

European Union Development Aid Policies

The European Union (EU) has performed on a global scale but despite providing aid to more than half of the world, EU's significance remains marginal. Failure is prominent in EU's complex aid architecture and in the EU's ineffective actorhood. The population is increasing, and new economic problems are on the rise. Moreover, EU has achieved to establish a foreign aid dependency with the poor countries.

Some countries rely on aid instead of promoting local businesses, but this has seen a change since China's economic investment has increased, especially in the African continent. EU has sufficiently provided the developing and least developed countries with development aid under social, economic, and humanitarian form but it has failed to reconstruct the unsuccessful aid deals. In terms of economic growth, EU has made little progress, but it has launched initiatives that in the long term are beneficial. The position of EU in the development aid policies will be viewed from different dimensions in this article and its success and failure will be validated in the following paragraphs.

The European development aid is considered a soft power by the realists. The Official Development Aid (ODA) is given to the third world countries such as Syria, Iraq, Afghanistan, Pakistan, and India (refer to figure 1.0).

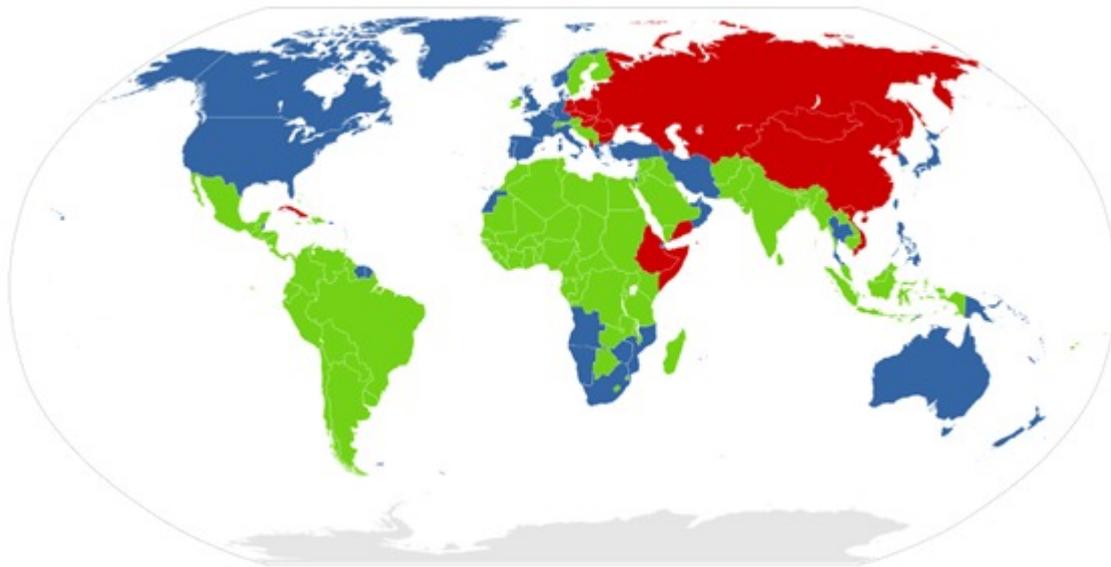


Fig 1.0 First world is in Blue, Second world is in Red and the Third world is in Green.

Initially, EU only provided aid to African, Caribbean and Pacific (ACP) countries. In 1963, Yaoundé Agreement served as a reciprocal preferential trade access for ACP countries to the common market and the establishment of European Development Fund provided funds to ACP countries. This agreement was revised overtime by Lomé Convention in 1974, upgraded by Cotonou Agreement in 2000 which was replaced by Economic Partnership Agreement (EPAs). Since 2000 'Cotonou' system, the conditionality of EU aid is good governance, improvement of human rights and introduction of market economics (European Commission). With the enlargement of the EU, it has gradually shifted from ACPs towards the world's poorest countries and to avoid 'intra-developing' country trade discrimination.

This was highlighted in 'Everything but Arms (EBA)' and 'General System of Preferences (GSP)' initiatives. GSP had three main objectives; To contribute to eradicating poverty by expanding exports, to encourage good governance and sustainable development and to safeguard EU's economic and financial interests. EBA, however, focuses on least developing countries like Afghanistan and Cambodia. It permits free access for all

products from 40 Least Developed Countries (LDCs) except the ones with a military use.

