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THINK TANK FOR GLOBAL ACTION

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The European Think Tanks Group

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The European Think Tanks Group is a network of policy-relevant research institutions on development policy in Europe. The group consists of the German Development Institute / Deutsches Institut für Entwicklungspolitik (Bonn), the Overseas Development Institute (London), the Fundación para las relaciones internacionales y el diálogo exterior (Madrid) and the European Centre for Development Policy Management (Maastricht).

The group has previously published a memorandum on European development policy under the title “New Challenges, New Beginnings” in 2010.

Summary

Development policy-makers need to understand development as a broad policy area as its overarching goal, poverty reduction, is increasingly linked with the provision of global public goods. The enormous extent to which global crises and global change are likely to undermine progress in poverty reduction calls for renewed political leadership and for institutional innovation in Europe. Three questions are relevant in this context for European development policy:

- What are key actions that will need to be taken to jointly tackle global issues?
- What role should Europe play in order to make progress in joined-up action?
- Which policies and instruments need to be changed in Europe to foster joined-up activities and to better impact on the global discussion?

Focus for discussion in this workshop is climate change and development. Climate change is the case which has received most attention from bilateral and multilateral development agencies, due to its potentially massive outreach and cross-cutting impact on development policy-making: growth strategies have to be reformulated and incorporate both emissions reductions and adaptation measures. At the same time, existing security risks both within and between nations are likely to be exacerbated by the convergence between current resource scarcities and climate change. More frequent and extreme weather events may have a similar effect, as has been illustrated by the dramatic flooding in Pakistan. Under conditions of a changing climate, other global challenges for economic development such as the under-regulated financial sector, rising food and household energy prices, and the scarcity of arable land are sharpened. And climate policy is an area where Europe is implementing ambitious transformation agendas and is therefore perceived as global leader. The policy linkage to climate change is thus emblematic for the challenges for European development policy in the next decade. Other, related issues will be discussed from the angle of development policy, namely managing change in fragile contexts, delivering coherent finance, engaging in new partnerships at regional and international level and bridging institutional cultures at national and European level.

The challenges

The good news is: Global levels of income poverty are falling. Yet, the inadequate provision of global public goods is a key challenge for development policy as it might undermine progress in poverty reduction or even reverse it. Addressing this linkage is vital for development, as some public goods, i.e. climate stability, need to be secured or created at global level, beyond the nation states. Resource scarcities at local level – water, food and arable soil – have both global causes and global impacts. Safeguarding ecosystem services will imply limits to their economic use and thus to growth. All these issues raise important questions of equality and justice.

Development policy has always pursued a complex and comprehensive agenda. Having poverty reduction as a main objective was and is defining the common ground. Management for coherence is a paramount task for development policy, as the set of actors who engage in policies with effects on the provision of global public goods is further diversifying, internationally and nationally. Firstly, emerging powers such as China, India, Brazil, etc. will become increasingly involved in creating public goods. Secondly,

international policy actions are proliferating within OECD governments, redefining the role of development policy in this setting. In the longer term, development policy will have to be part of global public policies for the provision of global public goods in a context, where partner countries develop and differentiate.

Working together

The provision of global public goods implies a consensus on how this should be organized and financed. Development cooperation is and remains one tool to engage in managing change globally, but development policy needs to change in itself if it wants to help answer new challenges. Development transfers need to be differentiated from transfers towards global public goods. The complexity is increasing and expertise in a multitude of areas is needed, as security aspects or environmental concerns or consumer protection are legitimate and important issues alongside development policy; tackling and adapting to a changing climate will gain in importance in all agendas. Reconciling these interests in the light of fundamentally changing global environments requires a culture of working together across institutional settings and institutionalised mind-sets.

Are our policy instruments adequate and are they keeping pace with this change? The key future option for organisations in development policy is simple: extending networks is the main opportunity, while working in ‘splendid isolation’ is not adequate in the face of global changes.

Implications for European development policy

Europe arguably has the potential to be a key actor within this changing agenda. Yet, the EU’s potential is not fully used; it faces structural obstacles. Better organising the EU system is a key requirement if Europe is to play a global role. Development policy will need to be better linked to other policies, not least to those where Europe has more decision-making power. EU instruments will have to prove their usefulness in the real world: they need to be quick at times, but always long-term, and – more often than not – joined-up, to tackle global challenges.

Tackling global issues will require joined-up activities by the European institutions and the Member States. Europe will have to operate in a more coordinated way without trying to centralise all tasks in Brussels. It will consequently need to debate how to build networks between different policy (epistemic) communities and how to connect communication flows relevant to various groups.

Options for strategic action

In the light of the sketched discussion, options for strategic action are:

- The revision or updating of the European Consensus for Development during 2010, with a view to promoting joined-up action;
- Clarify “the commander’s intent”, not least so as joined-up action will have to concentrate on key areas for activity and will need to be politically monitored;
- Address the big challenge of bridging different institutional cultures at both national and European level, in order to combine development and other policy areas for a true policy for global development.

1 Introduction

European development policy is being challenged by the increasing interdependence between global concerns and national development issues. The European Policy Coherence agenda relates to this challenge, but the enormous extent to which global crises and global change are likely to undermine progress in poverty reduction calls for renewed political leadership and for institutional innovation in Europe. Today, sustainable human prosperity in rich and poor countries depends on the ability of governments to overcome collective action problems for the provision of public goods, at national and global level. In a globalised economy, the divide between foreign and domestic policies gets increasingly blurred, and human prosperity, financial stability, food security, environmental sustainability, public health, peace and security cannot be secured effectively within national borders if there is no coordinated action at the global level.

Climate change is the case which has received most attention from bilateral and multilateral development agencies, due to its potentially massive outreach and cross-cutting impact. Climate change has strategic implications on development policy-making: growth strategies have to be reformulated and incorporate both emissions reductions and adaptation measures. And climate policy is an area where Europe is implementing ambitious transformation agendas and is therefore perceived as a global leader. The policy linkage to climate change is thus emblematic for the challenges for European development policy in the next decade.

In February 2010, the European Think Tanks Group published a Memorandum on the future of EU development cooperation, entitled 'New Challenges, New Beginnings: Next Steps in European Development Cooperation'. That document argued that new global problems like climate change were becoming more prominent in development work, not replacing the existing emphasis on the Millennium Development Goals, but adding to the agenda. Global problems require collective action and therefore the future of international development is closely linked to multilateral action. Here, the EU has comparative advantages as it operates in a multilateral space, and as it bases its operations on common values, shared approaches, economies of scale, and the new structures created by the Lisbon Treaty.

