

# MAKING AID WORK OUTSIDE THE EU

*APPROACHES TO NEGOTIATING A  
BETTER USE OF DEVELOPMENT AID.*



# Making aid work outside the EU

Approaches to negotiating a better use of development aid

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## EXECUTIVE SUMMARY

This paper considers the damaging impact of EU trade policy and how the EU Aid programme performs in comparison to UK Aid. Could the UK use the funds more effectively itself, and if so, how should the UK negotiate to change its spending on aid in the light of its decision to leave the European Union?

### The findings

- Spending UK funds through DFID rather than the EU means that significantly greater poverty reduction can be achieved, literally saving lives and improving the prospects of whole nations.
- Leaving the EU and no longer being bound by the protectionist tariffs its Customs Union imposes on developing countries could provide new opportunities for Britain's aid programme to boost economic growth in the developing world. After removing the EU's protectionist tariffs on processed goods we could help those countries develop stronger export-oriented manufacturing and processing centres, freeing them from the dead end of only being able to export raw materials.
- Much of EU aid goes to countries, often French-speaking ones such as Burkina Faso, Niger and Togo, which are of little strategic interest to the UK. Spent directly by the UK the funds could instead be directed to countries that are important to the UK and where economic and governance improvements would impact positively on the security of our country.

### The EU's inefficiencies cost lives

- The EU is the biggest recipient of UK multilateral aid spending – receiving £1.35 billion in British contributions in 2013, representing 30% of the UK's multilateral aid budget and 12% of the UK's total aid spending.
- Britain's membership to the EU means Britain donates 17% of its EU contributions to the EU's various aid programmes. *On top* of this compulsory funding, Britain pledged to give the EU another 4.5 billion Euros (£3.5bn) for the 11th European Development Fund (EDF) from the period 20014-2020.
- This funding excludes the amount of money the UK funds for other EU development initiatives, through its pre-accession work and the European Investment Bank, meaning the real number will be a lot higher.
- With administration costs at 5% for the European Development Fund and 5.4% for the European Commission, the EU has one of the highest administration costs of international development institutions. This contrasts starkly with DFID's 1.57% administration cost for the 2013-14 financial year.
- The UK is already losing tens of millions a year by funnelling aid through the EU rather than administering it itself – meaning fewer people are being helped than intended.

### The CAP and EU trade policies make developing countries dependent on aid

- The EU is directly responsible for poverty and the economic problems of developing nations due to the damaging trade policies required to support the Common Agricultural Policy (CAP). With its subsidies to EU farmers, price fixing and the high import tariffs and quotas of its Customs Union – the resulting economic troubles cause a demand for international aid.
- The CAP leads to huge amounts of waste produce that is often dumped on developing nations, such as Italian tinned tomatoes ruining the Ghanaian tomato industry – leading, absurdly, to their tomato farmers living on lower incomes as illegal immigrants picking tomatoes in Italy .
- UK consumers pay more for food by contributing to higher taxes being used to finance the CAP, while enduring artificially high prices distorted by the CAP restricting competition from the developing world.
- The Custom Union's import tariffs discriminate against processed foods resulting in developing nations being unable to benefit from value-added manufacturing that creates jobs and spreads prosperity. One outcome is that Germany earns more from coffee exports than *all* the coffee exporting African nations put together despite not one bean being grown in the country.
- A WTO report found that the average EU Customs Union tariff on primary food products was 9.9% but for processed food products it was almost twice as high, at 19.4%. The EU also discriminates between sectors and places a higher tariff on agricultural imports (ranging between 18% and 28%) than its tariffs on manufactured goods, which averages around 3%, again putting developing nations at a disadvantage.

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### **The EU aid programme supports corrupt and despotic regimes**

- The EU spends its aid money very differently from the UK, using a large proportion for ‘budget support’ – the direct transfer of funds into the budget of a developing country – *for it to spend at will*.
- The EU spends around a quarter of all development aid on direct budget support. During 2014 some 233 budget support programmes were live in over 84 countries costing more than €11 billion. By contrast the British Government decided in November 2015 to stop general budget support altogether.
- Burkina Faso, Central African Republic, Cote d’Ivoire, Guinea Bissau, Kyrgyzstan, Mauritania, Niger and Togo have all received direct budget support despite their records for slavery, torture and corruption.

### **The EU aid programme stands condemned but does not reform**

- The EU’s own Court of Auditors condemned the organisation’s monitoring and evaluation procedures in a 2014 report. The UK’s independent aid watchdog, the Independent Commission for Aid Impact (ICAI) stated in a 2012 report that “overall, the EU’s performance management system does not provide solid evidence of the performance and impact of EU aid and does not provide the assurance DFID needs for effective oversight.”
- DFID spending supports an end to corruption through the application of rigorous audit standards. EU development spend does not *and was specifically cited as a reason for the audit the EU failed in 2014*.
- Programmes in Moldova, Palestine and Nigeria have all fallen foul with huge amounts of money simply disappearing.
- The head of the European Parliament’s own committee on budget controls has claimed that it is “throwing its money down the toilet when it comes to international development, with 900 projects worth over £11.5bn either delayed or failing to meet their targets.

### **The UK leads by example**

- DFID’s budget and policies are transparent, accountable, reviewed and citizens have power over it. The EU’s aid money is outside of democratic control, is accountable to no clear organisation, and is not fully scrutinised nor transparent.
- DFID is responsible to the UK Government, Parliament and the electorate. All these bodies have control over both the funding and policies of the Department. The electorate can punish the Government in power that allows for unjust aid policies or reckless spending of the aid. On top of this DFID answers to an external institution that monitors its work and spending, and leads the world in donor transparency.
- The EU’s governance structures consist of a complex and labyrinthine bureaucracy which is itself neither fully accountable to the European people, nor to the governments of the Union’s members.

### **Brexit negotiating recommendations**

- The FCO and DFID should start planning immediately for the use of the reallocated funds to support UK priorities, for example helping countries of strategic interest to the UK such as Egypt.
- The UK should end its contribution to the EDF the year it leaves the EU rather than wait until 2020.
- With the ability to sign trade deals unshackled by EU vested interests, the UK should integrate national security, development and trade policy to the benefit of both Britain and developing countries
- DFID should assist developing countries to take advantage of better trade terms with the UK by helping develop their export industries, creating stronger, more stable and more secure economies.
- There should be a level playing field whereby delivery of EU Aid is opened-up to all countries or UK Aid delivery is closed to EU countries. The former being preferable.
- If the EEA model is chosen for Brexit there should be no payments to EU aid programmes.
- The UK should change its relationship with EU aid programmes to one of co-ordination and of collaboration where it is in the UK’s interests to do.

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## 1. INTRODUCTION

### Establishing the best way to allocate the UK's development aid spending

The issue of the United Kingdom's development aid, or 'foreign aid' as it is popularly known, has often attracted media attention as the budget has grown from £7.3 billion in 2009 to £11.8 billion in 2014 as a result of the UK government's commitment to spend 0.7% of UK Gross National Income (GNI) per year on aid, a commitment that has now been put into law. What is less well known is how favourably the UK's development aid programme compares with the European Union's activities in this field.

The EU is the largest recipient of UK multilateral aid spending, receiving 30% of the UK's multilateral aid budget in 2013, equal to 12% of the UK's total aid spending or £1.35 billion. In the light of the decision to negotiate Britain's withdrawal from European Union membership the use of this funding must be reviewed. This paper seeks to establish the comparable approaches to development aid between the EU and the UK in order to determine the optimal method of allocating the UK's spending in the future.<sup>1</sup>

UK money going to EU aid travels through several EU institutions, including the European Commission (EC) and the European Development Fund (EDF). The UK's membership of the EU has meant that 17% of Britain's EU contributions are a donation to the EU's various aid programmes. *On top* of this compulsory funding, Britain pledged to give the EU another 4.5 billion Euros for the 11th European Development Fund for the period 2014-2020.

