

Assessing European Union's Development Policy: Building the Bridge Between Rhetoric and Deeds

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Abstract: *This paper covers the topic of European Union (EU)'s development policy, focusing exclusively on the actions taken by the European institutions. It is argued here that despite the official rhetoric of the Union to support primarily least-developed states, development aid is distributed predominantly to states where the EU has geopolitical/colonial/trade interests, and major shares of aid are actually granted to advanced countries, rather than for poverty alleviation. This contribution analyses the strengths and weaknesses of this policy considering the current global challenges and which countries are entitled to bigger shares of development aid and why. The focus of this article is placed on the inconsistent guiding logic behind aid allocation in the EU. Furthermore, the thesis outlines a new 'pro-poor' approach that would align the implementation of the policy with the existing commitments. The main conclusion is that if the Union does not shift its actions towards poorer states as officially promised, it will undermine its aspirations for global actorness.*

Keywords: *European development policy, allocated sums, shifting aid priorities, 'pro-poor' approach*

Introduction

EU and its Member States (MS) are considered the major providers of development aid in the world, amounting up to 65% of the total volume of Official Development Assistance (ODA) on yearly basis, or nearly €60 billion in 2010 (OECD, 2011; European Commission (EC), 2010). In general, these substantial financial resources focus on principles such as strengthening democracy and eradicating poverty, which are found throughout both the political and technical documentation of aid provision¹. For the period 2007 – 2013 the Union has committed €146.5 billion for development, humanitarian and cooperation aid (Gavas 2009) with the main efforts of the EU's policy extending to economic and trade relations, better political dialogue and common strategies for coping with the challenges of today – poverty and famine among the most important, thus trying to meet the 8 challenges of the Millennium Development Goals (MDG).

Behind the rhetoric of the fundamental EU documents (TFEU, the Consensus on Development), one encounters difficulties when analysing aid effectiveness due to vague objectives and undefined target indicators regarding the expected effect of the financed projects, as well as an unclear picture of the accountability of the committed financial

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¹ Regulation (EC) No 1905/2006 of the European Parliament and of the Council of 18 December 2006 establishing a financing instrument for development cooperation, OJ L 378, 27.12.2006.

resources. Despite the political message, that the allocated external aid targets people from the developing countries as end beneficiaries, and despite there is evident positive effect through national and local incentives, the EC is exercising a selective strategy. As a result this paper sets out to reveal that EU institutions, in stark contradiction with their own official objectives, are granting the bigger share of the ODA support to better developed countries, rather than to the least-developed ones. Therefore, this contribution will dwell upon the reasons why the EU is distributing aid in this manner, and it will furthermore give a possible solution to the core problem – the conflict between 'rhetoric' and 'actual deeds'.

The aim of this analysis will be achieved by presenting the guiding political rhetoric behind the distribution of official development assistance of the European Union institutions in respect of eradicating poverty in the least-developed countries in the 21st century and by outlining the most troublesome aspects of the development policy which may hinder its overall effectiveness with the special focus being on the weak link between EU's political commitments and the logic of aid allocation in which developing countries are supported. On this basis we would then propose a new approach for disbursing financial aid that would increase the operational capacity of the development policy. As a result, the thesis will provide additional points to the debate that the EU development policy is in need of change now in order to strengthen the Union's global presence, and make it an example of how other donor organisations should follow their commitments and support the developing countries.

1. The importance of analysing EU's development policy

The core of this paper analyses the development aid issue and, in order not to confuse it with humanitarian aid (which is not to be discussed hereafter), a working definition of the term is necessary. For the purposes of the following chapters 'development aid' and 'official development assistance' are considered as public financing from a particular state or multilateral donor organisation towards another such (usually poorer) state or organisation, with the objective of inducing long-term growth and diminishing poverty (OECD 2008; Rosenkranz 2011). It is considered in the sphere of international relations that EU "is today recognised as a global partner" (EuropeAid, 2009: 5) due to its commitments towards the Third World, its importance as trade partner and its political presence through mediation and peace-keeping. The Union is collaborating with 160 states and regional organisations, and the effectiveness in every aspect of its external actions is valuable for the overall success of the European foreign policy. Therefore, having in mind that the "EU is the principal source of development aid worldwide" (EuropeAid, 2009: 7) it is necessary to analyse the way in which this is achieved, and to dwell upon the subject whether: while the EU is a global actor (especially in development aid), it is at the same time consistent in its policy and effective in its actorness?

One of the major debates in EU development policy (World Bank 1998; Mkandawire 2005; Lockwood 2005) which is leading for this contribution is whether aid should be distributed according to the universalism or selectivism theory. According to Mkandawire, in the last 20 years there has been a shift from universal support for developing countries (every state deserves its share), towards a new set of instruments that endorse the 'targeting' principle: aid is rather given to the more needy states and/or to the more deserving ones, and this is a "cost-effective and results-oriented strategy for donors" (Hulme and Chhotray, 2009: 4). There is also another official EU explanation on why certain states are patronised and this is the

comparative advantage of the Union in certain regions/states; thus the European development aid is in principle targeted at countries where Union's actions would have larger added-value (European Consensus on Development).

On a global scale development policy today is a mixture of both theories since even the MDGs are on one hand covering developing states in general (universalism) but with a special focus put on the least-developed ones (targeting). It is the choice of the donor state or organisation in which way it would support the Third World according to its financial situation and political commitments. The European Union institutionalised support is also placed between the two theories but with a clear inclination towards selectivism, since aid is allocated preferentially to certain regions and developing states. Thus, if we accept the idea of Hulme and Chhotray, and take into consideration the economic crisis in the EU, along with the ongoing debates on effectiveness of development aid, it seems that targeting EU aid is still an appropriate approach today, but the main fault in the system is to whom are financial resources targeted? This will be discussed in this thesis hereafter.

It is important also to stress on the importance of the internal consistency between the priorities of EU's development policy and the actions that are carried out in reality. The priorities are set in the legal basis of development aid - Title III of the TFEU and it is the Article 208.1 of the TFEU that gives the policy's main goal: "Union development cooperation policy shall have as its primary objective the reduction and, in the long run, the eradication of poverty". The importance of discussing poverty abolition (and not democratic development for instance) is furthermore enhanced by the finding that the EU has not been successful in achieving this primary goal². This statement is combined with the commitments of the EU in the European Consensus on Development were the group of 'least-developed countries (LDCs)'³ is prioritised and the importance of the MDG is incorporated as fundamental basis for the development policy (The European Consensus on Development, 2006: 1).

There is, however, one issue that is to be regarded as the core of the 'effectiveness-debate', being the primary source of the inconsistency in the policy: the evident mismatch between the declared support for least-developing countries (as presented above) and the actual states that receive the larger bulk sums in development assistance. In times of financial crisis, and when austerity measures are implemented throughout the MS, it is reasonable to ask for what purpose are these financial resources on development aid actually spent: is it for eradicating extreme poverty or for pursuing EU's implied economic and political interests such as trade preferences and security?

2. EU Development policy: present and future challenges

2.1. Analysing strengths and weaknesses

EU development policy is a shared competence between the MS and the EC, which handles the administrative part through the Directorate-General EuropeAid Development and Cooperation (DG DevCo). The importance of the EU's development policy is a subject of

² As Weiland argues: "the policy of cooperation has not achieved its objectives. In the poorest countries in particular, the situation has not only did not improved, but has worsened. Trade preferences and commodity price-stabilisation programmes have helped very few countries: most ACP countries are poorer than ever" (1998, 10).

