Media Release

Embargo: 06.30 am Tuesday 27 September 2016

UK must leave EU aid schemes to help developing countries and save lives

A new research paper published by Global Britain has established that the UK would be able to direct greater resources to help developing nations and their peoples by ending its funding of European Union multi-billion aid projects following Brexit.

The paper "Making aid work outside the EU" found that EU aid was wasteful, inefficient and often used to support despotic regimes known for shocking levels of torture and corruption.

The paper also found that the combination of the EU's Customs Union tariffs and Common Agricultural Policy subsidies create a cycle of dependency whereby the EU's obstacles to trade create a demand for foreign aid.

Examples included punitive EU tariffs that ruined the tomato industry in Ghana and ensure that without growing a single coffee bean Germany profits more from processing coffee than the whole of Africa does from growing it. Similar tariffs, subsidies and quotas have hit the Caribbean sugar cane industry to the benefit of European sugar beet farmers. Commenting on the report its author Brian Monteith said,

"Anyone who reads this report cannot fail to be shocked and appalled at what has been done in our name by the EU over many years. The Customs Union has stopped developing nations prospering through trade, they then become dependent on receiving foreign aid which, in the case of the EU's schemes, are hugely inefficient and wasteful and often support regimes that have been shown to be undemocratic, corrupt and reliant on torture.

"It is vital that the UK ends its financial support to EU aid immediately following Brexit and directs those funds through its own departments. It is also vital the UK leaves the EU's Customs Union so that it can strike up trade deals with developing nations, helping them to prosper and become less reliant on foreign aid. Remaining in the Customs Union would consign millions of people in Africa and Asia to continuing life-threatening poverty and malnutrition. The UK has to take a moral lead and break this cruel cycle of dependency.

"The UK funding for EU aid is part of its legislative requirement to spend 0.7% of GDP on international development, thus UK departments, primarily DFID and the FCO, will need to programme the new funds. The savings the UK can achieve by channelling the aid directly will mean millions more can reach the targets achieving far greater value for money.

"Due to the long lead times in planning the necessary interventions starting work on the new strategy should commence immediately."

Continued/…

…/Continued

The reports findings include:

- The UK's membership of 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 2014-2020.
- 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.
- Administration costs at 5% for the European Development Fund and 5.4% for the European Commission compare with the UK's 1.57% administration cost (2013-14) for its Department of International Development (DFID). An efficiency saving equivalent to 154 million euros (£132M) would have been achieved if the UK's contribution to the 11th EDF had been dispersed through DFID directly.
- Leaving the EU's customs union and no longer being bound by its protectionist tariffs could provide new opportunities for Britain's aid programme to boost economic growth in the developing world.

The reports recommendations include:

- 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.

END

For further information please contact Grace Lievesley 0207 340 6071 / 07512 224643

Editors' notes:

A soft copy of the paper "Making aid work outside the EU" is attached.

- Global Britain was founded twenty years ago to provide the positive business case for the UK to leave the European Union and published a wealth of research briefs and papers to that end. Now that the argument for an outward-facing, sovereign, democratic UK has been won Global Britain is committed to ensuring that our politicians do not betray the 17.4 million Britons that voted for change, through the publication of papers showing how Brexit can be delivered.

- Brian Monteith is an international communications consultant who has worked on government reform in Botswana, Nigeria, Pakistan, Trinidad & Tobago and Tunisia. A former member of the Scottish Parliament (1999-2007), he was convener of the Public Audit Committee (2003-2007) and served as Conservative spokesman on Finance, and previously Education, Culture and Sport. He is a regular columnist in *The Scotsman* and contributor to *City AM.*

- The following is the Executive Summary of the Report:

Continued/…

…/Continued

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 EU?

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 Customs 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

Continued/…

…/Continued

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.

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 to 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.