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Iñigo Macías-Aymar

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The European Union's commitment as a donor. Cooperation policy coherence in times of crisis

Abstract

Aid has traditionally been one of the most important tools of European foreign policy. The European Union and its member countries are among the most important donors. Their proactive role has allowed the EU to achieve several important results even in countries usually neglected by traditional bilateral cooperation and most NGOs. Nevertheless, the reduction of available resources caused by the sovereign debt crisis in many European countries, together with the profound changes affecting the architecture of the international aid system, are crucial challenges to the role that Europe is going to play in this field. The EU needs to move beyond a mere quantitative criterion to evaluate its interventions, by addressing the fragmentation characterising its international aid activities in order to make them more effective and efficient. The EU's cooperation capabilities in other important areas, such as defence and immigration, will also need to be enhanced. In order to do so, the traditional struggle for sovereignty between the European Union and its members will have to be seriously addressed, as since the crisis in the latter has been making national governments even less willing to renounce, at least partially, their own specific aid policy – and the ensuing political leverage.

Iñigo Macías-Aymar, *Associate lecturer, Institut Barcelona.*

Since the Cold War years and the decolonisation period, European countries have played a major role in setting the agenda of international aid and putting it into effect. Since 1991, operating through its executive and coordinating arm the European Commission (EC), the European Union has been the most generous and committed actor in the areas of development and humanitarian crisis. According to preliminary estimates provided by the OECD Development Assistance Committee (DAC)[1], the financial resources that European countries collectively earmarked for cooperation in 2011 amounted to around $US86 billion (€53.8bn)[2], or slightly more than half the world's net Official Development Assistance (ODA), which totals ca. $US133bn[3].

Noticeably, since 2008, the European Commission has become one of the most important donors among European national and international institutions. It is responsible for managing around $US10bn every year, making it the most important single multilateral donor. Among the EU member states, the largest donors in 2011 were Germany ($US14.5 billion), the United

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[1] http://www.oecd.org/dac/aidstatistics/50060310.pdf.

[2] Just 15 of the 27 countries of the EU are members of the DAC-OECD. They are: Austria, Belgium, Denmark, Estonia, Finland, France, Germany, Greece, Italy, Ireland, Lithuania, Luxembourg, Netherlands, Portugal, Spain, Sweden, and United Kingdom. As a result, homogeneous and comparable data on ODA from the other 15 countries: Bulgaria, Check Republic, Cyprus, Hungary, Latvia, Malta, Poland, Romania, Slovakia, and Slovenia are difficult to obtain. Some of these countries have recently started to report aid figures according to agreed standards promoted by the DAC.

[3] The total amount of net ODA solely is based on the figures provided by DAC-OECD members. Given the increasing importance of other non traditional donors (such as China, Brazil, India, or Turkey, just to name a few) as well as of other financing sources coming from private organisations (foundations like the Bill and Mellinda Gates or big NGOs like Oxfam, CARE International, for example) which are not members of this organisation, the total amount of aid available is presumably larger. As a result, the share of EU aid might be lower.

Kingdom ($US13.7 billion), France ($US12.9 billion), and the Netherlands ($US 6.3 billion). According to sources, the second biggest donor, the US, lies far behind Europe, with financial aid of over $US30 billion. Moreover, the EU is the only region in the world that pledged to increase aid spending to 0.7% of its combined Gross National Income by 2015.

Today EU aid reaches more than one hundred countries, mainly in the African continent (around 45% of the resources designated for cooperation; a share that has remained stable throughout the last decade). Sub-Saharan countries are the main recipients, although recent events in some Arab countries of the Southern Mediterranean have placed them at the top of the EU's and its member states' development (and international security) priorities. Over the last decade, Asia has also seen an increase in the amount of financial aid it receives – especially countries like Pakistan and Afghanistan – due to the new paradigms in international cooperation introduced by the war on terror. On the other hand, countries in America, Europe, and Oceania have seen their resources declining. Broadly speaking, around 60% of the combined EU ODA goes to social sectors and to support the poorest countries, particularly in the African continent.

