EDF Budgetisation and Development Aid in Sub-Saharan Africa

# Introduction

The aid effectiveness literature (Easterly, 2006; Bourguignon and Platteau, 2017; Bigsten and Tengstam, 2015; Petterson and Walle, 2006; Fraser, 2009; Movik, 2011; Moyo, 2010) consists of the impact significance on developing countries, while simultaneously questioning donor’s development instruments. The discussion over Sub-Saharan development with unprecedented attention to the Western governments, which lasts for more than 50 years (Doucouliagos, Paldam, 2007), resulted in difficulty to discern where the sovereign state ends and the inclusion of donors begins (Movik, 2011; Moyo, 2010). Sub-Saharan Africa is seen by many through the lens of failure in terms of human development, which is also reinforced in the UNDP (2018) data, where 31 Sub-Saharan countries rank at the bottom of the human development ladder. The foreign assistance has become an increasingly prominent part of the EU's external activities, where the development cooperation is provided on three different levels – National programmes, the EU budget, and European Development Fund (EDF). This essay focuses primarily on the EDF that is the oldest intergovernmental instrument of the EU and highlights territories, which have significant historical ties with some EU countries, such as Africa (European Parliament, 2014). The current discussion between individual countries and European institutions, whether the EDF should be integrated into the EU budget or rather remain financed by direct contributions from the member states, has spread concerns about the politicisation, redistribution, and effectiveness of development aid (Saltnes, 2018). In this paper, development assistance or foreign aid means the transfer of resources from one government to another with an emphatic focus on donor's financial instrument in order to promotes effective long-term change in Sub-Saharan Africa (Lancaster, 2009, p. 799).

Many authors (Brundsen, 2008; Arts and Dickson, 2004; European Commission; 2018; European Parliament, 2018) are in favour of including the EDF into the EU budget that will highlight more centralised, organised and simplified architecture for the EU’s external action in Sub-Saharan Africa. However, this essay argues that the integration into the budget will result in the primacy to the EU’s neighbours, undermining EDF’s added value, and weakening the financial commitment towards pro-poor policies in African countries.

This paper emphasizes the empirical analysis towards the relationship between the European Union and Sub-Saharan African in terms of development aid as donor and recipient. In particular, the central question in this research asks: *"Does the oldest intergovernmental instrument of the EU effectively deliver high-quality aid to the poorest and vulnerable people in Sub-Saharan Africa?".* The study aims to contribute to this area of research by exploring new Multi-annual Financial Framework (MFF) 2021-2027, proposed by the Commission in 2018, where the EDF is included for the first time. This essay first gives a brief overview of the EU’s development aid to Africa, and then move towards the recent debate of the EDF inclusion into the EU budget. Secondly, the critical analysis evaluates the effectiveness of EU's development aid in Sub-Saharan Africa through the academic development literature with a primary focus on the EDF contribution to a sustainable road network in six countries. Therefore, it is beyond the scope of this paper to examine other EU instruments of development aid.

# The European Budget Battle

This section analysis the battle over money and priorities that has intensified during the informal summit of the 27+1 EU heads of governments in 2018, followed by the European Commission proposal of 2021-27 MFF (European Council, 2019; European Parliament, 2018). The Commission's proposal includes a new shape of the future EU development cooperation, even though the head of states decided that the EU will focus their priorities primary towards neighbouring countries and defence. Some authors might claim (Saltnes, 2018; Gavas, 2018) that the next MFF, the EU's long-term budget, has triggered the discussion not only over federalists vs. intergovernmentalists but also values vs. interests. It is mainly due to the Commission's proposal to integrate all financial mechanisms to ‘further enhance effectiveness and efficiency’ that lack the unified values of the EU towards the developing countries (European Commission, 2018).

The EDF is a crucial single instrument of the EU and one of nine External Financing Instruments that is also highly focused on the group of Africa, the Caribbean and the Pacific (ACP). Most of them are former colonies of the EU and top beneficiaries of the EDF development assistance (Arts and Dickson, 2004: 119). The exceptionality of the EDF from the EU’s budget caused that it has become a successful intergovernmental tool based on direct financial support by member states since 1957. Table 1 shows that the contributions of the last 11th edition of the EDF (2014-2020), which is the only one outside the EU’s MFF, were counted more than 30.5 billion euro.

