
Interest Coalitions and Multilateral Aid: Is EU Integration Bad for Africa?

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In September 2000, 192 members of the United Nations and over 23 international organizations came together in New York City and committed themselves to the Millennium Development Goals, a plan to reduce extreme poverty by the year 2015. New poverty estimates from the World Bank in 2008 show that many areas have made great progress towards that goal.¹ Yet, the report provides bad news for Sub Saharan Africa, where economic growth is most desperately needed. Virtually all 26 countries that are ranked lowest in the United Nations Human Development Index (HDI) are on the African continent. The share of Sub-Saharan Africans living below the poverty line of US\$ 1.25 a day remained at a constant level of 50% between 1981 and 2005 and the total number of poor doubled in the same time span. Forecasts predict that a third of the world's poor will live in Africa by 2015 if this trend persists.

One reason for the lack of development in Africa can be found in the dynamics of foreign aid allocation. Donor countries have been continuously criticized for allocating their bilateral foreign aid according to their national strategic interests rather than addressing the needs of the poorest countries in the world. And whereas the importance of multilateral aid organizations has grown with their reputation for prioritizing needs over strategic interests, recent accounts suggest that multilateral aid from the International Financial Institutions (IFIs), the World Bank and the International Monetary Fund, does not live up to its expectations if the interests of the United States are at stake.² Indeed, Figure 1 depicts multilateral aid flows to regions in the world (data from OECD). Africa ranks only third after Asia and Latin America, both regions which are substantially richer than Sub Saharan Africa.

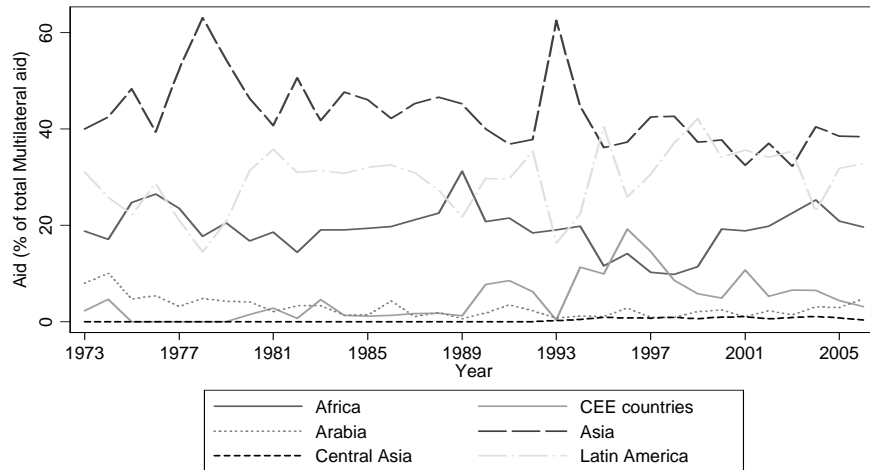
The silver lining is that international organizations which distribute multilateral aid and which are not dominated by a single actor should be more likely to distribute aid according to recipient needs because multilateral aid agents are better able to insulate themselves from the

¹ In Asia, for example, the share of people living below the poverty line has fallen from almost 80% in 1981 to 18% in 2005.

² Schoultz 1982; Frey and Schneider 1986; Thacker 1999; Stone 2002, 2004, 2008a; Woods 2003; Faini and Grilli 2004; Vreeland 2005; Andersen et al. 2006; Dreher and Jensen 2007.

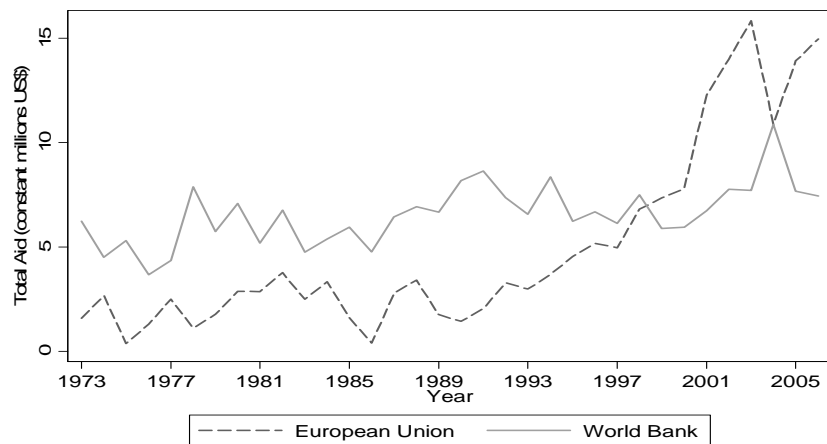
strategic interests of governments if preferences of governments and agents diverge.