³ "The EU will continue to prioritise support to the least-developed and other low-income countries" Official Journal, 2006/C 46/01.

debate ever since the Union expanded its scope further than the African continent (Holland, 2002). There have been some important improvements in the system of development aid, especially after the reforms of 2000 that have led to better European coordination through the clarification of policy instruments and principles. This has been done through the elaboration of political strategies such as the development policy statement (EC, 2000a) which was initially presented in 2000. 5 years later it was revised in the Consensus on development where the 'rhetoric' of the EU that has been leading in the past was entangled with political will, in order to support the South through more regional-based actions.

Better coordination with partner-states was made possible through the creation of the EuropeAid office (now part of the DG DevCo) which together with the delegations of the EU and DG External Relations became accountable for the preparation, implementation and evaluation of the projects and initiatives of the EU. These changes led to better organised strategy papers and dialogue with local actors, but the fragmentation of responsibilities is still valid to some extent, since the creation of the European External Action Service is not complete and the way in which it will take leading role in the external relations of the EU is a question for the future. This is of primary importance for the functioning of the whole system of EU institutionalised development and cooperation support, since it is related to the whole EU foreign policy if we take Hettne's (2010: 16) notion that "[e]xternal action depends on internal cohesiveness". In other words, the EU is yet to prove that it has a global role because of the incoherence between rhetoric, objectives and deeds not only in the development policy but also when international crisis arise (The Iraq war being here the prime example and the Arab spring the latest).

2.2. Overshadowing poverty?

A decade ago the main question in the international development policy would have been 'how much to give', while nowadays the debate is more concerning 'how effective is aid' (Open Europe, 2007), and this contribution is aligned to these current debates, since it is questioned here not the size of aid, but rather the main constraints that impedes its consistency. One of the most commonly expressed opinions is that EU objectives are still not clear and far from focusing on poverty issues, while activities and instruments are dispersed (Dearden, 2008). As Dearden argues in his article, the EC has failed to take full advantage of its financial contributions and market power in order to champion the whole process of aid support offered by national and private donors. What made this difficult was the "lacking transparency and accountability, as a result of the complexity of [EC's] aid programmes, its many economic and political objectives, and its own management structure" (Dearden 2008: 2). Transparency is underlined again as primary policy problem by EC officials (Brussels, 25 May 2011), along with poor donor coordination. Nevertheless, it is not the number of instruments that provokes inefficiency, since the beneficiaries tend not to pay much importance to the financial instrument itself, but rather on the amount of aid allocated, and its purpose, thus concentrating on the actual results of the projects, rather than on the bureaucratic system that manages the assistance. It is therefore necessary that the EU first reaffirms the objectives which the Union will pursue through the various instruments and, as a following step, to review the consistency of the system.

As the latest AidWatch report (2011) shows, the leading concern in today's development policy rests on the fact that the EU institutions and MS are becoming less concerned about aid effectiveness and the amounts of aid distributed; instead, issues such as security, commerce and

migration are leading in the policy-making. This position was reconfirmed after interviewing EC officials⁴, according to whom the EU is supporting the follow-up activities after the Arab revolutions with finances that are unused by other countries, thus resources intended for meeting MDGs are now diverted towards democratic state-building in better developed states. It is then plausible to think that if it were not the new threat for security in the neighbourhood realm; the Union would probably have had these resources redistributed for additional support of the MDG achievement. In summary, the unwillingness of the Union to provide additional money for Tunis and Egypt (due to financial constraints as discussed above), instead of using already allocated sums for developing states demonstrates how geopolitics actually supersedes commitments, which is in fact the primary threat for EU development policy today.

3. Righteous finances?

3.1. The possibility of reforming EU development policy

The currently ongoing review of the policy is foreseen to find ways to enhance the impact of the policy in order to “speed up progress towards the MDGs” in the developing countries, and to find “new opportunities to reduce poverty” (EC, 2010b: 4). It has been around these moments of development policy revision (as in 2000, 2004/2007 and currently 2010/2011) that the consultations among scholars, politicians and experts dwell upon two main issues: (1) EU aid programming/institutional architecture, subject to growing criticism since the 1990s (Dearden, 2008); (2) whether the European development and foreign policy is privileging the neighbourhood states – Eastern and South-Eastern Europe, together with the Mediterranean countries, and therefore neglecting poverty reduction in underdeveloped states.

On the first problem, the reassessment of the policy is needed, not only because of the unsolved until today problems concerning effectiveness and transparency discussed in the previous chapter, but also due to the new threats that have taken shape in the last few years, and two are the most evident: the financial crisis⁵ and the growing influence of other actors in the developing world, such as Brazil and China (EUobserver, 2011). This contribution will focus on the latter problem – how countries are being prioritised when development aid is being distributed. It was the Cotonou Agreement that proposed aid to be distributed according to the needs of the ACP countries and their willingness to fulfil the conditions set out by the EU. This notion was transferred in the external relations with the other countries and regions in order to provide a consistent approach of the EU towards the South, and it is deemed as implicitly present in the financial mechanisms of the Union’s development policy, since the more active the partner country is, the better the communication with the EU and the more problem-focused EU initiatives in the region, or at least this has been the objective of the reforms that have been carried out in the policy.

Poverty reduction and the meeting of the 8 MDGs were, however, underlined as the leading objectives of the Union in the major reform of 2000 (EC 2000a; EC 2000b) and once more explicitly stated five years later in the Consensus on Development. Today we see that the poverty eradication principle is overshadowed by the geopolitical interests of the MS, channelled via the EU institutions, as expressed in the interviews with the EC officials: “In this

⁴ The interviews with 5 officials were held in May 2011.

⁵ See Copestake, 2010; Gore, 2010.

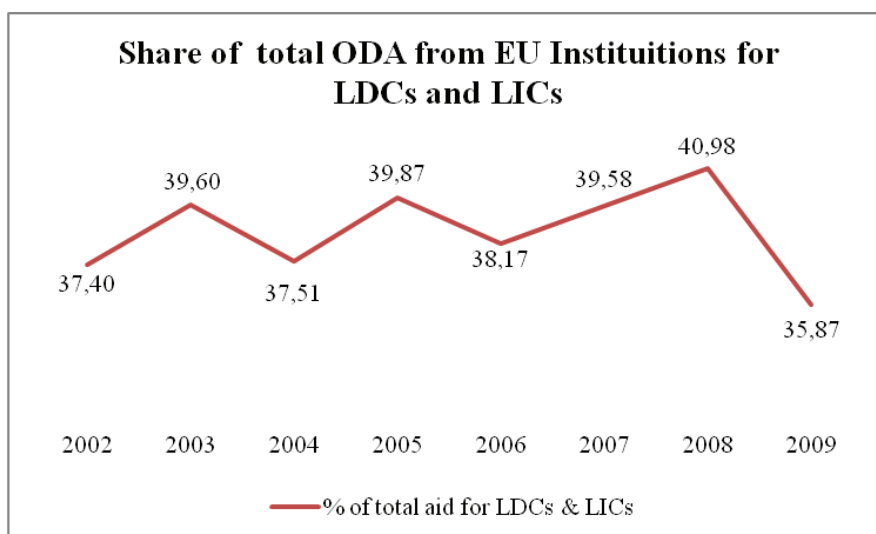
case, it is possible that Member States' economic interests or cultural/historical ties could have an impact on the definition of priority countries and sectors." In shorter terms, as Maxwell and Engel discuss it, "Critics point to the high share of development cooperation which is spent on the 'ring of friends'. [...] Critics question the EU's record in terms of the share of aid reserved for the poorer countries arguing that it is substantially worse than that of the individual EU member states" (2003: 7).

