

[BRIEFING PAPER]

European Development Co-operation to 2020 – The EU as an answer to global challenges?

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The European Union (EU) is changing from an intra-European project to a global player. By default and due to its very existence, the EU has a global impact, as it is the largest economic bloc in the world and has one of the globe's leading currencies. The question is whether Europe wants to actively shape globalisation and wants to proactively address global problems that also have repercussions on European polities. The EU is an endeavour to pool national sovereignty in order to gain political clout at the international level. Global risks and opportunities need to be managed, and the EU will be increasingly expected to act. International development is one of the important strands of the EU's external relations, as it addresses root causes of conflict and includes work on global public goods.

Given this context, this briefing paper will outline the background for policy-making in EU development policy. During the project, EDC2020 will be going to explore three areas in more depth: (i) engaging with new actors, (ii) combining energy security, democracy and development and (iii) addressing climate change. Further work on these key topics will contribute to EU thinking and will present policy options on how to address these issues in the framework of European development co-operation to 2020.

Long live the international consensus! And beyond 2015?

Over the transition period following the end of the Cold War in the 1990s, Western donors and numerous recipient states came to an agreement on a consensus for international development co-operation. Europe actively engaged in this consensus seeking and embraced its core principles in its policies:

- international goals as enshrined in the Millennium Declaration (particularly the Millennium Development Goals, MDGs), with a timeline to 2015.
- financing targets for development (Monterrey) until 2015, and
- aid delivery modes, donor harmonisation and alignment (Paris Declaration) with a timeline to 2010.

At the latest around 2015, there will have to be a stock-taking of how far the aid system has come with the instruments defined in Paris and Monterrey to reach the MDGs. If

The world is changing and so is Europe's weight in global politics. Europe started its integration process in the area of economic co-operation and chose trade as the functional entry point for the broader aim of peace in Europe. Nowadays, challenges for Europeans are beyond their continent and beyond the European nation states.

EU citizens are aware of global challenges and see a role for the Union in external relations, as polls show. But it remains contested how Europe can respond.

Challenges are particularly evident in the area of development co-operation and external relations more broadly. This paper outlines some broader challenges and opportunities for European development policy to 2020.

BOX 1: Where does international development stand?

Some trends are actually 'good news' at global level:

- The number of the world's poor is declining, mostly in China and, to a lesser degree, in India.
- There has been progress in education in many parts of the world and overall, literacy is likely to increase for all regions by 2015.
- Global life expectancy is rising.
- World merchandise exports are increasing, not least due to the expansion of markets in East Asia, but also due to recent accelerating growth rates in many Sub-Sahara African countries.
- Net capital inflows have increased to developing countries, including Africa, even though inflows continue to be spread unevenly across the developing world.

However, these pieces of good news reflect global averages. Poverty in Sub-Sahara Africa and South Asia will remain a problem and vulnerable populations will be particularly hit by increasing food prices and the effects of climate change. Coping with malnutrition remains a major challenge in many places. Diseases like malaria, HIV/AIDS or tuberculosis represent threats to lives of poor people in developing countries and global warming might expand the area with Malaria prevalence. And the world's population is set to expand to around 7–8 billion people by 2020; almost all of this population growth will take place in the developing countries. In addition, globally more people are now living in cities than in rural areas: 2007 was a global turning point. These trends point to multiple development challenges in numerous locales.

substantial progress towards the MDGs can be demonstrated, they are likely to establish themselves as the development co-operation leitmotif even beyond 2015. But the closer to 2015 the donor community comes without being able to meet a substantial part of the goals, the more this consensus will come under pressure and will be challenged. There are two scenarios for failure. The first is that the policies were right but the money or the management were not forthcoming. The second is that the world and thinking about development has changed. Can European co-operation successfully manage persistent challenges in the area of international development in a changing global environment?

Newly emerging challenges to 2020

Beyond some global progress and persistent problems in meeting the goals on the international MDG agenda in many regions (see box 1), new issues arise that will impact on global development:

- The importance of China, India and other emerging powers in the world economy and with respect to global economic growth will likely continue to increase. China and India's combined GDP is expected to account for more than 10% of global wealth by 2020. These *new actors in international development* include state as well as non-state actors – and just like the EU, they have an impact on development prospects of others, whether they like it or not. In some sectors, these emerging powers are out-competing economic actors from other developing countries and their economic rise increases pressure on global resources.
- The linkage between various goals is often complex. *Energy security, democracy promotion and development*, for instance, come with considerable potential for contradictory agendas. When resources become scarce and energy needs are not decreasing, it might prove even more difficult to establish a coherent vision of balancing Europe's policy on energy security with the value-laden aspiration to foster democracy and development at the same time. Political commitments by the EU read well. Yet, self-interests might become less enlightened, after all, as the world is moving quickly and unprecedentedly into a situation of possible global energy shortages. This affects Europe and also other development actors.
- A number of global challenges may well lie beyond the framework for development, but are crucial to address in order to advance development prospects. Ecosystems are changing rapidly through human activities. Scarcity of resources, whether fresh water or arable land, in some regions is likely to increase. Environmental and consequently *developmental challenges resulting from climate change* will be significant. The countries least responsible for CO₂ emissions, such as the least developed countries, are in fact the most affected by climate change and will require – and demand – support to cope with consequences. Scenarios that go beyond the projected rise of global temperatures up to 2 or 3 degrees are more threatening and often described as the tipping point, the collapse of entire ecosystems representing one dire potential outcome.