For example, in 2013 alone the EU received £1.35 billion in British contributions to EU aid funding. This figure *excludes* the amount of money the UK funds for other EU development work, through its pre-accession assistance to countries seeking EU membership and the European Investment Bank. Indeed the real number will be a lot higher.

The efficacy of EU development aid cannot be seen in isolation but must be considered together with the impact of EU trade policies, the damaging results of which EU Aid is often used to alleviate.

This paper asks what the impacts of EU trade policy are, how the EU Aid programme works and therefore how good the EU is at ensuring the UK's aid funding helps the poorest people in the world achieve higher incomes, enjoy better human rights and live in stable democratic societies. Could the UK use the funds more effectively itself, and if so how?

***“In 2013 the EU received £1.35 billion in British contributions to EU aid funding.”***

<sup>1</sup> An earlier paper *The EU's Corrupting Aid – How the EU feeds global poverty and corruption* was published jointly in advance of the EU referendum by Global Britain and Leave.eu

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## 2. EU TRADE POLICIES

### What is the Common Agricultural Policy?

The European Union's Common Agricultural Policy (CAP) gives financial aid to EU farmers to ease the burden of higher land, input and fuel costs than those faced by farmers in other parts of the world such as Africa and South America. The idea is that the CAP levels the playing field for EU farmers.

The financial aid comes in the form of direct payments, price guarantees and by imposing tariffs and quotas on agricultural produce imported from outside the EU. These funds come directly from the EU budget and individual nations are therefore unable to directly aid their own agricultural sectors, instead they administer their allocated CAP funds.<sup>2</sup>

### Waste on a continental scale

Because of the direct payments and price guarantees for EU produce there is a huge amount of waste created, both in terms of financial waste and waste produce.

Waste produce builds up and is either just dumped (but still paid for through CAP) or shipped to developing nations, meaning their farmers' livelihoods are damaged, sentencing them to poverty. As well as the effects

on the farmers struggling to compete with the imported excess from the EU, investment in agriculture from these nation's governments is undermined and often not seen as needed.

A reliance on heavily subsidised EU imports is incredibly dangerous for these nations because they become dependent on foods that they do not control and if the imports were ever stopped there would be a global crisis caused by the CAP.

Just as the waste produce hurts developing nations, the wasted funding hurts EU nations. This is because the funding to farmers takes up a huge 43% of the total EU budget despite farmers only representing 5.4% of the population and their output only 1.6% of the EU's GDP. Some €58 billion is spent every year on propping up an industry that has become inefficient partly due to this policy.<sup>3</sup>

Administrative waste is also an issue for it is estimated that just managing the CAP costs an estimated €700 per farm per year.<sup>4</sup>



<sup>2</sup> <http://www.ecpa.eu/information-page/agriculture-today/common-agricultural-policy-cap>

<sup>3</sup> <http://www.bbc.co.uk/news/world-europe-11216061>

<sup>4</sup> <http://www.debatingeurope.eu/focus/arguments-for-and-against-the-common-agricultural-policy/#.VzHr1mOrZEc>

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## So much from so many to so few

All of the waste, subsidies and unfair dumping of produce on third world nations might be more palatable if the funding went to struggling, independent, rural EU farmers. Unfortunately, the reality is very different, with 80% of CAP funding going to only 25% of farms. The farms that the funding reaches are generally the largest, most environmentally damaging agro-industrial conglomerates: Nestlé and Campina for example have received hundreds of millions of Euros.<sup>5</sup> The result is that small-scale European farmers receive relatively little while poor farmers in developing nations are shut out of European markets.

## We all pay more

So, the CAP takes huge amounts of financial resources, hurts third world countries, incentivises waste and is soaked-up by huge, rich companies – but at least it keeps the costs of food produced in the EU down, right? Wrong.

The CAP subsidies come from taxpayers' funds and artificially inflate prices. On the one hand consumers pay more for food through their higher taxes being used to finance the CAP, and on the other hand through artificial prices distorted by CAP. The CAP is literally a Double Whammy on the consumer's wallet.

Outside the EU, the UK could reach free trade agreements with non-EU countries that are keen to earn foreign income. Importing cheaper products from around the world would mean more options, variety, competition and the motivation for our farmers to provide high quality, efficient agricultural produce. In turn, food prices would drop for consumers, taxes could be cut, and the best farms and farmers would thrive and grow.

## Protectionist Tariffs

Particularly insidious are the escalated tariffs whereby higher tariffs are placed on processed food. This creates a disincentive for countries to process and add value to their raw commodity creating additional employment and prosperity. For example, a World Trade Organisation (WTO) report found that the average EU tariff on primary food products (in 2008) was 9.9% but for processed food products it was almost twice as high, at 19.4%.

The EU also discriminates between sectors and places a higher tariff on agricultural imports (ranging between 18% and 28%) than its tariffs on manufactured goods, which averages around 3%. This again puts developing nations at a disadvantage.

## EU damage to cocoa and coffee processing

An example of how these tariffs damage trade with developing nations is in the processing of cocoa. Protectionism in the EU is never more obvious than

*“Germany earns more from coffee exports than all the coffee exporting African nations put together despite not one bean being grown in the country.”*

<sup>5</sup> <http://www.newstatesman.com/blogs/politics/2012/09/revealed-how-we-pay-our-richest-landowners-millions-subsidies>

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when it comes to importing coffee and cocoa beans. The EU tariffs of 30% on processed cocoa mean it is not viable for processing to take place in the nations where the product is grown and is instead processed in EU countries such as Belgium.

The EU treats processed (roasted) coffee in the same way. A shocking fact that illustrates the harm caused by this policy is that Germany earns more from coffee exports than *all* the coffee exporting African nations put together despite not one bean being grown in the country.

MakeChocolatefair.org reports:

*“Within the global value chain, Most of the money is made after the beans have reached the Global North. At the same time many cocoa farmers and workers in the Global South have to get by on less than 1.25 US dollars a day, below the threshold of absolute poverty.*

*Cocoa growers today receive about 6% of the price that consumers in rich countries pay for chocolate. In the 1980s their share was almost three times as great: 16%.”<sup>6</sup>*

Because it is too expensive to export processed goods to the EU, producers in poor nations have no choice but to sell the raw produce, which has far lower profit margins.

### **There’s nothing sweet about the EU sugar policy**

Cane sugar has been refined in Europe since the mid 1800’s but is now under serious threat due to decisions being made by the EU.

The European Commission has chosen to favour beet sugar grown in the EU for cane sugar grown in the developing world for several decades, and in 2017 this is going to get much worse. The EU’s sweetener and beet sugar sectors are going to be deregulated and have current quotas limiting production removed whilst the cane refining industry will still have damaging policies enforced, such as a restriction on access to raw material supply to just 5 per cent of world trade in sugar.

The EU subsidises EU producers of beet sugar *and* pays-off cane sugar producers in the Caribbean and Africa - the most recent a €4.2m payment to St Kitts and Nevis as part of the ‘Sugar Adjustment Scheme’

### **EU policy on Tomatoes**

“There isn't a Ghanaian dish which does not contain tomatoes<sup>7</sup>” Yet because they could not get a tin manufacturing plant up and running due to lack of funding, Italian tinned tomatoes have destroyed the Ghanaian market and farms are unable to compete, meaning they close. The Ghanaian tomato farmers are forced to become illegal immigrants in Italy and are known as “The invisible ones of the harvest”. They number in the thousands working on the tomato farms for low wages instead of growing the Ghanaian economy by producing and exporting their own crops.