Thus the question is: how does the EU live up to these commitments, when it is sharing aid among 160 partner states? Keeping high level or even increasing expenditures on the 'ring of friends' by itself is not an 'anti-developing countries policy', as long as the general direction of helping poorer states in an adequate way is kept. In other words the EC has successfully built a connection between development aid and the main goals of the foreign policy – trade and security, which is ever more evident from the fact that "larger proportion of EU aid inevitably goes to medium income countries – particularly those near the EU" (Open Europe 2007: 2).

3.2. Sidelining least-developed countries

This analysis looks at the monetary side of aid allocation and the main finding of this work is that there is clear inconsistency between the countries that receive the major share of the EU development aid, and the countries that are with lowest GDP per capita, hence those that the Union should be supporting if it is to achieve the goals it has set itself in Article 208 of TFEU. In other words, when distributing financial support, the EU is focusing more on the political aspect of the relations with this country, rather than whether that particular state is in need of support for handling problems of primary importance, such as cross-national famine and poverty.

Graph 1: Percentage of total ODA disbursements to least developed and low income countries as share

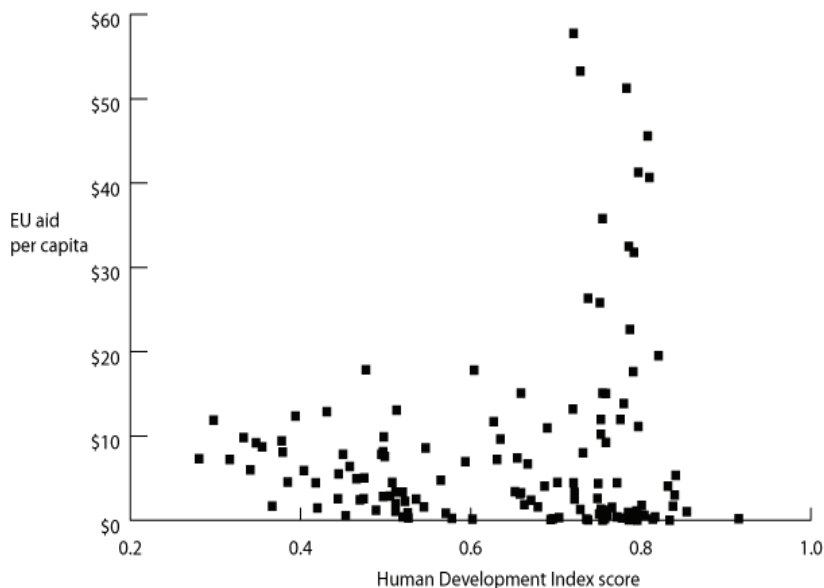


Source: DAC database <http://stats.oecd.org/index.aspx>; 'EU Institutions' is as comprised by the OECD DAC, managed by the European Commission

Graph 1 presents the fluctuations in the shares of the development budget managed by the EC, allocated for poor countries on a yearly basis. It becomes evident that aid is usually in the margin between 35% and 40%, and there is no clear trend towards raising the share of commitments for LDCs as would be expected after the adoption of the MDGs and the Consensus on Development⁶. Therefore several comments could be made: (1) the larger share of the ODA is allocated for better developed states; (2) little prioritisation is given to the poorest states; (3) although the Union's rhetoric after 2005, there has been no surge in the shares for LDCs and LICs. In other words, despite the official position of the Union, there has been no evident suspension of the 'ring of friends' practice⁷.

Graph 2 gives an interesting juxtaposition of developing states in relation to their United Nations Development Programme's Human Development Index (HDI), and the amount of aid per capita that the same state receives for 2003. Here it is not important what are the states in particular, but rather the principle guiding the EU in allocating sums, and it turns out, as argued previously, that there is a distortion in the system, since well advanced countries (with higher HDI) are receiving the largest per capita aid. Thus, EU aid is not primarily targeting least developed states, despite its rhetoric. In the contrary situation, where coherence between commitments and deeds is present, the graph would have presented the majority of aid going to lower HDI states, therefore placing more states closer to the vertical axis, and, further away from the horizontal one, unlike the presented graph below.

Graph 2: Correlation between HDI and EU aid per capita (\$) in 2003



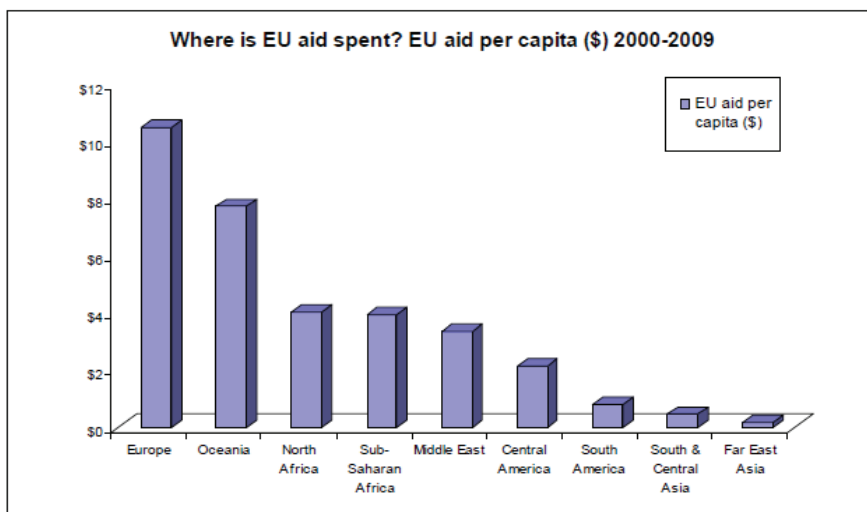
Source: *Open Europe 2007: 20*

⁶ The striking fact Open Europe cites in its 2007 report is that the EU aid amount allocated for low income countries has diminished from 63 % in 1990 to 32 % in 2007.

⁷ Open Europe goes further in the analysis: according to the 2011 report, 19% on average of the EU aid is allocated to the group of upper middle income countries, while the OECD DAC group average is of about 9%.

The importance of geographical proximity and colonial ties in development policy is once more presented in Graph 3, from which we learn that the EU spent, in the analysed period, an average of \$11 per capita on European states, which is 2.7 times more than the average \$4 spent on North Africa and Sub-Saharan Africa, and there is even a larger cleavage, if compared to the \$1 per capita for South America. Moreover, the graph raises the question of why would the Pacific islands receive the second average per capita aid, and how does this relate to the ideas of effectiveness of aid distribution and poverty-driven development policy of the EU. A possible answer may be again the colonial relations, but, at the same time, the graph opposes the common opinion that the EU is handing more money to advanced countries and less to poorer ones due to the different value of the same amount of money in the different states. Otherwise this will mean that living standards in Oceania are close to the ones in developing European countries. Furthermore, the graph also shows that the EU is not streaming bigger support toward poorer Sub-Saharan Africa compared to North Africa, despite the fact the latter having a GNI per capita 2.5 times higher than the former (Open Europe 2011).

