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EUROPEAN UNION DEVELOPMENT COOPERATION IN A CHANGING GLOBAL CONTEXT

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Summary

This paper identifies significant challenges to European Union development cooperation and explores the potential of three key EU policy areas to deal with these: (i) division of labour and complementarity; (ii) policy coherence for development; and (iii) comprehensive partnerships.

The challenges posed to the European Union's development cooperation by the reorganisation of the global development arena, are identified under three headings: the emerging powers and the associated increased South–South and trilateral development cooperation; private financing for development and the possible marginalisation of aid; and finally the changing spatiality of the global poverty landscape.

In reviewing experiences within the three policy areas and their appropriateness to deal with the challenges posed, the paper suggests that:

(i) Predicted future shifts in global poverty imply increased per capita spending if aid levels are held constant. This development underlines the importance of division of labour and complementarity in a context where the absorption capacity of partner countries may be challenged and a *laissez-faire* attitude will entail ineffectiveness of development assistance. However, lack of progress in including non-EU donors in the current framework of division of labour and complementarity in the EU should push it to firstly focus its efforts on the internal division of labour between European donors before trying to include external actors. Joint programming is continuously committed to at EU-level, but has not yet materialised in practice because of concerns about visibility and because of narrow bilateral priorities of EU Member States. Synchronising programming cycles and implementation would be a major step towards increasing aid effectiveness, and can only really be furthered at EU-level. The future focus should remain on translating the commitments into action at country level.

(ii) To deal with the possible increasing marginalisation of aid, EU efforts on policy coherence for development would benefit from: (a) being narrowed to fewer thematic focus areas to maximise political influence, and (b) increased focus on institutional coherence between different policy areas and instruments, rather than centring solely on elimination of existing incoherencies. Refocusing on coherence between economic cooperation and development assistance (*inter alia* involving the areas of trade and investment) would be appropriate in dealing with the potential marginalisation of

aid, and the changing nature of development cooperation, currently shifting towards comprehensive reciprocal partnerships rather than donor–beneficiary relations.

(iii) Comprehensive partnerships are an important, flexible and multi-purpose foreign policy instrument in a global arena of development cooperation that is becoming increasingly complex. These remain a key practicable response to the challenges accounted for – having the necessary experience in coordinating different policy areas and making them complementary is fundamental to the emerging forms of cooperation with new actors, and also to dealing with the possible future marginalisation of aid. Comprehensive partnerships also bear testament to the changing global power relations manifesting themselves in development cooperation, and the EU continues to tread a fine line between standing by its own interests and overestimating its political leverage in the imposition of political conditionalities, and it needs to develop a more realistic self-perception of its role in these new forms of partnership.

Abbreviations

ACP	African, Caribbean and Pacific
AU	African Union
CAP	Common Agricultural Policy
CFSP	Common Foreign and Security Policy
CoC	Code of Conduct (on Division of Labour)
CPA	Cotonou Partnership Agreement
DAC	Development Assistance Committee
DCI	Development Cooperation Instrument
DG	Directorate General
DG DEVCO	Directorate General for Development Cooperation
DoL	Division of Labour
EBA	Everything But Arms
EC	European Commission
ECD	European Consensus on Development
EDF	European Development Fund
EEAS	European External Action Service
ENPI	European Neighbourhood Partnership Instrument
EP	European Parliament
EPAs	Economic Partnership Agreements
EU	European Union
FDI	Foreign Direct Investments
FTA	Free Trade Agreement
FTI	Fast Track Initiative
GDP	Gross Domestic Product
GNI	Gross National Income
GSP	Generalised System of Preferences
HLF	High Level Forum (on Aid Effectiveness)
HR	High Representative (of the EEAS)
JAES	Joint Africa–EU Strategy
LDC	Least Developed Country
LIC	Low-Income Country
MDG	Millennium Development Goals
MERCOSUR	Mercado Común del Sur (Southern Common Market)
MFF	Multiannual Financial Framework
MIC	Middle-Income Country

ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PCD	Policy Coherence for Development
PD	Paris Declaration
REC	Regional Economic Community
SADC	Southern African Development Community
SSC	South–South Cooperation
TDC	Triangular Development Cooperation
WTO	World Trade Organisation

1. Introduction

The global arena for development cooperation is in a state of flux, as the conventional drivers of economic and social progress have seen rapid transformations in the last years. In the South, new powers have (re)emerged and now represent proper alternatives to conventional North–South cooperation as a range of middle-income countries (MIC) has witnessed swift growth. The implications for the global poverty landscape have been significant – three quarters of the world's poor presently live in MICs (Sumner, 2011), a proportion that may shift towards fragile, volatile and conflict-prone countries in the coming decades (Kharas & Rogerson, 2012). Development aid from emerging actors is often delivered outside traditional international structures, and challenges the principles agreed by the traditional donors in DAC (OECD's Development Assistance Committee) with its frequent deployment to secure political and economic influence, or as an access point to strategic resources (Keane & te Velde, 2011). The alternative *modus operandi* of these actors puts competitive pressure on the established system, and challenges the bargaining position of traditional donors (Woods, 2008).

In the North, philanthropic foundations have risen alongside vertical funds, and brought with them an increased focus on resources and results – an approach to development stemming from the territories of business, advancing measurability and providence of fast-paced change, not necessarily benefitting the long-term processes of transition in developing countries.

In Europe, the reorganisation of the global economy not only refers to external factors and the rise of the South, as Central and Eastern European Member States have also advanced and now offer up very tangible examples of former beneficiaries becoming donors (cf. Lightfoot, 2008; 2010). The understandings of development cooperation of many of these new European donors signal a return to past aid dogmas with an assistance that is project-based, often tied into a guaranteed return to the donor, and which passes through bilateral channels whose geographical priorities are primarily focused on the immediate surroundings or on countries that share trajectories of e.g. post-socialist transitions (Lundsgaarde, 2011).

Remittances and private financial flows to developing countries have exploded, and aid today only constitutes a small piece in the large puzzle that is financial flows for development. Different forms of partnership and comprehensive agreements are slowly replacing traditional donor–beneficiary relationships to the point where aid may be left with the sole function of being a catalyst, with the power to ignite the greater machinery that is development cooperation.

The implications of these changes for EU development cooperation are immense. The recognised and employed instruments and modalities are being challenged, and a diversification of tools and resources is inevitable. Overcoming these challenges is neither a strategically easy task nor an obvious one-way street with linear solutions to simple problems. Adapting to and facing the changed conditions of an increasingly pluralistic development cooperation arena requires donors to promote introspective reassessments of endeavours, instruments and priorities in order to emerge with regained strength and both a diversified understanding of the mechanisms, processes and conditions of this new environment, as well as a new toolbox equipped to deal with the complex issues of today's world. Part of this exercise is to identify potential areas of expertise or experience and to draw them out into the light. As a multitude of new actors emerge and occupy new fields and territories of development cooperation with novel specialisations and approaches, it becomes fundamental for donors to identify and embrace these potential strengths.

The changing global environment necessarily requires the European Union[1] to rethink its approach to development cooperation and relations with emerging actors. Europe possesses a comprehensive history and experience in several areas that may prove to be comparatively advantageous in development cooperation, and where potential may be unlocked. The sheer size of the EU in terms of volume of aid and range of funding instruments, the unique position of development cooperation as the single most comprehensive and funded foreign policy instrument, comprehensive partnerships such as the Cotonou agreement and cooperation with ACP (African, Caribbean and Pacific) countries, the deep history of regional integration and cooperation, the option to pursue collective and coordinated action (act in a *federating role*) with Member States that possess both diverse and shared competencies, are all key issues of EU experience in development cooperation.

