

[ WORKING PAPER ]

# European Development Co-operation to 2020: The issues

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This paper outlines big picture issues for international development co-operation until 2020 and aims at placing topics researched under the project EDC2020 into the broader context.

The author has benefited from exchanges with colleagues and has based some strands of it on contributions from Simon Maxwell, Director of the Overseas Development Institute, London, and other colleagues co-operating in the project of European Development Co-operation to 2020, namely Leo Peskett of ODI, London, and Richard Youngs of FRIDE, Madrid. Furthermore, numerous discussions with colleagues at the German Development Institute (DIE) have fed into the thoughts laid out in this paper. Particular thanks to my colleague Erik Lundsgaarde for his comments, and to Kathrin Kästle for her research support. And last but not least thanks to the EADI team for its support.

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## Summary

This paper provides an initial contribution to the research programme of European Development Cooperation to 2020 (EDC 2020). The paper starts with the assumption that thinking about the future of development will have to start from the outside, i.e. identifying global challenges and finding answers to them, much rather than focussing on internal compromises.

The paper asks two big questions: which issues do we have to address – be it in development cooperation or in the broader context of external relations – and with whom will we have to address the issues? As part of the answer, it identifies four strands of issues that international development cooperation will have to consider within the next years. The first two are on the goals and content of development cooperation:

- (i) We need to start preparing for the key deadline 2015. What happens if we meet most of the MDGs and what happens if we do not?
- (ii) We should further differentiate among partner countries as the group of developing countries becomes increasingly diverse.

From those two issues, two additional strands arise, dealing with actors in the broader field of international development:

- (iii) We need to address the issue of the international aid architecture. A better division of labour needs to be achieved among development agencies.
- (iv) We will have to work continuously on policy coherence (for development) in the policy mix towards developing countries. Decisions about structures matter in this context and are on the table in 2008/09.

EDC 2020 includes three topics in its research agenda that cover different parts of the broader agenda outlined in the first section of the paper. The issues are

- (a) New actors in international development
- (b) Development policy, energy security and democracy and
- (c) Development and climate change.

The paper outlines the relevance of these issues for development policy and identifies the questions that EDC 2020 will examine in order to provide policy advice to decision-makers. The development policy challenges the paper identifies include: the need for more information about emerging actors and their impact on international development; striking a balance between free market and geopolitical approaches, and how this balance fits with the goal of promoting democratic rule in partner countries; as well as how to integrate climate change in the development agenda. Interlinkages between the different work strands are obvious and the research programme itself will ultimately benefit from thematic cross-fertilisation.

Many signs point to the EU as a potential part of the answer to global challenges, if it manages to use its advantages. Policy advice based on evidence should contribute to better preparing this important global actor for future development challenges.

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## **1 Introduction**

A discussion about European development co-operation to 2020 needs to consider trends and drivers of change in the world, including but not limited to trends and drivers internally within the EU system.

The project "European Development Co-operation to 2020" (EDC 2020) aims to provide more insight for the challenges awaiting Europe in its international development policy. It is the successor to a project launched in 2003 called EDC 2010 that was carried out under the umbrella of the European Association of Development Research and Training Institutes (EADI). That project charted the development landscape to 2010 and examined how the development 'project' was conceptualised in the world (cf. Maxwell / Engel 2003). Looking at five broader areas in the context of international aid and international thinking around them, the project identified two main drivers for European policy in this area: the coherence of EU development actions and the movement towards a common overarching goal of poverty reduction.

In order to feed into a debate about European development policy, the project distilled options for the future of development co-operation in Europe, identifying four possible scenarios, and subsequently published a series of briefing papers on European development co-operation. The debate was picked up by a number of European institutions, and can be accessed through the EADI website <http://www.edc2010.net>. A number of EADI institutes are now carrying the agenda forward to a second stage. General information about the project EDC2020, its research outcomes and events can be found at <http://www.edc2020.eu>.

Europe's "going global" was originally based on profound inner-EU reforms – not least with the Maastricht Treaty of 1992. In its external relations, Europe has reached a high level of integration of trade policy, achieved some coordination of foreign policies among member states and pursued a common development co-operation programme parallel to national policies. While being in the process of ratifying the Lisbon Treaty, it is no longer a question whether Europeans want the EU to have an external role; 'Europe' already has a significant global impact. This global impact would remain even with the most minimalist mandate one could imagine (e.g. managing the common market). But what should Europe's global role look like and what should it build on until 2020?