Gross ODA Disbursements (EUR) in 2017 (Source: OECD)

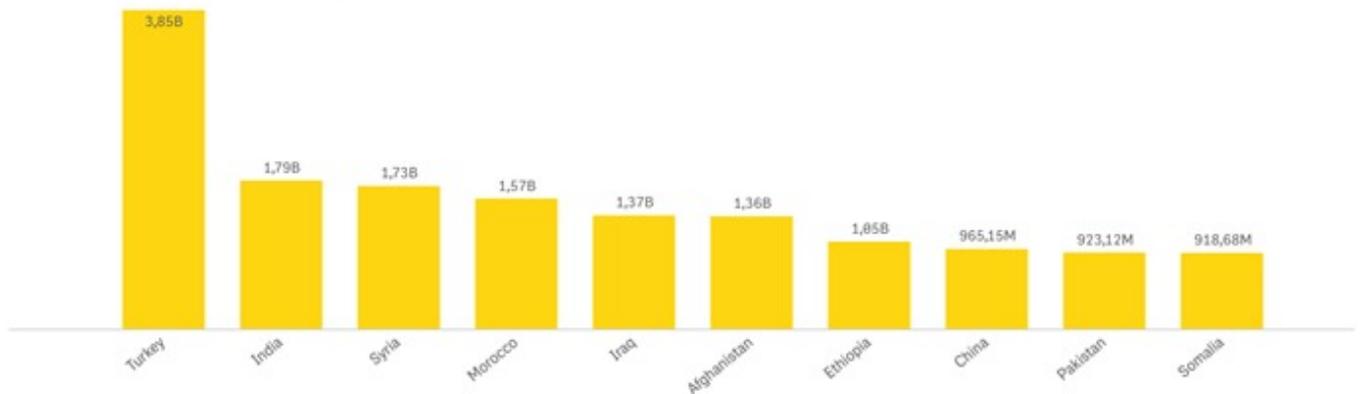


Fig 1.2 Countries benefiting from EU support; Source: European Commission 2017

EU's trade policy is primarily made of liberalising tools such as the free trade agreements. However, development aid has not driven EU's trade strategy: in search of bilateral liberalisation with emerging economies has threatened other developing countries' preferential access. EU development aid has proven to be counterproductive, for instance, Under the Cotonou Agreement, African countries gained access to EU markets without paying export duties. Uganda has not exported a single kilogram of sugar to European Union Market despite having a quota to export 50,000 metric tons of sugar. While Uganda imports 50,000 metric tons of sugar from Cuba and Brazil. Local entrepreneurs struggle to find trade opportunities and to find work in the private sector because the policy and institutional setting is hostile to local business.

EU primarily prioritizes sustainable agriculture and food security for development cooperation. Its long-term solutions include, supporting ecologically sustainable approaches and empowering smallholders in agriculture. However, in practice, the agricultural sector receives the development aid while the commitments remain unfulfilled. There is a lack of

transparency in reporting, raising doubts on EUs accountability. Moreover, the funding is biased towards countries of strategic interest and industrial and export crops ignoring the needs of smallholders. In 2005, European Consensus on Development recognized the role of agriculture proving to be essential for poverty reduction. Resulting in 2007, the launch of €1bn Food Facility that focused on small-scale manufacturers, and in 2010 the launch of the Food Security Policy Framework (FSPF) established gender mainstreaming, ecologically sustainable approaches, and support to small-scale producers. Following years produced an implementation plan and since 2014, the European Commission compiled consolidated EU-wide biennial progress reports. The new European Consensus on Development, adopted in May 2017, reiterates the central importance of smallholder farmers. In practice, however, the investments do not match its policy priorities. Gender inequality in agriculture is very low, $\frac{1}{4}$ of EU agriculture aid targets small-scale producers and EU's official development assistance (ODA) has consistently supported industrial and export crops with significantly higher budgets than food crops. For instance, the EU spends 3.6 times as much agricultural development aid in Europe as in sub-Saharan Africa. When workers do not get fair wages and must work in extreme conditions, mostly in developing countries, they migrate to developed countries in search of a better future.

