Annual report', 2009, pp.41-42; http://ec.europa.eu/anti_fraud/reports/olaf/2008/EN.pdf
39 *Telegraph,* "Britain warns EU over corruption in its aid programmes", 7 Dec 2010, http://www.telegraph.co.uk/news/worldnews/europe/eu/8185403/Britain-warns-EU-over-corruption-in-its-aid-programmes.html
40 Recipients of EU development aid can be found using a database on the European Commission website; http://ec.europa.eu/europeaid/work/funding/beneficiaries/index.cfm

Case study: A migration centre that facilitated six jobs
In 2008, the Commission established a migration centre – CIGEM – in Barnako, the capital of Mali, to help facilitate Malians seeking temporary jobs in the EU. The idea was that providing support to find legal jobs would serve as an incentive for Malians not to try to enter the EU illegally. Another task of the centre was to spread information and boost knowledge in the area about the consequences of illegal migration. The centre has so far registered 3,545 migrants to receive information and support from the centre and a further 1,380 for "emergency reception". The EU has spent around €10 million on the centre so far, via the European Development Fund, but three years since its creation, the migration centre has only facilitated six jobs.[41] The Commissioner responsible for migration, Cecilia Malmstrom, has admitted that the project has failed. "Unfortunately, it hasn't turned out the way we hoped it would, but I still think the ideas are worth building on also in the future," she said.

One of the biggest reasons for this is that only one country, Spain, has actually signed an agreement with Mali to allow for labour migration, making the prospect of the centre ever facilitating legal migration very small. In total, only 29 Malian workers have come to Spain under the migration programme – and only six of them have entered via the migration centre. Richard Hands, an official at the EU's delegation in Mali, admitted: "We must realise that it wasn't realistic, that the demand for workers doesn't exist in Europe." Mr. Hands also said that the centre's information campaigns had had little impact. "People say 'we know, but we'll still take the risk'," he said.[42]

Besides an incompatibility with other EU policies, other projects selected for funding do not always seem the best targeted at reducing poverty. While they may have a benign impact, projects aimed at promoting 'culture' or other vague objectives are likely to do less for poverty reduction than those focussed on education or infrastructure for example. At a time when funds are tight and EU governments are struggling to meet their current aid targets, the primary focus must be on effectively eradicating poverty.

Case study: €462,700 of EU funds given to a Belgian organisation to run "I dance therefore I am" project in Burkina Faso and Mali
In 2009 the EU awarded €462,700 to Belgian cultural organisation 'Africalia' to run a project in Burkina Faso and Mali called "I dance therefore I am", which gave local teenagers artistic dance training. The project, partnered with two local organisations, aimed to offer

41 See *European Commission*, 'Presentation du project CIGEM', received from the EU's Mali delegation by email on 15 April 2011, p5 and p10; http://www.openeurope.org.uk/research/cigempresentation.pdf
42 Quotations cited in *Europaportalen*, 'EU-projekt i Mali gav få jobb'; http://www.europaportalen.se/2011/03/eu-projekt-i-mali-gav-fa-jobb

"an artistic training course which fuses tradition and modernity and promotes social and socio-cultural integration".[43]

Africalia justified its project claiming "Dance is a very effective means of communication which allows young people to express themselves using their bodies. The expression of feelings through the spoken word is often difficult and complicated. As a type of body language, dance has a therapeutic effect". On its website, Africalia notes, "When art and culture flourish, people are concerned with more than simply surviving".[44] Given that according to the UN's Human Development Index 56.5% of people in Burkina Faso live on $1.25 a day,[45] this does not seem to be the best targeted aid funding in a country where the priority must be to eradicate poverty.

EU aid is not only wasted through poor project selection in the field. Huge sums of money do not leave the EU, or often even Brussels, but are handed to EU-based consultancies or NGOs which does little or nothing to help those in need. Crucially, most of this money is counted as part of the EU's aid budget.