After the climate negotiations in Copenhagen in 2009, European development policy finds itself playing a pivotal role within climate policy. Commitments by rich countries to deliver substantial financial transfers to developing countries for low-carbon development and adaptation were the most concrete results of these negotiations. At least pledges for the period 2010-2012 will mainly be channelled through existing aid institutions and funds. But business as usual will not be an option for development cooperation if it is to adequately fulfil its pivotal role. Climate change requires a profound transformation of development pathways, and this transformation needs to take linkages to other global public goods into account.

The crucial question for European development policy in this scenario of global economic, technological and political challenges is twofold: First, to implement climate pioneer partnerships which yield quick and effective results, and also impact on global policy settings. Second, to reformulate policies and instruments in the light of new global challenges and without losing sight of the poverty reduction objective (Article 208 Lisbon Treaty). Building blocks of EU policy-making are already identified with aspirations to a better division of labour, more effective aid and improved policy coherence for development. At the same time,

development policy-makers have to make progress in implementing reforms towards integrated planning and action with other departments, across the Commission Services and between the Commission and the Member States. In this way, improving the effectiveness of aid and clarifying its role in the provision of global public goods will represent a real step forward in reforming and strengthening the EU's foreign policy.

The challenge ahead is to achieve effective action towards national and global public goods, and to overcome the inherent asymmetries of ODA when designing instruments for the promotion of international cooperation. We suggest to follow the line of thinking proposed by Jean-Michel Severino: to restructure the concepts guiding international and development cooperation in order to accommodate the main functions of public policies, but at global level.

“In such a view, ‘ODA’ disappears. ... This new way of thinking might lead us to changes in the way to finance all those actions, for instance, and in the way we communicate with the public. ... defining our policies in this way would directly lead us to a world of shared public action, instead of ODA, which, however improved or ‘owned’, will always remain ‘aid’, and, as such, asymmetric” (Jean-Michel Severino, Post scriptum to the Ermenonville conference on emerging global policies, 2).

The Königswinter workshop aims at finding conceptual and practical answers to these crucial questions of how to tackle global issues jointly, by bringing together a group of high level policy makers from EU institutions and Member States, among whom EU Development Commissioner Andris Piebalgs, researchers and NGOs, private sector and developing country representatives. Participants are working on development and/or climate changes issues, allowing expertise from both areas to feed the discussions. The workshop intends to contribute to the sharpening of strategic thinking, and is therefore not oriented towards policy processes in the short term. It takes place in the context of ongoing and upcoming key processes like a revision of the European Consensus on Development, as announced by Commissioner Piebalgs in the European Parliament, and the Commission Communication on Climate Change and Development that is to come out later this year.

From this background, the Königswinter workshop will seek for answers to three fundamental questions:

- **What are key actions that will need to be taken to jointly tackle global issues?**
- **What role should Europe play in order to make progress in joined-up action?**
- **Which policies and instruments need to be changed in Europe to foster joined-up activities and to better impact on the global discussion?**

The focal point for discussion in this workshop is climate change and development. Other, related issues will be discussed from the angle of development policy under conditions of climate change, namely managing change in fragile contexts, delivering coherent finance, engaging in new partnerships at regional and international level and bridging institutional cultures at national and European level.

2 Global challenges and development

The inadequate provision of global public goods threatens to undermine sustainable poverty reduction. At national level, the reduction of poverty in all its dimensions requires public policies towards the provision of social services, inclusive economic growth, rule of law, participation, voice and accountability, as well as the protection and management of natural resources and ecosystem services. Since 2005, progress has been achieved with regards to income poverty; the number of persons living at USD 1.25 a day has been reduced across the world, with the exception of some countries, mostly in sub-Saharan Africa. Comprehensive and lasting progress, however, is increasingly threatened by negative trends at the global level, namely the impacts of unmitigated climate change, of soil erosion and increasing water scarcity. Under conditions of growing populations, rising living standards, climate change and desertification, food security will be increasingly difficult to achieve. National and cross-border security will be under pressure as conflicts over scarce resources emerge and are exacerbated by the global trends mentioned above. Soft power for civilian conflict solving might diminish in a multi-polar world characterised by growing income disparities and economic as well as political power shifts.

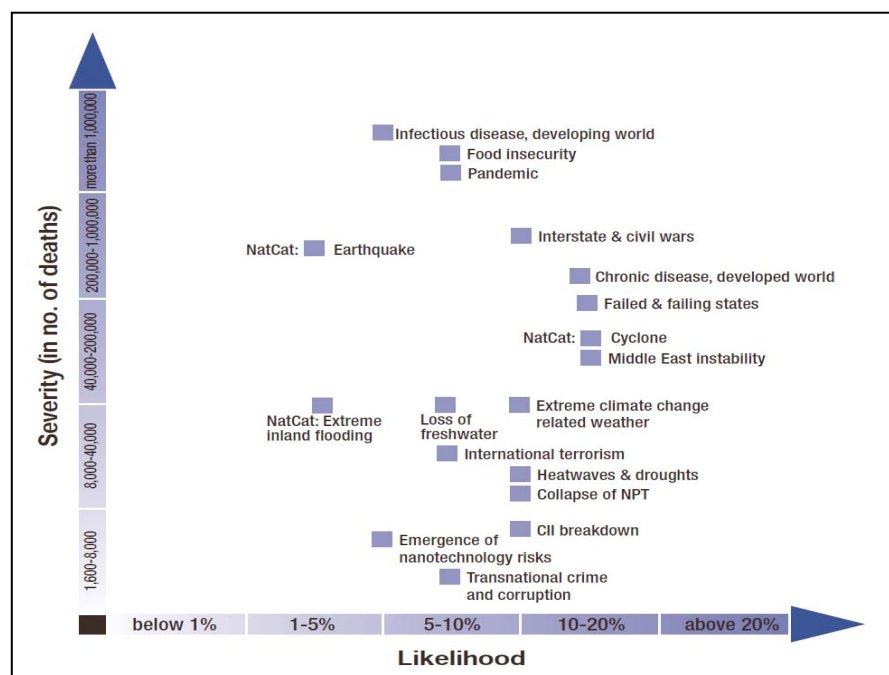
Negative global trends are of an interlinked nature: their causes and effects span over policy fields and over national territories. They require joined-up action at national level as well as effective public policies at the global level. Not only has the divide between foreign and domestic policies been blurred by economic globalisation and the increased mobility of persons, capital, goods and services. Patterns of production, technology development, consumption, mobility and urbanisation need to change as the enormous increase of economic activity since the 1950s (or 1970s, if one considers the unexpected global impact of Chinese modernisation and growth triggered by the 1978 reforms) is pushing earth systems towards their boundaries (Rockström et al. 2009). This means that policy-makers (and voters) need to systematically take the global common good into account when defining national policies and priorities.