In brief, the international system has come under pressure. The overarching question of EDC2020 is the role for development policy in the policy mix of the multilevel system of the European Union, explored in the three thematic areas outlined above.

BOX 2: “The future of ...” – a crystal ball question?

A discussion about the world in 2020 requires us to look a dozen years ahead, which increases the uncertainty of possible projections. It seems that quite a number of the trends are looming across the horizon which will have substantial repercussions for future development and for development policy.

It should be kept in mind, though, that (political) developments do not always follow linear trends. Phillips (2008), for instance, draws our attention to difficulties in making assumptions for the future by asking to think back to 1980 and to try to imagine the world of 2005. Who would have thought then about the importance of the internet, the emergence of HIV/AIDS, the debt crisis of Latin America, the financial crisis of the 1990s, the fall of the Soviet Union or 9/11? With certainty, we can only say that the world in 2020 will be a different place from the world we know today.

Projections, however, can help to focus our thinking about possible future developments. Work on future developments will help to identify risks and opportunities in working towards a defined goal. The vision for the EDC2020 projects is the aspiration of a “global Europe”.

Challenges for international development co-operation

When discussing future challenges to international development and how Europe addresses them in its external relations, two general questions are emerging which press all European donors for clear answers:

- *Which issues can and should be tackled by international development policy?*

Is the specialisation/compartmentalisation of aid in external policies the solution or the problem? Should development co-operation focus on the poorest countries only? What does development policy’s mandate and expertise embrace – and where should it end, leaving tasks to other experts in external relations?

Shifts in various external agendas such as security or trade policy are likely to influence development co-operation prospects. Due to the difficulty in managing competing interests, however, policy coherence for development remains a challenge.

- *Who does what? The question of the international aid architecture*

Who should tackle which issues in international development? Or rather: with whom should we tackle them? More actors are entering the international arena, both state actors and private foundations, as well as an increasing number of global funds. The EU is one likely force for cohesion and donor coordination, but at the same time it is a factor in proliferation of donors. The EU continues to consist of 27+1, and future enlargements (Western Balkans, Turkey?) are likely to increase the numbers.

One set of goals and instruments for co-operation?

The delivery of aid can at best assist countries in mobilising their efforts to address challenges. Development co-operation should thus not be regarded as the one and only silver bullet to global problems. It is somewhat like providing risk capital: aid will work in some cases and not in others. And official development assistance (ODA) is, indeed, only a tiny fraction of global financial flows, additional to private capital flows.

Developing countries are increasingly differentiating; some countries are new stars, others are starting from a completely different basis due to conflicts or failed government policies. Accordingly, donors will have to think how to differentiate goals and instruments in international co-operation. These vary across different types of countries (cf. Faust/Messner 2004), for instance:

- the poorest countries (Least Developed Countries, LDCs) with substantial capacity constraints,
- fragile or failed states, with de facto non-existent internal or external sovereignty, and
- emerging powers (the ‘BRICS’- Brazil, Russia, India, China and South Africa).

With regard to goals, discussions range between e.g. poverty reduction in the LDCs, establishing basic security in fragile/failed states, and jointly managing global governance with the emerging powers. Instruments also vary: from capacity building over nation building to co-opera-

tion on global issues. Hence, the policy mix towards partner countries is necessarily different from country to country.

The EU in international development over the next decade

Since the beginning of the 21st century, Europe has embarked on a renewal of its development co-operation. The EU will now have to turn to new global issues and challenges in order to even just maintain its role in the world and to work for international development. The architecture of aid and modes of delivery in this fragmented system appear to be a problem. The major argument surrounding the future of EU development co-operation actually stretches beyond the scope of development co-operation as a policy area: Europe can only increase its influence at international level if it stands together.

Decisions taken now within the EU will impact on European development co-operation for the next decade or so. As one of the key decisions to be taken, the Lisbon Treaty offers a number of changes in the area of international relations that are bound to have repercussions on development co-operation. It will be important to retain a voice for development at the highest level of political decision-making. How will a possible European President position him- or herself in external relations? How will the not-so-called EU Foreign Minister fill the position? And how will development co-exist alongside or become integrated in European external policy making and possible institutional changes (namely: the External Actions Service)? Structures can facilitate or hinder certain de-

bates – thus structures are important and solutions to the stalemate over the Lisbon Treaty will need to be sought. They will determine if the EU is capable to manage global challenges to 2020.

Specialisation of agencies is one way to keep actors in and relevant. Specialisation can be on countries/regions or on specific topics or on both, as the EU Code of Conduct for a Division of Labour of 2007 has rightly concluded. Reforms will not necessarily have to result in centralisation in Brussels. It will be a key issue in the EU – and not an easy one – to make a better division of labour work amongst Member States and the Union's institutions. This will be a crucial opportunity to reform the system from within and to achieve progress on better aid effectiveness, in order to avoid the risk of irrelevance.

Emerging powers have a strong bias for bilateral co-operation, thus co-operation schemes with some of them will become even more important. But how can these actors effectively be engaged? Options range from 'business as usual' over coordination/harmonisation to a greater emphasis on multilateralism. Questions remain over the appropriate forum for dialogue with these emerging powers and other actors as well as with respect to what mechanisms should be used to enhance co-operation with them. The United Nations are important to obtain global legitimacy. They are thus one suitable forum to address issues of global public goods. Other setups, like the G8, are also pointing towards a potentially increasing role of the EU as a medium for European states to retain a meaningful role at the international level and to work for the protection and/or creation of global public goods. Europe will be expected to act; global impact comes with global responsibilities.