Graph 3: EU aid per capita 2000 – 2009



Average net ODA per capita 2000-2009, OECD DAC database; <http://stats.oecd.org/index.aspx>

Source: Open Europe, 2011: 7

When territorial disbursement of EU aid is discussed, there is one basic argument that must be underlined, despite the main view of the MS and the European institutions that they are supporting Third World countries according to the ‘global commitment of the Union’, and not basing aid on self-centred economic and political interests: development assistance is in fact the result of the interaction of interests and the willingness to follow international agenda (MDGs) in order to enhance Europe’s global presence. Grimm (2010: 43) expresses the same notion: “Thus, which area drives EU relations with a particular region depends upon both the specific challenges for the EU in the region and the power play in Brussels among different sets of actors in different policy areas.”

3.3. *Is EU ODA for the poor? 2009 ODA from EU institutions*

Annex II presents the list of countries that, according to the World Bank classification, are the least-developed countries, and, therefore, are the states that should be targeted when allocating aid, if the EU is consistent. The following Annex presents the top states (32 in total) that have been attributed a total of ODA from the EU institutions of more than \$100 million in 2009 (the last year with OECD statistics available), and the table has been expanded with ODA for the same states, for 2007 and 2008, in order to give an overview of the 3 first years of the current financial framework 2007 – 2013.

By matching the states in both lists, we see that there are only 15 least-developed countries included in the top ODA beneficiaries list. It is true that, for political reasons, ODA commitments from the EU towards some states (i.e. Liberia and Eritrea) have been low or halted until democracy and security have been completely restored, but the main opinion stays – the Union is providing development assistance for countries that are poor, but, at the same time, it is focusing aid towards the neighbourhood states which are advanced in their development and to those with which there have been political engagements taken, including former colonies with important political and economic relations. Therefore, poorer countries are not targeted in the efforts of the EU to support poverty reduction despite this being underlined in the TFEU and the Consensus on development, and this ever more evident if we take a look at the top 10 ODA beneficiaries in the last 3 years in Annex IV: only 4 of them (Afghanistan, DR Congo, Ethiopia and Mozambique) are countries considered as low-income, while the other states are valuable political partners (Palestine and Egypt), former colonies (Morocco) and mainly neighbouring European states (Turkey and Serbia).

The table in Annex I presents more detailed information (HDI, population, GNI per capita) on the top beneficiaries in 2009 of ODA from the EU institutions in order to present what share of the ODA and investigate for the driving logic in the development policy of the EU institutions. From the top 10 countries there is one high income country – Turkey, 4 upper middle income states – Palestine, Serbia and Morocco, while Mozambique and DR Congo are the only low-income states. The first conclusion to be made is that richer countries are benefiting from their geographic proximity to the EU and the political influence of the Union in these regions, thus being stimulated with substantial development assistance. To prove this we could take two states – Egypt and Mozambique, which receive equal total share of ODA from EU institutions (\$ 204.68 million or 1.52% of net total for developing countries), however, at the same time, Mozambique is one of the poorest countries in the world, having a 2009 GNI per capita of more than 6 times less than Egypt. Moreover, this example is evidence that through the applied selectivism in aid allocation, the EU has securitised aid,⁸ since Egypt is a valuable partner in immigration handling, and is consequently granted higher amount of aid.

The second conclusion is that the EU has neglected its official commitments toward the developing world and in particular – to the least developed states since there is little, if any, poverty focusing of the policy since the top recipients are not predominantly the poorest countries and even those that are at the top of the table receive less on a per capita basis

⁸ Obviously there has not been a great change since the 2005 Oxfam report, where it is noted that “Over the past decade, the European Commission has prioritised regional security above global poverty reduction, allocating greater shares of aid to neighbouring Mediterranean and Eastern European countries.” (2005: 48). The slight change is the shift from Eastern Europe toward the Western Balkans and Turkey as accession state.

than much more advanced states as Turkey and Serbia. Moreover, if we take into account the position expressed by the Concord group, EU enlargement and neighbourhood funds have increased substantially in comparison to the budgets allocated for developing states: "Between 2004 and 2008 aid to Europe increased by 135% in constant terms, while aid to the world's least developed countries only grew by 35%" (Concord 2010: 18).

The clash between privileged states and really poor ones is demonstrated in a simple case-study, outlined in Table 1, below. The three countries of Croatia, Liberia and Central African Republic have two things in common: they are financed by the EU under the development policy mechanisms and have a population of around 4 million people. The disparities are much bigger – Croatia, with a GNI per capita of \$16,248 and ranked currently 51 in the UNDP HDI, is granted twice as much aid per person through the EU institutions than Liberia, a country ranked 162 in the HDI classification and with GNI per capita 52 times less than Croatia's. The same could be said for the Central African Republic (CAR) – ranked 158 in HDI and with GNI per capita of just \$ 739 (22 times less than Croatia) and yet receiving almost 2.5 times less aid per capita.

Table 1: Cross-referencing data for year 2009 for Croatia, Liberia and CAR

	Population 2009 (millions)	HDI 2009	GNI per capita 2009 (\$)	Total ODA from EU inst. 2009 (millions \$)	Aid per capita 2009 (\$)	% of total EU inst. ODA for 2009
Croatia	4,4	0,765	16 248	129,94	29,53	0,97
Liberia	4	0,294	313	59,54	14,89	0,44
Central African Republic	4,5	0,311	739	54,69	12,15	0,40

Sources: Population Reference Bureau (2009), UNDP (2010), OECD DAC online database

Of course, more examples like the one above could be given following the same logic of comparison. It is true that one dollar in Liberia could do more than one in Croatia, but the latter is not among the least developed states, hence, it should be asked whether the EU when practicing selectivism, is applying a logic that is coherent with its own official commitments. The obvious answer is that this is not the case today, and poor countries are sidelined, while closer neighbours are targeted with larger shares of ODA. The reason for the answer is that states are in this privileged position due to the political interest of the EU MS for fostering strategic partnerships and encourage further democratic processes. Grimm explains it as follows: "The relatively high levels of aid to European and Mediterranean countries – not among the world's poorest nations – cannot be explained by an emphasis on poverty reduction but are rather a function of foreign policy interest in neighbouring regions" (2010: 55). To sum up, we could say that the EU development policy is still depending on who exactly the partner country is, especially when it comes to financing projects. Moreover, there is a certain possibility that, if this policy-making based on differentiation among states, build on who is 'valuable' and who is simply a partner, would certainly lead to a bigger cleavage between the two groups, and may present a bigger threat for the development policy of the Union in general.