Aid plays a key role in EU foreign relations, given the high amount of economic resources devoted to it and the overall efforts aimed at increasing recipients' regional wealth. Be it in the form of projects or programmes, cash transfers, deliveries of goods, training courses, research projects, debt relief operations or contributions to non-governmental organisations, aid constitutes a critical tool in the relationships between the EU and the vast majority of emerging and developing countries.

Considering only those resources managed by EU institutions, European development funds seem to have had a positive impact on the lives of millions of people, men and women, young and old, in poorer countries. According to different sources, with just €1.87 a month (around 6 cents a day) from each citizen in the European Union, aid has facilitated the enrolment of more than nine million children in primary education, access to essential vaccination for more than five million of them, and more than 31 million households throughout the world have been connected to drinking water supply systems, and nine million to sanitation facilities[4].

Besides the evidence of the results achieved that these figures provide, the EU has proven to be a proactive member of the international development community by promoting a multilateral response to the challenges posed by world poverty along with other global threats. A clear example of this is the active role played by the EU as a founding member of the Global Fund to fight malaria, AIDS and tuberculosis, and the funds committed to the GAVI alliance. Its capacity to mobilise resources and raise awareness among its member states and in many other international fora (the UN, G20, the WTO Doha Round etc.) gives the EU a comparative advantage to implement large-scale regional programmes, including in those countries and regions (commonly known as donor orphans) apparently neglected by bilateral cooperation or even international NGOs.

All these efforts seem to receive clear support from citizens across the European countries. According to a special issue of the Eurobarometer published in October 2012, 85% of EU citizens believe that Europe should continue to help developing countries despite the economic crisis[5]. Support varies greatly among the member states, but even in Southern Europe – where countries are most affected by the crisis – changes in the level of support have been minor (with a decrease of less than four percentage points compared to the September 2011 level).

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[4] http://ec.europa.eu/europeaid/what/millenium-development-goals/e-booklet/en/MDGBrochure.pdf. The period considered spans from 2004 to 2009.

[5] http://ec.europa.eu/public_opinion/archives/ebs/ebs_392_en.pdf.

Despite this broad support, the economic crisis that is seriously affecting rich countries, and the package of austerity measures proposed to face it – especially in the euro area – are taking their toll on aid budgets.

At the global level, 2011 represented a clear turning point. After reaching a peak in 2010, the volume of ODA provided by rich countries fell by almost 3%. Out of 23 DAC donors, 16 cut their aid budgets, with the largest reductions being made by EU member states. Countries like Greece and Spain, severely affected by difficulties in accessing the international credit markets, curtailed their budgets by more than 30%. Other countries, like Austria and Belgium on the one hand and the Netherlands and France on the other, followed suit with cuts of around 10% and 5% respectively. In contrast with this trend are other European countries like Switzerland, Sweden and Germany, which decided to increase their aid contributions by rates ranging from 5% to 13%. Even Italy, which together with other Southern European countries is in the spotlight of the financial crisis, decided on a 33% increase in its contributions. The unsatisfactory results achieved through the economic measures adopted to cope with a crisis that appears to be deepening in Europe and around the world do not leave too much ground for optimism. In fact, some countries already announced their intention to further decrease their aid budgets in the forthcoming period.

The same economic difficulties have also loomed over the discussions on the European Commission development aid budget, part of the Multiannual Financial Framework (MFF) over the 2014-2020 period. Herman van Rompuy's latest proposal planned a €9.65bn cut in Europe's aid budget[6]. Eventually, the foreign assistance budget (Heading 4, under the title "Global Europe") has not been cut, but will only increase from €57,7bn to €58.7bn allocated for the period 2014-2020. Furthermore, other important European sources of foreign assistance, such as the European Development Fund (mainly directed to the countries most in need of international aid) will be frozen at current levels for the next seven years. As a result, with a budget so clearly insufficient, the EU is probably going to fail to address global challenges such as global poverty, humanitarian crisis and global security, as well as its long-standing pledge to devote 0.7% of its Gross National Income to aid by 2015. As already stated by some analysts, "EU leaders have taken a short-term approach with a long-term budget"[7].

