GLOBUS
Reconsidering European Contributions to Global Justice

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Aid, governance and sustainable development in Africa

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Summary

The EU's Aid-for-Trade policy has contributed to high levels of economic growth in Africa during the past two decades. However, economic growth is not translating into development across the continent mainly because the beneficiaries of growth are the political and business elites within African countries and the multinational corporations that are exploiting minerals and other resources on behalf of these local elites. If the EU's trade policies are to contribute to global justice on the continent, addressing poor governance must be a key factor in bilateral negotiations.

The GLOBUS project has attempted to analyse whether and how trade between the EU and Africa has contributed to global justice. There is some evidence to suggest that trade has contributed to 'justice as mutual recognition'.

In the era of the Economic Partnership Agreements (EPAs) between the EU and Africa (as well as a set of Caribbean and Pacific countries), the European Union has pursued a clearly-defined Aid-for-Trade Policy (AfT). While the full impact of the AfT policy on growth and development on the African continent is unclear, there is no doubt that it has contributed to the relatively high levels of economic growth in Africa during the past two decades, as it has provided tariff-free opportunities for African countries to export goods to the EU.

In general, economic growth has been the least of the socio-economic challenges in most African countries. In fact, the growth rate in many years has surpassed many Asian countries, whose economies have long been defined by high and sustained growth levels. Such high growth has recently led to Africa being characterised as the 'rising continent'. However, what is evident also is that the fruits of economic growth are not being distributed equitably within countries. This policy brief discusses the link between aid, governance and development in the context of global justice. It does so by drawing some conclusions from the research conducted within the project Reconsidering European Contributions to Global Justice – GLOBUS (2016-2020).

Low levels of development, and high levels of poverty and inequality characterise all African countries, particularly those in sub-Saharan Africa (SSA). Of the 36 countries characterised by the UNDP as being in the 'Low Human Development' category, 32 are in Sub-Saharan Africa.[1] In addition, income inequality in many African countries, as reflected in the Gini Coefficient, is amongst the highest in the world, particularly amongst resource-rich countries such as Botswana, Equatorial Guinea, Gabon, Namibia, Nigeria, and South Africa.[2] Finally, probably the most shocking statistic is that at least one-third of African countries have between 30 and 50 percent of their population living below the conservatively-defined poverty line of $1.90 a day, and in another one third, more than 50 percent of the population is living below this level.[3]

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It is evident therefore that economic growth is not translating into development across SSA. The primary reason for this is that the beneficiaries of economic growth are the political and business elites within African countries and the multinational corporations that are exploiting minerals and other resources on behalf of these local elites. Moreover, economic growth is based on capital intensive methods of production, an inappropriate strategy in countries with high levels of unemployment and poverty.

Important causal factors preventing the effective translation of 'growth' into 'development' almost everywhere are (a) inappropriate economic and social policies; and (b) poor governance. The latter is reflected, inter alia, in corruption in the public and private sectors, and inefficient tax revenue collection systems. The first of these is a major contributing factor to the enrichment of the elites, and the second, which is related to the first, denies the state of the necessary financial resources to fund a developmental budget.

Revisiting the EU development policy in Africa

In this context of high growth and continental underdevelopment, it may be appropriate for the EU to revisit its development cooperation policies more generally, and its AfT policy in particular if it has a desire to see Africa develop more equitably to address these socio-challenges. It may be appropriate to ask what the EU can do with regard to the question of 'governance' given that it is a particularly sensitive issue among African leaders who often use it to hide behind the cloak of 'sovereignty'.

Nevertheless, it seems incumbent on the new EU administration to think more creatively and go beyond the narrow confines of AfT, so that the relationship with African countries can be truly beneficial. The recent meeting of the EU and the African Union in Addis Ababa and the publication immediately thereafter of the EU's new Africa Policy document holds out the promise of new thinking on, inter alia, the relationship between aid, development and governance in Africa.

[1] UNDP (2019) *2019 Human Development Report*, available at http://hdr.undp.org/sites/default/files/hdr2019.pdf

[2] UNDP, op. cit.

[3] UNDP, op. cit.