Securing effective collective action at global level therefore turns into the main challenge of the next years. This is true for foreign policy, but also for other policy areas such as agriculture, trade, science and technology, health, monetary and financial policy. Development policy may benefit from this trend as it will enhance policy coordination as well as the relevance of cooperation with developing countries. Improved policy coherence for development, however, is no automatic outcome. In the context of shifting patterns of wealth and increased competition for scarce resources, collective action may even become more difficult: states are reluctant to engage in global collective action when countries' preferences vary widely and when the net benefits of cooperation in the short term are unclear.

The deficient provision of global public goods has emerged as a second generation of challenges for sustainable poverty reduction, and thus for development policy. This is effectively showing the way for moving beyond the MDG 2015 agenda. An adequate provision of global public goods requires profound changes in both rich and poor countries: technological and organisational innovations are needed for mitigating global environmental change, new concepts of prosperity are required which can be universalized without trespassing ecological thresholds. These changes will affect the form, content and direction of development strategies in partner countries and, thus, of development policy and cooperation.

Some public goods need to be secured or created at the global level, beyond the nation states. Sovereignty concepts and governance patterns need to be revised in order to reflect the interdependence between countries at regional and global level, and the need for cooperation between public and private actors for the common good. Safeguarding ecosystem services will imply limits to their economic use and thus to growth. Global risks need to be managed and resource efficiency will have to increase in order to operate within the planetary boundaries. In a globalised economy, nation states cannot manage these transboundary challenges in an isolated manner or solely at regional level; instead, cooperative approaches are likely to be more effective and more efficient. In this setting, poor countries are affected in a double way: first, the new global challenges certainly entail risks for the most vulnerable communities. They have local effects and some local solutions, but are in effect global systemic risks that need to be tackled (see figure 1). Second, poor countries and communities lack a strong voice to make their needs and priorities adequately heard and taken into account on the international stage. Moreover, the growing disparities between least developed countries and emerging global players entail new political difficulties for South-South alliances. In sum, all actors need to manage change within a shifting framework which makes the task more complex and less predictable.

Figure 1: The 18 Core Global Risks: Likelihood with Severity by Number of Deaths

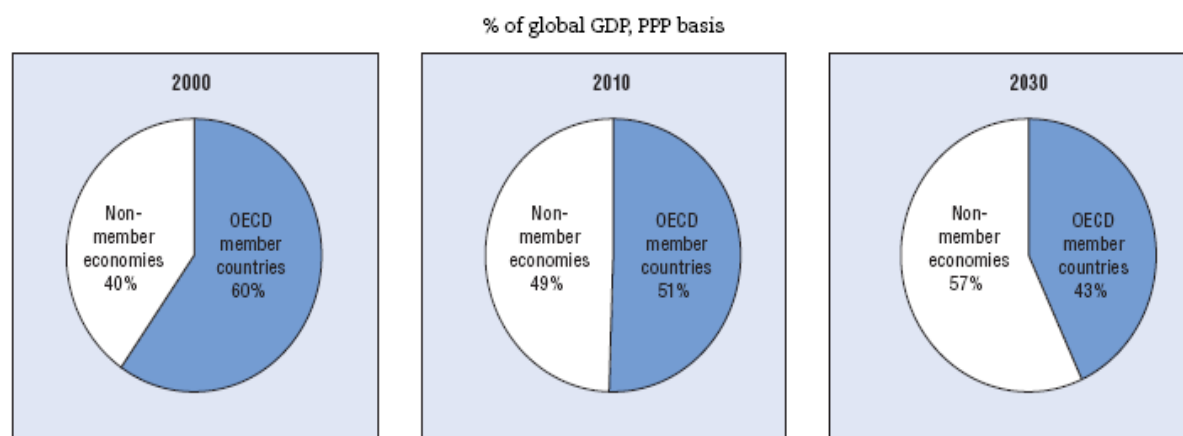


Source: World Economic Forum - Global Risks 2008

At the same time, the developing world has substantially diversified in the last decade. Economic growth in developing countries has been higher than in industrialised countries and many developing countries have shown more resilience to the world economic crisis than feared. Countries like China and India are still home to a large number of poor people, but they have their own internal dynamics of growth. Contrary to the “Asian drivers” of global change, fragile states, often found in sub-Saharan Africa, face severe shortcomings in their

progress towards the Millennium Development Goals (MDGs); fundamental state services cannot be provided. The trend is likely to be exacerbated by increasing climate variability and change – and it might even risk reversing progress in a number of societies beyond Africa. The root-causes for these sharpened conflicts are often resource scarcities, which are beyond the reach of African states. Resource scarcity at local level – i.e. water, food and arable soil – has both global causes and global impacts.

Figure 4: Share of the global economy of OECD members and non-member countries



Note: These data apply Maddison's long-term growth projections to his historical PPP-based estimates for 29 OECD member countries and 129 non-member economies.

Source OECD Perspectives on Global Development 2010, 15

Management for coherent global collective action is a paramount task for European and national policies, and this poses new challenges for development policy. Global public goods need to be provisioned within a shifting framework which makes the task more complex and less predictable. Development policy already has a manifold agenda, ranging from humanitarian crisis after natural disaster over food security matters to governance issues. Having poverty reduction as a primary objective was and is defining the common ground. Development strategies have to factor in (i) natural conditions, (ii) man-made circumstances like urbanisation and the likes, and (iii) the historical and geopolitical context of a given country. Globally, we will be seeing fundamental changes in all three sets of factors, making coherent action towards sustainable development between different policy areas and with various actors necessary. Given this new challenge of improving the provision of global public goods, there is a need for advancing a “Management for Coherence and Effectiveness” agenda at the international level of most sectoral policies. This poses new challenges to international development strategies, financing instruments and the overall aid architecture, as the set of actors who engage in policies with effects on the provision of global public goods is further diversifying, internationally and nationally.