## 2 Thinking about challenges for international development to 2020

A discussion about the world in 2020 requires us to look a dozen years ahead, increasing the uncertainty of the projections. It appears to be much of a crystal ball exercise with a somewhat arbitrary selection of issues or an assumption of linear continuation of current trends. It should be kept in mind that (political) developments do not necessarily happen on linear trends. They are unpredictable with their various setbacks or surprises. Phillips (2008) draws our attention to difficulties in making assumptions for the future by asking to think back to 1980 and try to imagine the world of 2005. Who would have thought nowadays 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?

We can with certainty say that the world in 2020 will be a different place from today's environment. But where are the challenges on the way to this uncertain future? Despite numerous uncertainties, it seems that quite a number of the trends we can already identify will have substantial repercussions for future development and for development policy (for the following, cf. ODI 2006; also: Messner/Scholz 2005; World Bank 2000).

To list a few of these longer-term trends:

- *Demography* – The world's population is expanding to around 7-8 billion people by 2020; almost all population growth takes place in the developing countries, while we are expecting overall increasing life expectancy and ageing populations, specifically so in the North;
- *Urbanisation* – The year 2007 is assumed to have been the turning point; from then on, more people are living in cities than in rural areas; already now there is no European metropolis among the globally 10 biggest cities, and, for instance, Lagos/Nigeria has more inhabitants than most EU member states;
- *Environment* – Ecosystems are changing rapidly through human activities. Scarcity of resources, whether fresh water or arable land, in some regions is likely to increase. The world has just organised a summit on biodiversity, which is rapidly decreasing due to human influences. Managing global public goods in the natural environment represents an increasingly important task for global governance.
- *Climate change* – Environmental challenges resulting from climate shifts will be significant, with a projected rise of global temperatures up to 2 or 3 degrees requiring strong reductions in CO<sub>2</sub> emissions now. The countries least responsible for those emissions are in fact the most affected by climate change and will require – and demand – support to cope with consequences. Other scenarios with a temperature rise higher than 3 degrees are more threatening and often described as the tipping point, the collapse of entire ecosystems representing one dire potential outcome.
- *Food* – Food security is becoming a more urgent question globally. Increasingly, world agriculture will depend on non-food uses of commodities, with repercussions on food production and food prices. Climate change will present specific challenges to agricultural

production in most parts of the world. And coping with malnutrition around the world remains a major challenge.

- *Economic Growth* – 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 emerging economies present both a potential threat and an opportunity for developing countries. In some sectors, these emerging powers are out-competing economic actors from other developing countries. But it is also true that their demand for resources is currently fuelling the rise of global commodity prices, with positive effects on resource-rich and additional strain on resource-poor countries.
- *Poverty* – The good news is that the number of the world’s poor is declining. Much of this decline, however, is concentrated in China and, to a lesser degree, India. Poverty in Sub-Saharan Africa and South Asia will remain a problem and vulnerable populations will be particularly hit by increasing energy prices and effects of climate change.
- *Education* – There is other positive news at the global level. There has been progress in education in many parts of the world (Latin America, for instance), yet other regions still face challenges in this domain, not least so Sub-Saharan Africa. Overall, literacy is likely to increase for all regions by 2015.
- *Health* – Global life expectancy is rising. Diseases like malaria, HIV/AIDS or tuberculosis, however, mean threats to lives of poor people in developing countries and global warming might expand the area with Malaria prevalence. Life expectancy in Southern Africa, for instance, has drastically diminished and is expected to do so over the next decade.
- *Trade* – World merchandise exports are increasing, not least due to the expansion of markets in East Asia, but also due to considerable growth rates in some Sub-Saharan African countries (which are growing from a low starting point). Net capital inflows have increased to developing countries, but the distribution of private capital continues to be spread unevenly across the developing world.
- *Technology* – There are high hopes with respect to the expansion of ICT and a decreasing digital divide. The Chinese have now surpassed Americans as the biggest group of internet users. Mobile phones have profoundly changed life in African countries, despite slow growth in land lines, but at the same time, this technology remains out of reach for many.
- *Migration* – While the absolute numbers of migrants is likely to further increase, their share in global population might actually be decreasing due to overall population growth. Yet, ageing developed countries will need more immigration to keep their societies functioning and migrant-receiving countries will need to manage social tensions.

