

Reading between the lines. Is EU aid in trouble?

[A shorter version of this paper appeared on the ODI blog on 18 June 2008.](#)

The EU Council meeting on 19 and 20 June represents an important waymark in this year of the Call to Action on the MDGs. Unusually, the main European Council itself will have the MDGs on the agenda. That's just as well. There are some serious issues on the agenda.

Development Ministers paved the way for Heads of Government at their meeting at the end of May, in the excitingly-named General Affairs and External Relations Council, the forum in which development is now discussed in Brussels. The conclusions of the meeting illustrate some important tensions in the discussion about Europe's contribution to the MDGs.

A [press release](#) summarises the outcome of the meeting of Development Ministers, but they also adopted a long (37 page) set of '[Conclusions](#)'.

Start with the press release. It says, among other things, that

'The Council considered that all of the MDGs can still be attained in all regions of the world, provided that concerted action is taken immediately and in a sustained way over the seven years that remain for fulfilling them. At the same time, however, it expressed concern at underachievement in many countries and regions, in particular in sub-Saharan Africa.

The Council emphasised the leading role played by the EU as the world's largest donor and called for an ambitious response before, during and after a number of key events to be held in the second half of this year: the 3rd OECD-DAC high-level forum on aid effectiveness (HLF-3, Accra, 2-4 September), the UN high-level event on the MDGs (New York, 25 September and the UN international conference on financing for development (Doha, 29 November-2 December).

The Council conclusions, in particular: examine how the achievement of the MDGs can be accelerated; take stock of progress on its long-term financial commitment to scaling up the EU's development aid; examine how to hasten the pace of reforms aimed at increasing the effectiveness of EU aid; examine implementation of the EU's strategy on aid for trade, launched last year; call for better synergies and coherence in efforts towards achieving the MDGs and policies with regard to climate change, biofuels, migration and research; take stock, from a development and humanitarian assistance perspective, of the challenges posed by climate change and rising food prices.

The member states' long-term commitment to spending 0.7% of their gross national income (GNI) on official development assistance (ODA) was confirmed by the Council, with an interim target of 0.56 % of GNI to be reached by 2010. This will mean a doubling of the EU's annual ODA to more than EUR 66 billion in 2010. In this context, the Council expressed concern at the recent decrease in collective ODA volume from 0.41 % of GNI in 2006 to 0.38 % in 2007.'

This takes a bit of unpacking, but note especially the last paragraph, which shows just how far EU member states are falling behind the commitments they made in 2005. We will come to a country analysis shortly.

Before that, turn briefly to the Council '[Conclusions](#)'. This may be the most comprehensive statement on development since the adoption of the European Consensus on Development, the single statement of policy adopted by all members states in 2005.

The Council Conclusions actually start with the point about aid volume, and in stronger terms than the press release. The relevant paragraph says that the EU

'Strongly reaffirms its commitment to achieve a collective ODA target of 0,56% GNI by 2010 and 0.7% GNI by 2015, as set out in the May 2005 Council Conclusions, the June 2005 European Council Conclusions and the European Consensus on Development. These commitments should see annual EU ODA double to over EUR 66 billion in 2010. At least half of this collective increase will be allocated to Africa. The Council strongly encourages Member States to establish, as soon as possible and mindful of the Doha Review Conference, rolling multi-annual indicative timetables that illustrate how Member States aim to reach, within their national budget procedures and within existing competences, their respective ODA targets. The Council calls on the Commission to include information on the establishment and the implementation of these timetables in the regular Monterrey reporting'.

The paper then goes on to express a commitment to 'radical reforms to improve aid effectiveness', especially implementation of the Paris Declaration on Aid Effectiveness and the EU's own Code of Conduct on complementarity and division of labour (on which I wrote a somewhat sceptical [blog](#) in May 2007). There are paragraphs on division of labour, co-financing, use of country systems, predictability, mutual accountability, managing for results, untying and other issues. The paper also covers some other topics, including aid for trade, aid architecture, reform of the IFIs and other issues. It touches on current issues, including climate change and food prices.

Read between the lines, then, or in reality hardly between the lines at all, since this is all spelled out in black and white. First, the world is off-track on the MDGs; second, European donors have failed to meet their aid pledges; and, third, there is a mountain to climb on harmonization and alignment.

There is too much here for one blog, but there is a [good deal of work on all these topics at ODI](#).