Firstly, emerging powers such as China, India, Brazil, and South Africa will become increasingly involved in creating global public goods. Only recently, these countries have mustered the economic strength to place themselves on an equal footing with the industrialized world at global governance arenas such as the G20. The financial crisis and economic recession in the USA and Europe are strong indicators for the end of Western predominance. The provision of global public goods will depend to an increasing extent on

the active participation of these new “poor but powerful” partners (Schmitz/Messner 2008). A greater number of actors will most likely put the challenge of collective action to the fore. Their readiness to contribute to global public goods varies, but there are positive signs such as the national climate policies adopted in these countries since 2007. But their interests do not necessarily reflect or include the interests of low-income or least developed countries.

Secondly, at national level, actors from European governments, which have traditionally not been involved in cooperating with developing countries, are now increasingly engaging in such relations, and shaping global public goods in areas such as climate change, food and energy security or financial market regulation. This “changing politics of foreign policy” (Hill 2002) has an immediate impact on global development and poverty eradication. Its perspectives will in the future need to encompass the inter-linkages between development policy and the provision of global public goods. This might lead to a much closer co-operation among government units and foster policy coherence for development.

Policy coherence for development is required – in terms of both negative and positive coherence. Development policy does not have the function of a mere “repair tool” for otherwise harmful policies. This is still a good advice. And yet, it is too little when facing complex challenges like climate change or trying to overcome fragility of states. Ideally, policies should complement and reinforce each other. Policy coherence for development, however, is not a technical problem that can be solved within public administration. It is the result of a political struggle based on the effective demand for it, both from Northern and Southern constituencies. A good policy on fisheries should ideally help to overcome poverty by creating revenues for developing countries that lead to the creation of more competitive local enterprises and thus create employment. Yet, in the context of global public goods, our measurement of a positively coherent policy has to include other aspects beyond the benchmark of poverty reduction, i.e. the environmental sustainability of fisheries. This will lead us to creating a next generation of coherence requirements.

Policy coherence for development is currently based on the legal basis that poverty reduction is the main objective. Yet, other policy areas operate according to their own rationale in a given situation. A multitude of expertise is needed, as security aspects or environmental concerns or consumer protection are legitimate and important issues alongside development policy; tackling and adapting to changing climate will gain in importance in all agendas. Reconciling these interests in the light of fundamentally changing global environments will require a culture of working together across institutional settings and institutionalised mind-sets, changing the focus of policy coherence.

Furthermore, private funding and public commercial funding (from China, India, and Sovereign Wealth Funds) will grow. The quest for a large part of the public funds (for MDG achievement and global public goods provision) will be to complement private funds in order to achieve synergies, or to set (financial) incentives in order to leverage private funds into specific uses (e.g. energy efficiency), sectors (e.g. agriculture) or countries (e.g. LDCs). This creates another set of challenges in coordination. In this unique situation of planetary crisis, development institutions need to understand the second generation of global development challenges and, then, should offer platforms for multilateral debates, consensus building and identification of necessary and possible action.

3 Working together: Challenges on the way forward

The provision of global public goods requires a consensus on how this should be organized and financed. Industrialized countries – and successively also emerging powers such as China, India or Brazil – will need to invest substantial resources in order to support developing countries’ in contributing to the provision of global public goods and dealing with the negative effect of global challenges, even in the light of the goal to overcome the fixation on aid. Many developing countries will depend on outside assistance to become partners in the process. One prominent example of intense negotiations on such compensatory funding relates to the mitigation of climate change: In light of historic asymmetries, pressing development needs and the failure of rich countries to reduce their emissions as a whole, developing countries currently reject the idea of committing to internationally binding quantified targets for reducing their greenhouse gas emissions under a climate regime. Instead, they emphasize national efforts towards a low-carbon economy for which they claim external support through transfer of technology and financial assistance. Since 2007, the large emitters among developing countries have delivered and adopted national legislation on quantified targets for energy efficiency and renewable energies. Implementation of these national policies, however, could benefit enormously from intensified cooperation with Europe.

Financial transfers to developing countries for the provision of global public goods need to reflect some degree of additionality, at least to current committed levels of ODA, and be budgeted separately. The reasoning for additionality is based on two main arguments: first, from a historical perspective, the linkages between development and the provision of global public goods were not on the agenda when rich countries committed to the 0.7% target for ODA. Second, these linkages lead to additional costs, i.e. for facilitating an early adoption of low-carbon technologies. The large overlaps between development and the provision of global public goods do require integrated planning and delivery in partner countries. This, however, does not impede increased transparency on financial flows for development and the provision of global public goods through separate budgeting.

Knowledge management is required – why not by a changed development policy? While development cooperation cannot be the panacea to international problems – it is to contribute to change, not to induce it – development policy manages a complex agenda with a multitude of stakeholders and is positioned in foreign environments. Engaging with foreign societies requires local knowledge on social, political and economic conditions that might be substantially different from the well-known context for domestic policies of, say, education, economics, the environment or health. Departments which are increasing their engagement in international cooperation should benefit from the knowledge and experience accumulated in development policy.

The complexity is increasing. Are our policy tools adequate and are they keeping pace with this change? The imperative of improving “Management for Coherence and Effectiveness” in international policies towards global public goods and development has serious implications for the role of development actors. The MDG agenda cannot be separated from the more comprehensive Millennium Declaration agenda. Therefore, when development policy focusses on the “bottom billion”, it needs to be supported by further strategies and instruments for co-operating with middle-income countries in order to strengthen their

capacities to contribute to the provision of global public goods. The defensive call for “ring-fencing” development funding is thus missing the point. One of the technical challenges is rather joint budgeting: if challenges need to be tackled in concert, then joint or pooled funding across government departments appears to be a promising innovation. This would create opportunities for the respective administrative branches to work jointly in an agreed framework and with a common purpose.

The key future options for organisations in development policy are thus very simple: ‘splendid isolation’ or extending networks. One can either work “in purity” and establish a clearly defined niche, keeping a specialised organisation with a sharp distinction to other actors in foreign relations. Or one can operate in networks beyond the narrowly-defined mandate, interact closely with a less certain world – and thereby aspire to impact broader agendas. Both general options obviously carry risks and opportunities; the global changes, however, appear to indicate the second option as where development policy should go in order to maintain and increase its relevance and effectiveness.