But the last decades have also exposed major weaknesses in EU and European development cooperation: relative passivity towards novel and complex forms of cooperation and partnerships with emerging actors (especially engagement in

[1] The term 'EU' is used throughout this paper as a reference to the collective institutions of the Union, including the European Commission, the European External Action Service and the European Council.

South–South and triangular cooperation); lack of actual coherence between policy areas limiting the effectiveness of development aid and the ability of the Union to speak with one voice; and lack of ability to ensure coordination between Member States and exploit the shared competencies of these.

The aim of this paper is to *analyse central EU experiences and political initiatives potentially appropriate to tackle the challenges of the changing conditions of development cooperation*. This is a rather ambitious scope and the paper mainly aims to highlight key past developments and future challenges and not to deal exhaustively with all the issues raised. To accomplish this, the paper consists of two parts.

The first part analyses the current and emerging challenges to the EU, primarily identified in the arena of development cooperation within which it manoeuvres.

The second part of the paper discusses some of the areas of possible policy strength that may be found in European Union development cooperation, and how these may be appropriate to dealing with the challenges identified in part one. Three core competencies have been chosen as objects of analysis, based on the consideration that these represent principal policy areas within which the EU has launched major political initiatives and in which it has had much comprehensive experience across the last decades. They are: division of labour and complementarity, policy coherence for development, and comprehensive partnerships.[2]

[2] Comprehensive partnerships are understood in this context as bilateral connections between two parties meant to deepen relations. These may be more or less reciprocal, strategic or institutionalised, and in the context of development may or may not include development aid from one partner to the other. 'Comprehensive' does not refer to the policy concept of *comprehensive approach*, but signifies a partnership aimed at developing relations in a wide spectrum of issues, including economic, political and institutional.

2. The Changing Global Context and the Challenges to EU Development Cooperation

The challenges posed to the European Union's development cooperation from the reorganisation of the global development arena primarily fall into three areas: the emerging powers and the associated increased South–South and trilateral development cooperation; private financing for development and the possible future marginalisation of aid; and the changing spatiality of the global poverty landscape.

2.1 Emerging Powers and South–South Cooperation

As we move from a world dominated by North–South development aid ties into a multipolar arena, the emergence of new powers inevitably challenges the influence of the established order. A group of such powers comprises countries that have seen massive growth rates in the last decades, with China, India and Brazil at the forefront, and who have subsequently sought to establish themselves as emerging global powers (cf. Kragelund, 2011; Keane & te Velde, 2011). Development cooperation, and especially engagement with Africa, has turned out to be a central arena in this encounter between emerging and traditional powers (cf. Walz & Ramachandran, 2011, Hackenesch, 2011).

The EU and its Member States are increasingly challenged on their legitimacy, power and normativity by these countries. As differing worldviews, normative values and approaches progressively clash in the field of development cooperation, changes to power structures and political leverage alter partnerships, and developing countries increasingly discover alternatives to the cooperation schemes of Europe.

The comprehensive agendas of the emerging powers and the application of a range of alternative policy instruments challenge the EU's strategies and approach to development and underline the relationship between development cooperation and other policy areas. This is encouraging European donors to consider comprehensive partnerships and relations based on self-interest and closer links between aid, investment, trade, political dialogue and other areas. As such, the emerging powers represent both a threat and a contribution to European development cooperation, as they force traditional institutions and donors to re-evaluate their motives, priorities, strategies and models of development cooperation, and put pressure on the EU to assess comparative advantages and key strengths in its development cooperation.

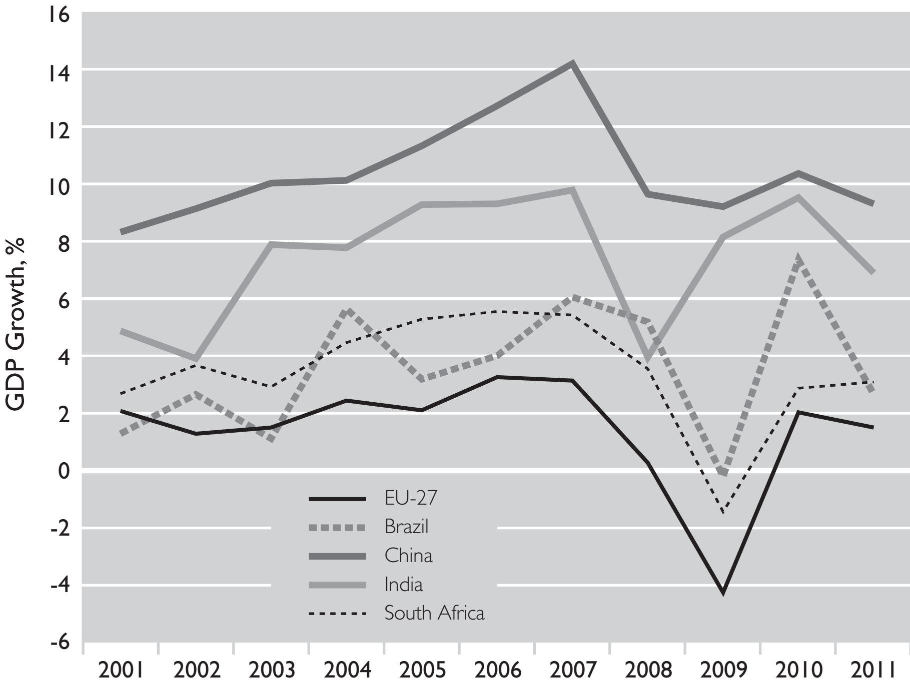
The EU is increasingly recognising the changing nature of partnerships with the emerging powers, which are turning from donor–beneficiary relationships to strategic partnerships or engagements on a reciprocal basis (EC, 2011a; 2012). The challenge becomes how to deal with the competing narratives of development aid, in a constructive manner – should the European approach to development be kept as it is, in an acknowledgement of their belief that the emerging powers are moving in what some traditional donors perceive to be a *wrong* normative direction, and that they will eventually recognise this through their transitions to advanced economies? Or should the EU appropriate elements of this form of development cooperation by moving towards increased equal partnerships based on reciprocal benefits, where potential interests are not hidden away but openly recognised? It remains certain that the EU is losing territory in its once taken-for-granted relations with the developing world, and that the increasing influence of the emerging Southern powers suggests an increased economic decoupling and/or changing relations between the North and the South.

The global financial crisis underlines the shift from interdependence between advanced and developing countries, to a context where the new powers of the global South have become key partners and where emerging and developing economies are able to exist relatively decoupled and independent from advanced economies.

When Europe was hit by sharp declines in GDP in 2008 the predictions about consequences in emerging markets were dire, especially with regard to financial flows. Contrary to predictions though, the developed world was affected more than developing countries, as real GDP growth dropped below 1% in the EU countries in 2008. The median rate of growth in 2009 supported this, as developing countries averaged 2.1% (China and India, naturally, pushed the growth rate upwards with 9.6% and 7.3% respectively) and advanced economies lagged behind with -3.7% (Canuto, 2010).

With massive challenges to European economies, the capacity of the EU to project global influence is diminishing in a latent return to the dogma of earlier times and an inward-looking EU is emerging. In this context, the aid budgets in Europe have unsurprisingly suffered. In 2011 €500 million were cut from total EU aid spending,

Table 1. GDP Growth Rates, 2001-2011



a trend that has continued into 2012 with Spain and Italy representing the biggest cutbacks with 53% and 38% respectively (Concord, 2012).

