How Europe should raise its game on development aid

EU countries have much to be proud of as the world's No. 1 aid givers. But Owen Barder points out that there's still a good deal more that Europe could do to help poorer countries

European countries are justly proud of the aid they give to the developing world. This year the United Kingdom joined Sweden, Norway, Luxembourg, Denmark and the Netherlands by meeting the UN target of devoting 0.7% of gross national income (GNI) to aid. The EU and its member states account for 60% of all official development aid worldwide, whereas America gives 20%, even though the two economies are not very different in size. European aid is also widely regarded as being especially effective, achieving more for poverty reduction than aid from other countries which is more likely to be tied to the donors' commercial or security interests.

Does aid-giving matter? Yes, it matters a lot. Programmes financed by aid have averted many millions of deaths from preventable and treatable diseases, and given millions more access to education, food, clean water and basic health care. All this has been achieved with comparatively little money, with most of that money coming from Europe.

But there's more to development co-operation than foreign aid. If Europeans are serious about development they need to do more than alleviate problems caused by poverty; they need to pursue policies that help create the conditions in which poor countries can escape permanently from poverty.

The bad news is that on this broader development co-operation agenda, Europe's policies are distinctly mediocre. The better news is that there's plenty of room for improvement if one takes the trouble to learn from best practices and policies pursued by Europeans and other countries around the world.

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This isn't simply a subjective view. At the Center for Global Development we use data that is in the public domain to quantify the extent to which the world's wealthiest countries pursue development-friendly policies. We draw on dozens of different indicators in seven distinct policy areas: trade, investment, environment, migration, security, technology, and aid. The Commitment to Development Index scores OECD countries on each of these seven dimensions to arrive at their overall ranking.

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In today's increasingly integrated world economy, wealthy countries' policies have the potential to either help or hinder developing countries. Opening OECD countries' home markets to trade can give developing nations access to new markets and help their economies to become more competitive. Policies which encourage fair investment by companies in rich countries can help curb illicit capital flight from poorer ones. And if developing countries can create jobs, they can make use of their own resources rather than foreign aid.

Also, when industrialised countries reduce their barriers to immigrants, that enables migrant workers to increase their earnings in the world economy and transfer those benefits to their families and their communities along with knowledge and ideas.

Protecting the environment – especially, taking steps to limit climate change – will help all countries, but especially the poorest countries because they are least resilient. Investing in international security, for example by patrolling sea-lanes or limiting arms sales to undemocratic countries, creates conditions for peaceful economic growth. Sharing knowledge enables poor countries to close the gap on wealthy countries, and enables them to latch on to higher value-added global product chains. Delivering aid in well targeted programmes improves the quality of life of poor people and alleviates symptoms of extreme poverty as well as possibly bringing about long-term benefits.

Some European countries already have impressive development-friendly policies. Scandinavians top the Commitment to Development Index, not only because they are generous in the aid they give, but also because of their other policies affecting poor countries. But when the score for Europe is consolidated, the

EU's development aid effort relative to the European economy and population, despite the cases of generous and effective aid, see Europe coming out overall as distinctly average.

European institutions share a deep commitment to multilateral aid co-operation. From the EU to the European Free Trade Association, including intergovernmental co-operation through the EU's Common Foreign and Security Policy, European countries (whether in the EU or outside) demonstrate that Europeans generally recognise the benefits of co-operating with others. That's why it's surprising that when measured by the Commitment to Development Index this has not led to policies that markedly favour the interests and well-being of those beyond Europe's borders.

The consolidated score for Europe shows that on average European countries have generous and effective aid policies, and promote environmental policies that are likely to benefit developing countries. But agricultural subsidies and barriers to imports from developing countries give Europe a poor score on trade. And despite heated political debates about migration, many European countries are still relatively closed to immigration from the developing world.

Generous European aid programmes are not enough to counter the harm created by agricultural subsidies which hurt poor farmers, and trade rules restricting their access to rich European consumers.

European countries have since 2003 committed themselves to the approach set out in the EU's Policy Coherence for Development. The European Council has declared its aim is to "enhance the coherence of EU policies with development objectives … in a broad range of areas beyond aid." Europe has also committed itself to more development-friendly policies, in international agreements that include the Millennium Declaration in 2000, the Paris Declaration on Aid Effectiveness, the G8 Gleneagles agreement in 2005 and the Busan partnership on effective development co-operation in 2011. Norway and Switzerland, although not members of the EU, have also committed to policy coherence both individually and as part of international fora like the OECD.