4 What does this mean for European development policy?

Europe arguably has the potential to be a key actor in organising policy coalitions for tackling climate change. The provision of public goods is increasingly dependent on the effective governance of transnational public spaces. The EU is an endeavour to pool national sovereignty in order to gain political clout at the international level with a tested structure for cooperation and balancing powers among European states. In its own interest, Europe needs to continue to actively shape globalisation and to proactively address global problems, as these have repercussions for European citizens. Consequently, international development already is one of the important strands of the EU’s external relations; it addresses root causes of conflict and includes work on global public goods. The EU represents a critical mass in the promotion of policies for global development: a pioneer in innovative science and technology, the biggest market in the world, the biggest provider of development assistance, a key partner to other regional organisation and generally well-placed to work within networks instead of building on a coercive policy style. Joint European action appears to be a good starting point for addressing challenges of the 21st century.

Yet, the EU’s potential is not fully used; it faces structural obstacles and risks losing out in an ascribed global competency. The EU is currently often a collection of rather loose ends; it is acting below its potential. The Union is a forum for 27 Member States and their various policies, as much as it is an actor in itself. EU institutions are given a mandate for certain tasks and in order to fulfil these, they work together with Member States. However, the mandates of European institutions and their decision making paths vary according to the policy area. Action to improve European policies for global development will thus have to focus on the system itself, on the position of development within the foreign policy, and on the specific instruments at hands. The European Consensus on Development, in place since 2005 and that is to guide development cooperation of the Union and its 27 Member States, can be a powerful tool in this regard

Better organising the EU system is a key requirement if Europe is to effectively play a global role. Organising the EU system more efficiently, however, does not necessarily mean

centralisation of competencies only. Linked up policy actions can also be achieved (or improved) by a better division of labour among the various actors. A key question is the level of bindingness in coordination. Development policy will need to be better linked to other policies, including to climate change, where Europe has an advantage over individual actions of Member States. The reforms under the Lisbon Treaty, specifically the External Action Service, is a once in a lifetime opportunity, as HR Ashton has put it. It is first and foremost through development policy that European societies are interacting with developing countries. Development thus has a lot to offer to other policy areas – beyond mere funding. In the 21st century, building on a variety of interactions should be more about partner dialogue and joint actions than ready-made solutions. In addition, the Union has the (combined) international weight to engage in international partnerships with large global players. Ultimately, discussions are around the capabilities of the EU as an actor.

The elaboration of a new Multi Annual Financial Framework post 2013 is an opportunity for Europe to readjust its instruments. EU instruments will have to prove their usefulness in practice: they need to be quick at times, but always long-term, and – more often than not – joined-up, to tackle global challenges. Blurring mandates with joint financing will not be legally acceptable; new paths will have to be sought that are feasible and legally compliant (i.e. that would survive a challenge before the European Court of Justice). Difficult negotiations, however, cannot be an excuse for inactivity. Pooled funding with clear and distinct rules should be feasible. The EU will have to go down new paths with its new financial framework post 2013 that will be shaped by the constraints after the financial crisis. Yet, globally successful EU action is required more than ever.

5 Options for strategic action

Tackling global issues together will require joined-up activities by the European institutions and the Member States. Development policy will need to establish close linkages to other policy areas, not least to climate policy. Given the high visibility of Europe in global debates on climate change, this is a strong requirement and opportunity for EU development policy. Organising and managing networks between different policy and epistemic communities and how to connect communication flows relevant to various groups are thus key tasks. In this, Europe might have to operate in a more coordinated way without trying to centralise all tasks in Brussels. Rather, it will be key to ensure that Europe does not miss the boat on a global challenge.

Three options for debate and action emerge for the next five years:

First, the revision of the European Consensus for Development during 2010 will offer a good opportunity for setting priorities and defining the interface between development policy and enhanced action for the provision of global public goods. This revision ideally would imply asking two questions: Did the previous Consensus influence the behaviour of EU actors in development cooperation and if so, how? How and under what conditions could an updated or revised Consensus influence the behaviour of EU actors in development cooperation? The review should take into account the contributions of European development policy to the provision of global public goods. Tackling climate change would naturally be a key feature that will need to be managed in the complex EU system, i.e. through climate

pioneer partnerships at global level and clear revisions of the EU Financial Framework in this regard.

Secondly, a clarification of the strategic intent of political leaders will contribute to sharpening the profile of European development policy, not least so as joined-up action will have to concentrate on key areas for activity and will need to be politically monitored. Related to this, policy coherence for development will have to be focussed on key topics, in order to prevent an overburdening of the agenda and keep the task manageable. The provision of joined-up funding and the actions in the realm of climate change would be obvious issues, linking to commission services and Member State ministries beyond development and foreign affairs.

And last, but not least, the big challenge is to bridge different institutional cultures at both national and European level. The EEAS might be instrumental in this, as it will be the overall coordinating body for European foreign relations. But it will have to define its mission in the five years. The establishment of the European External Action Service provides an opportunity to combine development and other policies for a true policy for global development. It will, in any case, require new guidelines beyond the mono-syllable provisions of the Lisbon Treaty. The mandate of the EEAS will need more detailed clarifications without tending excessively towards micro-management; specific policy issues would have to be identified that would serve as a “compass” for actions. This is a point for engagement of development policy. If jointly tackling global challenges is to be put at the core of European External Actions, it needs to reflect adequately in the day-to-day operation of the EEAS. Creating new global partnerships will be a core task for the new service.

6 Questions for the working groups

The working groups will provide space for discussing questions from the angle of development policy under conditions of climate change. Actions will have to be taken in specific contexts (and policy areas) with these two, interrelated policies in mind.

Group 1: Managing change in fragile contexts

Contexts of state fragility also marked by ecological fragility present some of the most acute challenges for international development policy. At the same time, they can create the conditions necessary for adopting innovative forms of interventions that simultaneously address the human security as well as the physical security dimensions in the environment-development complex. The EU 2009 report, *Overcoming Fragility in Africa: Forging a New European Approach*, highlights the growing recognition in EU development policy that state fragility and crisis hinder development prospects, and hence the need to envisage mutually reinforcing agendas. If the dimension of climate change is added to this equation, how does it affect EU policy in practice, and how does it affect EU partners in situation of crisis or fragility?

Where are the challenges?