These challenges all have more or less two levels – closely linked to each other – of questions to be asked. We can identify at least some of the broad questions that are relevant today and are likely to remain relevant for development policy for many years to come:

- *Which issues are to be tackled through international development policy and which issues must be addressed beyond the realm of development policy?* Policy linkages are increasingly challenging, yet ever present given an awareness of the interconnectedness of multiple dimensions of global problems. Shifts in various external agendas such as security or trade policy are likely to influence development co-operation prospects. These agendas may at times present a conflicting set of goals in external relations. Consider, for example, the potential conflict between the goals of democracy promotion and energy security. Discussions surrounding global public goods (the environment, biodiversity, etc.) have increasingly come to the fore in policy-making in multiple policy fields, including in international development co-operation. Management of global environmental commons may be a goal for many policy fields. A number of global challenges may well lie beyond the current framework for development, such as the impact of climate change, and this research programme seeks to identify the contribution that international development policy can make to addressing these major challenges.
- *Who should tackle the issues – or rather: with whom should we tackle them?* More actors are entering the international arena. International power is shifting with the rise of emerging powers, and these emerging powers are likely to have a significant impact on international development co-operation. These new powers in the development co-operation arena include state as well as non-state actors. New or emerging actors – will need to be taken into consideration in formulating co-operation policies with developing countries in the future.

## **2.1 Which issues are on the development agenda to 2020?**

### *International consensus on development – and what comes after 2015?*

The context for aid has been reshaped with the beginning of the 21<sup>st</sup> century and development co-operation nowadays looks different from foreign aid some decades ago. A sort of international consensus has emerged on international aid, framed by three high-level documents which were signed by numerous partner countries both from the OECD-DAC and non-DAC countries. This framework is the closest the international community has come to a consensus and it has already delivered a number of improvements in international aid.

There are four elements of the current aid consensus, which a substantial group of aid donors see as constituting an effective system for aid:

- goals in co-operation (the Millennium Development Goals at its core),
- the financial means (Monterrey), and
- how to give aid (the Paris Declaration).

The EU has translated these goals into its policies, most importantly so with the European Consensus on Development (2005). It has, furthermore, set itself

some more ambitious goals within this framework, adding indicators to the Paris Declaration, further developing the MDGs by adding targets, and developing an inner-EU timetable on increasing finances for development, with milestones in 2010 and 2015 for all member states, including reduced targets for the new EU members.

With this international consensus – also framing the EU agenda – there is a discussion and action about both the goals of aid and the level of aid given, establishing an international point of reference across countries, be they ‘donor’ or ‘recipient’ states of aid. And this set of goals provides both Southern and Northern NGOs with a common set of goals in advocacy work towards their governments. Yet, each of the dimensions contains challenges for the international system that are not always easy to overcome. There might also be conflicting agendas and trade-offs between different dimensions.

These cornerstones operate with deadlines to 2010 or 2015. The establishment of such deadlines generates attention and creates measurable deadlines and much has been achieved already and this needs highlighting. Yet in certain regions (particularly Sub-Sahara Africa and South Asia) and with regard to some issues (financing has increased substantially, but is slipping again since 2006), the agenda is lagging behind schedule and many targets are out of reach.

#### **The agenda to 2020:**

Challenges in implementation remain vast. Yet it might be premature to paint a grim picture of European donors not delivering: efforts are ongoing. The big question, however, will be whether incremental changes within the current framework will be sufficient to address future challenges.

In any case, around 2015, there will have to be a stock-taking of how far we have come with the instruments defined in Paris and Monterrey to reach the MDGs. If we manage to make substantial progress towards the MDGs, they are likely to establish themselves as the development co-operation *leitmotif* even beyond 2015. But the closer we get to 2015 without being able to meet a substantial part of the goals, the more this consensus will come under pressure and will be challenged.

The legitimacy of development co-operation is at stake – and we need to prepare for both the positive and the negative scenario.