Case study: €500,000 in EU aid that didn't leave Brussels
In 2009 alone, the EU granted the Brussels-based Tipik Communications Agency[46] nearly €500,000 to produce various promotional brochures and campaigns. This included €115,000 to design EuropeAid's annual report on EU aid and €90,000 to co-ordinate an "I fight poverty"[47] music contest, to increase "development awareness". Entrants were encouraged to "join our fight with your music" and the winners selected to record their songs in a music studio and perform at the EU's "Development Days", held on 6-7 December in Brussels.[48]

Lack of transparency

Transparency is often lacking when it comes to recording how EU aid is spent on particular projects selected for grants. In December 2010, Andrew Mitchell, the UK's International Development Secretary, called for greater transparency in how EU aid is spent:

> "Britain is leading the way on clear and transparent aid spending, ensuring taxpayers can see how UK funding is directly helping people. As a recipient of British aid money, I want to see the same standards

43 *The Courier*, 'Je danse donc je suis' (I dance therefore I am)', 2010; http://www.acp-eucourier.info/Je-danse-donc-je-su.1189.0.html
44 *Africalia*, 'The way we work', http://www.africalia.be/?page=way_of_working
45 UN Human Development Index 2010, 'Multidimensional poverty index', p3; http://hdr.undp.org/en/media/HDR_2010_EN_Table5_reprint.pdf
46 See website here; http://www.tipik.eu/references/
47 This includes €30,478 to coordinate the contest and a further €62,000 to translate the campaign's website into different EU languages. See "I fight poverty" website here; http://www.ifightpoverty.eu/act/music-contest/prizes
48 http://www.eudevdays.eu/?lid=E48B22DF64F546169AC88D65AB7D2BC5

adopted by the European Commission, with a greater commitment to openness."[49]

Greater transparency is vital for taxpayers and NGOs to ensure that the targeting and effectiveness of EU aid is held properly to account. However, transparency at the EU level is often sorely lacking.

Case study: The EU's "confidential" aid projects
A search of the European Commission's "Financial Transparency System" reveals several projects selected for funding marked "confidential".[50] A budget line and recipient country is provided but there are no details for EU citizens to determine how the money was spent or which organisation(s) spent it.

Examples include:
- €7.7m grant in 2007 to a confidential recipient in Switzerland for "European Neighbourhood and Partnership financial cooperation with Mediterranean countries".

- €3.8m grant from EuropeAid to a confidential recipient in Belgium for the budget line "Education, Audiovisual and Culture Executive Agency — Subsidy for External Relations programmes".

- €4m grant in 2009 to a confidential recipient in France for "European Neighbourhood and Partnership financial cooperation with Mediterranean countries".

This lack of transparency gives EU taxpayers little chance of holding aid spending to account.

5. The EU's growing focus on 'budget support'

The EU has placed an increasing emphasis on delivering its aid as 'budget support', which, rather than funding specified individual projects, transfers aid directly to the treasuries of recipient countries. Budget support comes in the form of either 'general budget support' or 'sector-specific budget support', designated to a particular sector.

According to its own figures, the Commission has committed over €13bn in budget support between 2003 and 2009 (about 25% of all commitments in this period). About 56% of commitments were made in Africa, Caribbean and Pacific (ACP) countries, 24% in neighbourhood countries, 8% in Asia, 6% in Latin America and 5% in South Africa.[51]

49 *DFID*, "Mitchell pushes for EU aid transparency", 9 Dec 2010; http://www.dfid.gov.uk/Media-Room/News-Stories/2010/Mitchell-pushes-for-EU-aid-transparency/
50 *European Commission*, "Financial Transparency System", http://ec.europa.eu/beneficiaries/fts/index_en.htm
51 *European Commission*, 'Green Paper on the Future of EU Budget Support to third countries', 19 October 2010; http://ec.europa.eu/development/icenter/repository/green_paper_budget_support_third_countries_en.pdf

The Commission argues that the use of budget support promotes "local ownership" and ensures "alignment of aid with national policy". It is argued that such support has "had a positive impact for instance on dialogue with partner countries, donor coordination, public financial management and policy reforms in the beneficiary countries," although it admits these findings "cannot be generalised."[52]

In 2009, EU budget support reached €2.4bn: 38% for aid delivered as part of the European Neighbourhood Policy (countries in Eastern Europe and the Southern Mediterranean) and 32% for the African, Caribbean and Pacific countries covered by the European Development Fund. In 2008, then European Development Commissioner Louis Michel argued, "Budget support and more of it is the only answer", and committed to increasing budget support up to 50% of the EU's total aid.[53]

European Commission breakdown of budget support 2009

€ millions	General Budget Support	Sector Budget Support	Total Budget Support	Total ODA	Budget support/ ODA
European Neighbourhood Partnership Instrument (ENPI)	-	597	597	1,576	38%
Development Cooperation Instrument - Geographic	-	497	497	1,410	35%
Development Cooperation Instrument -Thematic	145	79	225	1,009	22%
European Development Fund (EDF)	723	384	1,107	3,502	32%
Total	**869**	**1,557**	**2,425**	**7,497**	**32%**