This eventual freezing in the volume of European funds for development cooperation comes together with critical changes in the architecture of international aid. Although the world cooperation landscape has been constantly evolving since its origins six decades ago, recent years have been marked by major challenges and issues which have affected traditional donors like the EU most of all. Among these new difficulties are the decreasing importance of aid for developing countries, the new geography of world poverty, consolidation of emerging donors and other non-state actors (philanthropy), new forms of giving (person-to-person), and the pressure which traditional donors are now put under as they are now more strongly expected to prove the efficiency of the methods by which resources allocated to cooperation are put to use. Most of these new paradigms reflect the crucial changes taking place at the global level, which see traditional geopolitical powers losing ground and influence to the advantage of emerging countries. For a traditionally leading donor like the EU, the combination of fewer resources and the emergence of new challenges inevitably calls for a new – and more ambitious – perspective.

Moving beyond a mere quantitative evaluation criterion

The big figures, which show Europe to be the most important donor in the world, eclipse the difficulties that the EU ODA encounters in improving living conditions in poor countries. Although

[6] A more severe cut than in other budget heading, such as the much criticised Common Agricultural Policy.
[7] http://esharp.eu/big-debates/how-to-spend-the-eu-budget/93-eu-aid-cuts-a-short-term-approach-to-a-long-term-budget/

accounted for as a unique figure, European aid is managed by a variety of multiple different actors; at both the European and the national level, each with its own agenda, which sometimes even conflicts with that of others.

Altogether, EU aid is deployed by more than 46 agencies that define policies and implement them through institutional means[8]. This number includes only the top national organisations. If we consider other regional and local institutions – which are very common in decentralised countries like Spain and Belgium for example – the number of donors rises, making it even more difficult for the EU to act as a unitary actor. Complexity and fragmentation increase the administrative costs associated with each EU cooperation initiative and make it very burdensome for recipient countries to deal with dozens, if not hundreds, of different donors.

Aware of this situation, the European Commission has made considerable efforts – many of them successful – to harmonise, coordinate and complement with and within the different member states' cooperation initiatives. In 2007 this endeavour brought about the European Council's adoption of a new Code of Conduct and some pilot programmes in different recipient countries, that attempt to respond to the different commitments emanating from the international agenda on aid effectiveness (the Paris Declaration in 2005, the Accra Agenda for Action in 2008, and the latest Global Partnership established in Busan in 2011)[9].

Some successful results have been achieved, but five years after the agreement there is still a long way to go. There are two principal reasons behind the lack of effective results. The first and most important is that implementation of the Code of Conduct is voluntary, not compulsory. That is, no European organisation has been fitted with the appropriate means to effectively check the correct implementation of the Code and enforce it, if necessary. The different programming cycles and timings followed by each member state and the EU institutions make this task even more difficult.

The second reason has a political character. It is no secret that foreign assistance is used by every country as a means to pursue broader priorities that go far beyond development. Whether its goal is strategic, commercial, security related or even ideological, each EU member state uses international cooperation to modulate its foreign relations with developing and emerging countries. Being forced to delegate cooperation to other European countries – or even to stop its activities – reduces a donor's visibility and prevents it from taking credit for cooperation, since there are already other better suited EU institutions operating in the field.

Although at a slower pace than one would hope, the EU is building a new institutional framework to counterbalance member states' reluctances. At the operational level, the implementation of the Lisbon Treaty (which came into force in December 2009) involves the establishment of a new European External Action Service that will manage overall EU development aid more systematically. At the programmatic level, Europe's "Agenda for Change" presented by the EU Commissioner for Development Andris Piebalgs, will help build a more coherent common strategy between member states.

Besides coming up with better-coordinated management of its development resources, the EU should pay more attention to policies other than those for international aid. It is in this field of work that European institutions can play a crucial role.