The greatest implication of the financial crisis is not necessarily to be found in the cutbacks to EU aid budgets though, but more likely in the story that developing countries made it through the downturn without advanced economies to provide export demand and financial flows (Humphrey, 2010). The global economic consequences leave Europe a less attractive partner. China has overtaken Europe as Africa's largest trading partner, with bilateral trade between the two growing from US$10.6 billion in 2000 to US$160 billion in 2011. Developing countries are increasingly turning towards the emerging actors, and their provision of alternative models of development and economic growth than those traditionally promoted by Europe and the EU.

The ongoing economic decoupling of the South from the advanced economies, and its increasing role in global trade, investment and finance, has had a fundamental impact in enabling and furthering South–South Cooperation (SSC). This form of partnership, understood as *"processes, institutions and arrangements designed to promote political, economic and technical cooperation among developing countries in pursuit of common development goals"* (UNCTAD, 2010) has prevailed for as long as North–South cooperation (cf. Walz & Ramachandran, 2010), but has gained immense political prominence in the last decade. The key proportion of SSC funds come from China, India, Venezuela and Saudi Arabia, and its multidimensionality implies a different form for all partnerships, from diplomatic exchanges to concrete trade and investment agreements, characteristically with a strongly articulated emphasis on the mutual benefits of such partnerships. Its advocates often portray SSC as building upon mutual benefits, but there are no guarantees as to the degree of equality or conditionalities attached to such partnerships. The economic relations almost entirely take the form of loans rather than *charity*, perhaps to avoid the lack of fulfilment of commitments characterising traditional aid (UNCTAD, 2010), but also stressing the reciprocal nature of cooperation.

SSC challenges traditional development cooperation and ODA through what is perceived as its less intrusive and more flexible setup, making it more attractive to Southern partners. Building upon the principles of non-interference in internal affairs implies that few of the policy conditions of the traditional partnerships are present. SSC is also often supplemented by the establishment of dialogue platforms and high-level official visits, and perceived to be based upon a spirit of actual partnership, in which financial contributions are not considered to be help from a well-off country to poor one, but rather as *expressions of solidarity* (ibid.). Increased South–South cooperation challenges the existing balance of power between developing and advanced economies, with clear implications for e.g. multilateral negotiations, where Southern alliances change the dynamics of power and political leverage. The characteristics of these partnerships can provide developing countries with a policy space that potentially reduces the influence of traditional northern partners on political issues. Though sometimes promoted as a manifestation of Southern solidarity, the intention to establish bilateral relations that suit the interests of the donor still persists, meaning that although the hegemony of donor–beneficiary relationships has shifted, it is not fundamentally altered.

To stay relevant, traditional donors have attempted to initiate forms of trilateral development cooperation (TDC) (or *triangular* as the UN and OECD sometimes refer to it). Though still in its initial stage with very few tangible examples, TDC occurs between a traditional Northern donor, a Southern donor and a Southern recipient, in a scenario where the individual strengths of the actors are used. An example would be when the technical knowledge or experience of the Southern donor in closely handling certain programmes relating to poverty reduction or economic growth is supplemented by the financial and institutional capacity of the Northern donor. The assumption is that bringing together different actors with individual strengths and capacities may increase aid effectiveness, and that more appropriate practices may be the result of such cooperation. TDC may be perceived as an innovative way to deal with the changing geographies of aid and power – an acknowledgement of the rising powers of the South that improves aid effectiveness and bridges the legitimacy gap of Northern development regimes (Kharas, 2007). However it can also be seen as a offering a possibility for traditional donors to win back some of the influence lost in the increased South–South cooperation, and thus to represent a new way of organising the old North–South regime.

Trilateral development cooperation challenges the traditional understandings of partnerships by bringing a traditional donor into what is basically cooperation between two Southern partners. TDC has been the first real attempt from the EU to overcome the dilemma of a rising involvement of China in Africa, with the establishment of trilateral dialogue and cooperation between the three, but this has largely been a failure through the lack of engagement by Africa. Still, TDC has yet to show characteristics of true forms of equal partnerships (McEwan & Mawdsley, 2012).

Simultaneously with economic decoupling evident in the aftermath of the financial crisis, a growing need for cooperation in dealing with global challenges seems to be emerging. Global trade, financial instability and climate change require a more comprehensive and integrated approach to North–South cooperation than that which is inherent in ODA-dominated forms of partnership. This need for a stronger focus on global public goods has been recognised in the new proposal for the Development Cooperation Instrument (reserving €6.3 billion for global public goods) in the EU, and is also evident in the emerging talks on a *global* approach to the post-MDG framework for development cooperation.

2.2 Private Financing for Development and the Marginalisation of Aid

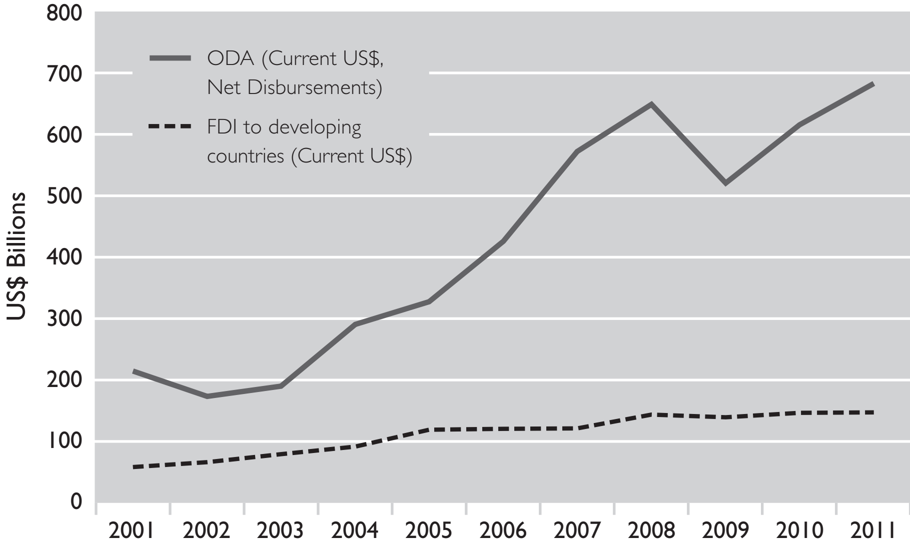
Foreign investments, ODA, loans and remittances constitute four main sources of external funding for development. Private loans have decreased since the 1990s, but the last five years have seen an explosion of public loans, especially from China and India (Humphrey, 2010). In the last decades, private capital transfers and financing have overtaken ODA, and have become key drivers of developing countries' economies. A brief look at the present economic circumstances for global philanthropy, FDI, remittances and ODA respectively reveals the rise of private financing in development.