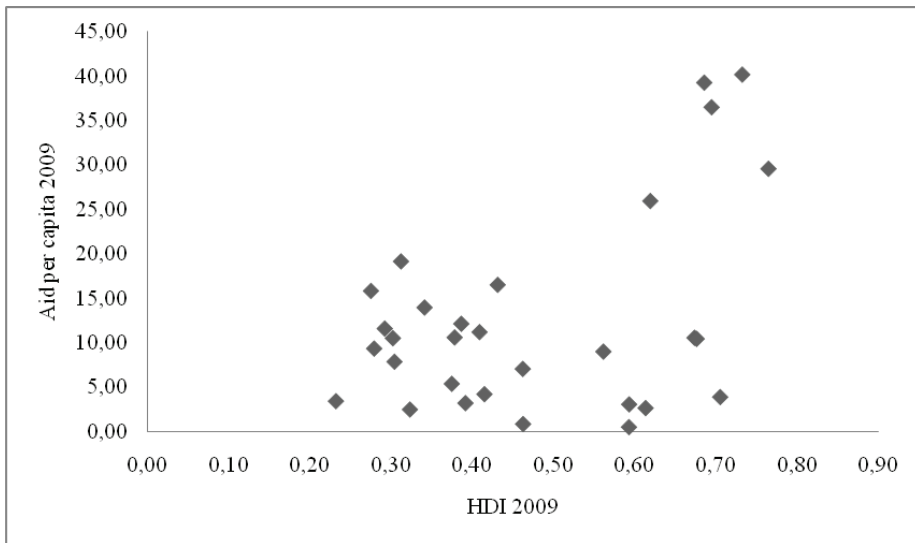
Hettne and al. (2010) theorise that as long as the counterpart of the EU in bilateral relations is with strong “actorship” and stance towards the EU positions, the fewer conditionalities are presented by the Union and the more EU is open to dialogue. This same notion could be transposed in the cases discussed above – the larger the political stake of a region/state for the MS, the more EU aid is disbursed for that region/state. Moreover, one of the leading political interests today is security; the above mentioned tables prove that aid is being securitised⁹ by the EU as a result of making security interests leading for the MS, especially after the growing terrorist threat since 9/11, since when the EU is trying in every way to prevent from happening larger military conflicts in its neighbourhood region. The same is valid for partners where it has clear economic interests that are guarded through promising bigger aid shares, for example to North-African states and the Palestine region, in order to encourage reforms and good governance practices for a more peaceful state-building process, and this is, in fact, a righteous cause, in principle, for spending EU financial resources. However, the ODA numbers show that exactly these problems receive the largest share of the allocated sums. Moreover, security issues are part of the Union’s foreign policy, but this is not the primary objective, as stated in the official commitments of the Union. The EU is challenging security threats from the outside, rather than following its ‘point 1’ in its agenda, as set in the last ten years – eradication of poverty. Instead, aid is becoming linked to the conditionality of security, which hinders the focus on poverty of EU aid and, more importantly, it is coming into contradiction with the TFEU.

3.4. Hypothetically giving the most to the least developed

Graph 1a below presents how the states given in Annex I are situated between HDI and per capita aid, while graph 1b shows HDI – Total ODA commitments from EU institutions, therefore both analysing whether larger shares of aid go to lower HDI. As analysed previously in graph 2, there is no clear indication that the EU institutions are considering the level of development when distributing aid, since the majority of countries have their HDI lower than 0.5 and they tend to receive not more than the advanced richer countries with HDI above 0.5, considering total ODA and not more than \$20 per capita. Thus, the graph is proving once more that, in general, the EU is targeting its financial assistance not to the least developed countries, according to the fundamental priorities of its development policy, rather political and security interests.

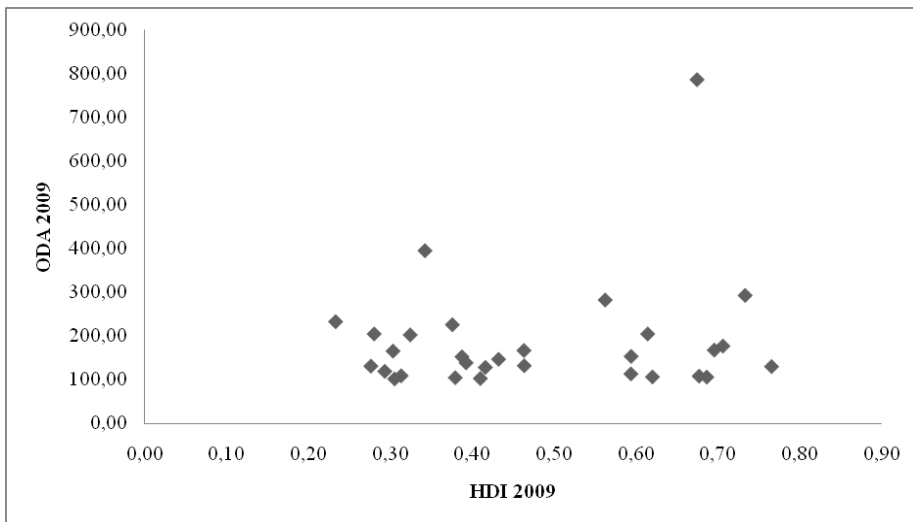
⁹ AidWatch presents aid securitisation in the following way: “the blending of defence and development objectives and the allocation of aid according to perceived security threats and challenges, rather than according to poverty eradication goals” (2011: 8).

Graph 1a: Correlation between HDI and EU aid per capita (\$) in 2009 of top 30¹⁰ recipients



Sources: Annex I, Population Reference Bureau (2009), UNDP (2010), OECD DAC online database

Graph 1b: Correlation between HDI and EU institutions total ODA (\$) in 2009 of top 30 recipients

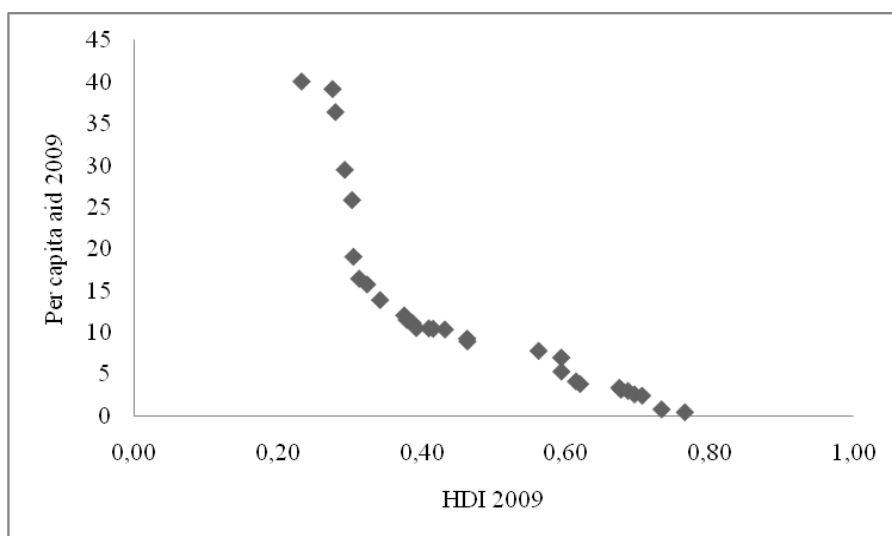


Sources: Annex I, Population Reference Bureau (2009), UNDP (2010), OECD DAC online database

¹⁰ The states analysed are 30 since the Palestinian administrative area and Kosovo are not given HDI for 2009.

Graphs 2a and 2b, although hypothetical, are also based on Annex I table by building on a new hypothesis: how would graph 1a and 1b look like if the countries with lowest HDI were to receive in the year 2009 the highest allocated sums per capita and total ODA guided by the principle ‘the poorest receives the largest share’¹¹? This hypothesis is to show if there was more coherence between rhetoric and actions in the EU in the realm of development policy and how the policy would eventually look like? It is obvious that the lower the HDI is, the greater the total ODA and the per capita aid from the EU institutions, and, of course, this is an ideal situation.