EU aid to Africa

EU aid to Africa comprises two streams, namely, overseas development assistance (ODA) and Aid for Trade (AfT). With respect to the former, the EU is a significant ODA contributor to African countries. In 2017, it was the second largest contributor of ODA to Africa (US$ 6851 million out of a total of USD 52 800 million).[4] This excludes member country contributions of which the major contributions came from Germany ($3 691 million), the United Kingdom ($ 3 858 million); and France ($2 362 million).[5] ODA is used primarily to fund social sector (e.g. education, health) and economic sector (e.g. building infrastructure) projects in the recipient countries. Even though a significant proportion of such funds are often lost through bureaucratic wastage on both sides (donors and recipients) and corruption, such funds have nevertheless contributed to better education and health and improved infrastructure. In this way, ODA has contributed to African growth and development although the precise magnitude of such achievements is not clear.

The second aid stream, AfT, is disbursed by the EU (and other donors) to bolster the trade-related capacity of African countries, with a view to stimulating exports and the demand for imports, and in this way contribute to higher economic growth rates in Africa as a whole. Between 2006 and 2017, EU AfT totalled 410 billion euros and of this 146 billion went to Africa.[6]

There is some evidence that AfT has contributed to growth and development in Africa. Lemi, for instance, has shown in a detailed empirical analysis that flows of AfT have increased both exports from and imports to Africa.[7] Analyses of the impact of the EPAs also point to the impact of lower tariffs in fostering economic growth on the African continent.

Timmis and Mitchell make a persuasive case for why the EU has a key role to play in stimulating export-led industrialisation and growth in Africa.[8] First, they point out that the 'size of the European market and its relative proximity to Africa mean that it should remain an important source of demand for African countries' value-added trade, particularly if it continues to make progress on liberalising tariff and non-tariff barriers'. Second, given the EU's substantial investment in AfT the 'EU and its member states should also be the key financiers of the AfCTA and other initiatives to boost intra-African trade'. Finally, they argue that 'as the most advanced integration project in the world, the EU should provide a model for Africa as it pursues closer economic union, particularly by demonstrating how market liberalisation can be made compatible with distributional objectives'.

United Nations Economic Commission for Africa (NECA) and the African Union (AU) have identified three priorities for AfT in Africa:

1. Improve the targeting of AfT, particularly by increasing funding to regional programmes with specific integration objectives and to Africa's poorest countries;

[4] OECD (2019) *Development Aid at Glance: Statistics by Region*, available at: http://www.oecd.org/dac/financing-sustainable-development/development-finance-data/Africa-Development-Aid-at-a-Glance-2019.pdf

[5] OECD, op. cit.

[6] OECD/WTO (2019) *Aid for Trade at a Glance 2019 – Economic Diversification and Empowerment*, available at: https://www.wto.org/english/res_e/booksp_e/aid4trade19_e.pdf

[7] Lemi, A. (2017) 'Aid for Trade and Africa's Trade Performance: Evidence from Bilateral Flows with China and OECD countries', *Journal of African Trade*, 4(1-2): 37.60.

[8] Timmis, H. and Mitchell, I. (2019) 'Reforming EU Trade Policy to Accelerate Economic Transformation in Africa', *Center for Global Development*, available at: https://www.cgdev.org/publication/reforming-eu-trade-policy-accelerate-economic-transformation-africa

2. Ensure coherence and ownership by aligning AfT programmes with African policy frameworks, such as AfCTA; and
3. Increase the effectiveness and impact of AfT through improved monitoring and reporting.[9]

Given the above objectives, Timmis and Mitchell point out that the EU has to address some of the AFT shortcomings, such as the following:

- While EU AfT disbursements in Africa have increased over the past decade, the proportion allocated to low income countries has remained constant at 43-47 percent.
- Flows are unevenly distributed across countries, with Morocco, Kenya, Ethiopia, Egypt, Tanzania, and Tunisia (most of whom are middle-income countries) receiving nearly half the total.
- The share of EU AfT allocated to regional programmes comprises 10 per cent or less of the overall amount.
- Spending of AfT funds is too decentralised and fragmented. For example in 2015, AfT 'was channelled through 3000 financing decisions'.
- There is little or no assessment of effectiveness, impact, or lessons learned. [10]

Timmis and Mitchell make three recommendations if the EU wants to have a head start with respect to trade relations in Africa especially in the context of the rising influence of the BRIC countries, especially China, in Africa. These are:

1. Work towards ending tariffs on imports from Africa
2. Improve the effectiveness and impact of EU Aid for Trade in Africa by piloting 'payment by results'; and
3. Reduce EU agricultural subsidies to even the playing field with African producers.[11]

Governance and human development

Good governance is the key to ensuring that economic growth translates into equitable development. For reasons related to both enlightened self-interest and African prosperity, it is incumbent on the EU to move away from the narrow confines of AfT towards embracing the much more critical issue of good governance in Africa.