It is impossible to determine the exact volume of global philanthropy to developing countries as transfers of these funds are not officially measured, but according to the Hudson institute, US$56 billion were provided to developing countries from philanthropic sources in 2010 (Hudson Institute, 2012). Officially recorded remittances to developing countries reached US$372 billion in 2011, increasing 12.1% from 2010 (ibid.), and unreported flows through unofficial channels may add up to 50% of the amount (World Bank, 2006). Remittances are now the second largest source of external finance for developing countries after FDI, and are recognised, not only for their increasing volume, but also for their relatively stable growth, which the World Bank predicts will continue at a pace of 7–8% per annum for the next several years (World Bank, 2012). In 2010, 82% of the advanced economies' engagement with the developing world was made through private financial flows, and the 23 DAC countries collectively contributed with US$575 billion, making these flows more than four times greater than official flows from OECD countries alone (OECD DAC). Global FDI to developing countries increased 11% from 2010 and hit US$684 billion in 2011. In the same year the collective investments of developing and emerging economies in the developing world surpassed those of the advanced economies to make up 51% of global FDI (UNCTAD, 2012). There was a decrease in investment in LDCs in 2011, but the main driver behind this negative figure was the situation in North Africa. Sub-Saharan Africa, by contrast, reached US$37 billion, an increase of US$8 billion compared to 2010, almost a return to the 2007 pre-crisis level.

Compared to the growth in all three key private financing areas, ODA has stalled since 2008, increasing by only US$4 billion in the last four years, from 144 to 148. In total, ODA was dwarfed by private flows to developing countries in 2011, as remittances, philanthropic transfers, and FDI totalled US$1112 billion, or almost eight times the ODA.

ODA is no longer, if it ever was, the primary driver of economic growth, and the ability to work with private actors, integrating private financing more comprehensively into

Table 2. ODA and FDI to developing countries compared, 2001-2011



Source: UNCTAD & OECD

development cooperation to enhance complementarity instead of substitutability, continues to be a defining challenge of the immediate future.

Private financing for development is praised by its supporters for offering a range of features that challenge and ultimately undermine the use of ODA, including increased effectiveness because of low overhead costs, less susceptibility to corruption because of its direct transaction form, and for being more innovative, less risk-averse, and less politically sensitive (Desai & Kharas, 2009; Davis & Dadush, 2010; Metcalf, 2010). The causal relationship between these different forms of private financing and their impact on the recipient economies is not linear though, and their relative impact is probably more likely to be found in increases to the capacity of the recipient economy than in actual poverty reduction.

The challenge to the EU's development aid relates to at least two context dependant scenarios which will each require different kinds of solutions; (i) in relation to countries for which aid represents an important source of funding in relative terms and where private financing for development has not materialised and needs to be kindled, and (ii) in relation to countries where aid is not an important source of funds and where it needs to integrate with existing flows of private financing.

The challenges for both scenarios are diverse. In the second case, the challenge takes the shape of substitutability and complementarity, as ODA is forced to advance increased integration and coherence between the different sources of funding to overcome its clear marginalisation in relative terms. Seeking complementarity with private actors may increase the present very small value and therefore marginal importance of ODA in these economies, but identifying key areas where private finance does not suffice may also be effective. The challenge for the EU remains how to inspire a new type of development partnership between a diverse set of actors with a diverse set of funding sources.

In the first case, the challenge is somewhat different. As private financing for development is not equally shared between all developing countries, ODA still has a fundamental role to play in relation to the least developed countries who have continued problems in attracting the same amounts of funding as the lower-middle income and emerging economies, and for whom ODA is the main source of finance. The challenge for the EU becomes to seek innovative approaches with private actors, in the acknowledgment that, ultimately, the private sector is the main engine for growth and employment. The main purpose of ODA in such a scenario may be to create favourable conditions for private investment, acting as a catalyst for financial inflows, and a mobiliser of funding by exploring new sources of finance, private-to-private sector solutions and public–private partnerships, and ultimately also domestic resource mobilisation. The absolute volume of aid then, may prove to be less of a determinant than are the stability of ODA flows, and strategies aimed at fostering private investments and flows.

As the next area of challenges illustrates, this last case may very well become key to the EU in the future, as the global landscape of poverty changes and the majority of poor people may be found in unstable and insecure countries where FDI and private financing are not likely to materialise without a strong presence of donors and ODA to incite and catalyse capital inflows. In such a scenario, ODA still has a fundamental role to play in establishing conditions that may foster poverty reduction and economic growth.

2.3 The Changing Global Poverty Landscape

The geography of poverty has changed substantially in the last decades, and will continue to do so in the future, with some countries graduating from being low-income to middle-income countries, and some falling back into the trap of conflict and fragility. As EU's development assistance was traditionally constructed to support (poor) *countries*, shifts in the global distribution of poor *people* pose fundamental challenges to its development cooperation.

From 1990 to 2005, the number of people living below the poverty line of US$1.25/day fell by 400 million down to 1.38 billion, and as China (accounting for 40% of the world's poor in 1990) witnessed massive economic growth, the balance of global poverty shifted towards India and Sub-Saharan Africa (Chen & Ravallion, 2008). In 2010, Sumner presented evidence and arguments stressing that the global distribution of the world's poor had changed from low-income countries, and that the vast majority, 72% of the world's poor, now lived in middle-income countries – 62% in stable MICs. This especially reflected how a great number of LICs had transitioned to MICs.

These changes have grave implications for the EU's development cooperation. They highlight that macroeconomic growth is not necessarily inclusive and that its effect on poverty reduction cannot be taken for granted. They challenge the EU to see past the country-specific macroeconomic conditions, and instead approach poor people in the realisation that inequality and societal change have become key issues of addressing global poverty, and that poverty has developed from being an international to a national distribution problem (Sumner, 2010).

Arguments to withhold aid and development cooperation with MICs have nonetheless been put on the agenda in the EU, both with *An Agenda for Change*, but also evident in the area of trade, with the introduction of differentiation in the reform of the Generalised System of Preferences (GSP). The combined perception that some of the new MICs are likely to lapse back into LICs as a consequence of vulnerability to financial instability (cf. Glennie, 2011), and that the pockets of poverty found in some of these countries demand a continuous poverty reduction focus, underlines that EU cooperation with these countries cannot be terminated. Yet as ODA generally only constitutes a small proportion of GDP in MICs, questions arise as to how the EU can and should cooperate with MICs to address the internal poverty problems in these. What types of cooperation or partnership may be effective in a context where the partner country holds the financial capacity to address internal poverty but lacks the political will to do so and where the cause of poverty is the unequal distribution of wealth? What is the ability and potential of the EU to interfere in the internal affairs and seek to influence the domestic policies of the MICs in question? This possible future development also challenges the aid effectiveness agenda by stressing how a simplistic evaluation of quantity and quality of aid may miss the point of wider structural issues, such as ODA's ability to influence inequality and societal change (cf. Fischer, 2010).

Attempting to forecast the future of global poverty, a differing scenario has seen the light, somewhat challenging the position of the *new bottom billion* and Sumner's (2010) argument that only a third of the world's poor will be living in LICs by 2030. Kharas & Rogerson (2012) project that by 2025, the majority of global poverty will be in fragile, low-income African states. This projection is based upon the transformation of poor people living in fragile states – in 1990, four-fifths of the world's poor lived in stable countries, but already in 2011, almost half of these lived in fragile countries. This development is thought to be continuing and, as most fragile states have population growth rates exceeding 3% and gloomy outlooks for economic growth while many of the strongest MICs are expected to increase their efforts and reduce poverty and have population growth rates of about 1%, the conclusion may be that by 2030, out of a global total of 560 million (determined by an expected reduction of two-thirds of global absolute poverty) 460 million poor people could be living in fragile countries (using a poverty line of US$2/day) (Kharas & Rogerson, 2012). Such a development will see the EU with a possibility of tripling its per capita spending, if aid levels are held constant.