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[8] F. KITT, *EU Aid Architecture: Recent Trends and Policy Directions*, The World Bank Group Concessional Finance and Global Partnerships (Vice-Presidency), 2010.

[9] The Code of conduct considers various dimensions of complementarity (*Ibidem*, p. 17) «in-country complementarity (concentration of activities in a limited number of sectors); cross-country complementarity (avoiding the concentration of EU donors on the same countries "darling countries" leaving aside "orphan countries", often fragile States); lead donor arrangements and delegated cooperation (identification in a given sector of an EU lead donor, responsible for coordination and policy dialogue and acting on behalf of the others for the management of funds)».

Aid has not been the only victim of the current world economic crisis. The rise of protectionist trade policies, as well as the loss of momentum of those international discussions dealing with global threats such as climate change – comparatively more dangerous for poor countries – are just two casualties of the world economic meltdown. Other issues, concerning international migration, security, and financial flows, form the coherence policy agenda as they concern rich countries' conduct, and have likewise been stricken by the effects of the crisis.

The Doha Round on trade negotiations was expected to create greater opportunities for developing countries. After 11 years of meetings and discussions, the incapacity to reach a global agreement shows that rich countries are not really willing to open their markets to poor countries. As for the European Union, in 2001 it launched the "Everything But Arms" initiative that has allowed increased market access for products coming from these countries[10]. Although promising, this initiative seems absolutely insufficient to compensate for some of the more structural problems besetting the international trade regime. One of the most controversial is the European Common Agricultural Policy (CAP) that heavily subsidises and protects domestic production, therefore hindering fair competition with developing countries which are highly dependent on agriculture.

Other important international issues at stake concern the effects derived from global warming and the management of limited natural resources. As already emphasised by international organisations such as the World Bank and the United Nations, although poor countries are contributing less to climate change, they are the ones that will suffer the most. What is more, poor countries are less prepared to adapt and to mitigate all these pernicious effects.

The EU has actively promoted multilateral dialogue to find collective solutions to anthropogenic global warming. EU leaders have agreed on a set of ambitious targets to be met by 2020, known as the "20-20-20 targets". The plan aims to reduce greenhouse gas emissions in Europe by at least 20% compared to the 1990 levels, by increasing the proportion of EU energy consumption coming from renewable sources by 20%, and reducing the amount of primary energy used – enhancing energy efficiency – by 20% compared with the projected levels. However, non-governmental organisations and developing nations hold that longer-term targets cannot be regarded as binding, while they have also affirmed that the time given to implement these strategies is too short. Nonetheless, compared to other rich countries, the EU has demonstrated that it is a committed partner in this issue.

It is in the field of management of the commons that the EU seems to perform the worst. The EU and its member states have been heavily criticised for promoting production of bio fuels out of basic staples, such as corn or sugar, in poor countries and thereby contributing to push up food prices. In the fishing sector, the modern and powerful European fishing fleets operating in western and eastern African seas are also heavily supported, thus damaging communities that can only rely on their own fisheries for employment and food. The EU has also been accused of not doing enough to deal with the problem of overfishing.

International security is another topic where the EU could play a bigger and more active role. Admittedly, EU and other OECD countries take on a large share of the burden of UN peacekeeping missions, but their contribution in terms of troops has recently hit a historic low. In 2007, 16% of the blue helmets came from rich countries, whereas in 2011 this number dropped by 8%, with the total number of troops plummeting from 13,000 to 8,000[11]. On the other hand, the incapacity to reach an agreement during this year's negotiations on a global Arms Trade Treaty, aimed at regulating the

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[10] This regulation grants duty-free access to products from 48 least developed countries, except arms and ammunitions, without any quantitative restrictions (with the exception of bananas, sugar and rice, for a certain limited period).

[11] Department of Peace Keeping Operations, Contributions to Peace Keeping Organizations, 2011, http://www.un.org/en/peacekeeping/resources/statistics/contributors_archive.shtml

international trade of conventional weapons, shows the lack of commitment of rich countries, including the EU members. On the contrary, some western European countries (like Germany, France, Great Britain and Italy) are among the principal producers in the arms trade sector.