European Commission, 'Annual report 2010 on the European Union's development and external assistance policies and their implementation in 2009', 2010, p195; http://ec.europa.eu/europeaid/multimedia/publications/documents/annual-reports/europeaid_annual_report_2010_en.pdf

In a 2010 report, the EU's auditing body, the European Court of Auditors, looked at the use of budget support in ACP, Latin American and Asian countries. It concluded that while the use of general budget support has various "potential benefits in terms of aid delivery", there are several weaknesses in the Commission's approach, which we explore below.

52 *European Commission*, 'Annual report 2010 on the European Union's development and external assistance policies and their implementation in 2009', 2010, p12-13; http://ec.europa.eu/europeaid/multimedia/publications/documents/annual-reports/europeaid_annual_report_2010_en.pdf
53 *European Commission*, 'Budget support: a question of mutual trust', 2008, p4; http://ec.europa.eu/development/icenter/repository/LM_budget_support_en.pdf

The risk of propping up illegitimate regimes

The European Report on Development, which is EU-funded, has noted that the use of budget support can become problematic in 'fragile' or 'difficult' countries, "where state institutions are either incapacitated or illegitimate".[54] The recent events in North Africa and the Middle East illustrate the dangers of directly supporting illegitimate regimes rather than civil society groups for example.

The EU had planned, for example, between 2011 and 2013 to grant 50% of its €149.76m a year funding to the now-discredited Egyptian government as budget support.[55]

In a recent consultation on the Commission's use of budget support the Dutch government stated that, "the Commission sometimes underestimates the risks and sensitivities associated with this aid modality. As a result, the Commission may, in certain cases, provide budget support too readily." It stated that that due to the lack of regard to "good governance, human rights and fighting corruption" the Dutch government could not support the Commission's recent proposals to grant budget support in the DR Congo, Namibia, Armenia, Algeria and Nicaragua.[56]

Inadequate monitoring

Budget support naturally entails an increased risk that recipient countries will divert the funds away from development purposes. Therefore, if the advantages of greater simplicity and ownership of development in partner countries are to outweigh the greater vulnerability to misuse of funds, direct budget support must be made conditional on reforms to improve financial management in the recipient country. Aid will only work if monitoring systems are fit for purpose.

The Commission has recognised that the success of its budget support depends on an adequate risk assessment being carried out,[57] however, as the ECA recognises, "The Commission has not yet developed a sound risk management framework to assess and reduce the risks of its programmes". They go on to warn that this is "of particular importance in view of the high risks involved for bad financial management, corruption, etc. when large sums are channelled directly through public budgets in developing countries. Better protection against leakage, waste and inefficiency is needed".[58]

54 *2010 Report on European Development*, 'Social protection for inclusive development', 2010, p95; http://erd.eui.eu/media/2010/Social_Protection_for_Inclusive_Development.pdf

55 *European Commission*, 'European Neighbourhood and Partnership Instrument Arab Republic of Egypt National Indicative Programme 2011-2013', p7 and p27; http://ec.europa.eu/world/enp/pdf/country/2011_enpi_nip_egypt_en.pdf

56 *Dutch Government*, 'The Dutch government's response to the European Commission's Green Paper *'The future of EU budget support to third countries'*, COM(2010)586, of 19 October 2010', p2; http://ec.europa.eu/development/icenter/files/green_paper_contributions_future_eu_budget/Public%20Authorities/gp_pa_NL_en.pdf

57 *Commission,* "Better, Faster, More: Implementing EC External Aid 2004-2009", p15, 2009 http://ec.europa.eu/europeaid/infopoint/publications/europeaid/documents/europeaid_better-faster-more_en.pdf

58 *European Court of Auditors*, "The effectiveness of the Commission's management of General Budget Support in ACP, Latin American and Asian Countries", p1, 2011, http://eca.europa.eu/portal/pls/portal/docs/1/7106723.PDF

Other criticisms include the fact that, "The Commission's external reporting on general budget support tends to focus on its potential benefits to improving aid delivery but there is relatively little information on its actual impact on poverty reduction."[59]