EU's solution to migration and refugees is also a failure in the long-term. For example, The European Union has guaranteed €3 billion under the EU-Africa Trust Fund, to provide development assistance to address the underlying causes of migration from Africa. However, this strategy fails to channel aid to the needy, failing to meet the long-term goals. The EU is under the assumption that by sending more aid, migration to Europe will decrease but there's little evidence to support this strategy. Moreover, researchers from the Centre for Global Development, reported that this strategy might have the

opposite effect. For example, the Fund's project demonstrates that the main factor of funding allocation has been migration patterns. Researchers observe that aid does not curb the migration issue and this aid has failed to boost the poor economies primarily because EU has prevented people from migrating to neighbouring countries for work, depriving communities of economic opportunities. Poor countries encourage migration to attain a better standard of living and a better income.

Between aid and growth, some authors argue that there is a favourable relationship, while others claim that aid is ineffective and in the long run aid has a negative effect. Development aid is a limited resource and should be used efficiently, along with reformation of laws and agreements. EU aid has played a pivotal role to boost economies in some countries like Republic of Korea, Vietnam, Bolivia, Indonesia and Ghana but it has also failed despite funding huge sums of money in the economies like Haiti, Kenya, Somalia, Papua New Guinea and more. The EU's aid effectiveness commitments were considered impractical because the developing countries and the aid agencies active in the area were not involved in the policy making process. A major weakness for donors' actions can be lack of domestic influenced reforms. In Mozambique, for example, the donors failed to collaborate with the domestic forces which was perceived as donors interfering with internal politics by the media and the citizens. This made the negotiation process slower, and the EU failed to implement and sustain at a global level. The Executive arm of the EU provide aid estimated at 58 billion dollars annually. However, heavy bureaucratic procedure and the poor management resulted in the money being lost.



EU needs to decrease its spending on aid and focus on economic cooperation spending. For example, China advocated cooperation instead of aid. China does not politicise the aid conditions. Therefore, developing countries are more persuaded to grow without following any restrictions or governance conditions. China is becoming EU's competitor because of its different development aid policy approach. For China, non-interference portrays respect for partner countries, developing the basis for aid effectiveness while for EU, Non-interference has slowed down partner countries' development and reform. Furthermore, for EU, democracy, Good governance and advocating human rights are internal to the process of sustainable development but China believes that all kinds of policies, should be judged by the recipient's country.

New donors like China have further complicated aid coordination on the ground. Firstly, new donors focus on infrastructure, while EU seems to be focusing on social sectors. Secondly, the Treaty of Lisbon has designed a way for a more coherent European Union external action. Simultaneously, having poverty eradication as a central goal of EU development policy has ignited fear of continued politicization of relations between the developing countries and the EU. Meanwhile, Belt and Road Initiative, China-Pakistan Economic Corridor (CPEC) and other infrastructure and investment opportunities have resulted more productivity and is considered more popular than development aid alone. EU needs to decrease its spending on aid and focus on economic cooperation spending. For example, China advocated cooperation instead of aid. China does not politicise the aid conditions. Therefore, developing countries are more persuaded to grow without following any restrictions or governance conditions. China is becoming EU's competitor because of its different development aid policy approach. For China, non-interference portrays respect for partner countries, developing the basis for aid effectiveness while for EU, Non-interference has slowed down partner countries' development and reform.

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Conditionalities put forward by the EU works on improving economic and government framework with an objective of making effective and efficient use of donated funds. In essence, magnifying the benefits. However, there is a need for accountability and liability to the donor and to the citizens who are in support of development aid budgets. Conditionality has been used for reasons such as pressuring recipients into ending human rights violation, reforming their authoritarian regimes, enforcing liberal economic policies, and holding transparent electoral processes. Moreover, these conditions could also prevent the risk of migration to the EU countries and if the third world countries are stable enough to run an economy, the level of migration may decrease.

On the governance part, the EU negotiates with ACP to provide aid based on good governance, application of human rights and the introduction to market economies. However, there are internal and external factors contributing towards the development policy failure. Lack of cooperation between the member states and the EU and the way in which development aid policies have become politicized, denotating, for international development the national policies coexist with the policies proposed and implemented at the EU level.