#### *A single framework for increasingly differentiating cases?*

An agenda focussing on the MDGs and the discussions on modalities for aid delivery is currently not much considering rapid changes in the international landscape. It was developed after the Cold War with the goal to focus development co-operation on its core task, poverty reduction. Yet, emerging economies are getting increasingly weary to be regarded as addressees of what can be reduced to some sort of international social policy for the “bottom billion” (Collier 2007). This raises questions about a possible necessary differentiation in goals for co-operation. The EU has developed strategic partnerships with some key countries, a number of which are large developing countries: China, India, Brazil, South Africa. These countries still face huge challenges related to poverty and questions around social inclusion.

The MDG agenda as such will not become irrelevant in co-operation with strategic partners among the developing countries. But it will need to be framed in a broader context to take on board questions surrounding the management of global public goods. These questions can only be dealt with globally if we co-operate with strategic partners from all regions, including developing countries.

### **The agenda to 2020:**

When thinking about whether the instruments of the Paris Agenda (PRSPs, budget support, joint planning, etc.) have worked, donors will have to consider how to further differentiate instruments and goals in international co-operation. This thinking is already taking place in various agencies – and in the European Union, as discussions around the European Consensus and its predecessor have illustrated. This thinking needs to be fostered.

The challenges vary across different types of countries (cf. Faust/Messner 2004), among which are

- the poorest countries (LDCs) with substantial capacity constraints,
- fragile states, and
- emerging powers (the 'BRICS').

Between these groups, there are de facto varying

- goals (poverty, security, managing global governance)
- reasonable instruments (capacity building, national building, and co-operation on global issues - not least co-operation in technology), and
- more or less adequate modes of delivery.

There will be different answers on whether development co-operation is the right tool to take on these various challenges or whether it should remain focussed on its very core.

We should not overburden development co-operation with expectations; it can surely not be expected to single-handedly tackle all emerging issues and there is good reason for specialisation. The delivery of aid can at best assist some specific countries in mobilising their efforts to address challenges. Aid is not an omnipotent tool as such; it is, indeed, only a tiny fraction of global financial flows.

## **2.2 Who should deal with which of the issues?**

### *Aid architecture*

Literature is relatively unanimous in its analysis that the current and highly fragmented aid system creates governance problems (cf. *inter alia*, Faust/Messner 2007, Bural/Maxwell 2006, Bräutigam/Knack 2004). The system often overburdens recipient countries, leads at times to an 'overkill in bureaucratic coordination' and focuses on central planning procedures.

Governance in development policy (modalities) is an issue that is mostly dealt with by the Paris Declaration for Aid Effectiveness (2005). It might be true that the potentials of the Paris declaration for aid effectiveness are not yet exploited. But with possible failure in delivering on the MDGs, the pressure is likely to

mount on the aid system to turn to more radical steps than incremental aid reform.

Over the last decade, we have seen a rapid proliferation of development actors, be they states, global funds, or private actors. At the same time, some more or less minor UN-reforms have been undertaken, as well as incremental improvements in coordination among the UN, the Bretton Woods institutions and regional development banks. Mandates have been discussed, creation of groupings of donors mooted. But no substantial development agency has been closed yet. The EU committed to a code of conduct on how to organise a division of labour – an encouraging but difficult step (cf. Mürle 2007; Schulz 2007)

Some actors in the international system are going to get involved more in activities in international development. This is the case for Central and Southern European EU Member states, but also for donors beyond the current aid system. The actors are not operating on purely humanitarian or altruistic reasons, it has to be recalled, and hence they are going to get engaged for reasons of foreign policy, trade relations and other reasons, too. Even if more aid in some cases might be needed, it makes little sense to further increase the number of actors in the more “popular” countries (“donor darlings”). The *system* currently is not shaped around one rationale. Reforming the aid system will be a key challenge, particularly so when understanding development as a broader agenda shaping global structures.

#### **The agenda to 2020:**

*Within the EU:* Specialisation of agencies is one way to keep actors in and relevant. Specialisation can be on countries/regions or on specific topics or on specific topics in specific countries, as the EU Code of Conduct for a Division of Labour (May 2007) has rightly concluded. It will be a key issue in the EU – and not an easy one – to make a better division of labour work in order to reform the system from within and to achieve progress on better aid effectiveness.