Graph 2a: Hypothetical correlation between HDI and EU aid per capita (\$) in 2009 of top 30 recipients

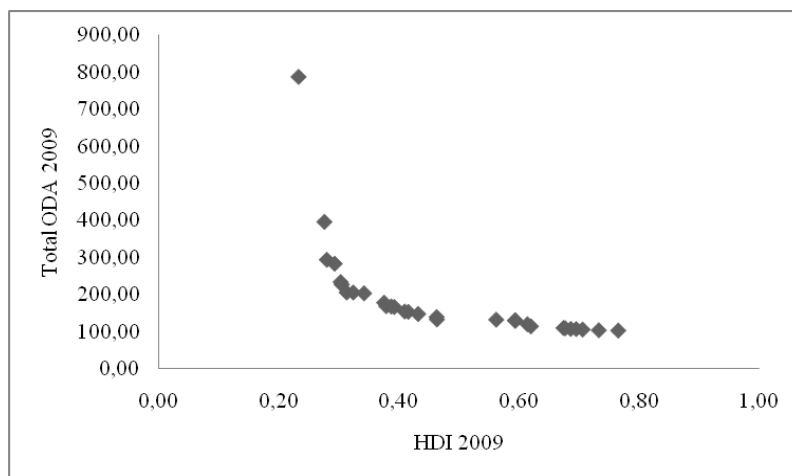


Sources: Annex I, Table 5a (Annex IV), Population Reference Bureau (2009), UNDP (2010), OECD DAC online database

This chapter has proven that EU’s development support is applied through the selectivism theory and also that the targeted countries are predominantly not the least developed ones, as to be expected from the official engagements of the Union toward the Third World. It is true that the EC, guided by economic and political interests, has not completely neglected the poorest states in the world, since they are supported even if there is no trade interest fact stated in the interviews with the EC officials. In this respect, what is striking as a conclusion from the EC officials interviews is that they were convinced that the EU is supporting poor countries, despite the (public) data provided in this study, which tends to prove the opposite,

¹¹ The two corresponding new hypothetical tables are given in Annex IV. There are no particular states given, since here the general principle of providing larger shares to the poorest is tested, and existing ODA and HDI levels are taken as example.

Graph 2b: Hypothetical correlation between HDI and EU institutions total ODA (\$) in 2009 of top 30 recipients



Sources: Annex I, Table 5b (Annex IV), Population Reference Bureau (2009), UNDP (2010), OECD DAC online database

and probably due to never-ending EU reports on that it is effectively supporting poor states (EC, 2010a). It is, at the same time, true that aid has been dominantly distributed to the 'ring of friends' due to geographical proximity and security reasons. The evident incoherence in EU's approach towards its own policy and its partner countries hinders its predictability and overall effectiveness and, therefore, a new logic to the system of development assistance distribution needs to be applied.

4. A new approach?

4.1. Coherence through better aid targeting

Having tackled the targeting aid issue in the previous sections, nowadays the main problem could be generalised in the following fashion: least-developed countries, that are to be encouraged according to the EU's official engagements, and, thus, are to receive the majority of aid, are replaced by closer partners of the Union, which seem to be of higher political and/or economic interest for the MS (Hettne et al., 2010), or, with old colonial links still being important, transforming EU development policy into a matter of geopolitics by front-lining self-interests (AidWatch, 2011). All this leads to incoherence between commitments and actions, therefore the poorer population of the targeted states are in a better position than the poorer in the disadvantaged countries from an economic point of view. There is a clear inequality between the access of aid between developed and less developed states as a result of the policy implementation of the EU, focused on targeting aid through its 'comparative advantage'¹²

¹² It is generally expected that due to the centralisation of administration power and better coordination of aid programmes, combined with a more 'politically neutral' stance towards the partners, the EU development agenda and tools for its implementation are much more effective and transparent than of the MS (Dearden, 2008).

principle, in certain world regions, thus creating an imbalanced stance towards developing countries, which is a potential threat for the overall position of the EU as a global actor, leading to loss of political presence in the Third World.

In order to amend this problem a new approach of distributing financial aid is necessary to be adopted at the EU institutions level, that approach would be in line with the official position of the Union toward development and poverty eradication and, at the same time, be adequate to the global actorness of the EU. This is possible by simply producing a new system in which the Union does in fact live up to its rhetoric and supports primarily (but not exclusively) least developed states. The theoretical idea of focusing aid distribution on low-income states departs not only from the TFEU and the Consensus, but also from think-tank centres such as CIDSE (2005), which argues that the Commission should refocus aid distribution accordingly to the states where there is a greatest need for achieving the MDG, in particular to halve the population of living in total poverty people.

The background of the new approach is set in the following principles:

1. the EU commitments toward the poor Third World countries, as discussed above;
2. the EU cohesion policy, based on the implicit principle that EU financial assistance cannot cover every objective in every targeted country, therefore there should be prioritisation of the needs in the involved states set out in the financial frameworks;
3. the entrenched prioritisation of neighbourhood states, in the policy programming and implementation;
4. the basic (economic) assumption – resources are limited and demand is growing.

In short terms, the EU should strategise its financial resources by elaborating new short financial perspectives for limited amount of countries by providing the major financial aid to projects in certain countries (the most needed projects and initiatives will come first), while the rest of the supported countries will still be provided with resources for basic needs such as food security and will be in a period of preparation of technical and legal requirements for carrying out large-scale projects themselves when their state's *tour de table* is according to the financial perspectives. What is argued in this section is not necessarily an increase in the European budget, in order to fuel the policy with financial means for more actions in the Third World¹³, although it may contribute to the overall performance of the policy, but the development "Is not only related to the amount of aid" as has been suggested in an interview with one EC official.

Suggesting more pro-poor activities and reassessing aid toward middle- and high-income states is not a new concept (Van Reisen, 2002), since in the last decade there have been several publications with this theme (Mihálik, 2010). This new approach is however based on improving today's programming and implementation of development assistance so that poverty-targeting becomes the leading principle which would be carried out by distributing the main shares of the EU aid in order to list of the least-developed states and not according to the economic and political interests that are related to the 'ring of friends', fact that is evident now. In this paper, the proposed logic of aid distribution will have the following aspects:

1. the least-developed countries will be prioritised as main recipients of EU aid while other more developed ones will also be supported, rather in a supportive manner through co-financing projects;

¹³ Moreover, as Mavrotas discusses the issue: "unless aid is better targeted, scaling up aid is unlikely to have the desired effects" (2009: 3).

2. the countries to be supported will be previously assessed on their development level on the basis of third-party analysis (World Bank, UNDP, OECD), in order to combine the existing indicators of poverty and growth, and produce a list of least development states;
3. the next step would be to group states beginning with the ones in greater need of assistance, therefore the 'least of the least developed' states, and this will be done in order to give priority to these states when distributing aid through channelling the EU support to them in a limited window of time – 2 to 3 years; therefore the Union will concentrate on a particular number of states, for a particular period of time, so that aid is not dispersed to 120+ states, and producing limited results in every state, but rather the opposite: through streaming finances toward particular states, the Union could possibly set higher performance indicators to be achieved in the end of the period and, actually, induce evident changes in the supported states;
4. the grouped states will be assessed using the methodology set in the strategy papers in a state-by-state manner, and every such paper will highlight the most urgent needs of the particular state that need to be confronted in order to alleviate poverty; the idea of grouping states is that, while the projects are implemented in a particular group, the following ones, to be supported preferentially in the upcoming period(s), are being prepared for this time with technical documentation and analysis in order that, once the window is opened, they would start immediately carrying out the provisioned activities;
5. more advanced countries will not be sidelined or left out completely in this system, since they will be supported by the EU, as currently, but with a strengthened sense of co-financing of the activities, thus stressing on the importance of local government participation and commitment.

