Six lessons from the EU for the future of aid

Does Europe's experience offer insights for a more effective global financing system?

Jonathan Glennie
& Gail Hurley

SUMMARY

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As the global development finance system grapples with rising geopolitical tensions, new economic pressures, and the imperative of climate transition, there is widespread recognition that the traditional aid model may no longer be fit for purpose. This paper makes a case that the EU Structural and Investment Funds, for all their imperfections, may offer a strong real-world prototype for what a more just, sustainable, and effective system of international public finance for development could look like.

The EU Funds are a critical part of the European Union's operating system. They have evolved over the decades, but their core purpose remains to enable a more cohesive and prosperous region.

Through a detailed examination of the design, governance, and thematic priorities of these funds, this paper raises fundamental questions about the dominant international aid model, especially the conventional dichotomies between donor and recipient, grants versus loans, and graduation from aid eligibility.

We conclude that the EU Funds provide lessons for an evolution of the international system of public finance for sustainable development, in the direction of what is now being described as "global public investment".

The paper is structured around six core lessons drawn from the EU Structural and Investment Funds, each shedding light on a different dimension, with implications for the global aid architecture. These lessons are supplemented with in-depth case studies, rich empirical data, and references to key policy documents and academic studies.

1 Strategic Mutuality



The first lesson contrasts the prevailing aid narrative of charity with the EU's emphasis on mutual interest and collective benefit. The EU Funds operate on the principle that convergence benefits all members, including net contributors, through enhanced trade, growth, and political legitimacy. Mutual benefit is seen not only as a political tool to justify redistribution but as a foundational design principle. The lesson here is that reframing international cooperation as a shared global investment in common global challenges can build a more durable and democratic form of development finance. We note similarities with the narrative associated with South-South Cooperation, where mutual benefit and horizontal partnerships are emphasised.

2 Support for countries at relatively high income levels



The second lesson explores the EU's approach to "graduation". Under the current international aid system, income-level determines eligibility for concessional finance. However, EU Funds support countries across the income spectrum – including higher-income member states – based on relative need and shared development objectives. This has allowed wealthier but lagging regions in countries like Spain, Ireland, and Poland to receive sustained support for infrastructure, employment, and innovation. The paper critiques the rigid graduation logic of the current aid system and suggests that global finance must become more flexible, taking into account the multidimensionality of development challenges.

3 Stakeholders, not beneficiaries



This lesson focuses on the governance structures of the EU Funds, which are participatory and inclusive. All countries are stakeholders – paying in, receiving support, and jointly deciding on priorities and rules. The model promotes ownership, subsidiarity, and long-term strategic planning through the Multiannual Financial Framework. It contrasts with the highly centralised, donor-driven models in international aid, where conditionalities are often externally imposed. We document positive outcomes from ex-ante conditions, including policy reforms, administrative strengthening, and better alignment with EU-wide objectives. A key insight is that governance structures based on shared membership rather than donor control may improve accountability and effectiveness.

4 Beyond poverty reduction

This fourth lesson identifies the difference in objectives between EU Structural and Investment Funds and traditional Official Development Assistance (ODA). While ODA has historically focused on poverty reduction as a central objective, EU Funds are driven by a broader objective of economic and social convergence across regions. This shift from an absolute to a relative conception of need has allowed the EU to invest in a broader set of priorities, including innovation, infrastructure, culture, and social inclusion. In this new era, the international financing system could move beyond a narrow poverty-reduction focus and embrace more systemic goals and long-term convergence in living standards.

5 Grants, not loans



The EU's use of non-repayable grants as the biggest financing modality within its Structural Funds is a striking contrast with the prevailing global trend towards loan financing. The paper argues that grants remain valuable even in wealthier contexts, especially for addressing externalities, regional disparities, and long-term resilient infrastructure. It highlights the unique role grants play in promoting equity, incentivising local investments, enabling innovation, and delivering spillover benefits. In contrast, the international aid system is increasingly promoting loans and blended finance instruments, often prematurely and with limited evidence that the approach is working.

6 Multi-level and territorial governance

The final lesson underscores the territorial nature of EU spending. The EU Funds are not simply intergovernmental transfers but are deeply embedded in a multi-level governance system that includes regions, municipalities, and local business and civil society organisations. The paper provides multiple examples – from London and Cornwall to Poland's Integrated Territorial Investments – to show how the EU Funds have empowered local actors and addressed place-based inequalities. This contrasts with international aid, much of which is mediated via a complex web of international development partners, including international NGOs, UN bodies, and vertical funds. Given that many development challenges are local, the international aid system should look to invest more directly in local actors and systems. The paper notes growing interest in territorial (rather than just national) approaches to development, including by UNDP and OECD, but suggests that current funding instruments remain poorly adapted to these ends.

The way forward

Our study arrives at a pivotal moment. It acknowledges the differences between the EU – an integrated political and (to a large extent) monetary union – and the fragmented landscape of global development institutions and the mix of global development situations. Nonetheless, it argues that the EU Structural and Investment Funds offer useful conceptual and operational tools, including pooled funds, shared governance, outcome-based disbursement, and strategic conditionalities.

We propose a set of next steps, including:

- Further comparative research between EU Funds and international aid models.
- Pilot initiatives to apply EU-style financing approaches in other regional blocs (e.g. the African Union, ASEAN).
- Strengthening the narrative around mutual benefit and global public investment for the common good.
- Exploring options for membership-based global funds where all countries pay in and receive support based on agreed priorities.
- Enhancing sub-national financing mechanisms within global development finance, especially for cities and regions.

About the Global Cooperation Institute (GCI)

The Global Cooperation Institute is a Bogotá-based think tank dedicated to reimagining international cooperation, financing, and governance for a more just and sustainable world. Its signature ideas – Global Public Investment, Circular Cooperation, and the Public Good Narrative – aim to rebuild trust in collective action through research, dialogue, and practical reform.

Jonathan Glennie is the Executive Director of the Global Cooperation Institute and a leading international thinker on the future of global cooperation, financing, and development.

Gail Hurley is a senior development finance specialist who has held leadership roles in the UN, nonprofit and private sector.

Contact

laura.granados@globalcooperation.institute

www.globalcooperation.institute

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