

Comment on Jean-Claude Berthélemy: Aid Allocation: Comparing donors' behaviours

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Berthélemy investigates how the aid allocation of bilateral donors, the European Commission and the non-EC multilaterals is influenced by the self-interest of the donor (geopolitical or commercial), the needs of the recipients, and their merits. One concern is that the study only uses data up to 1999, which means that changes that may have occurred after that point in time are not picked up. First, after quite extensive critique against EC's aid policy, changes were announced at the turn of the century seeking to address the concerns of the critics. This has led to some changes in policies and procedures and possibly some improvements in efficiency, but the inter-country allocation does not seem to have changed significantly (Berlin and Resare, 2005). Second, much of the shift in the debate in favour of aid allocation on the basis of merit¹ also took place after the survey period. Still, the actual changes in aid allocation of most donors because of this do not seem to have been very extensive. So overall, it seems reasonable to assume that the broad picture that emerges from Berthélemy's study remains valid.

He finds that self-interest in the form of trade interests is an important determinant of the allocation of bilateral aid, but also that needs and political governance matter. EC aid is very much focused on the ACP countries, but it is not significantly determined by either needs or merit. For other multilaterals, recipients' needs play a major role, while merits do not. On the whole, bilaterals and non-EC multilaterals behave very similarly. A key question that emerges is why EC aid is so differently allocated, and why donor countries seem to be able to steer the allocation of non-EC multilaterals but not the EC in accordance with their own preferences. This is particularly important in a situation where we are discussing the need for donor harmonisa-

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¹ This shift was a consequence of the results of Burnside and Dollar (2000), which seemed to show that aid is only efficient as a growth instrument in good policy environments.

tion and whether the EC should take a larger role in the coordination of the aid of EU countries. DAC members have promised to expand aid by some USD 50 billion, and the EU is expected to provide the major share of these new resources. This can be done through the EC or by member states bilaterally. In either case, there will be an increased need of coordination of European aid. I will therefore focus my comment on the coordinating role of the EC.²

The EC certainly has a potential coordinating role for European aid. A key question is whether the EC is just one more donor making coordination even more difficult or a force for better coordination? The stated aim of the Union (the Maastricht Treaty) is that EC aid should be complementary to that of bilateral donors, but this has hardly been realised. Therefore, so far, the EC is just like an extra donor and thus aggravates the coordination problem.

In April 2006, EU ministers agreed on a new format for EU country programmes that may be adopted on a voluntary basis by member states. The new EC country programming approach will be used for new programmes for the ACP countries. This might possibly serve as a basis for joint multi-annual programming within the EU. In the Paris Declaration (OECD, 2005),³ DAC donors have agreed on measures to harmonise their aid, but this has been the position for a long time without much change actually occurring. The Paris Declaration is strongly reflected in the recent EU paper on aid policies (European Parliament, Council, Commission, 2006). Still, the importance of a global presence for the EC as well as member countries seems to weigh more heavily than aid efficiency considerations.

So at present, the EC is functioning as just another aid agency, but one with more complicated decision making and bureaucratic procedures. One solution would be to phase out EC aid altogether and thereby reduce the number of players. On the other hand, if one is optimistic about the ability of the EC to reform, one could move in the other direction and try to strengthen the role of the EC as a coordinator of overall EU aid policies. The EC should then increase its scale of activities and really coordinate EU actions. It has a broader range of instruments at hand that can be used to pursue more comprehensive approaches also covering for example trade and security issues that the bilateral donors do not normally cover. Mackie et al.

² For a more extensive discussion of EU's development policy, see Bigsten (2006).

³ It covered five areas, ownership, alignment, harmonisation, managing for results, and mutual accountability.

(2005) discuss the complementarity of EC and bilateral aid, and consider the possibility of going for a future Development Policy Statement that also covers the aid programmes of member states. This would be a challenging task, and it does not seem to be a likely outcome of the current reform process. Nor is the likely outcome a complete abandonment of EC aid.

One can gradually improve the current system by providing more general forms of aid such as pooled budget support and pooled capacity building support which would lessen the coordination problem and increase ownership. Coordination could be improved through joint programming, joint strategies, and possibly joint offices. It can also be improved via a better division of labour at the sector level. One might even go so far as to let the member countries pool their resources in the EC coffer, but this would be a huge political challenge and it will not be possible in the near future. To the extent that different donors finance the same project or programme, one could let one donor (bilateral or EC) be the coordinating agent that is responsible for government contacts and follow up. There is a range of such improvements that could be implemented.

Irrespective of what can be achieved in terms of improved coordination, member countries certainly need to discuss the EC allocation of aid. Are the bilaterals aware of and supportive of an allocation of EU aid that is more geared to commercial interests and less to the needs of the recipient countries than their own aid? This issue becomes even more pertinent if one considers increasing the share of the EC in total EU aid. Many member governments would probably suggest that EC aid should better reflect the official aims of the Union and the commitment to the achievement of the Millennium Development Goals. This would suggest a shift in allocation towards the poorer countries.

The EU has repeatedly emphasized the need for policy coherence, and given the broader scope of EC development policy relative to that of the bilaterals, the EC has a potential to contribute to improvements in this area. (OECD, 2002, p. 43). Each country as well as the EC should therefore make sure that they pursue policies also outside the aid area which support the set development goals and do not undermine them. Policies across various ministries as well as across various countries should support the overall goal of development in LDCs and create synergies among each other. They need to make sure that aid, debt and trade policies are supporting each other. The

ambition to achieve coherence of policies matters both from an altruistic perspective and a self-interest perspective.

It is probably easier to achieve policy change in the area of aid than in the area of trade policy and the CAP, although the latter areas may be more important from a development point of view. European aid efforts are seriously countered by trade policies locking LDC exporters out of the European market.

The issue of aid allocation discussed by Berthélemy is important, but the EU countries and the EC need to consider it alongside the other coherence issues, mainly its trade policy. Berthélemy showed in his paper that the trade interests of the EU members weighed heavily in the country allocation of EC aid, in spite of policy statements suggesting other criteria. So there are challenges for the EC both in the area of its aid allocation policy and trade policy and otherwise to also live up to the proud policy statements about coherent development policies.

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