***“The Ghanaian farmers are forced to become illegal immigrants in Italy and are known as ‘The invisible ones of the harvest’.”***

<sup>6</sup> <http://makechocolatefair.org/issues/cocoa-prices-and-income-farmers-0>

<sup>7</sup> <http://webapps.aljazeera.net/aje/custom/2014/italiantomato/index.html>

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### 3. THE EU AID PROGRAMME

With damaging trade policies, the EU is a direct cause of the economic problems of poorly developed nations. Their economic troubles in turn cause a demand for international aid. However, EU development aid policies are not much better designed than their trade policies. The EU is the largest multilateral donor in the world, and has the second biggest Official Development Aid (ODA) budget after the United States. How is the EU using this power to improve the lives of the world's most vulnerable? The UK's Department for International Development (DFID) prioritises value for money, and rightly so. Are the EU aid programmes really the best investment of British aid funds that we can get?

#### How is the aid structured?

The European Commission controls various aid programmes such as the Development Cooperation Instrument which has a total budget of €19.7 billion for 2014-2020 and the European Neighbourhood Policy Instrument (ENPI) which has a total budget of €15,432.63M over the same period. . The main instrument of the EU's aid policy however is the European Development Fund (EDF) which has a budget of €30.5 billion for 2014-2020. It is independent of the Commission's budget and is funded through voluntary contributions. Britain has pledged to contribute 4.5 billion euros, 14.68% of the total 11th EDF.

#### Bureaucracy and poor management

The European Union unfortunately ranks poorly with other donors for having one of the highest administration costs of international development institutions. Administration costs are at 5% for the EDF and at 5.4% for the European Commission, making the EU among the most expensive of all donors. This contrasts starkly with DFID's 1.57% administration cost for the 2013-14 financial year and effectively means an additional 154 million euros of DFID's contribution to the 11th EDF will be wasted solely on the EU's administrative costs than if its aid had been dispersed through DFID directly.

***Thus the UK is already losing tens of millions a year by funnelling aid through the EU rather than administering it itself.***

Does the higher administration costs translate into better quality aid? Indeed, what is the UK getting for this expensive administrative fee?

#### Direct budget support

The EU is spending its aid money very differently from the UK. This is especially clear in the area of "budget support" – the direct transfer of funds into the budget of a developing country *for it to spend at will*.

According to the EU it spends around a quarter of all development aid on budget support: 26% in Sub-Saharan Africa, 16% in Asia, 23% in Latin America and the Caribbean and 30% in Neighbourhood countries in 2011<sup>8</sup>. Over 2014 some 233 budget support programmes were live over 84 countries

<sup>8</sup> [https://ec.europa.eu/europeaid/how/delivering-aid/budget-support/index\\_en.htm\\_en](https://ec.europa.eu/europeaid/how/delivering-aid/budget-support/index_en.htm_en)

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costing more than €11 billion<sup>9</sup>. By contrast Britain's level of bilateral budget support aid has been declining rapidly over recent years, *with the UK Government in November 2015 deciding to stop general budget support altogether.*

Some small quantities of sectoral budget support are still given with support being conditional upon a government's credible commitment to "poverty reduction, respect for human rights and other international obligations, improving public financial management, promoting good governance, fighting corruption and strengthening domestic accountability."

The EU on the other hand, has a different set of criteria for providing aid. The EU's criteria for budget support consists of the recipient nation having "well-defined national or sectorial development or reform policy and strategy; a stable macroeconomic framework; good public financial management or a credible and relevant programme to improve it; transparency and oversight of the budget (budget information must be made publicly available)." Judging the EU even by these quite low standards, the EU demonstrates a confusing set of morals and principles in its aid support. Judging by some of the recipients of EU budget support, the use of EU development aid funds is highly questionable.

Looking at the list of countries that receive cash infusions into their Treasuries from the EU, one can see that a surprising number have close links to France. A cynic might suggest that France is using the EU to cut the costs of propping up its client states and former colonies.

### **Monitoring and evaluating impact**

The EU has a poor track record in determining whether the billions of taxpayers' money it spends are actually delivering any results.

The EU's own Court of Auditors condemned the organisation's Results Oriented Monitoring and Evaluation procedures in a 2014 report. "The Court concludes that EuropeAid evaluation and ROM systems are not sufficiently reliable." They explained, "there is inadequate overall supervision of programme evaluations by senior management."



Furthermore, it is clear that the way the EU runs their programmes, they do not even take into account whether their actions deliver results in daily decision-making. "Evaluation plans, drawn up on the basis of insufficiently clear criteria, do not guarantee that priority is given to those evaluations which are most useful for decision making. In addition, the absence of monitoring prevents EuropeAid from identifying and addressing the causes of frequent deviations from these plans."

<sup>9</sup> [https://ec.europa.eu/europeaid/sites/devco/files/2015-annual-report-web\\_en.pdf](https://ec.europa.eu/europeaid/sites/devco/files/2015-annual-report-web_en.pdf)

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The UK's independent aid watchdog, the Independent Commission for Aid Impact (ICAI) stated in a 2012 report that "overall, the EU's performance management system does not provide solid evidence of the performance and impact of EU aid and does not provide the assurance DFID needs for effective oversight."

### **Financial standards**

DFID spending supports an end to corruption through the application of rigorous audit standards. EU development spend does not and was specifically cited as a reason for the audit which the EU failed in 2014. One £1.4m programme in Moldova, for instance, was found not to have incurred any costs at all – the money had just gone missing. Likewise in 2013, the European Court of Auditors found that billions of pounds of aid to the Palestinian government had been lost, badly spent or drained away by corruption between 2008 and 2012.

Keeping control of our aid spend means keeping control of our auditing standards and ensuring that the money gets to the world's poorest people rather than supporting corruption.

### **Lax development programming**

The head of the European Parliament's own committee on budget controls has claimed that it is "throwing its money down the toilet" when it comes to international development, with 900 projects worth over £11.5bn either delayed or failing to meet their targets. In Nigeria an anti-corruption programme had to be suspended because government officials were stealing the funds used to support it.

A 2015 report by the House of Commons International Development Committee highlighted 'savage criticisms' of EU aid programmes aimed at helping countries improve their democratic governance. The report found that EU project teams were sometimes unable to spend all the taxpayers' money they had been allocated, so wasted resources in order to use up the budget.<sup>10</sup>

The ineffectiveness of European programming when set against DFID's self-administered programme has been acknowledged publicly by former International Development Secretary Clare Short who argued that the European Commission ran 'the worst development agency in the world' and branded its operations 'an outrage and a disgrace'.<sup>11</sup>

The EU Court of Auditors examined an estimated €1.4 billion of EU overseas aid that was spent in countries such as Algeria, Georgia, Moldova, Morocco and Ukraine on Europe's periphery in order to halt migration between 2007 and 2013<sup>12</sup>. Their report warned the projects are poorly designed, badly managed, chaotically supervised and, as a result, are often ineffective<sup>13</sup>.

<sup>10</sup> <http://www.aecr.eu/eu-aid-spending-comes-in-for-savage-criticisms/>

<sup>11</sup> <http://www.eca.europa.eu/en/Pages/DocItem.aspx?did=32184>

<sup>12</sup> <http://www.telegraph.co.uk/news/worldnews/europe/eu/12196776/EU-wastes-migrant-aid-millions-with-chaotic-and-badly-managed-projects.html>

<sup>13</sup> <http://www.euractiv.com/section/global-europe/news/auditors-slam-eu-migration-response-as-incoherent/>

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## 4. EXAMPLES OF EU SUPPORT FOR CORRUPT COUNTRIES

The extent to which EU direct budget support goes to corrupt and undemocratic regimes is staggering. The following examples show what is entailed and explain why the UK ended this policy. The question has to be asked, why would it be in the UK's interest to continue to fund such governments and their dishonest, cruel and inhumane practices through EU Aid?