Figure 1: Multilateral Aid to Regions (EU ML Aid Excluded)



The EU could therefore play an important role in the development of the poorest regions in the world. Indeed, the EU’s main development target has traditionally been the group of African, Caribbean, and Pacific (ACP) countries and the African countries more generally. 25 of the 26 poorest countries in the world are members of the ACP. On top of that, Figure 2 demonstrates that EU multilateral aid allocations have consistently grown and even overtook the World Bank as the largest multilateral donor organization in the late 1990s.³

Figure 2: Total Aid Flows in Millions Constant (2000) US Dollars



However, we argue that the extent to which multilateral aid is allocated for strategic reasons does not only depend on the decision-making power of dominant member states, but on the

³ Data does *not* include bilateral aid from EU member states.

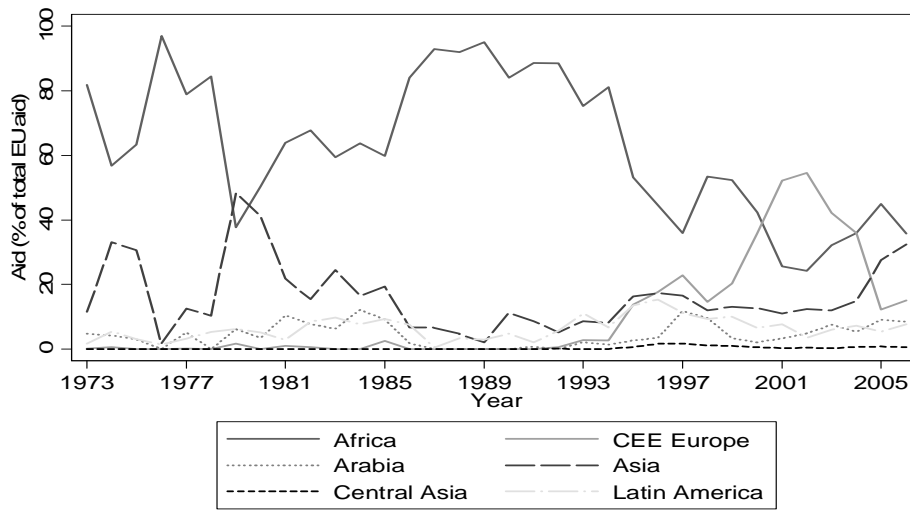
aggregation of interests and thus on coalitional politics within the international organizations. Whereas decision making rules allow powerful states to change the status quo policy of multilateral institutions, homogeneity of strategic aid goals among members can also influence multilateral aid allocations. That is, the greater the heterogeneity of member states, the easier it is for multilateral aid agents to play states against each other and to implement the goals of the aid institution. If members have homogeneous preferences, however, they can induce the multilateral aid agent to pursue their strategic goals.

Tracing the historical developments of bargaining on multilateral aid policies within the EU Council, we find that member states had highly conflicting preferences about who should benefit from EU multilateral aid. France and Belgium hoped to focus development policy on their former African colonies. Germany and the Netherlands, on the other hand, wanted to pursue a more global and humanitarian approach to EU development policy. The official development goals—which have not changed over time—reflect these conflicts. Article 177 of the Amsterdam Treaty focuses on the development of Africa as the poorest region in the world but explicitly states the global focus of EU development aid. The accessions of 1972 (United Kingdom, Ireland, Denmark), 1981 (Greece), 1986 (Spain, Portugal), and 1995 (Austria, Sweden, Finland) led to a dramatic increase in heterogeneity among members about the goals of EU development policies. The United Kingdom, for example, wanted to expand the group of associated countries to include its former colonies in Africa, Asia, and the Caribbean. It generally favored a more global approach to EU multilateral aid. The Mediterranean countries, on the other hand, favored the development of Latin America, while the Nordic countries aligned with the German and Dutch approach of pursuing a more general humanitarian approach to EU development.

Only the former colonial powers were able to form a powerful coalition (particularly after the accession of the United Kingdom) that was instrumental in shaping EU development policies at least before the end of the Cold War. France, Belgium, and the United Kingdom favored aid particularly to the Sub-Saharan African countries as most of them are former colonies. Additionally, the United Kingdom had colonial interests in countries in Asia and the Caribbean. Their preferences aligned closely with the preferences of the EU Commission because most former colonies belong to the poorest countries in the world. In fact, of the twenty-six countries ranked as “low” in the most recent Human Development Index, only Liberia was not a European colony. Consequently, EU aid allocations fell closely in line with recipient needs at least until 1991. Figure depicts that, in comparison to total multilateral aid, EU aid has mostly favored poor African countries (solid dark grey line). Only in 1979, Asia received slightly higher shares (short-dashed line).⁴ The dominance of African aid in the first decades is significant: in most years over 80% of EU aid was distributed to African countries (the maximum was 96% in 1974). Aid to other regions increased over time, but they never reached the importance of African aid. This is most likely due to the fact that the EU Commission was successfully able to insulate its development policies from these coalitions.