Regardless of whether the future will see the majority of poor people living in stable middle-income countries or not and whether or not this is just a transitory phenomenon and the global distribution of poor people will remain largely in fragile and conflict-affected states, conventional knowledge of aid is being challenged, forcing the EU to reassess modalities, instruments and approaches.

3. The Potential for EU Development Cooperation in a Changing World

Cooperation with developing countries has been at the centre of EU foreign relations since the 1950s but has seen fundamental changes with the Treaties of Maastricht in 1992 and Lisbon in 2009. The Treaty of Maastricht formally established development cooperation as a key Community competence with coordination and complementarity as requirements. It underlined the self-conception of the EU as a normative power by integrating the promotion of democracy, human rights and fundamental freedom as key elements of European development policy (Art. 130u) and initiated the focus on Policy Coherence for Development (PCD) by determining that *'The Community shall take account of the objectives referred to in Article 130u in the policies that it implements which are likely to affect developing countries.'* (Art. 130v).

The most fundamental reorganisation of EU development cooperation came with the 2009 Lisbon Treaty. The purpose of the treaty was to strengthen the comprehensive approach to external relations through a dedicated actor, the European External Action Service (EEAS). The treaty itself did not determine the institutional setup, so in 2010 High Representative (HR) Catherine Ashton released her proposal for the new service that was to improve EU coherence, build legitimacy and secure effectiveness in external affairs. The EEAS was created out of the Commission's external policy directorates, CFSP (Common Foreign and Security Policy)-relevant parts of the Council Secretariat, seconded Member State officials, as well as former Commission delegations to third countries and international institutions.

The European Development Fund (EDF), the Development Cooperation Instrument (DCI) and the European Neighbourhood Partnership Instrument (ENPI), the three main financial instruments for development cooperation, dwarf all other instruments and budgets of the remaining foreign policy framework. Together they account for more than 75% (€40 billion) of the total EU 2007–2013 financing for development, external relations and foreign policy. The Commission still holds management of the external cooperation instruments, but EEAS has been given a key role in the programming cycle through its responsibility to determine the financial envelope for each country and region, and also to draw up country and regional strategy papers with development priorities. As such, while DEVCO and EEAS share programming and policy-making tasks, the College of Commissioners has to sign off on all (annual action) programmes and policies together, after which DEVCO is solely responsible (and has the budget) for implementation.

The formation of EEAS is likely to have great implications for EU development policy, in the attempt to foster European global strategies and create greater synergy between policy areas. The question will be whether EEAS does hold the key to increased collective efforts and a shared European approach, with its mix of staff from Member States, the Council Secretariat and Commission, and the fact that Heads of Delegation no longer represent the Commission or the rotating presidency, but instead the EU.

The European Union is considered to have significant comparative advantages in development cooperation. In terms of volume and size, the EU and its Member States form the world's largest trading bloc (EC, 2012). It leads global development action by providing more than half of the world's ODA along with its Member States and the EC is the single largest multilateral donor (EC, 2011b). In the same vein, it is thought to hold advantages through its institutions' ability to play a federating role, coordinating the 27 Member States (OECD, 2012); its economies of scale in funding instruments; its accumulated expertise and legitimacy; its range of policy responsibilities; its specific experience of inter-state and supra-national integration and, through its commonly agreed principles, its status as an international institution (European Think Tanks Group, 2010; Gavas et al. 2011). Freedom, democracy, human rights and equality form the core values of the constitution (Art. 1A, EU 2009), poverty reduction is a treaty obligation, and working together within the Union is a commitment in the European Consensus on Development and the Code of Conduct on Complementarity and DoL (Maxwell, 2008). Its range of policies – aid, trade, a common foreign and security policy, diplomatic service – is argued to make it ideally suited for facing the challenges of a changing world (ibid.).

The aim of this second part of the paper is to try and move beyond these perceived comparative advantages and discuss the potential to address the challenges to EU development cooperation (accounted for in the first part of the paper) within three key areas, in all of which the EU holds extended experience and has launched major political initiatives: division of labour and complementarity; policy coherence for development, and comprehensive partnerships.

3.1 Combatting Donor Fragmentation and Advancing Coordination: Division of Labour and Complementarity

Aid allocation persists in being a complex and fragmented undertaking, not made easier by the global proliferation of emerging actors. Donors continue to neglect a long list of developing countries in their provision of aid, and those receiving aid have to deal with increasing congestion of providers, eroding their administrative capacity. Provision and country choice are, necessarily, strategic, and entry and exit schemes are frequently a unilateral matter involving neither fellow donors nor the partner country in the calculation, with evident negative consequences such as the resulting conditionality of 'forward-looking spending plans' and geographical priorities (Dabelstein, 2012). In much the same way sector choice is often a one-sided decision based on the desire for visibility, frequently meaning that donors spread out their activities over a wide range of sectors in one country with the risk of spreading themselves too thin (cf. Wentzel, 2011). To address these issues and increase aid effectiveness, division of labour efforts were introduced in OECD fora in the last decades, building upon existing mechanisms of complementarity, information sharing, coordination, joint programming and decision making.

The division of labour processes operate on three levels (OECD, 2012) – the broadest Harmonisation Agenda through the Paris Declaration and the Accra Agenda for Action (The Paris Declaration called for a pragmatic approach to division of labour between donors in partner countries, and the Accra Agenda for Action expanded the scope for international division of labour across countries) work with programme-based approaches, joint missions and analytical work at country level; the more narrow DoL Agenda that attempts to embrace all donors, working through lead donor arrangements; and finally the core DoL Agenda based on the EU work on DoL.

The Maastricht Treaty of 1992 underscored the need for complementarity in EU development cooperation and established initiatives to address this, but progress remained tentative up until 2006 (Keijzer & Engel, 2008). To increase aid effectiveness and address the growing complications of donor proliferation, the German Presidency in the spring of 2007 made DoL a core priority in EU development cooperation (transferring the German strategy of reducing the number of partner countries from its bilateral cooperation scheme where 120 countries were cut to 70 from 1998 to 2007). Pushed by the Presidency and the EU institutions, Member States agreed on the Code of Conduct on Division of Labour in an effort to increase coordination, foster communication and eventually to present a dynamic approach to DoL that could position the EU as a driving force towards DoL in the international community.

The Code of Conduct is a voluntary and self-policing code that includes operational principles with the aim of enhancing effectiveness by reducing transaction costs (for both partners and donors) and improving results. It is distinguishable from earlier EU initiatives in that it calls on Member States and the Commission to analyse and identify comparative strengths and added value, and it advances incorporation of non-EU donors (Keijzer & Engel, 2008). It consists of two main and eleven guiding principles covering three dimensions of division of labour – cross-country, in-country and cross-sectoral.

The general principles emphasise partner countries as primary leaders of in-country DoL, who the EU should support by building their capacity rather than taking over the responsibility. Implementation of DoL should not be pursued at the expense of aid volumes or predictability of flows, and should be based on country-level priorities and needs, long-term perspectives and a pragmatic approach. Situations where donors are absent from a strategically important sector for poverty reduction should be avoided, and perhaps most importantly, the Code of Conduct underlines the necessity of political commitment at headquarter- level, somewhat recognising that DoL issues are not strictly related to practical in-field implementation.