Table 1: European Financing Instruments and Funding 2014 - 20120



Source: European Commission, 2017

The effectiveness and significance are covered in the EDF's size, complexity, and voluntary contributions. The support strategy is drawn up by the European Commission and individual ACP states. It ensures strengthening ties between these two political entities and positive achievements in cultural understanding (Brunsden, 2008). The last five decades, the European Commission proposed many times the budgetisation of the EDF and has endeavoured to include significant resources to the EU’s MFF (European Parliament, 2014). However, the European countries never reached the required unanimity nor were met straightforward interests of European institutions. On the one hand, the Commission and the EP claim that the incorporation of the EDF to the new 2021-27 MFF that drive federalist approach to the further European integration has three benefits: stronger legitimacy, greater transparency, and effectiveness (European Parliament, 2018; European Commission, 2003). On the other hand, the Council, the ACP group, and some EU member states have four primary reasons to be concerned about new proposal, which attempts to abolish intergovernmental model of the EDF: financial cost of budgetization, aid level to the ACP countries, pro-poor policy focus, and visibility of development cooperation (European Council, 2019; Mackie and Frederiksen, 2004).

The long-term exceptional intergovernmental position of the EDF has been opposed by the European Parliament many times since the first resolution in 1973 (ECDPM, 2004; European Commission, 2018). The Parliament has always strived for the position of justification to ensure the legitimacy of the Commission's expenditures. In other words, the EP calls for budgetisation to gain greater control over setting budget levels and to prevent further anachronism that hampers effective aid spending (Brunsden, 2008). Firstly, the European Commission attempts to harmonise applicable rules for financing and spending by including the EP in the EDF’s decision-making (European Commission, 2003). This change would strengthen public legitimacy of the EU’s external assistance, not only in Sub-Saharan Africa but more notably across the world. Secondly, the transparency will be delivered by the inclusion of all EU external aid instruments in the current budget that would provide an umbrella framework under one single document (European Parliament, 2014). Therefore, citizens will have access to all necessary information about EU expenditures of development policy. Thirdly, the incorporation of financial mechanisms to ‘further enhance effectiveness and efficiency’ will achieve simplified administration rules (the Commission will gain more direct power, which means easier re-allocation of money to the new EU’s priorities) and decision-making structure (the rules and regulations for the EDF resources and other EU development instruments would be unified) (Brunsden, 2008). Then the time can be efficiently invested to achieve sustainable development. Overall, the European Parliament is in favour of budgetisation to obtain supervision over the EDF exceptionality, and the Commission is a mediator between the EP and the Council.

While the European Commission’s proposal of new 2021-27 MFF already include budgetisation, there are still many obstacles that add new wrinkles not only to the Council but also to some EU member states and Sub-Saharan countries. The inclusion of the EDF to the budget would result in the abolition of independent contributions and flexibility of funding. The Council argues that the exclusion of the EDF from the budget will continue to provide effective policy framework beyond the EU Treaty, while budgeting would create winners and losers (ECDPM, 2017). Moreover, the ACP group is another stakeholder in the heated debate, which is concerned about more power and unpredictable attitude of the EP in the determination of new priorities and decision-making around the budget. This can result in downward pressure on financial resources available for pro-poor policies in developing countries. The prudence principle is accompanied by the possible shift of the EU resources to non-ACP areas that can re-shaped future ACP cooperation and the EU-ACP relations (Grauve, 2014). Similarly, some EU member states, such as Spain or France, share critical involvement in the discussion that relates not only to the negative consequences of level aid to the developing countries but also the increased expenditures caused by the abolition of voluntary contributions.

Furthermore, the ECDPM (2004) highlights the EDF significance and effectiveness in delivering poverty-focused policy that is not presented in any other financial mechanism of development aid inside the EU budget. Therefore, the ECDPM argues that the discussion should focus on*“EDFise the budget”* instead of the EDF budgetising. Finally, the visibility of development cooperation includes the current focus on the privileged relationship with Sub-Saharan Africa (see below), which will most probably disappear with the new 2021-27 MFF that highly reflects development aid for neighbouring priorities. Although the division of interest continues to appear inside the European Union, the budgetisation can result in increasing poverty trap in Sub-Saharan Africa and re-shaping EU-ACP relations. The intense discussion that lasts for more than fifty years divided the society into two different camps (Vollard, 2018, pp. 31-61). The federalists believe that budgetisation will provide further European integration, which should be based on a unified society with similar values. However, the intergovernmentalists argue that the EU achieved divergence instead of convergence inside the territory. Therefore, the effective development aid in Sub-Saharan Africa is not possible under the new financial framework because it will lack added value that has been delivered by the EDF until now.