Some of the **connections** between climate change concerns and the development agenda are complex and multi-faceted:

1. At the policy level, combinations of ecological and physical vulnerability affecting large populations can blur the division (and even dissolve the practical-bureaucratic division) between mainstream development and climate concerns: situations of humanitarian emergencies necessitate the sharing of expertise and willingness to collaborate beyond what usually obtains in practice.
2. Fragile contexts, especially in the immediate aftermath of major ecological shocks, also have the potential to help mobilize action and new resources on an unprecedented scale, significantly improving the scope for immediate humanitarian initiatives, tabled alongside medium-term planning and mapping longer term solutions for sustainable, ecologically-sound development outcomes
3. Even then, the challenge and potentials for creating new alliances and partnerships among practitioner of diverse expertise and backgrounds can be significantly enhanced – or become more complicated – depending on whether the will and capacity for imaginative communications exist to support joined-up efforts and to tackle pressing issues.
4. The most extreme contexts of fragility have also highlighted the need for hybrid expertise at the very intersections where emerging challenges are addressed. This underscores the necessity of new forms of understanding and interactions in which the viewpoints of distinct other disciplines and their practices are increasingly and actively sought out, acknowledged and leveraged to benefit the overall development effort as well as drive forward policy interventions to achieve comprehensive solutions.

All participants are asked to contribute from their own perspectives and experience to a reflection exercise with three *policy goals* and three *practical concerns* in mind.

What is Europe's role? - Policy Goals

As first goal, the working group seeks to unravel the connections between the issues of climate change, development and state fragility at the policy level. Can all issues be tackled together? Which elements are reinforcing each other? Are there trade-offs? Given the often cross-cutting nature of the issues, what are the implications of accepting that climate-change is more clearly tackled from global settings putting forward a global approach, while on the other hand state-fragility and crisis management are usually country-specific?

The second goal is to analyze the role of the EU and how the multiple agenda affects EU policy more specifically. How can the EU arrive at a comprehensive approach to tackle climate change and state-fragility? Which institutional liaisons should be envisaged in the policy-making process? Regarding the measures currently in place, how will EU's "climate-aid" be conditioned or implemented in contexts of crisis and fragility?

The third goal addresses the EU partners' perspectives: how does a fragile state or a region in crisis tackle climate change in the global agenda? What are the changes in the arguments and proposals of the least developed countries since the recent Copenhagen conference? What can be anticipated, in this regard, for the Cancún conference?

What does Europe need to do? – Practical Concerns

The practical ends to which the participants should address their contributions include:

First, exploring traditional and more contemporary blockages – financial and budgetary, bureaucratic and human, conceptual and political, logistical and institutional etc – that act as constraint on delivering much-needed synergetic news solutions in fragile contexts.

Second, informing ongoing debates on precisely how to achieve greater efficiency in development cooperation in fragile contexts, and deliver measurable, lasting impacts through innovative means – both due to, and in spite of, new constraints in development finance.

Third, reflecting on the potential forms, opportunities and advantages of new approaches, beyond the often narrow traditional conceptions of the development-climate change interface in fragile contexts.

The working group will in this way analyze the role of the EU in tackling global issues when the challenges are multiple (development, crisis/fragility, climate change), identifying the state of the question and hinting at new policy possibilities.

Group 2: Delivering coherent finance

Determining how best to finance development cooperation and climate change actions in poor countries is a major challenge for Europe. The European Commission estimates that by 2020 more than €100 billion per year will be required for climate change adaptation and mitigation in developing countries. This is over and above the long-standing commitment to official development assistance to meet the development needs of poor countries. With development budgets coming under scrutiny as EU Member States deal with the economic downturn, there is a strong imperative to ensure early coherence in funding for these two major international policy goals.

Where are the challenges?

International funding for development and climate change can come from two main sources: public and private finance. At present, there is limited understanding of how these sources interact to maximise development impact. Reliance on official development assistance will not be sufficient to meet the many challenges that climate change places on development. A better understanding of the role that private finance can play in the poorest countries is needed.

The speed of climate change demands the delivery of international finance now, and at scale. Some lesson learning may be gained from Europe's response to the financial crisis that saw the rapid mobilisation of very large sums. The development and climate communities need to learn from the experience of other sectors and open dialogue with non-traditional players.

There are major limitations on the capacity of recipient countries to absorb external funding productively. This is linked to governance concerns over the probity of national financial management and control systems in many aid receiving countries.

Securing equity in country allocation of external financial flows represents a challenge for the international community. Defensible country selection criteria that direct climate and development finance to least developed countries and small island development states need to be formulated.

What is Europe's role? – Policy Goals

The working group can reflect on four possible policy goals for European action:

First, securing innovative sources of finance will be necessary to meet the challenge of sustaining growth in a world where the climate is changing. Europe is a world centre of financial expertise and has led thinking on developing new sources of climate finance. The European Union Emissions Trading Scheme remains the leading world market for carbon. But what are the best bets to secure sustainable financial flows and who are the best intermediaries to manage these funds?

Second, demonstrating good governance over fund mobilisation and disbursement is vital for continuing public support. The EU's strong commitment to good governance needs to be

reflected in a set of principles that guide how such finance should be managed. The Paris Declaration on Aid Effectiveness was an important step in building coherence over development funding. What can be learned from the aid effectiveness debate and is something similar required for climate finance?

Third, achieving effective finance is a key policy objective: funding that delivers results which are sustainable. The EU is the largest donor of ODA and has considerable experience of what works and what does not. Blending such finance with recipient country systems through programmatic approaches is increasingly recognised as being an important way forward. How to move away from projectised interventions to supporting sectors and national systems needs to be mapped out.

Fourth, an early demonstration of commitment by Europe through delivering on fast track finance is critical to maintain confidence across the international community. Aid receiving countries are calling for urgent financial support to allow them to make the transition to low-carbon development. This requires fulfilling the commitment to provide €2.4 billion annually for developing countries from 2010 to 2012.

What does Europe need to do? – Practical Concerns

Strengthening coherence between Member State actions and EU action is an early priority – how should the EU deliver on its international funding pledges? Determining the right balance between multilateral and bilateral action is challenging, as is maintaining good communication between these two delivery options to ensure they work in a complementary way.

An understanding on what common but differentiated responsibility means within the EU for climate actions needs to be found. The diverse positions of individual Member States should be recognised, as has happened with regard to Member State contributions to development cooperation financial targets.