In terms of international development, EU has been determined to fund development aid but due to social, political, and economic factors the aid has not been efficiently utilised. Besides, there is no clear relation proving more aid provides faster growth, including the countries with good environment policies and strong institutions. EU's approach towards eradicating poverty has been persistent but aid is not the only way to fight poverty, as it is recommended to have a "radical rethinking of the way to fight poverty".

EU's political aid conditionality has a bad pedigree. It has failed to stop authoritarian leaders from rigging election, corruption and committing human rights violations. Regardless of some good case studies on political conditionality and budget support, this arena lacks systemic research into the successful applications of political conditionality or the possible effects it might have. Aid for trade strategy was adopted in 2007 and it was established to boost trade efficiency and reduce poverty in LDCs. This strategy is funded by the European Union and its member states that delivered 32% of global AfT flows in 2011 (€9.5 billion). The graph below illustrates annually aid provided for trade volume.

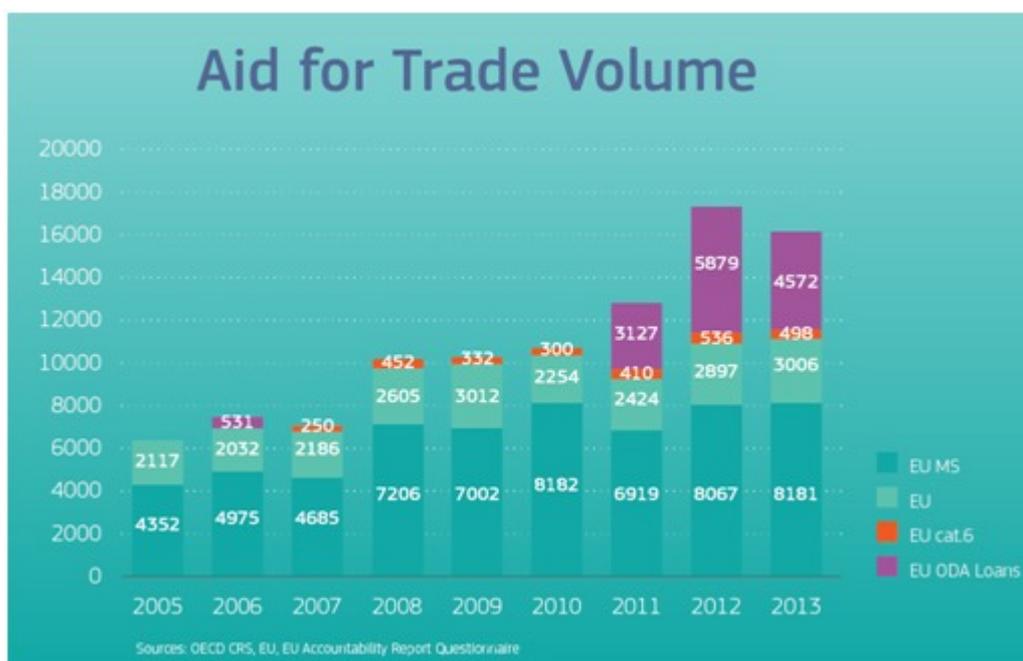


Figure 1.4 Aid for Trade Volume; Source: European Commission 2019

Moreover, the EU's Everything but Arms (EBA) Agreement focuses on Least Developed countries (LDC) which grants quota free, duty-free access to all products except arms and ammunition. Afghanistan, for example, benefits from the EBA preferential arrangement by exporting duty and quota free products to the EU's single market, except arms and ammunition. However, the latest statistics illustrate the decline in trade, at a total of €352 million. Hence, the EU needs to critically assess the

consumption of its resources and alter any arrangement that is not being efficiently utilised.

To conclude, the EU has proven to be effective in enforcing laws and planning out arrangements, but it has failed to efficiently implement and reform regulations that were unsuccessful. New donors and competitors like China have increased the complications between the EU and the developing world by providing investment opportunities rather than aid that does not get efficiently utilised. EU's continued efforts on eradicating poverty and establishing good governance has maintained the dependency of the developing world on the EU but a fraction of aid has been lost in corrupt dealings. Hence, EU policies are counterproductive. EU's development aid policies have helped countries like Afghanistan and Pakistan in times of crisis, but the problem of poverty and good governance remains a big issue.