*Beyond the EU:* Emerging actors 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 actors as well as with respect to what mechanisms should be used to enhance co-operation with the emerging actors.

*At global level:* The EU would need a joint agenda within the UN aid system and to decide on how to work for UN reforms, including considering the possible merger of some organisations. The issue is likely to become more urgent with 2015 approaching if the MDGs are not a major success.

#### *Development policy in external relations – RELEX and beyond?*

Development policy is only one part of complex – and often insufficiently coordinated or incoherent – foreign relations involving an increasing number of actors within nation-states that build up direct external contacts (cf. Hill 2003). In the EU system, even the divide between external relations (the RELEX group in European jargon) and internal policy becomes trickier: the distinction between

external and internal policies have increasingly blurred, also at national level: various government portfolios (with distinct financing tools) now pursue external policies. Policies with external effects now go beyond the “traditional” external policies portfolios like foreign affairs, trade or development co-operation, including a vast range of government departments from the environment to co-operation in science and technology or consumer protection. And these portfolios pursue their own agendas independently of work that goes on in other policy areas. Agricultural or Fisheries policies, for instance, need to take developmental effects into account to an increasing degree. They will, however, remain predominantly based on their respective policy rationale. In this context of competition or confusion from other EU bureaucracies, how can the development co-operation administration be organised to make long-term development issues heard?

The choice is basically between

- (a) keeping development co-operation policies in one hand - hence avoid a proliferation of external activities of other actors, or
- (b) mainstream development in all external policies.

Development co-operation is organised in very different ways across Europe. Separate ministries for development co-operation only exist in Germany and the UK within the EU. However, some countries do have cabinet ministers on international development who direct departments within the Ministries of Foreign Affairs. Some have specialised agencies (e.g. Sida in Sweden) while others have operational divisions within their ministries.

And also with regard to the thematic range of international development co-operation, there are differences. German development co-operation is framed as “global structural policy” and explicitly aims at contributing to shaping globalisation, with reference to the Millennium Declaration (going beyond the MDGs). Other countries – the UK or the Netherlands, for instance – have chosen to focus on the MDGs in their development co-operation and address issues of the wider Millennium Declaration e.g. via special instruments in other government portfolios.

#### **The agenda to 2020:**

Policy coherence for development will remain an ongoing issue – and is unlikely to disappear from the agenda, no matter how the administrative setup will be shaped. It is thus particularly important to retain a voice for development at the highest level of political decision-making.

Beyond the ongoing task, there are a number of decisions taken in 2008/09 which constitute a rare window of opportunity. Decisions taken now will impact on European development co-operation for the next decade or so.

The Lisbon Treaty offers a number of changes in the area of international relations that are prone to have repercussions on development co-operation. How will the European President position him- or herself? How will the not-so-called EU Foreign Minister fill the position? And how will development be existing alongside or become integrated in European external affairs administration (namely: the External Actions Service)? Structures can facilitate or hinder certain debates – thus structures are important.

### **3 Topics in the project “European Development Co-operation to 2020”**

Whatever the internal organisation of Europe, global challenges will not wait for Europe to come up with answers. Three thematic areas were chosen to take a closer look into challenges for European Development Co-operation to 2020 and to subsequently produce policy-advice for decision-makers in Europe.

The three issues are touching on the questions outlined above for the general development policy framework over the next decade or so: Which agenda to carry forward beyond the key date of 2015? How should we differentiate the agenda with regard to groups of states? What should the aid architecture look like and how can we move toward this new structure? And what is the role for development policy in the policy mix of European actors?

Work on the topics will aspire to contribute to EU thinking about challenges and will present policy options on how to address them in the framework of European development co-operation to 2020.

#### **3.1 *New actors in international development***

International relations are not static and not all that we label as new actually is new. Modern China has been active in Africa since at least the 1960s; India looks back at a long history of engagement at Africa’s eastern shore – an ocean that has been called “Indian” after all. But the challenge to the international system – and to international development – has a new scale, that leads some to speak of “tectonic changes” in international economic relations (Messner 2007) and others understand them as new struggles between emerging and existing empires (Khanna 2008).

