

EU aid for mutual benefit:

How aid is a strategic lever for delivering the EU's top priorities

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Summary

Aid has traditionally been posited as a charitable exercise, and the benefits it can bring to the EU and its member states are often either anecdotal or overlooked entirely. The evidence, however, demonstrates that when invested in the right ways, aid can help strengthen the EU's economic competitiveness, reduce security threats, and lower irregular migration pressures – addressing the EU's biggest priorities today. If such 'mutually beneficial' aid is withdrawn, it creates opportunities for competitors to step in and afford them advantages that the EU will lose. Aid reductions must not be arbitrary but based on a strategy that is informed by the evidence on where greatest mutual benefits lie.

Introduction

As the process of setting the EU's next long-term budget – the multiannual financial framework (MFF) for 2028-2034 – begins, Official Development Assistance (commonly referred to as 'aid') runs the risk of becoming a casualty of the growing understandable focus on domestic challenges. EU economies need reinvigorating, security and defense have become urgent issues, and aggrieved EU citizens need to feel heard on the issues they care about. This leaves little *obvious* room for aid in the mix. This briefing, however, sets out how aid is an investment that can uniquely contribute to these domestic challenges, allowing the EU to maintain its global leadership on sustainable development while delivering on the pressing issues of today. Its evidence points are from peer-reviewed academic literature that has been collated into a [working paper](#) by economists from the Kiel Institute for the World Economy.

Key messages and evidence points

Boosting the EU economy

1. Aid can boost the EU economy through increased trade, Foreign Direct Investment, and preferential access to strategically important markets.

- **Aid can boost EU exports.** When aimed at stimulating trade, aid has been shown to increase imports to aid-recipient countries from donors to an extent that the investment can fully pay for itself. The increase in donors' exports has been found to achieve up to a 100% return on the amount of aid spent;¹ Japan has gained one additional dollar in exports for every dollar it has spent on trade-related aid.²
- **Aid can create new opportunities for Foreign Direct Investment from the EU.** Aid that has successfully supported social and physical infrastructure and governance has been proven to be able to increase foreign direct investment by double the amount spent, with a study showing around two dollars of FDI were drawn in for every dollar of aid invested.
- **Countries that perform well in the Global Soft Power Index³ top foreign direct investment league tables.** Aid can contribute to this positioning by creating alignment between shared values and long-term development goals – something that purely commercial engagement struggles to achieve.
- **Aid could facilitate preferential access to natural resources for the EU.** Research has found that following a mineral discovery, a country receives 36% more aid compared to a country without such a discovery⁴. While further research is needed to evaluate the size of returns, this result suggests aid can be a proactive tool for the EU to gain a foothold in markets critical to future supply chains.

Preventing conflict-induced economic shocks and security threats to the EU

2. Aid can protect the EU from economic shocks and security threats caused by conflict and instability.

- **Aid can reduce the chances of civil war and of conflict recurring, preventing the high costs they would bring for the EU.**

¹ Huhne, Philipp, Birgit Meyer, and Peter Nunnenkamp, "Who Benefits from Aid for Trade? Comparing the Effects on Recipient versus Donor Exports," *The Journal of Development Studies*, 2014, 50 (9), 1275–1288.

² Nishitateno, Shuhei and Hayato Umetani, "Heterogeneous effects of Aid-for-Trade on donor exports: Why is Japan different?," *Review of International Economics*, 2023, 31 (3), 1117–1145

³ Available at: brandirectory.com/softpower

⁴ Doyle, Michael W. and Nicholas Sambanis, *Making War and Building Peace: United Nations Peace Operations*, Princeton: Princeton University Press, 2006.