On aid volume, there is less explicit material at ODI. However, the Development Assistance Committee of the OECD has reviewed progress on aid pledges in the latest [Development Cooperation Review](#), published in February 2008. The relevant data and analysis are in the [Overview](#) by the outgoing Chair of the DAC, Richard Manning. In careful but unambiguous language, he says (emphasis in original) that

'we need therefore to see a surge in programmable aid if the increased numbers in the simulation are to be achieved . . .without the extremely large debt relief granted to Iraq and Nigeria, ODA in 2006 was well short of a straight line increase towards the 2010 ODA figures implicit in DAC members' public commitments.'

Specifically, EU member states committed to meet 0.51% of GNP by 2010. With 2006 as the base year, Italian aid needs to increase by 179% by 2010 to meet the EU pledge, Spanish aid by 108%, German aid by 57%, and French and British aid by about 19%. Some smaller donors have even larger deficits in proportional terms. Collectively, the deficit amounts to nearly \$US 26 bn a year in 2006 money. Outside the EU, by the way, the picture is not much better. Even if pledges are fulfilled, Japan (hosting this year's G8) will reach only 0.21% of GNP in 2010, and the US only 0.17%. The overall deficit on 2005 pledges is now running at close to \$30bn per year.

Aid volume is not the only issue, but there is no doubt that the shortfall on 2005 pledges is a major embarrassment. It is also the case that deteriorating public finances in most developed countries mean that there is little enthusiasm for big increases in public spending on aid.

Put all this together, and there is plenty for the Council to discuss – and do. In fact, there's more, because the whole MDG project needs another look. This task has been entrusted to a group of academic researchers, led by Francois Bourguignon, formerly Chief Economist of the World Bank and now running the new Paris School of Economics. Bourguignon's group, of which I am a member, has been tasked to produce a report on the MDGs, which will be a precursor to next year's first European Development Report.

It is too early to say what the report will contain, but an outline is being published to coincide with the Council meeting. Some brief extracts will give a flavour of the work:

Launched at the beginning of the new millennium and set to be achieved by 2015, we are today at the midpoint of the Millennium Development Goals (MDG). Where do we stand? What is the likelihood of achieving them? What should be done to accelerate progress and to ensure that no country is left behind?

Amongst the conceptual issues covered, the following will be given particular attention:

- a) Some goals are about inputs (i.e. water access), some about processes (goal 8 on international cooperation), some about outputs (school completion), and some others about outcomes (i.e. health indicators or poverty). How can the diversity of the goals' nature be justified? What does this diversity mean for individual goals' relative importance?*
- b) The complementarity between goals is an important feature of the MDGs. But what about possible trade-offs, especially in view of the diversity in the nature of the goals?*
- c) Why are some important dimensions of equity absent from the goals? In view of recent experience in some fast growing countries, shouldn't equality and strategies to avoid income divergence feature in the MDGs? What about employment, voice and other aspects of human development?*
- d) As observed during the last five years, some goals are extremely difficult to monitor for reasons ranging from the nature of the goal (for example the MDG 8 or the 'hunger' indicators in MDG 1 are both conceptually problematic) to the absence of satisfactory baseline and the lack of disaggregated data. How should monitoring be handled?*

A framework to understand the patterns observed in successful and less successful countries must necessarily rely on three analytical pillars: (a) the global economy - including developed countries' policies - and the environment it offers to developing countries; (b) the provision of aid (volume and quality) by developed countries; and (c) policies in developing countries.

Among the issues to be addressed are the following:

- The need to include the concept of 'equity' in the MDGs. Practically, is it desirable that MDGs include some ceiling on inequality – a more general concept than poverty – and some considerations on equality of opportunities?*
- Linked to the preceding question is the issue of the other dimensions of human development both in economic (employment) and non-economic (voice) terms. This would clearly incorporate some typically European normative views into the MDG framework. The question is however whether such dimensions are 'monitorable' in any way.*
- Whether MDGs are achieved, or not, the issue of MDGs post-2015 will arise, either because several countries will still be far from the goals or because there*

might be problems in sustaining the progress achieved. Shouldn't we tackle this immediately rather than wait? Or will too much emphasis on the post-2015 reduce the crucial sense of urgency that the MDGs have generated in the development community?

- *What balance should be struck between inputs and outcomes in the MDGs?*

The outline ends with a summary of the likely conclusion of the paper. This is consistent with the thrust of the Development Ministers' Conclusions, but emphasizes the urgency and perhaps also the need for more attention to, especially, the problem of fragile states:

'The recent global boom has been good for poverty reduction and the achievement of the Millennium Development Goals - but storms are breaking and progress is threatened. Furthermore, fragile states have been left behind in the past decade. With the credit crunch still working its way through the global economy and with oil and food price rises adding to global risks, progress in international development will be under risk unless the governments of countries both rich and poor redouble their efforts.'

Simon Maxwell
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