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In the development literature, the term 'good governance' is frequently used. In particular, donors promote the notion of 'good governance' as a necessary pre-condition for creating an enabling environment for poverty reduction and sustainable human development. Good governance was also accepted as one of the targets of the Sustainable Development Goals. The good governance agenda often stems from the donor concern with the effectiveness of the development efforts.

There are now widely accepted arguments

[9] UNECA et al. (2017) *Assessing Regional Integration in Africa VIII: Bringing the Continental Free Trade Area About*, available at: https://www.uneca.org/sites/default/files/PublicationFiles/aria8_eng_fin.pdf

[10] Timmis and Mitchell, op. cit.

[11] Timmis and Mitchell, op. cit.

that governance should play a stronger role in development efforts. Effective governance institutions and systems that are responsive to public needs deliver essential services and promote inclusive growth, while inclusive political processes ensure that citizens can hold public officials to account. In addition, good governance promotes freedom from violence, fear and crime, and peaceful and secure societies that provide stability needed for development investments to be sustained. Governance thus can enable the achievement of a range of critical development objectives.[12]

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Some commentators have also pointed out that a key to understanding Africa's growth story since the early 2000s is assessing the quality of governance. According to this view, 'both economic theory and some cross-country comparisons suggest governance is a key factor in economic development and it correlates with faster growth, higher investment, and increased poverty reduction'.[13]

The African Union's 'Agenda 2063' document highlights both 'inclusive growth and sustainable development' and 'good governance' as two of the continent's seven 'aspirations'[14].

In practice, improving governance requires action in a wide range of areas, not all of which can be addressed at once, and not all can be the subject of a global consensus. The evidence drawn from the United Nations Development Programme is summarised below.

- Effective, responsive and accountable state institutions;
- Openness and transparency;
- Addressing corruption and curbing illicit financial flows;
- Justice and the rule of law; and
- Participation in decision-making.[15]

Probably the most challenging of the UN's Sustainable Development Goals (SDGs) is SDG16 on 'good governance'. It calls for governments to 'promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels'.

SDG-16 targets include the following:

- Promote the rule of law at national and international levels and ensure equal access to

[12] Pillay, P. (2019) 'Governance and Human Development in sub-Saharan Africa', in Everatt, D. (ed) *Governance and the Postcolony – Views from Africa*, Wits University Press, Johannesburg.

[13] African Development Bank (2015) *African Economic Outlook 2015*, available at: https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/AEO2015_EN.pdf

[14] African Union (2015) *Agenda 2063: The Africa We Want*, available at: https://au.int/sites/default/files/documents/36204-doc-agenda2063_popular_version_en.pdf

[15] UNDP (2014) 'Governance for Sustainable Development', *UNDP Discussion Paper, March 2014*.

justice for all;

- Substantially reduce corruption and bribery in all their forms;
- Develop effective, accountable and transparent institutions at all levels;
- Ensure responsive, inclusive, participatory, and representative decision-making at all levels; and
- Ensure public access to information and protect fundamental freedoms in accordance with national legislation and international agreements.

As Leslie Pal puts it: 'they [the SGDs] are more than a list [of targets] [...] they are mutually reinforcing. It's hard to achieve one without the others'.[16]

The SDG index, which tracks country performance on the 17 SDGs, shows that countries in sub-Saharan Africa are performing woefully on the SDGs in general and on SDG 16 specifically. According to the UNDP 2019 Sustainable Development Report, on the SDG index, the highest-ranked SSA country is Cabo Verde at 96. South Africa regarded as the richest country in SSA is ranked only at 113. Of the bottom 39 countries, only four are not African.[17]

Performance on SDG-16 in SSA is even more depressing. None of the 48 countries evaluated in the report have fulfilled the requirements of SDG-16 on governance in general. Five of these countries (Seychelles, Sao Principe and Tome, Mauritius, Cabo Verde, and Burkino Faso) still have 'significant challenges' while the remaining 43 have 'major challenges' including countries such as Botswana, Kenya, South Africa and Rwanda.