Box 1. The Code of Conduct on Division of Labour

Building upon their individual comparative advantages, EU donors should: (1) concentrate their efforts in a maximum of three sectors and general budget support may be provided in addition to this; (2) make sure that redeployment is done in negotiation with the partner country and through well-managed and communicated strategies involving all stakeholders. (3) Each priority sector needs the establishment of a lead donor arrangement to streamline and structure the donor setup. (4) The lead donor should be European, but Member States may enter into delegated cooperation arrangements with another donor if they act on its behalf; and (5) more importantly perhaps, each priority sector should have at least one donor with appropriate comparative advantages in that sector. (6) These principles of in-country DoL should apply to parent regional institutions as well. (7) EU donors will reinforce the geographical focus and establish a limited number of priority countries, while (8) taking into account the problem of 'orphaned' countries and the special, often fragile, nature of these countries, giving extra attention to linking relief and rehabilitation to long-term development. (9) Member States commit themselves to analyse and identify areas of strength with regard to sectors and modalities and to (10) pursue progress on other dimensions of complementarity. (11) Finally, as in the general principles, the importance of political commitment at the highest possible level and coherence between headquarters and field-level is highlighted.

An Agenda for Change reaffirmed the need for more transparency from Member States as they enter and exit partner countries, calling for a coordinated approach and a coordination mechanism of cross-country DoL, but the most important DoL implementation instrument is the Fast Track Initiative (FTI) commenced in December 2007, involving 30 partner countries, and approximately 14 Member States who take individual lead in these.

The emergence of new actors provides incentives for improved collective efforts through complementarity and coordination. The EU has taken a lead in advancing these efforts, and also seems to have significant advantages in dealing with matters of division of labour, from its long-standing experience of supranational *modus operandi*, and policy building through dialogue and consensus (Schulz, 2009). The Commission has played a strong role in pushing for a better division of labour and coordination amongst Member States and, despite mixed results, the Commission can be credited with taking up the challenge of implementing the commitments set out in the Code of Conduct (OECD, 2012).

However, division of labour has proved to be a difficult matter to transfer from policy to practice. Implementation has mostly seen advances in complementarity at the country level and between European donors, and even here, progress has been slow. Since its inception, the FTI on DoL has been assessed biennially in 2009 and 2011. At country level DoL processes normally move through three stages. First, an assessment of the current status quo is made to map donors etc. Second, partner governments provide their priorities and donors elaborate on and attempt to identify their individual comparative strengths. Finally, a reprogramming of aid is undertaken and a DoL regime is implemented.

The first evaluation showed mixed results. Twenty-four countries had begun donor mapping, but only a third had carried out the assessment of comparative advantages. The main obstacles limiting progress in the DoL process were identified as: limited ownership by partner governments (mainly relating to fear of losing control of ODA, low aid management capacities and overall low political priority for development cooperation); reluctance by donors to limit involvement in certain sectors; unclear donor roles; limited capacities on the donor side; lack of information; problems with involving non-EU donors, and legal and administrative barriers on the donor side (EU, 2009). Not all the governments had adopted the provided suggestions from the EU Code of Conduct on DoL, and had instead developed individual understandings of DoL processes.

Many of these messages were recalled in the 2011 review. The use of donor mapping as an aid management instrument was still widespread and country-level agreement on sector definitions is increasing. Country ownership and donor commitment seem to be permanent challenges though. Since 2009 only three more countries have witnessed donors initiating assessments of comparative advantages, and reprogramming has declined (EU, 2011). Reduction of transaction costs, considered to be one of the major contributions to increased aid effectiveness, has seen little progress – only 16% of the respondents see improvements for partner countries, and 21% see them for donors. Non-DAC donor participation in DoL efforts is still not occurring, and even mere participation in general donor coordination is almost non-existent (ibid.).

Most core DoL processes towards reprogramming donor contributions, it seems, are not dynamic. Country interest, leadership and ownership are low, partly due to obstructive donor behaviour and, in some cases, the partner country has concerns that the rationalisation may result in a decrease of external financing (Wentzel, 2011). This is a pertinent issue given the importance of country leadership stressed in DoL policy papers. Despite initiatives at EU level, donor concentration strategies and resulting exits are still unilateral with little or no inputs from other donors or partner countries. Information sharing among EU Member States and the EC is only just beginning to emerge (Dabelstein, 2012) – Informal information sharing and coordination are common occurrences on the ground but, in effect, the codification and formalisation of these processes at the political level is difficult. Many Member States are reducing the number of countries they engage in, but these efforts are not coordinated and the Commission has found it difficult to influence these political choices (OECD, 2012).

On a global scale, the 21 Paris Declaration country evaluation studies, summarized by Wentzel (2011), underline many of the points of the EU assessments. The majority of the emerging donors do not participate in donor coordination schemes and, in general, do not submit to the principles laid out in the Paris Declaration. In general, donor logic and behaviour continue to limit coordination due to phenomena such as concerns over visibility, desire for quick results and requirement to be accountable to headquarters and domestic political constituencies. Lack of decentralisation is argued to slow down in-country harmonisation, as headquarters resist loosening their tight control (Wentzel, 2011), whereas elsewhere headquarters are thought to embrace the policy concept, but are not able to transfer it to country level, as in-country representatives do not necessary fully endorse it (European Think Tanks Groups, 2010; 68).

Simultaneously with the Fast Track Initiative on DoL, and as a part of the 2007 Code of Conduct on DoL, the EU is pushing for the adoption of joint programming between the EC and the Member States. Understood as undertaking joint country analysis (including the national government's national plan and time frames) to enable formulation and implementation of a common programme, joint programming aims to increase effectiveness by avoiding gaps and overlaps of bilateral approaches (or at least by more easily being able to identify these). It is meant to reduce the workload of the government having to negotiate country strategies and programmes with every single donor, and utilising the national planning and implementation cycles enhances ownership and alignment.

The policy framework encapsulating joint programming gained momentum with the European Consensus for Development of 2005, committing EC and Member States to work towards joint multi-annual programming. In 2006 a path towards joint programming was set out by the Common Framework for Drafting Country Strategy Papers and Joint Multiannual Planning (updating the first common framework for country strategy papers from 2000), stressing the need for the EC and Member States to synchronise programming cycles with partner countries in a leading role. Subsequently, 14 countries were selected for pilot efforts of joint EU strategies.[3] The 2009 Operational Framework of Aid Effectiveness sets the ambitious agenda of proposing that a group of countries be chosen, in which joint programming is to be fully operational by 2014.

> The commitment to joint programming is strong at policy level in Brussels, but synchronising programming cycles in practice is a difficult endeavour at country level. Not so much for practical as for political reasons, with little enforcement of what has been agreed at the EU level (HTSPE, 2011). On behalf of the EC, HTSPE reviewed progress for synchronisation and joint programming between EC and Member States in 2011. All EU donors reported a strong commitment to joint programming, but less than half were ready to actually see it implemented at country level, describing barriers such as *"internal rules and regulations designed for bilateral working and a lack of capacity to take forward joint work; weak political will due to bilateral goals, visibility concerns and increasing pressures to demonstrate impact and value for money; a lack of local leadership or interest from other*

[3] Burkina Faso, Democratic Republic of Congo, Dominican Republic, Ethiopia, Ghana, Haiti, Kenya, Mali, Sierra Leone, Somalia, South Africa, Tanzania, Uganda and Zambia.

donors; and no existing division of labour on the ground to form the basis of a joint programme" (HTSPE, 2011). Of EU donors, 68% were found able to adjust their programming cycle to match the partner country, but synchronisation has rarely been undertaken in practice. One reason may be that only 5% of EU donors were considered fully de-centralised, while 45% were fully centralised, with headquarter-based personnel primarily responsible for drafting country strategies in more than half of the donors (ibid.).

