



The Future of European Development Cooperation: Seeking Global Solutions or Retracing a Niche by 2020?

Sven Grimm and Erik Lundsgaarde

DIIS Working Paper 2009:20

SVEN GRIMM

Research fellow
Deutsches Institut für Entwicklungspolitik

ERIK LUNDSGAARDE

Research fellow
Deutsches Institut für Entwicklungspolitik

This paper was written as a contribution to a volume of *Den Ny Verden* (a Danish language periodical) on development cooperation in 2020.

DIIS Working Papers make available DIIS researchers' and DIIS project partners' work in progress towards proper publishing. They may include important documentation which is not necessarily published elsewhere. DIIS Working Papers are published under the responsibility of the author alone. DIIS Working Papers should not be quoted without the express permission of the author.

DIIS WORKING PAPER 2009:20

© Copenhagen 2009
Danish Institute for International Studies, DIIS
Strandgade 56, DK-1401 Copenhagen, Denmark
Ph: +45 32 69 87 87
Fax: +45 32 69 87 00
E-mail: diis@diis.dk
Web: www.diis.dk

Cover Design: Carsten Schiøler
Layout: Allan Lind Jørgensen
Printed in Denmark by Vesterkopi AS

ISBN: 978-87-7605-345-1

Price: DKK 25.00 (VAT included)
DIIS publications can be downloaded
free of charge from www.diis.dk

CONTENTS

Abstract	4
Introduction	5
Internal drivers of change	5
External drivers of change	7
What results from internal and external challenges?	8
EU development policy by 2020?	9
References	12

ABSTRACT

This article discusses the future prospects for European Development Co-operation. The authors argue that the way EU policy for global development will look in the future will depend on how the organization manages two key challenges. The first challenge relates to the changing political dynamics within an enlarged EU and the need to accommodate a diverse set of preferences concerning development policy priorities. The second challenge stems from an evolving external environment characterized by an increasing emphasis on global public goods and the multiplication of global development players. While both of these challenges place pressure on the existing European development consensus, they also offer an impetus for strengthened coordination in the development policy sphere at the European level.

INTRODUCTION

Europe has more than 50 years of experience in joint policy-making in development, but its role in international development has evolved considerably in this period. Until the 1990s, the European Union was a niche development actor, focusing on specialized programmes linked to trade policy and humanitarian assistance and taking a backseat to bilateral donors. The Union has become an increasingly important development actor in its own right alongside EU member states since then. In addition, the EU now also offers a more substantive framework for the coordination of national policies in this area than it did in the past. This article provides an overview of key challenges facing the EU as a development actor in order to examine where European development cooperation might be heading over the next decade.

The pressures on the ability of the European Union to craft and implement policy to address global development challenges come from two directions (cf. Grimm 2008a). On one side, EU policy possibilities are fundamentally dependent on internal policy processes and the interests of EU member states. Despite progress in integration (the famous “ever closer union” of the Maastricht Treaty), if member states object to policies, little can be done within the Union. On the other side, the EU’s room for manoeuvre in supporting development efforts is shaped by factors in its external environment. As external challenges increase, the impetus for joint action becomes more evident, and differences among member states might more easily be overcome. The rapid evolution of the internal and external dynamics shaping EU development policy makes profound changes in the EU policy system both necessary and possible.

INTERNAL DRIVERS OF CHANGE

Internally, the EU’s development policy system faces pressures owing to the multiplication of actors involved in international development within the EU. With the latest enlargement round, EU membership has increased to 27 states. As a result of the commitments required of EU member states in order to adhere to the development provisions in the *acquis communautaire*, each new member state now has a bilateral development cooperation programme. There are thus at least 27 different donors plus the Commission who are formulating “European policies”.

In 2005, the European Union succeeded in formulating a common policy framework for development cooperation for community actors and member states alike with the European Consensus on Development (European Union 2005). With this policy, the European Commission was acknowledged as a player across the full spectrum of development cooperation policy areas. The previous attempt to focus the Commission’s policy on six focal areas in a 2001 policy paper was abandoned, signalling that the Commission did not intend to become a niche actor. In order to provide focus, the Commission instead committed itself to be active in only two sectors in a country in addition to using the instrument of budget support (cf. Grimm / de Bergh / Freres 2005). Yet the ability of the Commission to effectively set the European agenda across the full range of policy areas that fall under its development cooperation mandate still varies. For example, it is easier for the Commission to set the trade agenda, but much more difficult with regard to security. Development cooperation continues to have status as a shared competency – and is as a consequence likely to remain halfway between national and communitarised policies.