# The effectiveness of the EDF Exceptionality in Sub-Saharan countries

The new millennium is the symbol of making Africa the Western major foreign priority in delivering development aid. By the same token, the European Union uses its single intergovernmental financial instrument to promote development in the group of countries in the Sub-Saharan area. This section examines a special report published by the European Court of Auditors, whether the EDF has contributed sustainability in an analysed sector – road infrastructure; and whether the Commission effectively promotes financial resources. This part is also enhanced by empirical research through the academic development literature that is separated into those who believe that Western development aid is counterproductive and harms recipient's country (Easterly, 2006; Bigsten, 2015; Mayo, 2010), and those who attempts to improve the effectiveness of donor's financial instruments (Petterson and Walle, 2006; Bourguignon and Platteau, 2017; Movik, 2011; Collier, 2008).

The geographical distribution of the EDF is crucial evidence in terms of delivering the EU aid to the poorest and vulnerable people in Sub-Saharan Africa because it accounts for more than 80% of total disbursements (ECDPM, 2013). The efficiency is coined by the focus primarily on the most impoverished countries since all top recipients are in the category of the ‘Least Developed Countries’ (European Parliament, 2014). Moreover, the road infrastructure is essential for the regional integration, economic growth, and social development, and around 80% of transportation is used for movement of goods, services, and labour in Sub-Saharan countries (ECA, 2012). The Commission provided the most EDF’s financial resources for the road network during 1995 – 2011, 7 400 million euro particularly. The money was allocated into six countries – Benin, Burkina Faso, Cameroon, Chad, Tanzania, and Zambia, where the ECA inspected more than 2 500 km of new road infrastructure.

*Marginalised Programme*

The aid effectiveness of the EDF is affected by the aid availability and money mobilization through voluntary contributions, which should be delivered by “marginalised” approach instead of “transnational” (Easterly, 2009; Bourguignon and Platteu, 2017). The implementation of the road transportation sector was through the project that fund construction and improvements of main roads. Bigsten and Tengstam (2015) argue that the achievement of aid effectiveness is through better donor coordination, which should shift from project aid and technical assistance to program-based approach because it delivers policy coordination alongside concentration to fewer partner countries. The case of the EDF intervention in the road network sector shows that there is lack of adequate maintenance, especially due to vehicle overloading in Benin (almost 50% vehicles), and Burkina Faso (22%) (ECA, 2012). However, we can argue that the significant financial flow to developing countries caused the emergence of relevant and appropriate institutional framework between ministers and road agencies that allocates road maintenance budget (Pettersson and Walle, 2006). For example, Tanzania and Zimbabwe developed functioning road agencies, which are responsible for programming and supervision of sustainable development in road infrastructure. The insufficient and counterproductive maintenance of roads was only in Benin and Burkina Faso that was caused by an unexpected political crisis in Cote d'Ivoire as well as a limited administrative capacity that resulted in late or incomplete road maintenance (ECA, 2012). The funding of the main roads supported significant impact beyond the infrastructure, such as programming, supervision and road agencies. Therefore, positive achievement can be evaluated as a marginal approach. The EDF also ensured the strengthening of relations with fewer partner countries instead of providing transformational financial support to the whole country's population, where the “West can save Africa” (Easterly, 2009; Bourguignon and Platteu, 2017; Bigsten and Tengstam, 2015).

*Transparent Searcher*

Moreover, Easterly (2006, p. 99) deals with the issue of corrupt governments, such as Chad and Cameroon. According to Transparency International (2018), Chad achieved rank 165 and Cameroon 152 from 180 countries with slightly decreasing corruption by one point each year. On the one hand, Easterly (2006, p. 74) explains situation within the corrupted state on the concept of "tragedy of commons," where a limited resource is shared by several individuals, who attempt to maximize their personal benefits. In the case of Cameroon and Chad, the limited resource is oil, where most of the money earned is going to the government, and then they are not used effectively for public goods. In addition, according to Collier (2008, 112), aid is more effective where governance and policies are already set in a relevant manner to achieve transparency because without these measures the government can spend money from foreign aid on military equipment (Collier, 2008, 56). On the other, another Easterly's (2006, p. 17) theory is ‘searches vs. planners,' where he argues that the West fails to help the poor because West has favored "planners" rather than "searches." Searchers, such as the EDF, take into account the cultural and political aspects of long-term development, but planners are not able to meet the needs of poor people because they do not have local information to deal with this problem in advance. They [Searchers] know that they have to be close to the citizens at the bottom, instead of helping the poor from the top down. The modus operandi of the EDF is based on bilateral cultural dialogue between the Commission and recipient country, which ensures transparency of foreign aid in both recipient’s and donor’s state, and then is controlled by other stakeholders, such as the ECA, in recipient country (ECA, 2012).