- Conflict creates lost export markets, disrupted supply chains, commodity price volatility, reduced investment opportunities, and refugees and displaced people.
- A civil war in a low-income country is estimated to cost the global economy US\$64 billion⁵ saving the same if averted. Aid is effective at reducing extreme poverty, and countries trapped in extreme poverty are almost six times more likely to fall into civil war than better-off peers.⁶
- Aid has been proven to prevent recurrence of conflict by up to 36%.⁷
- **Aid can reduce terror threats to EU countries.** Fragile, ungoverned regions can become breeding grounds for extremist movements that represent costly security threats. Aid for education has been shown to reduce cross-border terrorist attacks, with one study estimating the reduction as high as 70%.⁸

Reducing the pressure of irregular migration to the EU

3. Aid can reduce the numbers of irregular migrants trying to come to the EU

- **Aid that improves basic services reduces the aspiration to migrate:** In Sub-Saharan Africa, a marked improvement in public services (such as health and education) was linked to **27% lower** intentions to migrate.⁹
- **Post-conflict aid lowers risk of displacement:** Aid that's used to stabilize fragile regions and prevent renewed conflict can thus reduce future irregular migration flows¹⁰ to the EU.
- **Aid that strengthens climate resilience can reduce displacement,**¹¹ such as through irrigation and resistant crops that is vital for people's lives and livelihoods.

Protecting the EU from future pandemics and other health threats

4. Aid is vital for protecting the EU from another pandemic and other health threats that bring high human and economic costs.

- **Aid that contains infectious diseases pays for itself over and over.** Eradicating smallpox via the World Health Organization has yielded massive returns. The US, as the largest donor to that effort, spent the same in total as

⁵ Anke Hoeffler, "Aid, Policy, and Growth in Post-Conflict Societies," World Bank Policy Research Working Paper, 2002, (2902). License: CC BY 3.0 IGO

⁶ Collier, Paul, *The Bottom Billion*, New York: Oxford University Press, 2007

⁷ Collier, Paul and Hoeffler, Anker, "Aid, policy and peace: Reducing the risks of civil conflict," *Defence and Peace Economics*, 2002, 13 (6), 435-450

⁸ Young, J. K., & Findley, M. G. (2011) 'Can peace be purchased? A sectoral-level analysis of aid's influence on transnational terrorism', *Public Choice*, 149, 365-381.

⁹ Dustmann, C, & A. Okatenko (2014) 'Out-migration, wealth constraints, and the quality of local amenities', *Journal of Development Economics*, 110, 52-63.

¹⁰ IDMC (2025) *Global Report on Internal Displacement 2025*. Internal Displacement Monitoring Centre. <https://doi.org/10.55363/IDMC.XTGW2833>

¹¹ Norwegian Refugee Council, Iraq: Climate change causing crop loss, contributing to secondary displacement, November 2023

it would have to spend per month to vaccinate and treat the disease had it not been eradicated.¹²

- **Aid is vital to preventing a future pandemic**, with modelling showing that every dollar in pandemic preparedness could yield US\$1,100 in economic benefits for a country like the US, giving a sense of the scale of benefits to the EU in a similar scenario.¹³
- **Aid has a core role in** managing the drug resistance of germs, the benefits of which are so high that every dollar spent brings US\$28 in economic benefits by preventing future disruptions to labor markets, supply chains and health systems across Europe.¹⁴

We must start with the evidence on what benefits aid can uniquely bring the EU to determine its place in the budget.

Aid can serve the EU's interests and strengthen its position against its competitors in a unique way. The question is not how much the EU can afford to 'give' overseas, but how the funding that maintains the EU's global leadership on sustainable development supports the delivery of priorities at home, and what kind of funding that will take.



About the research

This briefing paper has been produced by [Global Nation](#) in partnership with [the Kiel Institute for the World Economy](#) as part of a project to build the evidence on where the greatest mutual benefits lie for foreign aid. [Learn more about the project.](#)

¹² Fenner, Frank, DA Henderson, I Arita, Z Jězek, and ID Ladnyi, "Smallpox and its eradication," Technical Report, WHO, Geneva 1988.

¹³ Doohan, Patrick and Katharina Hauck, "What is the Return on Investment of Pandemic Preparedness?," CGD Talks presentation, Center for Global Development October 2021.

¹⁴ McDonnell, A, A Countryman, T Laurence, S Gulliver, T Drake, A Edwards, C Kenny, O Lamberti, A Morton, A Shafira et al., "Forecasting the Fallout from AMR: Economic Impacts of Antimicrobial Resistance in Humans – A report from the EcoAMR series," Paris and Washington, DC: World Organisation for Animal Health and World Bank, 512024.