Poor linking of funds and objectives

The Commission rarely gets a good 'bang for its buck' in terms of influencing recipient governments' performance. The ECA noted that, "the Commission often does not play the role in dialogue that could be expected, given its significant financial contributions."[60]

Meanwhile, the ECA also warns that the "rationale followed by the Commission in deciding on the amount of funds to be allocated to general budget support in each country is not clear", and calls for the Commission to "demonstrate that the amount allocated to individual programmes is appropriate in view of the objectives and the framework for dealing with risks and benefits".[61] In recent years the EU has made some progress in improving the link between aid funds and objectives, for example through the so-called Millennium Development Goal (MDG) Contracts. However, issues of transparency continue (outlined below), particularly regarding the decision not to publish MDG Contracts in full.

Case Study: EDF's innovative use of MDG contracts to measure and produce results in Rwanda and Zambia
DFID has noted the voluntary-funded European Development Fund's innovative Millennium Development Goal (MDG) Contract pilot scheme. DFID notes that, "The MDG Contracts clearly link EDF funding to results. In Rwanda, primary school completion rates increased from 52% to 75.6% – and 80% for girls – between 2006 and 2009/10, and, in Zambia, the proportion of HIV pregnant women receiving anti-retroviral treatment increased from 40% in 2007 to 66% in 2009."[62]

The use of MDG contracts to firmly link funding with anti-poverty goals is clearly a major step forward.

'Picking winners' risks overreliance on budget support at expense of other development policies

By aiming to increase budget support to 50% there is clearly a risk of the Commission 'picking winners' when it comes to development policies.

59 *ECA*, 'The Commission's management of general budget support in ACP, Latin American and Asian countries', 2010, p39; http://eca.europa.eu/portal/pls/portal/docs/1/7036731.PDF
60 *ECA*, 'The Commission's management of general budget support in ACP, Latin American and Asian countries', 2010, p39; http://eca.europa.eu/portal/pls/portal/docs/1/7036731.PDF
61 *European Court of Auditors*, "The effectiveness of the Commission's management of General Budget Support in ACP, Latin American and Asian Countries", p1, 2011, http://eca.europa.eu/portal/pls/portal/docs/1/7106723.PDF
62 *DFID*, 'Multilateral Aid Review: Ensuring maximum value for money for UK aid through multilateral organisations', March 2011, p33; http://www.dfid.gov.uk/Documents/publications1/mar/multilateral_aid_review.pdf

The Finnish government stated in a recent EU consultation on the use of budget support that, "Finland has launched a country-specific ceiling for [General Budget Support] of 25% of all bilateral country-specific aid. This is to avoid overreliance on one development policy instrument and for risk management purposes." It continued, "It is very important for the Commission, too, to soundly balance the aid flows through various aid modalities."[63]

As budget support is less bureaucratic it is a way of getting money out of the door faster but, as the share of budget support increases, the risk is that speed is traded for effectiveness and accountability.

Conditions for support are not published in full

The MDG Contract is an enhanced form of budget support designed to be measured against indicators linked to education, health and other MDGs aimed at tackling poverty.[64] So far, as it is still a pilot scheme, the Commission has signed MDG Contracts with eight countries – Burkina Faso, Ghana, Mali, Mozambique, Rwanda, Tanzania, Uganda and Zambia – in return for budget support agreements.

The MDG Contracts are intended to place a stronger focus on results, as funding can be increased or decreased depending on whether objectives are met and, for this reason, have been praised by NGOs for making aid more responsive to local performance.[65] However, as they have not been published, there are concerns over the lack of transparency surrounding the contracts, and therefore the measureable objectives used to allocate funds.[66] Concord, Oxfam and Alliance2015 have called on the EU to publish the MDG contracts and other budget support agreements, so that objectives and outcomes can be clearly monitored.[67]

63 *Finnish government*, 'Finland's contribution to the consultation: "Green Paper on the Future of EU Budget Support to third countries', 29 December 2010, p6; http://ec.europa.eu/development/icenter/files/green_paper_contributions_future_eu_budget/Public%20Authorities/gp_pa_FI_en.pdf
64 *Commission*, "The EU and the Millennium Development Goals", 2011, http://ec.europa.eu/europeaid/what/millenium-development-goals/index_en.htm
65 Former OECD DAC Chairman Richard Manning writing on the GMF Blog, 20 Dec 2010, http://blog.gmfus.org/2010/12/can-results-based-approaches-escape-obsessive-measurement-disorder/
66 A Commission Spokesperson for Development pointed out to Open Europe by email on 13 April 2011 that although the MDGs are not published in full they are based on Financing Agreements which "contain the essential elements".
67 *Concord*, 'Penalty against poverty: more and better EU aid can score Millennium Development Goals', p21, 2010; http://www.actionaid.org/assets/pdf/concordreportlight.pdf; *Alliance2015*, "The EU's Contribution to the Millennium Development Goals: Keeping the Goals Alive", http://www.alliance2015.org/fileadmin/user_upload/The_EU_s_Contribution_to_the_Millennium_Development_Goals_Keeping_the_Goals_Alive.pdf