### Burkina Faso

The EU funded a *de facto* dictatorship led by 'President' Blaise Compaore, an ally of Muammar Gaddafi, with 76 million euros in 2013. Compaore ruled for 27 years and oversaw his own immense personal enrichment in one of the least developed countries in the world. He was only toppled when he attempted to rewrite the constitution in October 2014 to extend his presidency. A newspaper investigation discovered that "aid funds... cover 80% of government spending." The EU was thus sustaining the life of a government infamous for its corruption and undemocratic behaviour.

Even by the EU's own standards and requirements of budget transparency, Burkina Faso scored a measly 23 out of 100 on the International Budget Partnership rankings in 2012. The EU thus had little oversight over where the money was being spent by a government that assumed power through a military coup d'état in the 1980s. In the 2014 corruption perception rankings Burkina Faso was 85th out of 175.

In a 2012 report from the national anti-corruption institute REN-LAC, 87% of local respondents said that corruption was common, or very common, in the country, 12% of them admitted that they had to pay bribes to receive public administration services. According to the 2013 Human Rights Report from the US Department of State, "the law provides criminal penalties for official corruption, but the government did not enforce the law effectively, and officials often engaged in corrupt practices with impunity. Local NGOs criticised what they called the overwhelming corruption of senior civil servants. They reported pervasive corruption in the customs service, gendarmerie, tax agencies, national police, municipal police, public health service, municipal governments, education sector, government procurement, and the Ministry of Justice."

The same report highlighted that the country has no whistle-blower protection and has poor freedom of information procedures. Government ministries often refuse to provide insight, which is exacerbated by the fact that "there is no procedure to appeal denials of requests for information" in the country.

**Amount received in EU aid (2013): 76 million euros**

### Central African Republic

Freedom House ranked the country as Not Free in 2014, and gave it the lowest possible score for all freedom criteria. The EU kept funnelling money to the state despite "the Séléka rebel group's ouster

***“The EU thus had little oversight over where the money was being spent by a government that assumed power through a military coup d'état in the 1980s.”***

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of the incumbent president and legislature, the suspension of the constitution, and a general proliferation of violence by criminal bands and militias, spurring clashes between Muslim and Christian communities.” It ranks tenth on the world rankings for percentage of population in slavery. According to the Global Slavery Index 2014 “The continuing conflict and struggle for political power between the transitional government and the Séléka since January 2013 has resulted in an almost non-existent government response to modern slavery. Law enforcement and judicial authorities remain largely ineffectual since the coup.”

The country is considered one of the most corrupt nations on the planet. It ranked 150 of 175 in Transparency International’s 2014 list. Even though the coup of 2013 “removed all elected office holders from power and imposed a non-transparent, unelected regime” and that the “there were widespread reports of atrocities, including torture and extrajudicial killings, committed by Séléka,” the EU funded his regime with 30 million euros in 2014. It received the budget support for the purpose of paying for public financial management and the “salaries” of government officials.

**Amount received in EU aid (2014): 30 million euros**

### **Côte d’Ivoire**

Transparency International’s 2013 report on the country stated, “corruption in Côte d’Ivoire is endemic and permeates all levels of society, which is reflected in the country’s poor performance in most areas assessed by governance indicators.” The EU-funded report admitted that “the administration does not operate transparently” and that “the poor governance structure is becoming an obstacle for genuine reconciliation in a still-divided Côte d’Ivoire.”

“World Bank’s Worldwide Governance Indicators (WGI) place Côte d’Ivoire in the lower quarter of the percentile ranks, with a score of 12 on a scale from 0 to 100.”

According to Freedom House: “Corruption is a serious problem, and perpetrators rarely face prosecution or public exposure. Under Gbagbo, earnings from informal taxes and the sale of cocoa, cotton, and weapons gave many of those in power, including members of the military and rebel forces, an incentive to obstruct peace and political normalisation.”

“The World Bank Enterprise Survey indicates that almost 30 per cent of the surveyed firms expected to have to pay bribes to secure a government contract.”

This did not deter the EU providing over 115 million euros in budget support to the country between 2012-2013.

**Amount received in EU aid (2012-13): 115 million euros**

### **Guinea Bissau**

In Guinea Bissau, the European Union is funding the world’s one true narcotic state, which unsurprisingly happens to be one of the most corrupt nations in the world. The United Nations Office on Drugs and Crime (UNODC) describes Guinea-Bissau as the world's only example of a narco-state saying: "In Afghanistan and Colombia, individual provinces are in the hands of drug lords. Here, it's the entire state."

***“Guinea-Bissau is a narco-trafficking hub. Government at all levels are complicit.”***

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The military coup in April 2012 has “led to a sharp deterioration in press freedom.”

According to a 2013 US Department of State Report human rights abuses in the country included “arbitrary detention, official corruption exacerbated by government officials’ impunity and suspected involvement in drug trafficking, and a lack of respect for the right of citizens to elect their government.” The same report found that “the complicity of government officials at all levels in this criminal [drug] activity inhibits a complete assessment and resolution of the problem. Guinea-Bissau’s political systems remain susceptible to and under the influence of narcotics traffickers.” It continued by explaining “corruption is endemic at all levels of government. Law enforcement and judicial officers are involved in drug trafficking, as are elements of the military.”

Freedom House reports that “corruption is pervasive, driven in large part by the illicit drug trade. With weak institutions and porous borders, Guinea-Bissau has become a major transit point for Latin American drug traffickers moving cocaine to Europe” and that since the 2012 coup drug trafficking has “been on the rise.”

There is no clearer description of the corruption and criminal behaviour of the country’s government than the 2013 US report which concluded: “Guinea-Bissau is a narco-trafficking hub. Government officials at all levels are complicit.” In consideration of these flagrant abuses of international law, the US government “suspended all assistance after the April 2012 coup and the US Embassy suspended operations there in June 1998.” The EU supplied this unelected government’s budget with 18 million euros from 2014 until 2015.

**Amount received in EU aid (2014-15): 18 million euros**

## **Kyrgyzstan**

Kyrgyzstan has one of the weakest budget transparency rankings in the world according to an EU funded Transparency International report: “This indicates that the government provides very limited information to the public on budget processes, making it almost impossible for citizens to hold government accountable for its management of public resources...According to the Budget Survey 2010, budget oversight provided by the Supreme Audit Institution is fairly weak, as the independence of the institution is rather limited.” How could the EU then possibly ensure that the money it supplied was spent on anything legitimate?

A 2013 Transparency International report on the country explains that “Citizens are often asked to pay bribes in their interactions with public servants in different sectors.” This is partly due to the weakness of the legislation and institutions in the country. The same report explains that “laws and regulations governing public administration are controversial, ambiguous, and frequently changed without notice. There is also a lack of predictability in the enforcement of the law, with high levels of discretionary power given to public officials.” This legislative confusion and poorly designed law system entrenches corruption even further. This is clearest in administrative offences where “officials have discretion to decide upon the amount of the fine to be imposed, allowing for selective and preferential treatment.” There is a well-known corruption case in the country where a former director of an international company admitted to having “allegedly paid USD 400,000 to the Prosecutor General to avoid investigations into corruption involving the company during the Bakiyev regime.” If the primary institutions that are responsible for punishing corruption are entrenched in immoral and corrupt behaviour themselves, then the chances of uncovering and holding to account government criminals is slim.

On the status of human rights in the country, Human Rights Watch explains “in 2013, authorities proposed legislative initiatives to tighten restrictions on nongovernmental groups. Violence and discrimination against women and lesbian, gay, bisexual, and transgender (LGBT) persons remain

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concerns. Some religious groups have faced harassment by the authorities. "Insult" and "insult of a public official" remain criminal offences. Government officials and civil society representatives formed a national centre for the prevention of torture in 2013. In practice, ill-treatment and torture remain pervasive in places of detention, and impunity for torture is the norm."