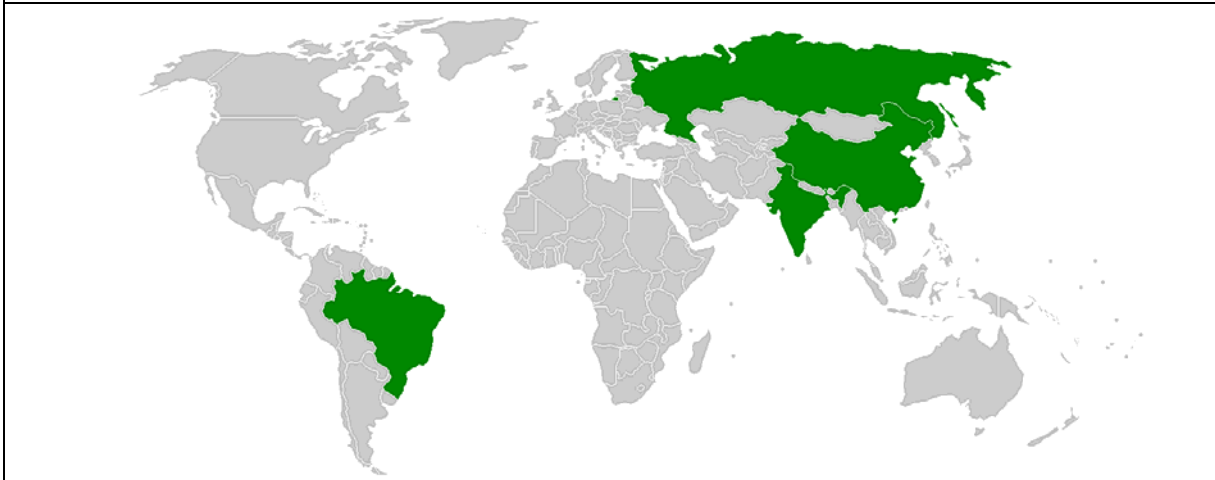
How can such scaled-up financial flows be monitored, reported upon and independently verified? Good governance calls for an open and transparent system so that government funding decisions can be held to account by European civil society. Yet such approaches need to be delivered at minimal cost without adding to bureaucratic systems.

Group 3: Engaging in new partnerships at regional/international level

Global powers are shifting, not least due to shifting economic weights. Financial and economic crises at global level will need the involvement of emerging countries beyond the G8 industrialised world. The emergence of strong and dynamic economies beyond the industrialised countries has broad implications for energy use, greenhouse gas emissions and thus for climate change, and for the formulation of development policies. China is globally the biggest CO₂ emitter, while India has become the fifth largest energy consuming country in the world.

Apart from China and India (dubbed “the Asian drivers” for global change), other middle-income countries have emphasised integration into the world economy as an important element in their own economic development strategies (South Africa, Brazil, Malaysia, or South Korea) and are also contributing to changing the context in which African development efforts take place (see figure 3).

Figure 3: The BRIC states (excluding South Africa) and “the next eleven”



Particularly the economic rise of China, India, Brazil and Russia has been in the debate since the BRIC-prognosis of Goldman-Sachs in 2003. These four states are discussed with various extensions, be it South Korea or South Africa. Further states – “the next eleven”, according to Goldman-Sachs CEO Jim O’Neill – are also looked into. In other contexts, the emerging countries have also been discussed as “anchor states”, i.e. regionally crucial states for global development.

Where are the challenges?

Steep economic growth in emerging economies has contributed strongly to reducing world poverty, as stated above. Yet, it has also followed the Western fossil-fuelled growth path and is thus adding drastically to CO₂ emissions, and to the global use of resources. The “Western model” (and the “Chinese model”) is globally unsustainable. Yet, developing countries have a right to greater well-being of their populations. Balancing short-term with long-term interests is a challenge for any international cooperation, and its credibility will increasingly require adjustments in the resource use patterns in the West, too.

Secondly, the emerging economies are increasingly engaging in international cooperation themselves, seeking resources for their own economic growth and opportunities in developing markets elsewhere. Emerging economies thus become aid recipients and aid providers at the same time. The donor landscape at the level of many least developed countries is becoming

more crowded – providing more funds, but also requiring more coordination efforts of partner countries with already stretched capacities.

Additionally, numerous private actors join the effort to support (aspects of) development internationally. Foundations and individual actors often have command over more funding than ODA can muster up; the political linkages between state-to-state and philanthropic private engagement are not obvious and can be uneasy.

What is Europe's role? - Policy Goals

The panel will need to look into global governance aspects that are closely linked to the EU's internal reforms and their effects. European economies are proportionally losing influence, with European aid gradually losing (relative) importance in parallel. The emerging economies' greater focus on investment and economic relations in concert with aid relations might also influence how European and OECD-DAC donors formulate their Africa strategies, suggesting that engagement from the new donors can speed up the shift in priorities within the traditional donor community.

Future priorities and means of engagement with African partners may evolve among traditional and emerging donors if mutual learning on issues such as climate change and reforms in aid institutions proceeds. Economic development will have to be re-defined to fit "green growth" requirements, keeping in mind the long-term sustainability. This requires mutual learning, as no side currently has the solution.

What does Europe need to do? – Practical Concerns

An aspect the panel will need to look into is the level at which best to engage with new actors. New actors might actually provide a stimulus to accelerate changes in systems of aid management and delivery following from the political commitments made in the Paris Declaration and the Accra Agenda. Traditional donors may face added pressure to demonstrate that their investments are making a difference. Europe can ease this process by cooperating with emerging economies. What can be learnt from the emerging countries' own development experiences, if any, and what are the consequences for climate policy resulting from this? Which specific actions would stimulate further engagement for the provision of public goods, be it security or stable environmental conditions?

At the level of global governance, Europe will have to continue reforms in its system (better division of labour, meeting commitments) if it wants to remain a key actor in both development and climate policy. Would Europe have to cede seats in order to gain strength in international fora? Where are common interests of both the EU and emerging actors?

At a more instrumental level, how can Europe better manage the network of relations that the 21st century requires? The debates on the European External Action Service, for instance, already point to changes in the understanding of development cooperation within EU external relations.

Group 4: Bridging institutional cultures at national and European level

“The EU, both at its Member States and Community levels, is committed to meeting its responsibilities. Working together, the EU is an important force for positive change.”

European Consensus on Development

Europe’s ambition in development cooperation

The European Consensus on Development recognises that positive change requires intensified cooperation. It promotes joined-up action between EU member states and EU institutions by defining a common vision and political commitments to strengthen coordination and complementarity. It also lays out common objectives that are to be taken into account in all EU policies, to improve Policy Coherence for Development (PCD). The Consensus therefore challenges European actors to join hands and bridge institutional cultures across national and institutional boundaries and across policy areas.