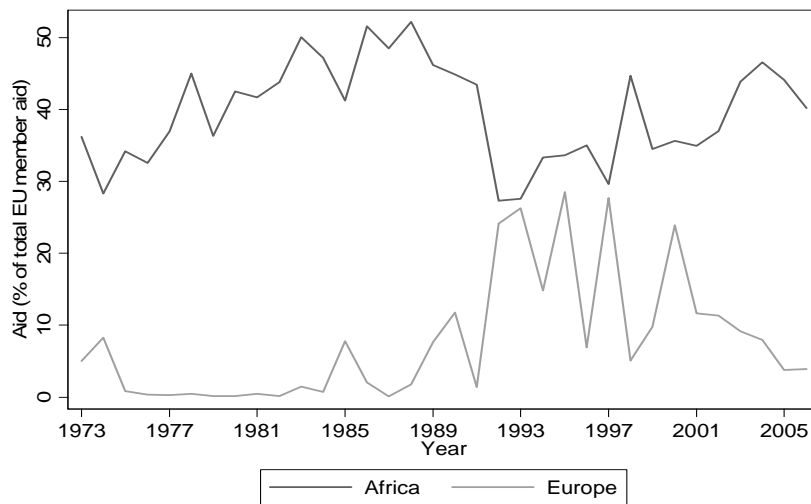
⁴ The effect is largely due to an increase of aid to India and Pakistan in the late 1970s (Grilli 2003: 279).

Figure 3: Regional EC Aid (in % of total EC Aid), 1973-2006



However, the graph also reveals that EU aid to African countries has almost constantly declined following the end of the Cold War. EU multilateral aid to CEE countries, however, experienced a dramatic increase after the end of the Cold War and outperformed aid to African countries after 2000. These findings are particularly interesting because bilateral EU member state aid and other multilateral aid do *not* depict the same patterns. Figure 4 displays aid to Africa and the Central and Eastern European countries and shows that whereas bilateral aid to CEE countries increased after 1991, it never achieved the same importance as bilateral aid to Africa.

Figure 4: Aggregated Bilateral EU Member Aid to Africa and Europe (in %)



The fall in EU multilateral aid can be explained by the change in member states' preferences after the end of the Cold War. The unexpected fall of the Soviet Union in 1991 led to dramatic changes in the European Union. Interstate military conflicts became virtually implausible, the CEE countries were integrated in the world economy, and their political and economic stability

became an immediate concern of the West European nations. Not only did the integration of markets lead to higher interdependence in Europe, but West European states also had an interest in promoting economic development in order to gain from trade and to decrease volatility. Perhaps most important, EU membership of the CEE countries became a distinct possibility. These developments sharply increased the incentive of *all* member states to further economic development in Central and Eastern Europe. In other words, the end of the Cold War provides us with a situation in which member states with largely heterogeneous preferences regarding the allocation of aid towards different regions converged on one goal. The fall of communism increased the CEE countries' share of EU aid at the cost of the poorest countries in the world. These developments did not only imply declining aid shares but also a decline in total aid levels to Sub Saharan Africa until EU Eastern enlargement in 2004.

It is important to note that the change in member preferences stemming from the end of the Cold War *does not* indicate a change in the mission of the EU aid agency. The official goal of the EU aid agency has been from its inception and continues to be focused on supporting the neediest countries. In fact, in his historical account of EU multilateral aid, Carbone (2007) shows that the EU Commission argued against shifting the focus away from the African countries after the Cold War.

Our results imply that European integration was indeed bad news for African countries. With the fall of communism and the ambitions of the EU to integrate the Central and Eastern European countries into the Western European system, a crowding out effect has occurred in which Africa lost its position as the most important recipient of EU multilateral aid. Our theory, however, implies that all is not lost for the neediest countries. With the aim of the Millennium Development Goals to reduce extreme poverty, donors have committed themselves to supporting poor countries through aid. Care must therefore be taken to redesign EU aid policies to avoid strategic influence and better insulate the EU Commission from the strategic designs of their members. Our analysis demonstrated that dangers to effective aid and lending policies do not only arise when the interests of dominant actors are at stake but also when members form coalitions and overcome collective action problems.

Most importantly, delegation to the supranational institutions must increase in order for the EU to allocate multilateral aid according to its stated goals. Indeed, our results provide some support to the EU Commission's argument in the ongoing debate about whether to include EU aid to the ACP countries into the EU budget. So far, EU multilateral aid to the ACP countries under the Conventions has been decided on an intergovernmental basis. The EDF is not part of the EU budget but depends on ad hoc contributions by the EU member states. Decisions are also made by majority and depend on the size of contributions. Accordingly, the EU Parliament cannot control aid that is channeled through the EDF. All other programs (e.g. some ACP, Med for Mediterranean countries, ALA for Asian and Latin American countries, as well as Phare and Tacis for CEE countries) are channeled through the EU budget and thus underlie parliamentary control. In these cases, the EU Parliament can (and actually did in two cases) reject the budget if it does not agree with Council decision on the dispersion of aid.⁵ The EU Council can only override these decisions unanimously. An inclusion of the ACP programmes into the common budget would establish an important additional hurdle to push for strategic interests.

⁵ Cox and Koning 1997: 24.