The country is a rampant torturer. According to a 2013 US State Dept. Report: "despite widespread acknowledgement of torture by government officials and NGOs, very few cases of alleged torture made it to trial during the year, and no accused torturers received a criminal conviction." Amnesty International's 2013 report explained that "torture and other ill-treatment remained pervasive throughout the country and law enforcement and judicial authorities failed to act on such allegations." In one of their examples, Anna Ageeva, an 18-year-old pregnant lady was detained under suspicion for murder. She explained that "police officers dragged her by her hair, handcuffed her to a radiator and kicked and punched her in the stomach and kidneys to force her to confess to the murder of another young woman." The European Union decided to award this national government's budget with the sum of 10 million euros in 2013.

**Amount received in EU aid (2013): 10 million euros**

## **Mauritania**

Mauritania fares much worse than either Burkina Faso or Cote D'Ivoire. An Islamic country that still implements Sharia Law, its human rights violations, according to a 2013 US report, included "the use of torture by police to extract confessions, continuing slavery and slavery-related practices."

"Independent human rights observers and the National Commission for Human Rights (CNDH) also stated that security and corrections personnel tortured detainees to extract confessions."

A 2008 Amnesty International Report found that "Mauritania is routinely and systematically torturing detainees." "Torture methods include the "Jaguar" position; electric shocks (including to the soles of the feet); cigarette burns (one prisoner described having lighted cigarettes stuck into his ears); sexual violence (including being sodomised with police truncheons); having hair pulled from beards, armpits and around the genitals; being cut with a metal saw; being urinated on; being denied sleep and having threats of rape made against family members."

On top of this, according to the 2013 Global Slavery Index, Mauritania has the highest prevalence of slavery in the world and the government does little about it. In 2014 over 155,000 people, about 4% of the population, were reported as being enslaved. The government's disregard of the human rights and its opposition to the abolition of slavery is epitomised in the arrest of 11 members of an anti-slavery organisation, *Initiative pour la Résurgence du Mouvement Abolitionniste en Mauritanie* on April 11th for protesting against Islamic writings that justify slavery.

Mauritania's corruption is widespread and well known; the World Bank gave it a control of corruption score of only 28.23 out of 100. In a 2013 US Department of State report on the country, it was found that "corrupt practices were widely believed to exist at all levels of government...There were reports that government officials frequently used their power to obtain such favours as unauthorized exemption from taxes, special grants of land, and preferential treatment during bidding on government projects. Corruption was most pervasive in government procurement, official document distribution, bank loans, fishing-license distribution, land distribution, and tax payments."



Its anti-corruption record does not stand up to scrutiny. Though the new President declared a focus on fighting corruption during the first days of his presidency, and a few symbolical arrests were made, the anti-corruption institution DCEF ceased to uncover further high profile corruption cases. The 2013 US report explained “the DCEF operated effectively and possessed sufficient resources, but its independence was doubtful because it is under the Ministry of Interior. During the year the DCEF completed 145 investigations involving the private sector and four investigations of the public sector.” The very same year the EU supplied the government with nearly 22 million euros in budget support.

**Amount received in EU aid (2013): 21.6 million euros**

## **Niger**

Slavery was only outlawed in the country in 2003, and the Global Slavery Index estimates that there are still 133,000 slaves in servitude. This makes the people of Niger the 23rd most enslaved people in the world. Many of these are children born into servitude. In terms of child labour, 47.8 per cent of children between the ages of 5 and 14 were reportedly engaged in labour in 2012. “Forced labor remained a problem.” A study in 2009 indicated that 2.8 per cent of working children (an estimated 55,000) were engaged in forced child labor.” A 2013 US State Dept. report on Niger reported “discrimination and violence against women and children, and forced labor and caste-based slavery among some groups” and that “official corruption was pervasive.”

According to the same US report, “civil servants often demanded bribes to provide public services. A poorly financed and trained law enforcement establishment and weak administrative controls compounded corruption. Other contributing factors included poverty, low salaries, politicization of the public service, traditional kinship and ethnic allegiances, a culture of impunity, and the lack of civic education.” Their anti-corruption work has had few successes and the judiciary is a part of the problem. Though government individuals have been charged and jailed for shorter periods, “they

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were generally granted provisional release, and no sentences were handed out for corruption. For example, on June 21, the judge granted provisional release to Foukori Ibrahim, a Member of Parliament and former general manager of the national electric company, Nigelec. Ibrahim was jailed in May on charges of embezzling public funds in the amount of \$9,558,443 and Nigerian nairas 192,405,000 (\$1,208,000). In March authorities arrested Alhassane Salou Alpha, prefect of Tera in the Tillabery Region, on charges of misappropriation of foreign food aid. The court granted him provisional release after three months in jail, and the government reinstated him in his position.”

A 2013 Danish report found that “there are flaws in the laws guiding the Court of Auditors, which leave audits of tax and customs revenues out of its purview.” This means that some of the biggest income earners for governments remain outside independent reviews. The report further explained that “the parliament has failed to debate and approve the national accounts from 2007 and onwards and corruption is endemic. Overall, the risks associated with general budget support are presently considered larger than the advantages of applying the modality.”

Despite this recommendation, the EU provided 35 million euros to the nation in budget support in 2013.

**Amount received in EU aid (2013): 35 million euros**

## **Togo**

According to a US State Department report on Togo’s in 2013 the human rights abuses included: “security force use of excessive force, including torture, which resulted in deaths and injuries; official impunity; harsh and life-threatening prison conditions; arbitrary arrests and detention; lengthy pre-trial detention; executive influence over the judiciary; infringement of citizens’ privacy rights; restrictions on freedoms of press, assembly, and movement; official corruption; discrimination and violence against women; child abuse, including female genital mutilation (FGM), and sexual exploitation of children; regional and ethnic discrimination; trafficking in persons, especially women and children; societal discrimination against persons with disabilities; official and societal discrimination against homosexual persons; societal discrimination against persons with HIV; and forced labor, including by children. Even the Togolese National Human Rights Commission admitted in a 2012 report that prisoners had been subjected to “physical and moral violence of an inhuman and degrading nature.”

“A World Bank survey of businesses (2010) revealed that 60% of respondents believed that the courts were neither impartial nor free from corruption. Although a national anti-corruption commission (Commission nationale de lutte contre la corruption et le sabotage économique, CNLCSE) was formed in 2001, the government lacks the political will to effectively combat corruption.”

Neither of these reports deterred the EU from funnelling 30 million euros into the country’s national budget.

**Amount received in EU aid (2013-14): 30 million euros**

*“Despite the [Danish report’s] recommendation, the EU provided 35 million euros to the nation in budget support.”*

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## 5. USING BRITAIN'S SUPERIOR AID MODEL

It is not only in handling budget support where the UK outranks the EU. Britain's superiority covers multiple areas within the field of aid management.<sup>14</sup> Britain provides aid to developing countries more efficiently than the EU at a fraction of the cost and is more transparent and accountable to independent auditors.

### Administration and Bureaucracy

The costs of administering aid funds are significantly less in Britain than in the EU. DFID's administration cost of 1.57% is among the lowest in the world.<sup>15</sup> The European Commission on the other hand had an average administrative cost of 5.4% for all overseas development aid dispersed in 2013, more than three times higher than DFID.

Arguably this high administration cost plays a large part in the creation and maintenance of unnecessary bureaucracy in the EU. A 2012 OECD Peer Review Report found that "partners and operational staff agree that [the EU's] procedures are still cumbersome, which slows down implementation while also putting a strain on partners with limited capacity."<sup>16</sup>

A 2013 UK Government report found that EU aid comes with more bureaucratic hurdles and time consuming administrative burdens than UK aid.<sup>17</sup> The same report cited Malawi's Ministry of Finance, who lamented that "huge dossiers or rules and regulations on procurement which are hard to comprehend by many implementers".<sup>18</sup> Even an EU Commission report found that 25% of delays in EU aid disbursements were caused by administrative problems in less developed recipients compared to 40% of aid disbursements that were delayed due to the internal "administrative processes of the EU."<sup>19</sup>

### Political accountability

A key difference between DFID aid spending and the EU's aid spending is that of accountability to an external actor. DFID is responsible to the UK Government, Parliament and the electorate. All these bodies have direct control over both the funding and policies of the Department. The electorate can punish the Government in power that allows for unjust aid policies or reckless spending of the aid. On top of this DFID answers to an external institution which monitors their work and spending, and leads the world in donor transparency. The same cannot be said of the EU.