Conclusions and recommendations

1 Despite improvements the EU's 'value added' remains unclear

Despite some significant improvements since 2000 in terms of reduced bureaucracy and better management, the EU's role remains unclear. Despite the moves towards a greater division of labour, the underlying principle in aid financing continues to be centralisation in Brussels. It makes no sense for national governments to pay into the EU aid budget only to receive some of their funds back, under so-called 'Delegation agreements', or see them passed on to another multilateral donor such as the UN.

2 Contributions to the EU aid budget should be voluntary

Contributions to the EU aid budget should be made entirely voluntary as the European Development Fund (EDF) element already is. The UK should spend its aid budget directly through DFID, which performs better as a donor than the Commission on most measures, especially regarding the targeting of poverty, unless there is a demonstrable EU 'value added' in which case it could opt into specific EU programmes, such as the EDF.

3 The EU's role should be to facilitate the co-ordination and division of labour

It is widely acknowledged that greater co-ordination of member state development programmes is crucial to increase aid effectiveness. Currently, developing countries have to deal with 27 different EU donors, plus the Commission, each with their own policies. Therefore, to reduce the administrative burden on aid recipient governments, a strong case can be made for greater harmonisation of procedures.

The role of the EU should be to provide a forum for coordination between donors, rather than acting as a 28th donor. This would allow it to provide a resource for small member states with limited diplomatic networks to coordinate their spending, and divide up responsibilities if they wish. It would mean large savings on administration costs.

A common EU framework for aid conditionality and the objectives of member state aid could ensure high standards of aid effectiveness are met. In terms of financing, it should be the EU's role to act as a forum for member states to decide where their aid is best spent, and by which donors, in a specific recipient country, rather than acting as banker managing a central pot of money.

4 The EU needs to avoid overreliance on budget support for delivering its aid

The recent consultation with national governments on the Commission's use of budget support is a welcome step. But the concerns expressed by the Finnish and Dutch governments, as well as the European Court of Auditors, must be heeded.

As budget support is less bureaucratic it is a way of getting money out of the door faster but, as the share of budget support increases, the risk is that speed is traded for effectiveness and accountability.

Due to the inherent uncertainty and risks involved in providing budget support directly to recipient governments, the Commission should consider setting a 25%-30% limit on the portion of budget support as a total of EU aid. Development funding is a complex exercise that entails risks of waste and inefficiency; therefore the Commission should avoid picking winners when it comes to particular aid policies.

5 Aid is not the only way to foster development - the EU needs to be more open to trade and remove internal subsidies

Aid works only when it is combined with good policies and institutions. A large share of the responsibility lies with developing country governments, but the policies used by donors also matter. In particular, the EU should open up to globalisation and embrace the inflow of goods, people and ideas from the developing world. A good first step would be the phasing out of the Common Agricultural Policy, and a commitment to an ambitious opening of trade with developing countries.

About Open Europe

Open Europe is an independent, non-party political think tank which contributes bold new thinking to the debate about the direction of the European Union.

"Ever closer union", espoused by Jean Monnet and propelled forwards by successive generations of political and bureaucratic elites, has failed. The EU's over-loaded institutions – held in low regard by Europe's citizens – are ill-equipped to adapt to the pressing challenges of weak economic growth, rising global competition, insecurity and a looming demographic crisis.

Open Europe believes that the EU must now embrace radical reform based on economic liberalisation, a looser and more flexible structure and greater transparency and accountability if it is to overcome these challenges, and succeed in the twenty first century.

The best way forward for the EU is an urgent programme of radical change driven by a consensus between member states. In pursuit of this consensus, Open Europe seeks to involve like-minded individuals, political parties and organisations across Europe in our thinking and activities, and to disseminate our ideas through the EU and the rest of the world.

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