The emerging players are gaining attention because there is a new quality to their engagement – particularly, but not exclusively to be observed in China’s engagement in Africa – which has potentially radical effects on international development policy. The European Union as a key donor will have to react to these new challenges. There is increased evidence that developing countries will have more power in global governance, be it via increasing foreign direct investment, their weight in the international financial system or their increasing importance in regional and global security as well as in international organisations by virtue of sheer size and international connectedness. The environment in which development co-operation is taking place is therefore changing profoundly, and the overall volume of co-operation funding reported by the emerging states is far from negligible. There is a new quality to state actors in international development that are not organised in the OECD Development Assistance Committee (DAC) and to the proliferation of private or non-state engagement and global funds.

The emergence of additional sizeable actors in the international aid system is unlikely to be a short-term phenomenon. The “newcomers” are regarded sceptically or even suspiciously by “Western” donors; partly, because they engage with states considered to be international pariah regimes or because of otherwise rival agendas. Some ‘new actors’ are in fact relatively close to the DAC consensus, while others are operating by their own standards (far from all of them being state actors), and a third group is deliberately and openly challenging ‘Western policies’ (as mavericks or renegades in the system).

An increasing number of studies have emerged lately, discussing the effects of new donors in other developing regions from the perspective of bilateral donors, multilateral organisations or recipient countries. The most interesting information on debates about policy content and direction, however, is often only obtained in direct contact with researchers and practitioners from new donor states. Much of the debate is familiar from international relations theory: Are actors driven by self-interest, or should we rather focus on how these interests are formed? Which interest groups are participating or can participate in the formulation of policies? What is the rationale of these new actors in aid provision, the choice of partners and the level of aid? Answers to these open questions are crucial for the EU's policy response and will be a key aspect in thinking about the EU's development co-operation to the year 2020.

One of the policy responses to new international actors by the European Union is an increasing reference to strategic partnerships with states identified as key international actors. The strategic partnerships aim at framing global governance, explicitly including international development issues (e.g. in the EU-China Strategy of 2006 or the EU-South Africa Strategic Partnership of 2007 and their respective predecessor agreements).

Research will have to build on the current focus on the effects of "new donors" in developing regions and will need to identify global changes with an impact on development policy. Steps to be taken therefore are:

- identifying issues raised by the emergence of new actors in tackling global challenges for international development more broadly, and region-specifically, as well as
- presenting profiles of new actors in international development, based on their policy-rationale, institutional setting, instruments at hands, and drivers of the policy agenda.

From that basis, more specific challenges for European policy-making in international development can be identified. Which changes will the EU have to prepare for and which changes should it aim for with its policies? Questions to be looked into concern investments, governance, and security questions and the impact on poverty reduction in regions around the world. Also relevant will be the likely effects of emerging powers on the global development architecture, i.e. on organisations or fora in international development (UN system and the Bretton Woods Institutions).

### **3.2 Development policy, energy security and democracy**

Policy coherence (for development), as outlined above, is going to remain an issue on the agenda. It must be expected, however, that the set of conflicting interests and views will not remain static. With new global shortages or new power constellations, agendas in other policy fields change and new challenges will emerge. One set of questions likely to come more to the fore is how goals/instruments of development policy fit with Europe's strive towards improving energy security and promoting (or protecting) democracy in partner countries.

The European Consensus on Development (2005) posited a tighter relationship between development policy and energy security. Since then a range of policy documents and statements have asserted the EU's commitment to promoting mutually enhancing linkages between development, energy security and democratic governance. European Union policy commitments formally state that the EU's approach to energy security will increasingly be based on efforts to improve governance standards in producer states and on the recognition that security requires more effective development co-operation.

It has been suggested that debates amongst energy experts can be structured around two alternative 'storylines', that of 'markets and institutions' and that of 'regions and empires.' Some argue that market-based solutions increasingly involve international co-operation, based on international good governance standards and multilateral institutions. In contrast, other analysts propose that the defining change to energy security is - and will increasingly be - its *geopolitical* dimension. Some critics argue that 'energy security' continues to be understood in terms of securing alliances with producer states, and that this militates fundamentally against economic development and political reform. An increasing concern of many analysts is with 'energy poverty' in the third world engendering resource-related conflict.