*The Long-term Sustainable Development of Sovereignty*

The characterisation of Zambia is the domination of donors with massive debt and aid dependency that leads to the downward trend of government's ability to act independently towards wishes of its citizens and set own policies (Fraser, 2009). The assumption of respecting sovereignty in Sub-Saharan Africa is developed by Movik (2011), who points out that sovereign African states are “*swimming against the twenty-first-century political tide*," which is strengthened by Moyo (2010, p. 18), who argues that all of the African countries are dependent on foreign aid. However, Movik (2011) also argues that "*freedom cannot be impossible from outside,*" even though the new millennium is emblematic for the lack of sovereignty in developing countries that leads to the need of development assistance from abroad. In 2006, there was for the first-time improvement of sovereign rating in global capital markets thanks to the support from countries across the world, which maintain the long-term development assistance. The boom of foreign aid was in Zambia in 1996. The aid flows from Western countries and institutions were counted more than 2 000 million dollars that year, which dropped following year to nearly 500 million dollars (Fraser, 2009).

On the one hand, this evidence is critically investigated by Easterly (2006, p. 38), who argues that “big push” provides growing dependence on foreign aid and abolish the motivation towards trade with neighbours. On the other, the EDF (1995 – 2011) for road infrastructure funding was one of the first foreign aids before “big push” in Zambia, which lasts until 2011 and the main achievement was to improve relations with the ACP group. The primary issue of other Western development projects and programmes was the lack of long-term focus on effective and sustainable improvements of pro-poor policies in developing countries. Therefore, the European effective financial instrument provided retentive development aid to achieve technical assistance in the road infrastructure project alongside implementation of functioning road agencies programme.

# Conclusion

This paper has discussed the reasons and consequences of the EU battle between the European institutions and other stakeholders around the oldest intergovernmental instrument of the EU. The inclusion of the EDF into the budget is a crucial issue because it can change the future framework of development assistance and relationship between the EU and the ACP group.

The practical example of foreign aid in six Sub-Saharan countries has stressed the effectiveness and significance of the EDF exclusion. Moreover, this is the first time, when the inclusion/exclusion of the EDF has been elaborated through the aid effectiveness literature. The analysis of the research question “*Does the oldest intergovernmental instrument of the EU effectively deliver high-quality aid to the poorest and vulnerable people in Sub-Saharan Africa?”* has shown that the development support was mostly effective, and the Commission delivered high-quality aid in case of countries' needs and priorities and achieved significant contribution in the road network of 6 countries in Sub-Saharan Africa.

Although the development aid of the EU is not without drawbacks or obstacles, the EDF is the most significant financial mechanism to deliver effective development aid to the poorest and vulnerable people in Sub-Saharan Africa. The second part of this paper has also confirmed that the EDF already delivers transparency and effectiveness. The only remaining argument for the inclusion into the budget is further legitimacy, which has been critically evaluated as a gain of the EP's greater control. However, the integration into the budget would result in the primacy to the EU’s neighbours, undermining its added value, and weakening the financial commitment towards pro-poor policies in African countries.

# Bibliography

Arts, K. Dickson, A. (2004) *EU Development Cooperation: From model to symbol*. Manchester: Manchester University Press.

Bigsten, A., Tengstam, S. (2015) “International Coordination and the Effectiveness of Aid” *World Development*, 69 (3), pp. 75-85.

Bourguignon, F. Platteau, J (2017) “Does Aid Availability Affect Effectiveness in Reducing Poverty? A Review Article” *World Development*, 90 (2), pp. 6-16.

Brundsden, J. (2008) *Council Obstacle to EDF Reform Saharan Africa* [online] Available at: https://www.politico.eu/article/council-obstacle-to-edf-reform/ [Accessed 2 Apr. 2019].

Collier, P. (2008) *The Bottom Billion: Why the Poorest Countries Are Failing and What Can be Done About It,* New York: Oxford University Press.

Easterly, W. (2006) *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good*, Oxford: Oxford University Press.

Easterly, W. (2009) “Can the West Save Africa?” *Journal of Economic Literature*, 47 (2), pp. 273-447.

ECA (2012) *The European Development Fund (EDF) Contribution to a Sustainable: Road Network in Sub-Saharan Africa* [online] Available at: https://www.eca.europa.eu/Lists/ECADocuments/SR12\_17/SR12\_17\_EN.PDF [Accessed 2 Apr. 2019].