The global governance of aid clearly shows that development cooperation is not conducted in a political vacuum, and that bilateral donors continue to put room to manoeuvre in the political environment above the need to advance coordinated and inter-reliant approaches to development assistance (cf. Hartmann, 2011; Dabelstein, 2012). Division of labour remains a political undertaking, not a technical one. Conflicting interests are not easily dealt with at both international and country level, and the tendency towards unilateral approaches underlines the nature of development cooperation as a part of the sovereign foreign policy of donor countries. National visibility and colonial ties continue to play a greater role in determining bilateral development cooperation than the rational organisation of aid. The continuous commitments and attempts to *technify* the DoL agenda in the EU overlook the true political nature of the efforts, evident at all levels – from the cross-country to the sectoral priorities of where and what to engage in. Member States may be reducing the number of countries they are active in, but concentration strategies and resulting exits are still unilateral without the use of inputs from other donors or partner countries, and the EC has found it difficult to influence these political selections. The same is the case on a sectoral level, where Member States are reluctant to limit involvement in certain sectors due to visibility concerns, and the ability to show quick results and be accountable to headquarters. Domestic political constituencies seem to be prioritised over and above any coordination and complementarity efforts. Reluctance towards the DoL agenda not only runs across donors, but is also evident at partner level, where governments are hesitant to show leadership and take ownership of the processes, both in the fear of it leading to a decrease in aid levels, and on the basis of low political priority for development cooperation (Wentzel, 2011). This is naturally a pertinent issue given the importance of country leadership stressed in DoL policy papers. To a certain extent, this may be due to the fact that the objective benefits of DoL are much more apparent on the ground than at the political level. The EU's recent drive for joint programming confirms this.

Progress so far also seems to suggest that the EU is not the correct forum to advance *global* division of labour beyond European donors. The Code of Conduct underlines the importance of involving other non-EU donors,[4] but progress shows that these are not actively included in DoL processes, nor are their contributions captured well by the aid information management systems in place. Not because they are intentionally isolated by EU donors, but because of their unwillingness to be included in coordination systems, and apprehension about being perceived as equal to the traditional donors. As such, the inclusion of non-EU donors into the structures and systems of donor coordination and complementarity looks at best unmanageable under the current circumstances, and at worst as counter-productive to the existing efforts.

These gloomy outlooks however, do not necessarily imply that the EU should abandon the DoL agenda. The emergence of new actors has provided increased incentives for improved collective efforts through coordination and complementarity. At an ideal level, these collective efforts should include the new actors to move forward the global aid effectiveness agenda. In the current climate however, this seems to be an impossible task and as long as the collective European efforts on DoL are incoherent at best, the incentive for other donors to be involved in the endeavour seems unrealistic. Perhaps this acknowledgement should push the EU to firstly focus its DoL efforts on the internal division of labour between European donors before trying to include external actors. At country level, coordination and complementarity should naturally be embraced whenever possible but policy-wise, Brussels may have to change its focus inwards. Not in an effort to isolate the EU, but rather in the acknowledgement that the inclusion of non-EU donors into systems of coordination cannot be forced through.

These processes are designed to generate and implement a diverse range of (development) interventions in an integrated manner, and increasing coordination and complementarity through DoL processes provides the potential to deliver a coherent message, improving the political leverage of the Union. In a context where European influence in the South is almost certainly diminishing, doing so will provide the opportunity to win back influence and stand firm against the emerging powers.

[4] This distinction between EU and non-EU donors does not apply without reservation: some non-EU OECD donors (USA, Canada, Norway, Japan) are frequent partners of, especially, the Nordic+ countries, and this may be preferred to an EU setting by some, including Denmark.

Furthermore, as the global poverty landscape changes with a turn towards fragile and not necessarily attractive countries for donors, but also with a decrease in the total amount of poor people, the EU has a possibility to triple its per capita spending if aid levels are held constant. Should this happen, the need for complementarity and DoL will be even greater than today. Under the current conditions very few countries in which aid represents an important part of GDP have difficulties with absorption capacity if funding is concentrated in a few sectors. Should per capita spending be tripled however, a situation of overfunding and challenges of partner country absorption capacity could easily occur, both on cross-country and cross-sector levels. Under such conditions a *laissez-faire* approach to coordination and complementarity will have grave implications for aid effectiveness. Furthermore, an EU lead through a complementary and coordinated approach to delivering aid is an important part of signalling a strong donor presence and commitment in countries that have not benefitted from other types of financial flows and can, as such, support the activation of aid as catalyst to improved connections and involvement of private actors to spur FDI and other financial flows.

3.2 Securing Effective Development Assistance through Policy Coherence for Development

Poverty alleviation and the achievement of sustainable development requires more than well-targeted policies of development assistance. External policies outside the realm of development cooperation play a crucial part in fostering poverty reduction and inclusive growth. As the borders of internal/external and foreign/domestic scope of policies are blurred, it becomes essential to understand the intentional and unintentional effects of EU non-aid policies on developing countries. Policy coherence for development is a process of simultaneously eliminating existing incoherencies while making sure that future policies are complementary to the objectives of EU development cooperation by increasingly adapting policy areas to these. As such it concerns how to make a wide range of non-aid policies mutually supportive of, and coherent with, the broader goals of poverty reduction and development. The large amount of different policy areas embraced and controlled by the EU provides a great challenge to ensuring that external policies are not obstructive, but rather coherent with the aims of development policy.

At OECD level, the first policy coherence discussion was held at a high level DAC meeting in December 1991. Several reports and strategies have since then been prepared, all underlining the PCD focus within OECD, including *Shaping the 21st*

Century (OECD, 1996) and *Guidelines on Poverty Reduction* (OECD, 2001), but it was not until 2003 that PCD was introduced in its current form (OECD, 2003). Since 2003, OECD has reaffirmed its PCD focus through policy briefs (2008) and reports (2009a; 2009b; 2011), and since 2000, it has been incorporated as a main aspect of evaluation in the DAC Peer Reviews.

These efforts towards PCD mainly concern intra-governmental coherence as OECD advocates it to Member States, and had not been transferred to a 'multilateral' level until when the EU began including it in its policies. A legally binding demand to take into account any possible negative impacts of external policies on development was written into the Maastricht Treaty in 1992. Many years would pass, however, following the treaty, before PCD gained momentum with the Millennium+5 summit in 2005. Based on the argument that the MDGs will not be reached unless the EU and its Member States adopt an ambitious PCD agenda and increase efforts towards eliminating the negative effects of non-aid policies, one of the Commission's three Communications focused entirely on PCD. Later that year, PCD was written into the European Consensus for Development, and by 2007 DAC recognised how the EU had *"actively contributed to the growing international consensus on policy coherence"* (OECD, 2007). The 2005 summit also came to represent the first effort to systematically monitor Europe's progress on PCD (Keijzer, 2010), as the EU Council invited the Commission to prepare a biennial report on the EU's performance in 12 key areas identified and on the progress of Member States in implementing mechanisms for addressing national PCD issues. The monitoring reports were delivered in 2007, 2009 and 2011. To realise the ambition of PCD and extend it to include Member States, the Lisbon Treaty (which entered into force in December 2009) expressed how, *"The Union shall take into account the objectives of development cooperation in the policies that it implements which are likely to affect developing countries"*. In September 2009, and accompanying the 2009 EU Annual Report on PCD, the Commission announced a Communication, *'Policy Coherence for Development – Establishing the policy framework for whole-of-the-Union approach'*, observing the increased obstructing side effects of other EU policies on development and asking the Council to define a range of issues to be dealt with specifically. In replying with five defined issues, the Council asked the Commission to prepare a PCD Work Programme for 2010–2013, and in the spring of 2010 DG DEVCO published a Staff Working Paper in the form of the Work Programme, which saw a modest reply from the Council, and no formal endorsement. In 2011, the Annual Report on PCD was not accompanied by an umbrella Communication as in 2009, and it seems that the 2009 objectives and strategy are perceived to still be relevant (Keijzer, 2010), but also that the PCD agenda may have lost some its political pace (Concord, 2011). *An Agenda for Change* reaffirmed the EU's PCD focus, calling on increased country-level dialogue and the promotion of PCD in international fora, but it also noted an intensification of its joined-up approach to security and poverty. A positive improvement to the PCD agenda was made during the Danish EU-presidency in the spring of 2012, in the form of the adoption of separate Council Conclusions, an important outcome focusing on increased knowledge sharing, country-level dialogue and further engagement with other stakeholders.