Although the issue is not as extensively studied as those concerning trade or aid, migration and migration policies also greatly affect poor people in developing countries. Migrants from developing countries have access to higher wages, which in turn enables them to remit money to their families. Remittances have become an increasingly important source of financing for families in poor countries, surpassing foreign aid. Additionally, as happens with capital markets, an unencumbered flow of workers contributes to higher convergence levels and thus to reduce inequalities between countries.

Workers are not the only beneficiaries of greater mobility. Students, for example, can also play a crucial function back home with the knowledge and skills acquired in developed countries' universities and educational centres. As such, the EU, facing demographic threats that seriously endanger the existing welfare state, is called upon to revise some of its policies. Although the EU is already in many aspects a single political area, the myriad of national policies in action make it very difficult to have a unified European migration policy. The only thing they all have in common is their excessive focus on control and border security. The EU should do more to promote a smarter common migration policy that provides a higher number of work visas to allow larger temporary migration flows, and to allow more young people to attend European universities. At the same time, clearer policies and regulations are needed to prevent abuse by financial institutions in the management of remittances.

Finally, the EU should afford greater attention to regulation of the financial system. Even considering the agreement recently achieved to tax financial transactions, the EU should do more to improve mechanisms for sharing financial information so as to reduce money laundering (derived from fraud, corruption or trafficking) and tax avoidance.

European "tax heavens" like Cyprus, Gibraltar, Luxembourg and Switzerland and the relaxed regulation of transnational corporations make it very difficult for developing countries to obtain fairer values for their economic assets and production, and prevent them from receiving more public revenues. The lack of a coherent European strategy to face these finance challenges adds to putting a spoke in the wheels of poor countries.

On the whole, although most policy decisions concerning all these areas are defined at the national level, the European Commission and the new European External Action Service should ensure that these do not undercut EU overall development goals. Unfortunately, the current crisis stimulates parochial decisions focused on short-term results. Most of the decisions benefit member states' interests, but at a cost that is unbearable for poorer countries.

Achieving more coherent and co-ordinated foreign policies requires member states to cede national sovereignty to European institutions, which is currently very difficult to achieve without establishing more transparent and effective representation mechanisms.

Conclusions

Aid can be good not only for the poor. It is also good for rich nations. In an increasingly interdependent world, growth in developing countries guarantees paybacks that benefit the developed, in terms of stability and security for instance (health is comprised in the modern conception of security). On the other hand, the prospective consumption power of developing countries directly translates into more imports and investment, stimulating demand in rich countries (demand that is now so necessary). According to recent estimates for the 2014-2020 period (Holland and Te Velde, 2012: 23) if aid is channelled effectively, "By 2020, this €51bn aid investment will lead to an almost 0.1 per cent boost in European GDP, a 0.2 per cent boost to global GDP and global gains in employment which are expected to fall within the range of 600,000-

3,000,000. The net cost to the EU citizen of this investment would be zero, and the boost in growth will mean a positive net gain for the EU, as well as for the recipient countries"[12].

The key to turn these forecasts into reality, and thus a win-win solution, is – as already stated – successful provision of international aid. Accordingly, the EU needs to resolve its internal conflicts to effectively act as a coherent donor, increasing coordination with and among its member states, and promoting a more coherent attitude with respect to other policies that critically undermine (or bolster) poor countries' prospects. The decreasing importance of ODA as a source of funds allotted to development and the emergence of new donors (with no conditions or strings attached) and new modalities of cooperation make it even more necessary for EU cooperation to move one step forward and go beyond aid. Only by moving in this direction will the EU be able to achieve its great potential as a committed donor.

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ISPI
Palazzo Clerici
Via Clerici, 5
I - 20121 Milano
www.ispionline.it

[12] D. HOLLAND - D.W. TE VELD, *The effects of EU aid on receiving and sending countries. A modelling approach*, National Institute of Economic and Social Research,, 12 November 2012, http://www.odi.org.uk/publications/6931-effects-eu-aid-receiving-sending-countries.