It isn't hard to see why such rhetoric doesn't easily translate into action; governments are primarily elected to serve their own citizens, so the interests of people in developing countries are either forgotten, or at best placed second. For European-level decisions, it is tough enough to find consensus among 27 countries, without the added complication of worrying about the interests of developing countries as well. People from developing countries don't have a seat at the table, so their concerns are unlikely to be given weight when compromises are being hammered out.

"Generous European aid programmes are not enough to counter the harm created by agricultural subsidies which hurt poor farmers, and trade rules restricting their access to rich European consumers"

Yet without being naïve, it's reasonable to suggest that European policies could be more development-friendly. For a start, many reforms that would benefit developing countries would also be of value to a majority of European citizens. People across the EU would generally benefit from a greater opening of their markets to imports from developing countries and improved co-operation between national tax authorities. These are policy battles that are not really fought between wealthy and poor countries, but between well-organised domestic interest groups within wealthy countries and everybody else. Europeans in any case have a long-term interest in helping build a peaceful, prosperous global community, something that is often given insufficient weight in the balance against the short-term costs of reform.

It is, meanwhile, encouraging to find plenty of good practice across Europe demonstrating that it is perfectly possible to pursue development-friendly policies without committing political or economic suicide. If every country in Europe were to take the same approach to global security as Denmark, or the same approach to immigration from developing countries as Austria, then Europe would be the unchallenged world leader in development co-operation. And if Europe were able to adopt global best practice in each of the seven policy dimensions of the Commitment to Development Index, its consolidated score would jump by 67% from 5.3 to 8.9, bringing to an end its present slide down world rankings.

Europe's development policy experts know better than most the benefits that accrue if nations co-operate within a rules-based multi-lateral system. Europeans also know from their history the dangers if nations turn inwards to nationalism and protectionism. In their quest for solutions to economic problems at home, Europeans must look outwards, towards global institutions, policies and behaviours which help people share, and so continue to increase, global prosperity. ■

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Commentary

This aid index is useful, but could be better still

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It is now generally accepted that neither aid nor markets will alone solve the problems of poverty. So while the EU is the world's largest aid provider in volume terms, and its aid/Gross National Income (GNI) ratio is more than double those of Japan and the United States, it is also known for agricultural subsidies and fisheries policies that can overwhelm the impact of its aid.

The Center for Global Development's 'Commitment to Development' Index (CDI) is a multidimensional assessment of donor performance that ranks the world's wealthiest nations by how much they do to help poor countries. Barder uses the index to examine Europe's performance overall, but there should be a caveat. The 21 European countries included in the analysis do not correspond to the EU as in this case Europe includes 19 EU member states along with non-EU countries Norway and Switzerland.

The consolidated score for Europe shows that the 21 do well on aid quantity and quality, but not so well on other policies like trade and security. But the devil is in the detail. On aid, northern European countries, essentially Scandinavia, the Benelux countries, the UK and Ireland, together with Switzerland take the top 10 places in 2012, and have done so fairly consistently for the last five years. The below-average group, essentially the southern members of the EU plus France, Germany and Austria, have consistently remained below average. There is no visible 'catch-up' prospect, and little pressure from the EU to get member states up to 0.7% by 2015. It seems doubtful that monitoring by the European Commission or naming and shaming indices have made much difference.

Barder seems to suggest that a good performance indicator of EU policy coherence levels would be an average of various country scores, some of which are EU but others of which are not. It would be useful to see how the EU as a single entity fares rather than as a member state average. On paper, the EU would undoubtedly do well. There has been a specific EU legal commitment since 1992 to take account of the impact of other policies on developing countries, which was strengthened in the 2009 Lisbon treaty. Yet in practice, policy coherence is still more an aspiration than a reality.

Development policy is always lower on donor governments' political agendas than those of a direct economic or political interest. So the CDI could arguably be more proactive in raising awareness of the EU's and its member states' track record, and in stimulating greater debate on the specific policies needed to bring about change. ■

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