The EU's governance structures consist of a complex and labyrinthine bureaucracy which is itself neither fully accountable to the European people, nor to the governments of the Union's members. Though the EU Commission is the executive arm of the EU, it is not elected by EU citizens. It is chosen through a complex procedure of internal negotiation between EU member governments. The EU Parliament can impeach, but not elect the Commission and shares control over the aid budget together with the EU Council of Ministers. Thus EU citizens have negligible influence over the size or administration of the EU aid budget, nor do they have power over the executive body or how the aid

<sup>14</sup> [https://ec.europa.eu/europeaid/sites/devco/files/2015-annual-report-web\\_en.pdf](https://ec.europa.eu/europeaid/sites/devco/files/2015-annual-report-web_en.pdf)

<sup>15</sup> <http://www.nao.org.uk/wp-content/uploads/2014/12/DFID-Departmental-overview1.pdf>

<sup>16</sup> <http://www.oecd.org/dac/peer-reviews/50155818.pdf> p.21

<sup>17</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/227443/2901085\\_EU-Development\\_acc.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/227443/2901085_EU-Development_acc.pdf)

<sup>18</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/227443/2901085\\_EU-Development\\_acc.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/227443/2901085_EU-Development_acc.pdf)

<sup>19</sup> OpenEurope Report 2007 citing: European Commission (2005). EC Budget Support: An Innovative Approach to Conditionality. EC, Brussels.

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money is spent. Thus the Commission may spend the EU budget and its aid money in whatever manner it sees fit, no matter what European citizens may think of it.

On top of this, the European Development Fund has an even more obscure governance structure, with no direct accountability to anyone. As a UK Government report published this year put it: “From a budgetary perspective, the EDF presents a significant peculiarity, since it is intergovernmental in nature and remains outside the EU budget, despite the fact that most of its resources are managed by the European Commission. In turn, this implies that the rules governing the financing, spending and monitoring of the EDF are different from those applicable to the EU budget... One difference is that the European Parliament has a more limited role in the functioning of the EDF than in the development cooperation instruments financed by the EU budget.”<sup>20</sup>

In effect this means the EDF spends its money in whatever way it wants, fully accountable to neither EU citizens, the EU Parliament – nor EU member governments.

### **Financial auditing**

Furthermore, UK citizens can rest assured that their aid money is being spent wisely, as an independent government agency, the Independent Commission for Aid Impact (ICAI), exists solely for the purpose of monitoring DFID and ensuring it is spending British aid money as efficiently and effectively as possible. ICAI releases regular reports on all aspects of DFID’s aid spending and forces the Department to alter its ways. It even monitors the Department’s ability to reform according to ICAI’s previous recommendations. There is no comparable EU agency whose sole purpose is to review and improve the aid spending of the EU budget. Indeed a 2014 OECD report on UK Aid applauded “the government’s willingness to open itself up to scrutiny in this way” and emphasised that “ICAI’s independence provides a stimulus to improve performance.”<sup>21</sup>

In addition to scrutiny by ICAI, UK Aid spending is also examined by the National Audit Office (NAO), the International Development Select Committee, and the Public Accounts Committee. By contrast the only independent external scrutiny of EU aid spending is exercised by the EU Court of Auditors, which only issues the occasional report.

### **World leader in transparency**

Britain is outstanding in its openness regarding its aid spending and is often ranked among the highest in the world in transparency evaluations. A 2013 OECD report ranked the UK as the top donor on transparency.<sup>22</sup> Publish What You Fund has also consistently ranked DFID among the highest of major bi-lateral and multilateral donors, ranking them second in 2012, third in 2013<sup>23</sup> and second highest again in 2014.<sup>24</sup> This contrasts with the European Commission which was ranked 13<sup>th</sup> in both 2013<sup>25</sup> and 2014.<sup>26</sup> A 2014 OECD Peer Review of DFID states that “DFID

*“The United Kingdom is a leader in the donor world in effective monitoring of its work.”*

<sup>20</sup> <http://www.europarl.europa.eu/EPRS/EPRS-IDA-542140-European-Development-Fund-FINAL.pdf>

<sup>21</sup> <http://www.oecd.org/dac/peer-reviews/UK%20peer%20review%202014.pdf>

<sup>22</sup> <http://www.oecd.org/dac/peer-reviews/UK%20peer%20review%202014.pdf> p.82

<sup>23</sup> <http://www.oecd.org/dac/peer-reviews/UK%20peer%20review%202014.pdf> p.82

<sup>24</sup> [http://ati.publishwhatyoufund.org/wp-content/uploads/2013/10/ATI-2014\\_Final-report.pdf](http://ati.publishwhatyoufund.org/wp-content/uploads/2013/10/ATI-2014_Final-report.pdf)

<sup>25</sup> <http://newati.publishwhatyoufund.org/2013/index-2013/results/>

<sup>26</sup> [http://ati.publishwhatyoufund.org/wp-content/uploads/2013/10/ATI-2014\\_Final-report.pdf](http://ati.publishwhatyoufund.org/wp-content/uploads/2013/10/ATI-2014_Final-report.pdf) p.7

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has made a tremendous effort to be open and transparent about its budgets, programmes and intended results. DFID has a clear and ambitious vision for supporting transparent and traceable development assistance to allow citizens and experts to hold the government to account.”<sup>27</sup>

In short, DFID’s budget and policies are transparent, accountable, reviewed and citizens have power over it. The EU’s aid money is outside of democratic control, is accountable to no clear organisation, and is neither fully scrutinised nor transparent.

### **Knowing where the money goes and what it does**

Whereas the EU’s questionable ability to monitor its own aid programmes has been evidenced, the United Kingdom is a leader in the donor world in effective performance monitoring of its work. Key to running a good organisation is knowing where the money you spend is going, what impact it is having and if it is achieving the organisational aims. The EU compares very poorly against Britain in this regard.

A 2012 ICAI report on DFID’s contributions to the EU’s aid budget found that the EU’s inability to monitor its own programmes make it very difficult to judge the quality of the work they do. “Weaknesses in the EU’s own performance management and results framework make an overall view of the impact of EU programmes difficult to achieve.”<sup>28</sup> On top of this, “There is no effective performance management system in place for EU aid, which limits DFID’s oversight... We conclude that DFID’s oversight does not provide the assurance needed, given the substantial scale of the UK’s contribution and the limited discretion the UK has about the EU as a route for aid.”<sup>29</sup> “The EU’s performance management and results framework are weak. As a result, DFID is not getting the assurance it needs and that it achieves elsewhere.”<sup>30</sup>

DFID is a leader in its systems of monitoring and evaluating its own work. A 2014 OECD Peer Review found that “The UK has a sound policy for evaluating development activities, and DFID stands out as one of the best performing government departments on evaluation (NAO, 2013).”<sup>31</sup> It concluded that “DFID is a leader in evaluation internationally...It provides significant support to strengthen partner country capacities for research and evaluation. DFID has provided strategic support to a number of international partnerships and initiatives for evaluation.”<sup>32</sup> A UK Parliament Report stated that “The UK has pressed for the EU’s evaluation and monitoring functions to improve for some time.”