However, the 'state-of-the-art' on the relationship between governance questions, development policy and Western energy security remains underdeveloped. The common view is that energy concerns are undermining the Western focus on human rights and democracy. Received wisdom is that oil and democracy do not mix. Not one of the twenty-two countries whose economies are dominated by oil is a consolidated democracy, and all have levels of corruption that are disproportionately high for their respective levels of development.

A contrasting argument is that sustainable energy security requires a greater, not diminished, focus on political reform in producer states. It is argued that over the longer term, producer and consumer countries have a common interest in stable and predictable international markets. Neither are consumer countries quite so powerless concerning an encouragement of democratic reform in producer states. Many observers point out that leverage is more balanced between consumer and producer countries due to the latter's increasing search for 'security of demand.' For some experts, the kind of durable stability needed for energy security would be best guaranteed through greater political accountability in the still largely autocratic producer states, to the extent that conflict over the distribution of oil revenues tends to be greater where governance systems were weaker. Regimes' distribution of oil rent - invariably seen as the disincentive to democratic change in oil-rich states - clearly has not sufficed to 'buy off' popular discontent in, for example, Middle Eastern producer

states, where growing numbers of people agitate for political liberalisation. In countries such as Iran, Venezuela, Nigeria and Algeria authoritarian populism has led to spurts of public spending that have been the root of instability. Whatever the uncertainties of democratic change, recent history shows that prioritising strategic bilateral relationships with autocratic regimes, to the detriment of more open governance and multilateral commitments, is no guarantor of energy security.

Still others doubt that political conditions count for very much one way or the other: Oil is a cyclical product with high production costs and long maturity periods. Periods of over-investment are followed by periods of under-investment as dictated by market prices: prices rose after 2002-2003 because of the lack of investment in the 1990s, when prices were low. Some experts assert that the economic needs and interdependencies of producer states mean that changes in governments or even regimes have little impact on energy policies – whichever 'side' the West backs and whether it has a military presence or not in oil producing regions.

Much research and analytical work has been carried out on the issue of energy security. Yet, a number of key issues remain under-studied and unresolved in debates over EU policies. The following questions would need to be looked into across different producer regions:

- Is the EU striking the right balance between free market and geopolitical approaches?
- Can member state interests be reconciled and streamlined within a common European energy policy?
- Is the energy security imperative driving a heightened focus on development or undermining the latter?
- Is the EU striking the right balance between the 'access to energy' of poor communities, on the one hand, and its own supply concerns, on the other hand?
- To what extent is the role of other powers, such as China, undermining the EU's development policy model?
- Is external energy policy acting to the detriment of democratic development?
- If so, how can EU policies, based on a positive linkage between democracy, development and energy security be put in place?

### **3.3 Development and climate change**

Climate change is an issue that is likely to strongly impact on development policy and is still relatively new to development policy circles. As the pace of climate policy quickens over the next decade, bringing development perspectives into what has hitherto been a highly technical agenda will be a crucial, if challenging task. This timeframe will witness many more of the impacts of climate change and it offers the last chance to stabilise temperature rise below the crucial 2 degrees threshold where much more severe impacts are likely to be felt.

Research will need to look specifically at the evolution of the climate change agenda within the context of development co-operation in Europe over the next twelve years. The key issues to be addressed are:

- What might climate change mean for current and future policies in areas such as agriculture, trade, disasters and risk reduction and humanitarian assistance?
- Where are the connections and disconnects between European climate change policy and its international development policy and how can the links between the two be strengthened?

Much of the effort to tackle climate change is domestically focussed, for example dealing with emissions from European countries through setting greenhouse gas targets and getting the EU emissions trading system to work. But climate change issues are working their way into European development policies as well. An Action Plan on climate change and development was established in 2004, including activities such as supporting developing countries to 'integrate climate risk management into planning processes' and to 'benefit from the diffusion of environmentally sound technologies'. More recently the Global Climate Change Alliance (GCCA) has been launched, which will work with least developed countries to integrate climate change into poverty reduction strategies.

Much of the existing research on development co-operation and climate change in European policy relates to discussions about the future of the international climate regime beyond 2012. This includes the role that developing countries might play in future agreements, making carbon markets work better for developing countries, and discussions about financing adaptation. A second strand of work looks at how to mainstream climate change concerns within development policy. To date there has not been much work on the tensions and synergies between evolving European climate policies and development policies. And there is currently little work which takes a long term perspective on the potential evolution of the two policy agendas – work which is essential given the likely development of more ambitious climate change policies over the next decade and the growing importance of external drivers such as the increased presence of China and India in both the climate change and aid debates.