Since the adoption of the European Consensus in 2005, efforts to strengthen joined-up action and enhance Policy Coherence for Development have been intensified. An EU Code of Conduct on Complementarity and Division of Labour has been elaborated and agreed upon and, on a lower level, joint EU country assistance strategies have been developed, such as in Haiti, Sierra-Leone and South-Africa. Examples of joint efforts towards enhancing policy coherence for development include the bi-annual EU PCD Reports (2007, 2009) and the EU PCD Work Programme 2010-2013. It defines Climate Change as one of the EU’s five key priority areas for achieving PCD.¹

Notwithstanding these considerable efforts to strengthen the EU’s contribution to development and tackling global issues, joined-up action across EU member states/institutions and policy areas remains an aspiration rather than a reality. Bridging institutional cultures proves slower and more difficult than expected, representing a fundamental challenge to the European project altogether.

Where are the challenges?

In considering the question of where the challenges are, the Working Group may want to reflect on the challenges presented below.

A common vision unfortunately doesn’t necessarily mean an ability to act jointly in a given situation. Different EU member states and institutions define their objectives differently. For example, for some strengthening the EU as a global actor ensuring the delivery of global public goods is the leading objective, and coordination and joined-up action a means to that end. Others put the commitment to more narrowly defined development objectives first and see effective action to reduce poverty and achieve the MDG’s as a ‘sine qua non’ for the ‘soft power’ the EU may apply internationally. Both **agree the EU needs to coordinate and cooperate more intensively to be more effective when addressing global issues, but they may disagree on which steps to take, which measures to take first, who should take the lead, etc.**

¹ The five priority areas identified in the EU PCD Work Programme 2010–2013 are: (i) Trade and Finance; (ii) Climate Change; (iii) Global Food Security, (iv) Migration; (v) Security.

Another example is that some European actors may be driven by short-term preoccupations (e.g. illegal migration, terrorism, humanitarian aid), while others have more long-term global challenges at heart (e.g. poverty reduction, economic development of new regions, climate change). Here again, different perceptions may lead to completely different priorities on what to do in any specific case. The working group may want to reflect on the fact that, in practice bridging institutional cultures, requires first and foremost **a clarification and understanding of each others interests and an identification of practical opportunities to create synergies across traditional institutional and policy boundaries.**

However, for that to happen, a strong and genuine political will to ensure joined-up action needs to exist among relevant actors. The Consensus leaves no doubt on the formal commitments made in this regard, but joined-up action means moving beyond the rhetoric; due to the time involved to bridge differences and create synergies, it means carrying over commitments from one elected government to the next. As many studies underline, **to achieve progress on the EU division of labour and the EU PCD agenda strong political leadership is required.**

Next, **long established institutional habits and/or procedures may have to be reviewed and adapted.** Various studies have shown for example, that the tendency of both Commission officials, MEPs and Member State officials is to think and act primarily from a sectoral (or DG) point of view leading and that they lack time, systems and resources to think and effectively act across sectors, or policy areas. Inverting such a tendency requires sustained political, but also administrative and technical leadership within the various institutions involved. In this sense, changes resulting from the Lisbon Treaty, like the set up of the European External Action Service (EEAS), do create fresh opportunities. The EEAS is to work in close collaboration with the member states and will bring together, within its services, EU and member states' officials. For its development programming tasks, the EEAS will work under the responsibility of the Commissioner for Development. An example working group participants may want to reflect on is: how the Development Commissioner can effectively join up and work together with the new Directorate General Climate Change and what is needed for such collaboration.

Another challenge that emerges from the various studies available is the **need for creating or strengthening informal networks to facilitate dialogue, exchange of views, knowledge and experiences among key stakeholders.** The informal PCD network of member states' and EU officials is one such network. What informal networks within the EU and beyond can help tackling climate change and other global challenges? One practical way to engage such challenges – one that has proved its value for promoting PCD across Europe and is increasingly contributing to progress on the EU Division of Labour – is to identify and implement pilot activities. These provide space for understanding each other's policy rationale; building up expertise; getting to know each others' institutional procedures and, for sharing best practices with cross-departmental work.

What is Europe's role? - Policy Goals

Given the progress already made in Europe and the challenges that remain, the working group may reflect on the following policy goals of the EU as a basis for considering general recommendations on how to prioritise actions to bridge institutional cultures:

- *Step up efforts to put the Division of Labour agenda into action*
Policy statements and commitments on division of labour made by the Commission and EU member states are numerous; the real challenge is to deliver. How can practical cooperation between development and non-development actors be enhanced? How can partner countries be engaged more in donor coordination and division of labour efforts? Should the EU engage more actively with other, non-EU, donors to promote division of labour? What specific steps can be taken towards Seoul?
- *Strengthen Policy Coherence for Development*
While Policy Coherence for Development as a general principle is widely accepted, and is a legal requirement for the EU since the 1992 Maastricht Treaty, it needs to be incorporated much stronger in the domestic and external non-development policies of the EU and its member states. Is the EU's international credibility and legitimacy at stake? Should more evidence on the impact of (lack of) PCD be made available from partner countries? Can the EU PCD Work Programme 2010-2013 be enhanced? Will all relevant EU actors play their part in promoting PCD?

What does Europe need to do? – Practical Concerns

Among the practical concerns that once could imagine, the Working Group may want to focus its discussion on the ones presented below.

The Development Commissioner can play a key role in pushing for the achievement of EU policy goals and to facilitate bridging institutional cultures between EU member states/institutions and policy areas. **What strategic choices in terms of policy focus should he make in order to avoid spreading his efforts too thinly to make a difference?** Should he focus on one of the 5 areas of the EU PCD Work Programme in particular, for example Climate Change and Development? Or should he embrace all five, or even the twelve PCD issues covered in the latest 2009 EU PCD Report?

Within and across EU member states/institutions and policy areas, lessons have been learned in recent years on how to build bridges, create synergies and work together to tackle climate change and other global challenges. Examples are the European Parliament's former Special Commission on Climate Change (bringing together MEPs from different standing committees) and the United Kingdom's inter-departmental unit on climate change. **How can the identification and the sharing of lessons learned among EU institutions and member states, and across departments and policy areas be enhanced? How can the application of lessons learned be stimulated?**

Finally, any efforts to strengthen joined-up action need to take into account, and feed into, upcoming policy initiatives. On the EU level, this includes the green paper on the future of EU development cooperation, the Communication on Climate Change and Development, as well as the preparation of the Multi Annual Financial Framework post 2013. On the global level, one can think of the MDG review process and the preparations for Cancun. **How can these initiatives be used by the Development Commissioner and others, to strengthen joined-up action?**

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