*“Why should the UK divert money to an organisation that is unable to monitor its own progress or work?”*

<sup>27</sup> <http://www.oecd.org/dac/peer-reviews/UK%20peer%20review%202014.pdf> p.83

<sup>28</sup> <http://www.oecd.org/derec/unitedkingdom/ICAI%20EU%20report%20061212%20FINAL.pdf> p.1

<sup>29</sup> <http://www.oecd.org/derec/unitedkingdom/ICAI%20EU%20report%20061212%20FINAL.pdf> p.1

<sup>30</sup> <http://www.oecd.org/derec/unitedkingdom/ICAI%20EU%20report%20061212%20FINAL.pdf> p.1

<sup>31</sup> <http://www.oecd.org/dac/peer-reviews/UK%20peer%20review%202014.pdf> p.79

<sup>32</sup> <http://www.oecd.org/dac/peer-reviews/UK%20peer%20review%202014.pdf> p.81

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Thus the question remains, why should the UK divert money to an organisation that is unable to monitor its own progress or work? In response to questions regarding funding of EU aid, the UK government stated that “EU aid should reach the world-leading quality of UK aid.”<sup>33</sup>

## A preferable policy

According to a 2011 study, DFID was ranked “the top bilateral donor” in the world.<sup>34</sup> The European Commission was the only EU donor ranked, and was given a score 54% compared to DFID’s 70%. Similarly a 2008 study from New York University ranked DFID as the second best donor agency in the world.<sup>35</sup> So why – when the UK will be leaving the EU – should the UK disperse funding through a much poorer performing donor? Instead the UK should spend the money in its own more effective ways. Indeed as an Open Europe report concluded “The UK should spend its aid budget directly through DFID, which performs better as a donor than the Commission on most measures.”<sup>36</sup>

Thus aid funds currently routed through the EU would have greater effect if they were spent directly by the UK. This is because:

- 1) **The EU is a low quality aid provider**, with much aid either going into the budgets of corrupt countries or being spent inefficiently on poorly administered projects.
- 2) **The EU is a high cost aid provider**, with administration costs 300% higher than those of the UK’s DFID.
- 3) **Much of EU aid goes to countries that are of little strategic interest to the UK**, e.g., often French-speaking ones countries mentioned earlier in this report such as Burkina Faso, Niger and Togo. Spent directly by the UK the funds could instead be directed to countries that are important to Britain and where economic and governance improvements would impact positively on the security of our country.
- 4) **Greater impact in terms of poverty deduction will be achieved** by spending money through DFID rather than the EU.

<sup>33</sup> 2015 ICAI Report, How DFID works with multilateral Agencies to Achieve Impact, p.40

<sup>34</sup> [www.publications.parliament.uk/pa/cm200708/cmselect/cmintdev/520/520ii.pdf](http://www.publications.parliament.uk/pa/cm200708/cmselect/cmintdev/520/520ii.pdf)

<sup>35</sup> [https://williameasterly.files.wordpress.com/2010/08/54\\_easterly\\_pfutze\\_wheredoesthemoneygo\\_prp.pdf](https://williameasterly.files.wordpress.com/2010/08/54_easterly_pfutze_wheredoesthemoneygo_prp.pdf) p.21

<sup>36</sup> [archive.openeurope.org.uk/Content/documents/Pdfs/euaid.doc](http://archive.openeurope.org.uk/Content/documents/Pdfs/euaid.doc)

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## 6. ADDITIONAL DEVELOPMENT BENEFITS FROM LEAVING THE EU

Leaving the European Union can be a force for good by empowering the developing world that is locked outside the EU's "fortress Europe" customs union. It can allow greater access to the UK's market – one of the most open in the world – and to its education system, and attract greater investment through increased trade.

Helping citizens of developing countries to realise their full potential is not just about finance – it is also about liberalising laws and regulations that limit access or give preferential treatment to one group (such as EU citizens) over another (such as non-EU citizens). The following examples explain how such obstacles can be limiting and damaging.



### Education

UK universities are forced to use subsidies to cover EU students, irrespective of means. This gives universities less autonomy over funding and means that fewer bursaries are available to talented students from the developing world. As such, those students who do gain access tend to be able to pay high fees and come from the families of the elite – maintaining their dominance through a lack of meritocracy in developing countries. Far from promoting development, the British education system within the EU is therefore forced to perpetuate oligarchies in the developing world and ignore talented but poor students.

Leaving the EU will allow the UK to break this restriction and give British universities the opportunity to award more bursaries and improve access to the poor of developing nations. This process needs to be explored by DFID and the Department of Education.

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## Migration

Unlimited immigration to the UK from the EU means that visa controls fall disproportionately heavily on the rest of the world – 27 EU countries have rights of entry while 169 non-EU countries do not. Migration quotas are a political reality that a large majority of the UK public thinks necessary to manage the total numbers – and the pace of their growth.

Migration controls will not, therefore, be going away; indeed they have become stricter for non-EU nationals, while the EU does not allow similar restrictions on its citizens.

Membership of the EU simply means that we privilege unskilled immigration from Europe over skilled migration from the rest of the world, particularly the developing world. It also means that few can stay *following their UK education* to build up their skill set before returning home. Correcting these injustices would provide opportunities for trade linkages and skills development in the UK for those from developing countries. Developing a points-based immigration system independent of the EU should allow new opportunities for citizens of developing nations.

## Trade

Britain has historically been an advocate of free trade with zero tariff barriers where possible. This helps developing countries in that it allows them to utilise competitive advantages in terms of cheaper input costs without being penalised for it by having importers erect a tariff wall. Many EU countries are historically more protectionist and this is reflected in the paucity of external free trade agreements that the European Union has signed. Switzerland, for instance, has signed a free trade agreement with China, unlike the EU. An independent Britain can help trade grow with the developing world – of far greater importance for delivering prosperity than development aid, no matter how well planned and executed.

Leaving the EU and no longer being bound by the protectionist tariffs it imposes on developing countries can provide new opportunities for Britain's aid programme to boost economic growth in the developing world. After removing the EU's protectionist tariffs on processed goods we can help those countries develop stronger export-oriented manufacturing and processing centres, freeing them from the dead end of only being able to export raw materials. It is therefore vital for the prospects of the developing world that the United Kingdom leaves the EU 'Single Market' to be outside its Common Tariff Area.

## Agriculture

The argument for development gains arising from Brexit is particularly acute in the case of agriculture. There are many case studies on the effects of the CAP on suppressing imports, flooding external markets, putting local farmers out of business, and preventing the appearance of sustainable agriculture in the developing world. The Department for Environment, Food and Rural Affairs should work with DFID so that the benefits of Brexit can become a reality in developing countries and become an example to the rest of the world of the benefits of free trade in agriculture.

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## 7. RECOMMENDED APPROACHES TO LEAVING EU AID

The essence of these recommendations is to take back control of aid spending as soon as possible. As this publication describes, aid channelled through the EU has been unaccountable and of poor quality, neither serving the interests of the poor, nor being well attuned to the UK national interest. All multilateral aid shares the same problems, to a greater or lesser extent, and it is unfortunate that almost two thirds of the UK's aid funds have been spent through multilateral institutions over which we have had little control<sup>37</sup>.

### Proposed negotiating and policy guidelines

The UK's exit from the EU provides an excellent opportunity for Britain to take back control of a significant chunk of multilateral aid spending, nearly £1.4 billion per annum, and to spend it directly in the national interest. The following actions should be considered:

#### 1. Exit EU aid arrangements as soon as possible

As this report highlights EU aid is of poor quality and often counter-productive, financing corrupt governments and failing to provide evidence of clear results. We thus have an obligation to the poor in developing countries as well as the pursuit of our own national interests to stop the waste of UK funds through EU Aid as soon as possible.

As noted we deliver funds to EU Aid in two different ways – firstly as part of our overall EU budget contributions and secondly through 'voluntary' contributions to the European Development Fund (EDF), the main EU aid instrument in Africa and the Caribbean. Our budget contributions will end as soon as we cease being an EU member. From an aid perspective the sooner this happens the better.