As a successor to a policy paper for the Commission only, the Consensus outlines values and principles to guide European, Danish, German, Spanish, Polish, Czech, and the additional member states' development cooperation programmes. None of the values presented in the European Consensus are new: the importance of promoting human rights, democracy, gender equality, and the rule of law is underlined in the EU Treaty. The common principles like ownership and accountability that are articulated in the Consensus are also familiar to traditional European donors who are active in the DAC, the Development Assistance Committee of the OECD. Since enlargement, however, only about half the EU member states are DAC members. Poland, the Czech Republic, Slovakia and Hungary are OECD member states, but not in the DAC, while the Baltic states, Bulgaria, Romania, Cyprus and Malta are neither OECD nor DAC members. New EU member states often have had experiences as donors within the COMECON, which did not conform to Western donor standards. And the Baltics, Cyprus, and Malta are entirely new to the business of development cooperation (cf. Kragelund 2008). While the experiences in development cooperation within the EU are diverse, the Consensus anchors the current development programmes of EU member states in a common policy framework that is linked to international good practice.

Despite this common framework, differences prevail in terms of the nature of individual member states' engagement on development issues. For one, there is wide variation across the EU with respect to how much development assistance member states provide. In 2007, Sweden allocated the equivalent of .91% of its Gross National Income (GNI) in aid, while Hungary's aid

outlays equalled just .08% of GNI (OECD 2009). Though the EU has prepared a timetable for its member states to reach an ODA commitment of .7% of GNI by 2015 (or .33% of GNI for the newest member states), this goal is becoming more remote than ever in the aftermath of the global economic crisis. In example, Ireland, which has in recent years provided steady aid increases, has already announced that it will cut its aid by €94m or 10% of its budget and others are likely to follow. Budgetary difficulties within member states provide an obvious challenge to the EU in expanding its global development role. If EU states have to row backwards with regard to their aid commitments, this will only further undermine developing countries' confidence in EU aid, which has been criticized in the past for being too cumbersome in procedures and too heavy on conditionalities. At the same time, budgetary pressures suggest that demonstrating the effectiveness of aid monies that are expended will continue to be an important background element in justifying development investments to European publics.

Member states also have different priorities in the area of external relations and this influences preferences concerning where development investments should be directed. For the Union as a whole, the development policy context has changed in a fundamental way. As a result of successive enlargements, the EU has evolved from a group dominated by former colonial powers to a community where the majority of states have had little or no experience with colonialism. Cooperation with Ukraine and other former Soviet states can be expected to be higher on the agenda in Poland or Slovakia (as neighbouring states) than in Portugal, while in the latter, the colonial past and shared language can

be expected to direct attention more towards African states than anywhere in Eastern Europe (Bucar et al. 2007). The traditional clear focus of EU aid on Africa – as manifested in the successive Lomé Agreements and the fact that roughly half of EU development assistance flows to Africa – is thus less self-evident to many EU member states. It is unlikely that the EU will fully turn its back on Africa, but internal policy shifts are occurring. The Cotonou Agreement is already a very different beast than earlier Lomé Conventions, which sought to preserve colonial trade linkages through an aid programme that was coupled with non-reciprocal trade preferences between Europe and countries in the ACP (Africa, Caribbean, and Pacific) group. The loosening of post-colonial ties by itself means that the EU has the potential to reduce its focus on the ACP and become a more global actor. This could in turn enhance its ability to distribute development assistance in a more selective manner that rewards good performers. Participation of the new EU member states in the Cotonou agreement and its funding is (a) not undisputed in these countries and (b) likely to move the discussion further away from the post-colonial legacy.