Policy-relevant research will have to address these issues by combining practical policy analysis with structured 'blue skies' thinking about future scenarios. Key questions will be:

- Where is Europe currently situated in its efforts to integrate its climate change and development agendas?
- What are some of the linkages and trade offs that exist now and how are these being approached?
- How may these agendas evolve in Europe over the next twelve years given what we know about current projections and long-term policy processes?
- Where may climate change lie in relation to other drivers of change in 2020?
- How may climate change impacts in 2020 and knowledge of future impacts alter the way mitigation and adaptation are approached and the politics of development co-operation itself?

Work will have to cover examples of policies in both the adaptation and mitigation areas such as 'reducing emissions from deforestation' (REDD), biofuels, and adaptation financing. These are mainly early stage policies where

there has been much 'talk' but little in the way of implementation as yet. They are also areas where there are likely to be significant policy shifts in the next three years related to the international climate change process, which could have significant implications to 2020 and beyond. They have strong links to both European domestic climate policies (e.g. the EU ETS) and development policies (e.g. forest governance; agricultural trade). And there are also strong links to other issues for European Development Co-operation to 2020, such as the role of new actors (e.g. new aid flows from China and/or changing patterns of investment, for example in forest products).

## 4 Conclusion

Europe is embarking on its renewed international development co-operation. The EU has evolved quite a bit since its foundation and is a success-story, mostly based on inner-European search for consensus and solutions. The rationale for the evolution of European integration has often been internal compromise, which has determined the pace of action in Europe in the past. The EU has been a mostly inward-looking endeavour and has tried to reach agreement among Europeans. This was no small achievement in post-WWII and post-Cold War Europe. But the EU will now have to turn to new global challenges in order to even just maintain its role in the world and to work for international development.

The European Union appears to have embraced the historical role: it has enlarged substantially within Europe and has started to seriously turn to the outside world beyond Europe only since the late 1980s. Yet, the Union's mandate varies across policy areas. Governance patterns of policies with external effects are disparate: some are Commission-driven, some are driven by some member states and some are mired with internal debates among member states. In this setting, it is increasingly difficult to formulate a coherent *national* external policy – and near-to-impossible to come up with a coherent external *European* position for all actors.

New and big global challenges are emerging and the development agenda is changing. Some challenges might require hard choices at home, within European societies, but much more often they will also demand improved international co-operation. The scale of the challenges – and their very nature – often exceeds the individual means (and powers) of EU member states. This is part of the *raison d'être* of the EU: pooling of sovereignties to manage common challenges. What is needed is joint European actions *in a global context*. External effects of policies which are traditionally perceived as internal (or rather: as a European matter) have to be considered and trade-offs have to be managed.

This project is not to restrict itself to identifying and describing daunting challenges; our aim is to contribute with evidence and policy advice to be better prepared for some of them. The EU can be understood as part of a European answer to global challenges, if it employs its competitive advantages in comparison to other global players.

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## EUROPEAN DEVELOPMENT CO-OPERATION TO 2020

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Over the next decade, Europe's development policies will have to act on a combination of old and new domestic issues and substantial changes in the global landscape. Change in Europe's internal architecture – with implications for development policy – takes place in times of wide-ranging global shifts, and at a time when questions of European identity loom large in national debates. A key questions is: How will the EU, how will “Brussels” and the member states be working together on common problems? Global challenges include three issues increasingly facing EU's development policy agenda:

- The emergence of new substantial actors in international development,
- The linkage between energy security, democracy and development and
- The impact of climate change on development.

Public and policy-making debates need to be informed about future options and their likely effects; and decisions need to be based on good research and sound evidence. EDC2020 seeks “to improve EU policy-makers’ and other societal actors’ shared understanding of the above named emerging challenges facing EU development policy and external action.” EDC2020 will contribute to this shared understanding by promoting interaction across research and policy-making, aiming at establishing links to share perspectives across different arenas, and mutual learning. To this aim, EDC2020 will provide policy-oriented publications, a shared project website and high-level European policy forums.

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