ECDPM (2004) *Discussion Paper No. 51: Improving ACP-EU Cooperation Is ‘budgetising’ the EDF the answer?* [online] Available at: <https://ecdpm.org/wp-content/uploads/2013/10/DP-51-Improving-ACP-EU-Cooperation-Budgetising-EDF-2004.pdf> [Accessed 3 Apr. 2019].

ECDPM (2013) *ACP-EU Relations beyond 2020: Exploring European Perceptions* [online] Available at: https://www.die-gdi.de/uploads/media/BP\_11.2013.pdf [Accessed 2 Apr. 2019].

ECDPM. (2017) *Strategically financing an effective role for the EU in the world: First Reflections On The Next Eu Budget* [online] Available at: https://ecdpm.org/wp-content/uploads/MFF-Paper-September-2017.pdf [Accessed 3 Apr. 2019].

European Commission (2003*) Incorporating the EDF into the EU-budget: Commission acts to boost efficiency and flexibility of EU development assistance to benefit the poor* [online] Available at: http://europa.eu/rapid/press-release\_IP-03-1355\_en.htm [Accessed 3 Apr. 2019].

European Commission (2017) *External Evaluation of the 11th European Development Fund (EDF): Final Report* [online] Available at: https://ec.europa.eu/europeaid/sites/devco/files/edf-evaluation-final-report\_en.pdf [Accessed 3 Apr. 2019].

European Commission (2018) *Communication from the Commission: A Modern Budget for a Union that Protects, Empowers and Defends - The Multiannual Financial Framework for 2021-2027* [online] Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2018%3A321%3AFIN [Accessed 2 Apr. 2019].

European Council (2019) *Multiannual financial framework for 2021-2027: negotiations* [online] Available at: https://www.consilium.europa.eu/en/policies/eu-budgetary-system/multiannual-financial-framework/mff-negotiations/ [Accessed 2 Apr. 2019].

European Parliament (2014) *European Development Fund – Joint development cooperation and the EU budget: out or in?* [online] Available at: http://www.europarl.europa.eu/EPRS/EPRS-IDA-542140-European-Development-Fund-FINAL.pdf [Accessed 1 Apr. 2019].

European Parliament (2018*) Multiannual Financial Framework 2021-2027: Commission proposal* [online] Available at: http://www.europarl.europa.eu/RegData/etudes/BRIE/2018/621864/EPRS\_BRI(2018)621864\_EE.pdf [Accessed 4 Apr. 2019].

Fraser, A. (2009) ‘Zambia: Back to the Future?’, in Whitfield, L. *The Politics of Aid.* New York: Oxford University Press, pp. 299 – 329.

Gavas, M. (2018) *Development Cooperation Has Emerged a Winner in the EU’s 2021-2027 Budget Proposal, but the Odds Are Stacked against It* [online] Available at: https://www.cgdev.org/blog/development-cooperation-has-emerged-winner-eus-2021-2027-budget [Accessed 2 Apr. 2019].

Grauve, P. (2014) *Economics of Monetary Union*. 10th ed. Oxford: Oxford University Press.

Lancaster, C. (2009) “Sixty Years of Foreign Aid: What Have We Learned?” *International Journal*, 65(3), pp. 799-810.

Movik, S. (2011) “The Politics of Aid: African Strategies for Dealing with Donors” *Forum for Development Studies*, 38 (2), pp. 213-222.

Petterson, G. Walle, N. (2006) *An Aid-Institutions Paradox? A Review Essay on Aid Dependency and State Building in Sub-Saharan Africa* [online] Center for Global Development. Available at: https://www.cgdev.org/sites/default/files/5646\_file\_WP\_74.pdf [Accessed 4 Apr. 2019].

Saltnes, J. (2018) *Why the debate over the European Development Fund is a question of politics.* [online] Available at: https://blogs.lse.ac.uk/europpblog/2018/06/29/why-the-debate-over-the-european-development-fund-is-a-question-of-politics/ [Accessed 1 Apr. 2019].

Transparency International (2018) *Corruption Index 2018* [online] Available at: https://www.transparency.org/cpi2018 [Accessed 4 Apr. 2019].

UNDP (2018) *Human Development Index and its components* [online] Available at: http://hdr.undp.org/en/composite/HDI [Accessed 29 Mar. 2019].

Vollard, H. (2018) *European Disintegration: A Search for Explanations*. The Netherlands: Palgrave Macmillan.