The multiplication of actors increases the likelihood of variations in the interpretation of norms and principles and creates variations in administrative practice. In addition, it introduces the potential for an increase in the geographical and thematic dispersion of aid resources. In order to encourage a concentration of interventions to be able to evaluate the impact of EU aid and to avoid unnecessary duplication of donor efforts, the rise of new actors within the European aid system underlines the need for enhanced coordination at the EU level.

EXTERNAL DRIVERS OF CHANGE

The demand for heightened coordination at the European level also stems from changes outside of the EU system. Global political dynamics are putting predominantly small- to medium-sized European states under increasing pressure to deliver through concerted action what they individually cannot provide. The external factors that are likely to push the EU to become a more prominent global development player relate to two main trends: (a) the rising importance of global public goods (e.g. climate change) on the international development agenda and (b) the changes in the structure of the world system that are diversifying the sources of development finance.

Renewed attention to global public goods reflects the recognition that the extent to which states are able to improve their internal stability and prosperity is influenced by international framework conditions that are beyond the control of individual states. Enacting the policy measures that will help to stabilize the world's environmental systems through climate change mitigation efforts will for example require agreement among major carbon emitters in and outside of Europe. If Europe is to play a role in ensuring that other major economic powers agree to significantly reduce their greenhouse gas emissions in the context of a new climate treaty in Copenhagen at the end of this year, the EU will have to present a united front.

The importance of joint action to promote global public goods highlights that the field of actors playing an indispensable role in shaping the future of global governance has diversified. The distinction between developed and developing world is becoming more meaningless than it has been in the past (cf. Harris et al. forthcoming). While some states have only a tenuous grip over their territories

and one can question their very statehood, other countries in the developing world are emerging as influential and powerful players in global politics, even if large numbers of people living within these countries remain poor. These emerging powers, including China and India (in a league of their own) and middle powers like Brazil, South Africa and others, are not only increasingly vocal in demanding representation in global governance processes, but are also growing in importance as providers of development assistance. The challenge that the emergence of these ‘new donors’ poses is similar to the issues raised by the rise of new development actors within the EU. These donors carry the potential to introduce competing development cooperation principles and to further fragment the implementation landscape. To reduce this potential, European donors need to develop strategies for cooperation with the new donors, and the new powers will likely be more ready to engage with a single European interlocutor than with a long list of individual EU member states.

WHAT RESULTS FROM INTERNAL AND EXTERNAL CHALLENGES?

Both the internal and external challenges highlighted above underline the value of and need for enhanced cooperation at the EU level. Does this mean that funding will be channelled more exclusively through supranational institutions in the future? This will not necessarily be the case, as member states continue to have an implementation capacity that is superior to community-level institutions. However, there is little doubt that the EU system will have to be better organised. This does indeed imply a loss of national discretion within the EU, but this loss

of autonomy can take different forms. Beyond accommodating to a loss of influence in the world, European states are presented with two (not necessarily opposing) options: (a) pooling resources – be it by reducing bilateral aid and increasing the EU share or by pooling bilateral aid in specialised funds; and (b) sorting out their donor system by organising some sort of national specialisation in a better division of labour (cf. Grimm 2008b).

Pooling resources in specialised funds comes with the advantage of no central control being imposed on experienced donor agencies in development cooperation.¹ Rather, rules can be set on how to apply for funding as an agency and thus guarantee quality work and peer learning. Having partner countries apply for funding would be the ideal alternative, in any case. However, creating special purpose funds has the enormous disadvantage of basing resource allocation decisions on core problems in the present, i.e. being inflexible should the agenda – or rather the needs of developing countries – shift. And it does bind aid dependent partner countries to policy areas defined by international agreements. This type of resource pooling arrangement would consequently also limit the ability of recipient countries to determine which policy areas they want to prioritize, as their funding requests would have to match the preferences of the special fund. A resource pool through specialised funds could thus either lead to the neglect of newly emerging challenges or to a kind of “mission creep” within the funds owing to pressure to adapt to changing priorities in the countries where resources would ultimately be directed. Centralising decision

¹ If the principle of alignment is respected, the pooling of resources could even increase choice for recipients.

making might be a sounder option – if there are sufficient checks and balances between the centre and individual states. To give an example: EU trade policy is largely driven by the Commission. Member states, however, do have tools to participate in decision-making (via the 113 committee) and still set the mandate for any Commission activity. Nation states lose veto power, but the entity as such becomes stronger as it can move faster than the slowest of its members. A key concern will remain the direction in which policies move, though, given that the preferences of the Commission may not always have a strong global development focus.