In principle, the proposed above new logic of distributing aid is tending to target EU money towards poverty eradication through better selection of states and project preparation, and, focusing more on education and infrastructure, in line with the fundamental priorities of the Union.

4.2. Opportunities and pitfalls

There are several positive aspects of this new approach that need highlighting. First of all, it is the fact that it aligns the actions of the EU to its fundamental development policy documents, such as the TFEU and the Consensus, by simply placing least-developed states in the centre of distribution of aid. In this manner the Union has the chances of building the bridge between rhetoric and deeds. Moreover, in order not to experience the pitfall as described by Sen (1995), and not to be completely in the realm of the targeting development theory, the EU's partner-countries today will continuously be supported, but the volume of the financing will depend on their development level and the specific time period table of state groups. The time window itself is a response to the apprehension expressed by Keen (1992) on the 'paradox of targeting', since the increased aid will be offered in a short period and, therefore, this will not undermine the local administrations ability and willingness for follow-up activities and sustainable new initiatives.

Nowadays, thanks to the tradition of elaborating strategy papers as guidelines for the development projects in the partner countries, local governments are not sidelined in the

programming process,¹⁴ and the new presented here approach is to enhance their active role in the programming and, therefore, rely on their willingness to achieve the provisioned reforms. Moreover, development strategies should be formulated with the support of the civil society organizations and with stronger parliaments, resulting in consistency between national goals of beneficiaries and objectives of the donor. No aid distribution policy would be effective if there is no strong commitment by national actors to utilise it according to current needs, and in various directions since, as one interviewee from the EC noted, poverty alleviation is a complex term that should be tackled through actions in particular fields such as education and health.

It is not without importance how countries would be classified. As Molenaers and Nijs argue, “selectivity can take shape at the level of country selection, volume allocation and/or the choice of aid modalities” (2009: 563). The problem here, as put in the Molenaers and Nijs article is whether donors are “handing a blank cheque to a non-committed government” (2009: 566), or in other words, if financial support is given to poor underdeveloped governments with deep institutional problems and lack of expertise in handling large amounts of aid, there is a chance that development aid would become ineffective once more. In order to safeguard the correct implementation of resources, it will be of significant value that the EU institutions play a leading role in these states during the initial assessment and programming periods. If it is concluded that these countries would not be able to handle extensive finances and/or are currently governed by a non-democratic/ rule, then it would be the responsibility of the EU to either waive aid for the particular state, or set up managing authorities (executive agencies) to overlook the disbursement of aid in general on-ground.

A further critique of this new approach may be that it will be just patronising other countries, than the ones today, and that there will be no real shift in the EU policy. Such notion, however, is ill-founded, since the EU has, in the first place, given priority to least developed states and the proposed above approach in aid distribution is nothing far from this official rhetoric. Secondly, as currently is the system, no partner country would be completely sidelined from EU aid, and better developed states will still be offered grants for co-financing projects. Moreover, it will be eventually a task for the European institutions to prepare and propose a system of classification of the group of ‘least developed states,’ should it be decided that existing such classifications (i.e. World Bank) are not suitable for the necessities of the Union¹⁵. In summary, the proposed new logic of the disbursing aid is intended to support the people of these poor states that are actually promised better support from the European institutions, but are not sufficiently targeted in the implementation of the development policy.

Conclusion

The EU development policy is a tool of the Union’s foreign policy and it is valuable since it is used in the international relations with basically every outside partner of the EU. Moreover, it is one of the most recognisable features of the Union’s aspiration of becoming a global political actor. From this analysis it becomes more evident that the Union is preferentially supporting reconstruction of countries that are in its neighbourhood realm, but, at the same time, they are well ahead in their development, compared to the much poorer states in other parts of the world, which seemingly are sidelined when aid is allocated. Obviously there is still

¹⁴ See Killick (1998) and the World Bank (1998).

¹⁵ There has been a global discussion on whether the LDC grouping is in principle justified. See UNGA (2010).

need of a translator from rhetoric to actions in the EU development policy, since the Union's institutions are targeting aid basing it on geopolitical interests and relations with former colonial regions, therefore overlooking the fundamental commitments set in the TFEU and Consensus on development. While it is agreed that the EU is a *global actor* in foreign aid, it needs to overcome the conflict between promises and interests in order to become *the global leader* in the world development.

The problem of the development policy of the EU institutions, as given in this work, is not that it is supportive toward former colonies or that it strengthens economic and political interests; it is the dominating focus on these particular aspects, rather than poverty-tackling in the least developed countries, that is hindering the overall functioning of the system. As it has been argued above, the ODA financing in the last decade has been oriented mainly towards actually industrialised/developed states, but with the current ongoing debates on the future reforms in the policy it seems possible that a new logic in the aid allocation could be implemented. One such has been presented here: that would align the actions of the EU institutions with the provisions of the official documents and, at the same time, stay trustworthy for its advanced partners. Furthermore, what the EU would need to elaborate through discussions with internal actors (MS, NGOs, institutions) and with developing states is a new road-map for a more effective and coherent development policy that is to be implemented in the new financial perspective at the latest.

In conclusion, it should be underlined once more that EU development aid as it is written in the TFEU is intended for what it has been promised – to help people in the Third World least developed countries to overcome poverty, thus preferential treatment dictated by security and trade interests is contradictory. Future analysis and research would prove whether the here proposed new approach, or other such, has successfully responded to this core problem for the European foreign policy.

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Annex I

Table 2: Cross-referencing data for year 2009

	Population 2009 (millions)	HDI 2009	GNI per capita 2009 (\$)	Total ODA from EU inst. 2009 (millions \$)	Aid per capita 2009 (\$)	% of total EU inst. ODA for 2009
Turkey	74,8	0,67	12 771	786,95	10,52	5,85
Palestinian adm, areas	3,9	n/a	4 460	538,32	138,03	4,00
Afghanistan	28,4	0,34	1 332	395,36	13,92	2,94
Kosovo	2,2	n/a	2 500	315,91	143,60	2,35
Serbia	7,3	0,733	10 198	292,94	40,13	2,18
Morocco	31,5	0,562	4 490	282,39	8,96	2,10
Congo, Dem, Rep,	68,7	0,23	283	232,76	3,39	1,73
Sudan	42,3	0,375	1 981	225,81	5,34	1,68
Egypt	78,6	0,614	5 681	204,68	2,60	1,52
Mozambique	22	0,28	813	204,68	9,30	1,52
Ethiopia	82,8	0,32	943	202,47	2,45	1,51
Ukraine	46	0,706	6 229	177,02	3,85	1,32
Georgia	4,6	0,695	4 777	167,70	36,46	1,25
Ghana	23,8	0,463	1 350	166,88	7,01	1,24
Burkina Faso	15,8	0,30	1 182	165,43	10,47	1,23
South Africa	50,7	0,594	9 603	153,32	3,02	1,14
Zambia	12,6	0,387	1 299	152,35	12,09	1,13
Benin	8,9	0,432	1 483	146,64	16,48	1,09
Tanzania	43,7	0,392	1 283	138,40	3,17	1,03
Bangladesh	162,2	0,463	1 523	131,87	0,81	0,98
Burundi	8,3	0,28	392	131,05	15,79	0,97
Croatia	4,4	0,765	16 248	129,94	29,53	0,97
Uganda	30,7	0,416	1 193	128,04	4,17	0,95
Chad	10,3	0,29	1 040	118,97	11,55	0,88