Progress on governance in Africa is sadly lacking. Mbaku, for instance, highlights the fact that Africa appears to have regressed since the mid-2000s on a range of measures relating to governance.[18] While the number of democracies has increased from five in 1980 to 19 in 2018, 'democratic progress has stagnated since the mid-2000s. There has been an even greater decline in autocratic regimes as some countries have moved from autocracies to "anocracies" – a hybrid form of government that exhibits both democratic and autocratic tendencies'. This trend of moving to a model that is part democracy and part dictatorship may well be a response (albeit, an imperfect one) by African rulers to the demands of donors such as the EU, for greater democracy.

Moving towards higher growth and more equitable and sustained development

The EU's new Africa Strategy provides an opportunity for the EU to link aid more closely to governance. In fact, the new strategy lists 'Governance and resilience' as one of the important areas for consideration.

One component of the GLOBUS project's research relates to trade, development and global justice. In this regard, the project has attempted to analyse: (a) whether and how trade between the EU and Africa has contributed to global justice; and (b) the relationship between aid and development. GLOBUS identifies three forms of global political justice: justice as non-domination; justice as impartiality; and justice as mutual recognition. In the conception

[16] Pal, L. (2020) 'The Importance of Good Governance', *Fair Observer*, available at: https://www.fairobserver.com/region/middle_east_north_africa/un-sustainable-development-goals-good-governance-sdg-mena-news-17612/

[17] Bertelsmann Stiftung and Sustainable Development Solutions Network (2019) *Sustainable Development Report 2019*, available at https://s3.amazonaws.com/sustainabledevelopment.report/2019/2019_sustainable_development_report.pdf

[18] Mbaku, J.M. (2020) *Deepening Good Governance: Inclusion, Democracy and Security*, Brookings Institution, available at: https://www.brookings.edu/wp-content/uploads/2020/01/ForesightAfrica2020_Chapter2_20200110.pdf

of justice as non-domination, freedom is linked to the absence of arbitrary interference. In this context, a pre-requisite for trade policy would be to treat states equally. A valid question in this regard would be the following: do the EPAs treat all the states in Africa equally? In the second conception of justice, impartiality, individual human beings are the focus. A relevant issue here with regard to trade policy is whether individuals are able to influence the laws and policies that flow from the EPAs. A key feature of justice as mutual recognition is that the claimants of justice are groups, individuals and states and that all groups that are affected by the policy should be given a voice.

There is some evidence to suggest that the EPAs have contributed to justice as mutual recognition. The EPAs provide for liberalised trade between the EU and African states. Thus, all sectors - the state (through higher growth and taxation), groups (businesses through increased trade), and citizens (through growth and employment) - have benefited from free trade, to some extent. Meanwhile, with regard to the impact of aid on development and justice, the evidence suggests that global justice for Africa and its citizens is being severely constrained because of poor governance that is hindering optimal aid outcomes. It therefore seems appropriate that donors such as the EU should be pressurising African governments on governance issues to ensure, at the very least, the efficient and effective utilisation of donor funds.

First, the EU could assist African countries to stem the illicit flow of financial resources to European and other industrialised countries. Estimates of the illicit flow of financial resources out of Africa including 'dodgy' deals by multinational corporations vary between US$ 50 and $100 billion per year. Recovering even a fraction of this could contribute to the enhancement of development particularly in the poorest countries. It is generally known that some European banks are complicit in this matter, with governments often turning a blind eye.

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Second, the EU could help African countries develop more efficient tax collection institutions. While considerable progress has been made in this area in many countries, too many African governments have not paid sufficient attention to the development of such institutions preferring to rely on the flow of funds from the exploitation of natural resources. Nigeria is the pre-eminent example in this regard.

Finally, given that Europe is one of the regions in the world with the lowest levels of inequality within and across countries, the EU could usefully use its own development experiences to assist African governments in the development of policies that promote both growth and more equitable development.

Further reading

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European Commission (2020) 'EU Africa Strategy: Towards a Comprehensive Strategy with Africa', available at https://ec.europa.eu/international-partnerships/system/files/communication-eu-africa-strategy-join-2020-4-final_en.pdf

Pillay, P. (2020) 'Translating economic growth into sustainable developemnt in Africa during Covid-19', Global Justice Blog.

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Policy recommendations

1. Assist African countries to stem the illicit flow of financial resources to European and other industrialised regions.
2. Help African countries develop more efficient tax collection institutions.
3. The EU could usefully use its own development experiences to assist African governments in the development of policies that promote both growth and more equitable development.

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