If centralisation is dreaded by member states, an alternative route has been opened with a code of conduct on a better division of labour in development cooperation, agreed upon in May 2007 by the EU Council, which defines principles of *how* to organise division of labour within the EU. Rather than every member state attempting to do everything in development, specialisation can occur. “Smaller” EU member states are not so small if they concentrate their (more limited) resources on fewer partner countries. In Kenya, for instance, Denmark and the Netherlands are among the bigger donors and are thereby capable of making a difference to the partner country with their contributions. A key element in ensuring the development contribution of such an exercise, however, is that it respects partner countries’ decisions. It should be at partner country level that the continuation or discontinuation of aid by certain donors to certain sectors is decided. Partner countries cannot claim sovereignty over European funds. They can – and should – however, make a choice of who is best suited to assist them in which area. Playing one donor against the other is rational policy behaviour, but will

not be supported by European tax payers in the long run. It is thus not politically sustainable.

EU DEVELOPMENT POLICY BY 2020?

From these challenges and trends in European and global politics, we can sketch three basic scenarios of what the EU policy will look like in 2020. Scenarios are, of course, not predictions, but are rather meant to capture imagination and prepare for possible futures. In a headline style, our three scenarios can be described by catchwords borrowed from book or film titles:

- (i) *Things fall apart* (Chinua Achebe): decay and the failure to live up to a changing world

In this scenario, Europe’s inability to resolve internal coordination problems leads to a weakening of the EU’s development policy profile and a narrower focus on short-term humanitarian interventions.

With the world economic crisis, internal pressure on the EU mounts and the emphasis of member states on developing national-level responses to address their financial troubles leaves the community incapable of progressing in its policy making style. While Asian nations are hit by the economic crisis, too, they are continuing to grow economically stronger than Europe. In 2010, no substantial progress has been made on the Paris Declaration on Aid Effectiveness and donors find themselves mired in struggles with their agencies or criticised by an increasingly impatient population. Partner countries in Africa turn increasingly towards non-European and non-DAC donors, as these states are more explicit

in what they want (energy, market access) in return for often unconditional aid. Some Central and Western European states have to downscale their aid substantially – and the Millennium Development Goals (MDGs) are largely missed in 2015. With deadlock owing to missed targets and internal strife amongst Western donors, the calls to end the joint development programmes for intra-European purposes grows stronger and the EU pulls out of development cooperation outside of the area of humanitarian assistance. Only a handful of member states maintain individual programmes in key states. Mounting pressure on the poorest states due to more pronounced climate change and the failure to address these demands lead to expensive and highly contested emergency interventions in some states. The underlying causes for conflict remain, however, and the failure of Europe to contribute to resolving these global problems has lowered its standing internationally.

- (ii) *Xala*² (Sembène Ousmane): impotence after seemingly having achieved what is desired

This scenario describes a future in which European development cooperation is paradoxically subordinated to a strengthened EU foreign policy after a period of achievement with respect to European cooperation geared toward addressing global challenges.

The EU of 2020 has 30 member states, Turkey being the latest to accede. More coordinated foreign policy is agreed upon and relationships to most countries and regions of the world are good. Aid is distributed to all regions with a focus on selecting devel-