	Population 2009 (millions)	HDI 2009	GNI per capita 2009 (\$)	Total ODA from EU inst. 2009 (millions \$)	Aid per capita 2009 (\$)	% of total EU inst. ODA for 2009
Indonesia	243,3	0,593	3 755	113,13	0,46	0,84
Sierra Leone	5,7	0,31	787	108,93	19,11	0,81
Tunisia	10,4	0,677	7 696	108,09	10,39	0,80
Moldova	4,1	0,620	3 048	106,22	25,91	0,79
Jamaica	2,7	0,686	7 212	105,90	39,22	0,79
Rwanda	9,9	0,379	1 145	104,51	10,56	0,78
Haiti	9,2	0,410	1 049	102,67	11,16	0,76
Mali	13	0,31	1 132	101,72	7,82	0,76

Sources: Population Reference Bureau (2009), UNDP (2010), OECD DAC online database.

Annex II

Table 3: GNI per capita (current US\$) of the low-income countries (according to the WB categorisation)

Country	2007	2008	2009
Burundi	120	140	150
Congo, Dem. Rep.	140	150	160
Liberia	150	170	160
Malawi	230	260	290
Afghanistan	320	310	n/a
Eritrea	270	280	320
Ethiopia	220	280	330
Niger	280	330	340
Sierra Leone	280	320	340
Zimbabwe	390	320	360
Guinea	320	340	370
Madagascar	340	410	430
Gambia, The	330	400	440
Mozambique	340	380	440
Nepal	350	400	440
Togo	380	410	440

Country	2007	2008	2009
Central African Republic	380	410	450
Uganda	370	420	460
Rwanda	360	440	490
Tanzania	410	460	500
Burkina Faso	430	480	510
Guinea-Bissau	420	460	510
Bangladesh	480	520	580
Chad	490	540	600
Cambodia	560	630	650
Mali	530	610	680
Tajikistan	460	600	700
Benin	610	700	750
Kenya	660	730	760
Comoros	690	750	810
Kyrgyz Republic	620	790	870
Lao PDR	610	750	880
Solomon Islands	1020	1050	910
Zambia	740	950	960
Lesotho	960	1010	980
Mauritania	810	980	990

Source: World Bank Data, <http://data.worldbank.org/>

Annex III

Table 4: EU Institutions ODA commitments (top 32 countries, in millions US\$, current prices)

Country	2007		2008		2009		2007-2009	
	Total ODA	% of total	Total ODA	% of total	Total ODA	% of total	Total ODA	Total ODA
Turkey	543,84	4,67	434,63	3,29	786,95	5,85	1765,42	
Palestinian adm. Areas	540,94	4,65	663,10	5,02	538,32	4,00	1742,36	
Afghanistan	307,46	2,64	349,31	2,65	395,36	2,94	1052,13	
Kosovo	n/a	n/a	n/a	n/a	315,91	2,35		
Serbia	271,08	2,33	319,02	2,42	292,94	2,18	883,04	
Morocco	307,13	2,64	329,44	2,50	282,39	2,10	918,96	
Congo, Dem. Rep.	158,01	1,36	224,26	1,70	232,76	1,73	615,03	
Sudan	254,68	2,19	277,84	2,11	225,81	1,68	758,33	
Egypt	220,66	1,90	203,63	1,54	204,68	1,52	628,97	
Mozambique	235,40	2,02	163,68	1,24	204,68	1,52	603,76	
Ethiopia	364,76	3,14	447,14	3,39	202,47	1,51	1014,37	
Ukraine	102,68	0,88	242,29	1,84	177,02	1,32	521,99	
Georgia	28,05	0,24	113,41	0,86	167,70	1,25	309,16	
Ghana	85,22	0,73	118,49	0,90	166,88	1,24	370,59	
Burkina Faso	201,60	1,73	148,56	1,13	165,43	1,23	515,59	
South Africa	144,65	1,24	164,02	1,24	153,32	1,14	461,99	
Zambia	66,44	0,57	134,97	1,02	152,35	1,13	353,76	
Benin	81,83	0,70	127,62	0,97	146,64	1,09	356,09	
Tanzania	187,11	1,61	184,81	1,40	138,40	1,03	510,32	

Country	2007		2008		2009		2007-2009
	Total ODA	% of total	Total ODA	% of total	Total ODA	% of total	Total ODA
Bangladesh	101,45	0,87	194,48	1,47	131,87	0,98	427,8
Burundi	121,71	1,05	84,86	0,64	131,05	0,97	337,62
Croatia	100,87	0,87	181,13	1,37	129,94	0,97	411,94
Uganda	116,35	1,00	258,89	1,96	128,04	0,95	503,28
Chad	75,20	0,65	148,05	1,12	118,97	0,88	342,22
Indonesia	132,64	1,14	54,51	0,41	113,13	0,84	300,28
Sierra Leone	72,03	0,62	44,16	0,33	108,93	0,81	225,12
Tunisia	130,11	1,12	82,96	0,63	108,09	0,80	321,16
Moldova	66,26	0,57	81,86	0,62	106,22	0,79	254,34
Jamaica	39,49	0,34	80,75	0,61	105,90	0,79	226,14
Rwanda	78,52	0,67	105,71	0,80	104,51	0,78	288,74
Haiti	97,48	0,84	117,50	0,89	102,67	0,76	317,65
Mali	178,66	1,54	149,34	1,13	101,72	0,76	429,72
Total EU Institutions ODA	11634,15	100,00	13197,00	100,00	13443,62	100,00	38274,77

Source: OECD-DAC, <http://stats.oecd.org>

Annex IV

Table 5a: Hypothetical correlation between HDI and EU aid per capita (\$) in 2009 of top 30 recipients

Aid per capita 2009	HDI 2009
40,13	0,23
39,22	0,28
36,46	0,28
29,53	0,29
25,91	0,30
19,11	0,31
16,48	0,31
15,79	0,32
13,92	0,34
12,09	0,375
11,55	0,379
11,16	0,387
10,56	0,392
10,52	0,410
10,47	0,416
10,39	0,432
9,3	0,463
8,96	0,463
7,82	0,562
7,01	0,593
5,34	0,594
4,17	0,614
3,85	0,620
3,39	0,67
3,17	0,677
3,02	0,686
2,6	0,695
2,45	0,706
0,81	0,733
0,46	0,765

Table 5b: Hypothetical correlation between HDI and EU institutions total ODA (\$) in 2009 of top 30 recipients

Total ODA 2009	HDI 2009
786,95	0,23
395,36	0,28
292,94	0,28
282,39	0,29
232,76	0,30
225,81	0,31
204,68	0,31
204,68	0,32
202,47	0,34
177,02	0,375
167,70	0,379
166,88	0,387
165,43	0,392
153,32	0,410
152,35	0,416
146,64	0,432
138,40	0,463
131,87	0,463
131,05	0,562
129,94	0,593
128,04	0,594
118,97	0,614
113,13	0,620
108,93	0,67
108,09	0,677
106,22	0,686
105,90	0,695
104,51	0,706
102,67	0,733
101,72	0,765