Dealing with the EDF is more complicated. It is structured in the form of five-year programmes, to which member states have each agreed to contribute a total sum, delivered in five annual instalments. We are now in the 11<sup>th</sup> EDF which runs from 2014 to 2020. It is thus conceivable that we will still be contributing to the 11<sup>th</sup> EDF after we have left the EU. An important negotiating objective should therefore be to secure agreement that the UK has no further obligation to make annual contributions to the 11<sup>th</sup> EDF once we have left the EU. This will likely require an amendment to our contribution agreement.

#### 2. Use aid funds formerly transferred to the EU to finance aid in the UK national interest

For so long as the obligation to spend 0.7% of GDP on international development remains a legislative requirement, the funds that are no longer routed through EU Aid will need to be spent on international development. Thus UK departments responsible for international aid, primarily DFID and the FCO, will need to programme the new funds. Because of the time it takes to plan international development interventions, it will be important to start planning the new strategy and the interventions that flow from it immediately.

<sup>37</sup> <http://icai.independent.gov.uk/wp-content/uploads/ICAI-Report-How-DFID-works-with-multilateral-agencies-to-achieve-impact.pdf> and here <http://icai.independent.gov.uk/report/how-dfid-works-with-multilateral-agencies-to-achieve-impact/>

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The assessment of where there are gaps that undermine the UK national interest will obviously inform this strategy. For example Egypt is a strategically important country in the Middle East. The EU spends significant funds in Egypt, badly. The UK spends very little in Egypt, therefore increased engagement with Egypt should clearly be part of the new UK aid strategy.

### **3. Use international development to support the UK's trade and security interests**

Britain's ability, for the first time in decades, to strike its own trade deals will provide us with considerable leverage and influence, particularly in the developing world. The integration of trade and development offers new opportunities for mutually beneficial ventures around the world. Post-Brexit the UK will be free to sign trade deals with developing countries, unshackled by the plethora of EU vested interests. In doing so we will have the opportunity to integrate trade promotion, development goals and the expansion of British business.

At last we will be able to integrate national security policy, development policy and trade policy. This provides the possibility of win-win arrangements being negotiated in which both the developing countries and the UK can improve their trade terms and we can make changes that strengthen our national security.

Export-led growth has long been recognised as a key part of sustainable poverty reduction. For example, many readers will be surprised to hear that the value of Germany's coffee exports exceeds that of the entirety of Africa. While Africa exports \$2.4bn of mostly green coffee beans each year, Germany re-exports \$3.8bn, much of it roasted and packaged. The reason for this perverse situation is that coffee, like many agricultural products, is exempt from import tariffs in its raw form but subject to heavy EU duties once it is processed (7.5% for roasted coffee and as high as 30% for cocoa). The result is that producing countries such as Ethiopia and Kenya lose out on high value economic activity.

The countries of the Middle East and North Africa (MENA) provide a good example of the potential for reform. Beset by economic problems and gravely threatened by Islamic fundamentalists they desperately need to increase economic growth and provide more employment in situ to their young people in particular. Yet the EU, in order to protect Southern European agricultural producers, has maintained high tariffs on agricultural products from these countries.

We should provide good access to the UK markets for these goods from MENA, in return for good access for our goods and services in their markets. Using the international development budget we should assist those countries to develop their respective export industries, identifying and helping remove systemic barriers to growth in those sectors.

We might even be able to shame the EU into reducing its protectionist tariffs.

A post-EU development agenda that has the power to take an holistic approach would be able to put in place the right trade arrangement and support British businesses to build agri-processing capacity and set up operations in developing countries, thereby creating much-needed job opportunities.



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Done well, this could improve both the effectiveness of our aid and the productivity of our trade – while helping countries to become more stable and secure.

#### **4. Ensure a level playing field in aid delivery for EU and UK aid delivery organisations**

At present UK NGOs and firms delivering international development projects have access to EU aid funds because Britain is a member of the EU. This benefits the EU aid programmes because these UK organisations are among the most capable and high quality providers in the market. However, EU aid is not ‘untied’ and with few exceptions only organisations from EU countries can compete to deliver EU aid.

The arrangements for UK aid spending are entirely different, in that it is completely untied with organisations from all over the world being able to deliver UK aid programmes without any discrimination.

Thus, unless changes are made we will have an unfortunate discriminatory situation where EU organisations can administer UK funding but UK organisations will not be able to administer EU funding. The negotiating objective should be to create a level playing field, either by agreeing access for UK aid deliverers to EU funding, or by denying EU organisations access to UK funding. The former is preferable but a firm line will be required.

#### **5. Follow the EEA/EFTA example and do not provide any voluntary contributions to EU aid**

One post-Brexit option that will be considered by the UK is to join the European Economic Area (EEA). Members of the EEA do pay money to the EU, but in a quite different way to EU members. While EU members pay directly into the European Commission, which directs the money according to the EU’s priorities, EEA members do not. Instead, EEA members provide funding to specific EU programmes of their own choosing and to the EEA Grants scheme.

The EEA Agreement “includes a goal to reduce social and economic disparities in the European Economic Area.”<sup>38</sup> Therefore, a component where EEA states must spend money is towards the EEA Grants, a tool to reduce economic disparities in the European Union.<sup>39</sup> However, this is a grant mechanism to provide money to poor governments and local organisations in the poorer EU member states, *not developing countries*.

The EEA does not cover international development. EEA members are not obliged to pay into any specific EU programme, and less integrated EFTA states even less so. Tellingly, none of the EEA or EFTA states have chosen to pay any funds voluntarily into the EU’s international aid programmes, which do not enjoy a reputation for high quality among EEA/EFTA states.

Each EEA/EFTA state runs its own international development programme, all making a significant contribution as a percentage of GDP.

It would thus be extraordinary if the UK were to volunteer to continue making contributions to the ineffective, low quality EU Aid programme. That does not mean, however, that there should not be occasional co-operation between UK Aid and EU Aid on specific projects, where this makes sense for one reason or another (see below).

<sup>38</sup> [http://www.norway.org.uk/norwayandcountry/Current-Affairs/Norwegian-Politics/NORWAY-EU-AND-EEA/#.V3z8k\\_krJQJ](http://www.norway.org.uk/norwayandcountry/Current-Affairs/Norwegian-Politics/NORWAY-EU-AND-EEA/#.V3z8k_krJQJ)

<sup>39</sup> <http://www.eu-norway.org/eu/Financial-contribution/#.V3VBafkrJQI>

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## **6. Establish a new relationship with EU Aid based on co-ordination and collaboration**

The UK should start now to develop a new relationship with EU Aid based on normal coordination and collaboration. Just as the UK co-operates with USAID and other donor organisations, sometimes launching joint programmes, so it should co-operate with the EU. We should have discussions with EU Aid as to where they will be committing their resources, to avoid duplication or underfunding of critical areas. On occasion the UK and the EU could jointly fund the same projects, as currently occurs when the EU puts its money into UK projects.

We should analyse where gaps may appear. We need to look now to identify the cases where the EU funds usefully work in the UK national interest, but might be under threat. For example the EU carries the main part of the burden of funding AMISOM, the African Union military force in Somalia. The French might seek to use their influence to transfer some of those funds to an area of higher priority to them, such as Mali. Of course other European countries suffer from the problems of migration from Somalia more than the UK and all have an interest in defeating the Islamic extremism there. Were such a French move to occur the UK could a) engage directly with the EU on the matter; b) mobilise other European countries against it; c) seek wider international agreement that the funding should continue and d) mobilise African countries to press for the funding to be continued.

In such ways the UK will retain the ability to influence EU Aid spending plans. Of course in most cases it doesn't really matter what happens to EU aid programmes, as they are ineffective or misdirected, as discussed earlier in this report.

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