opment partners that can make the most efficient use of aid resources and increases of aid levels from Europe have been substantial. Even with these aid increases, however, the MDGs have still not been met by 2015. Motivated by this international challenge, Europe has made a concerted effort to renew the commitment to broadened global goals for an improved livelihood for many, particularly in Africa. Other donors are coming on board of this European push. After a key crisis in 2016, the EU was internally strengthened. Initially, the UK had threatened to leave Europe, but after a heavy economic downturn, the populace surprisingly rather opted for finally joining the Euro Zone. In the aftermath of this occurrence, Europe has given itself a basic treaty with a unified common foreign policy. The foreign minister sets the agenda and speaks for Europe: she reports to a committee of high-level EU ambassadors from the national diplomatic services. Challenges related to changing climate increase, but global warming was somewhat contained around an increase of 2.3°C due to the early effects of the commitments made in 2009 to sharply reduce greenhouse gas emissions. Europe is respected as a key international player, but its motivation for continuing development cooperation programmes remains suspect. Despite continuing growth rates in ODA and a more efficient and centralised decision-making within the EU in this policy field, the European foreign minister uses development assistance as a slush fund to ‘buy’ friends and to ‘appease member states’ by supporting their clientele states. There is little focus on activities and the very diverse agenda with a multitude of challenges absorbs the increases in funding and coordination with little effects. Despite having grown in scope and funding – thus in international

² *Xala* in Wolof means “the curse” and refers to a curse on the main character of the novel, who was cursed into impotency.

political weight – coherence for development is suffering, though overall policy coherence is increasing.

(iii) *Out of Africa* (Karen Blixen): a globally active Europe.

In this final possible picture of the future, a coherent internal development cooperation strategy built around the accommodation of changing member state preferences produces a robust European development policy that is responsive to key challenges around the world.

The enlarged EU with 35 member states in 2020 has continued to play an active role in development cooperation. The policy area is still a shared responsibility between the European institutions and member states. Having achieved a better division of labour, however, the tendency is more towards reduced number of activities and this increases political influence in certain areas. Rather than speaking in cacophony, the EU resembles a choir: different voices, but the same song. Addressing the political, economical and social repercussions of global climate change has become a core vocation of EU aid, which aspires to facilitate structural changes towards ‘green [sustainable] development’ in a number of countries. The EU formulates its policy beyond regional patterns and is focussing on assistance to fragile states and to ecologically vulnerable countries. Accommodating for new member states’ priorities, Africa has declined in importance as a destination for European development assistance. This, however, does not mean that the continent is not among the key beneficiaries of aid; rather, the rationale for allocation has shifted, as has the policy content.

The internal and external pressures that the European development policy system currently faces offer European decision makers

an opportunity to reshape the organisation and substance of development policy in order to better balance the interests of member states on the one hand and to confront emerging issues on the international development agenda on the other. Success in this endeavour will require that policymakers at the national level recognize the value that strengthening EU-level coordination and achieving a better division of labour on development issues has in enhancing their individual capacities to respond to a rapidly changing world. If a higher level of coordination is not achieved, the EU will very likely revert to its old status as a niche player in development cooperation, limiting its ability to pursue a more ambitious global agenda.

REFERENCES

- Bucar, Maja, et al. 2007. *Towards a Division of Labour in European Development Co-operation: Case Studies*. Bonn: Deutsches Institut für Entwicklungspolitik (DIE).
- European Union. 2005. 'The European Consensus on Development': Joint Statement by the Council and the Representatives of the Governments of the Member States Meeting Within the Council, the European Parliament, and the Commission. From http://ec.europa.eu/development/icenter/repository/eu_consensus_en.pdf (Accessed March 11, 2009).
- Grimm, Sven, 2008a: *European Development Cooperation to 2020 – The EU as an answer to global challenges? EDC2020 Briefing Paper No.1*, August 2008. <http://www.edc2020.eu>
- Grimm, Sven, 2008b: *Reforms in the EU's aid architecture and management: the commission is no longer the key problem. Let's turn to the system*. DIE Discussion paper 11/2008, Bonn.
- Grimm, S. / M-L. de Bergh / C. Freres, 2005: *A new European Development policy statement*. SID policy brief. <http://www.odi.org.uk/resources/external/2005/09/new-european-development-policy-statement.pdf>
- Harris, Dan et al. Forthcoming. *Country Classifications for a Changing World*. Bonn/Sussex: Deutsches Institut für Entwicklungspolitik (DIE) /Institute of Development Studies (IDS).
- Kragelund, Peter, 2008: *The Return of non-DAC Donors to Africa: New Prospects to African Development?* In: *Development Policy Review* 26 (5): 555-584.
- OECD. 2009. *International Development Statistics Online*. Available at <http://www.oecd.org/dataoecd/50/17/5037721.htm> (Accessed March 11, 2009).