Coordinating policy processes at EU level in the pursuit of PCD moves on five levels (EU, 2011). First, coordination is to be carried out between DG DEVCO (EuropeAid) and Directorate Generals working with other policy areas, and also with EEAS. Second: coordination occurs between different EU institutions, with the European Parliament and the Council of Ministers as the most important in co-deciding policies. Member States are the third level due to their decision-making role in the Council, and their responsibility for implementing both national policies and EU policies at home. Fourth, cooperation with partner countries as well as civil society is key in supporting and monitoring actual impact of policies on the ground and potential incoherencies. Lastly, as development cooperation remains a global effort, PCD is advanced in international fora.

At an institutional level, the EU has initiated several mechanisms or services aimed to ensure PCD. An *inter-service group on PCD* was established in 2006, as a network with participation from DGs related to PCD challenges, where experiences and views on PCD issues can be discussed (EU, 2011). It remains unclear still what the outcome and added value is from the group. In the same vein, services are consulted (*inter-service consultations*) on all policy proposals to allow relevant DGs to comment, but outcomes and experiences of how proposals have been made more development-friendly are few.

Since 2003, DG's have had an obligation to conduct a *study on the social, environmental and economic impact of each initiative* they take, and in 2009 this screening process had an external dimension added ensuring that all initiatives are assessed in relation to PCD. Between 2009 and 2011, however, only 7 of 164 ex-ante impact assessments included this external dimension (Concord, 2011) despite the obligation to do so. The ex-post assessment of external effects of EU policies on developing countries is also non-existant and no formal PCD complaint mechanisms exist for partner countries, though Portugal has suggested, *"a focal point be appointed in each EU delegation in developing countries, to monitor and report on impacts of other policies in relation to development objectives"* (EU, 2011). PCD is included as *a component of the main programming instruments*, the Development Cooperation Instrument and European Development Fund, and related sections are now in country strategy papers. The Commission has taken steps towards *including partner country voices* early in policy discussion (OECD, 2012). This initiative is grounded in the Cotonou Agreement Art. 12, setting out a dedicated consultation mechanism.

The political will towards PCD is strong in the European Parliament Development Committee. In May 2010 a *Standing Rapporteur on PCD* was established with the aim of reporting to the Committee on incoherencies within EU policies that have negative effects on developing countries. However, recognition of PCD continues to be a problem outside of the Committee in Parliament, where short-term national and European interests seem to be prioritised over long-term international concerns (OECD, 2012).

Materialising and institutionalising policy coherence for development in practice remains a tremendous challenge. As all political systems, the EU is characterised by competition between actors and stakeholders representing differing values, objectives and goals, and is subject to many vested and conflicting interests. In the same vein as with the division of labour agenda, the application of PCD seems to be too rooted in an understanding that technicalities are the solution to unintended incoherencies – and that with the 'proper' institutional mechanisms and policy formulation guidelines integrated into the bureaucratic machinery, progress will naturally advance towards coherence of policies. Such an understanding neglects the political nature of the concept. Incoherencies between, and negative consequences of, certain policies are inherently the result of political prioritisation, and in the case of PCD, often the result of a process where development efforts have been subjugated to other, and in terms of political leverage, stronger self-interests.

The current EU perception of PCD acknowledges its political nature, but mainly relates to and adopts a far too technical and narrow understanding. This approach is especially evident in the 2011 EU report on PCD, where the existence of institutional mechanisms and policy formulation guidelines is thought to naturally imply progress towards coherence of policies. The efforts towards PCD can only be driven in a top-down form, where political leadership aspires and pushes for increased policy coherence all the way down the system.

Political and administrative will and support for PCD seems to be strong in both the DEVE Committee of the EP, and in DG DEVCO, but the concept appears to fall short in the face of other political priorities and has not gained much acknowledgement in other DGs and in the rest of Parliament. In the same vein, actual progress on screening policy options seems to be slow, as underlined by the fact that only 7 of 164 *ex ante* impact assessments of the DGs between 2009 and 2011 held an evaluation of the policy's external dimensions and consequences, despite the existing obligation to make this assessment in all proposed policies (Concord, 2011).

The benefits of a truly coherent approach towards third countries and especially the developing world are beyond doubt. Internally, coherent policies for the purpose of supporting developing countries would imply increased aid effectiveness and thus value for money. Just as importantly though, and also gaining increased footing in the EU approach to PCD, coherence and the ability to speak with one voice would be a major step forward in terms of accountability, legitimacy and credibility of the EU as a global actor, potentially allowing it to win back some of the influence lost to new actors.

The establishment of EEAS on 1 January 2011 has provided an opportunity to ensure coherence between policies and avoid negative impacts on developing countries. As a diplomatic service, EEAS is responsible for the political dialogue with third countries, and has also been made responsible for programming development cooperation including the 11th EDF, but DEVCO defines development cooperation and ensures implementation, and is thus responsible for policy dialogue at the sector level. EEAS has, nonetheless, had problems in addressing poverty reduction in its first years and programming for the 11th EDF will be instrumental in determining to what degree foreign policy issues beyond those of poverty reduction and fostering development will dominate future cooperation with third countries. As such, EEAS has so far addressed the need for policy coherence, though without the central D for development (van Seters & Klavert, 2011), and PCD has yet to be officially stated as a key priority for the service.

The PCD agenda seems to have lost some of its political momentum in the last year, partly with the rather weak 2011 Annual Report on PCD and the fact that it was not followed by an umbrella Communication as in 2009, and partly with its still missing ability to gain footing and political backing outside the circles of development cooperation of the EU institutions (cf. OECD 2012). More generally, any approach that pursues the interests of third countries (even those of poverty reduction) at the expense of EU self-interest will face limited political support in the current climate of the Eurocrisis, as the position of the EU slowly moves in an inward-looking direction.

In order to (re)vitalise its PCD efforts the EU would benefit from narrowing down the thematic focus areas to fewer than the current number. Refocusing on, for example, economic cooperation through the policy areas of trade and investment would contain it, avoid efforts from being spread too thin, and thereby increase the possibilities for actual progress. It would be appropriate to deal with the challenges to EU development cooperation accounted for as it addresses the marginalisation of aid, by increasing effectiveness as well as by fostering greater integration between public and private relations in financing for development. Furthermore it would address the changing nature of partnerships with both emerging powers and rising middle-income countries that will no longer profit from beneficiary relationships, by encouraging increased focus on economic cooperation through trade and investments. Lack of obvious progress on eliminating incoherencies may be evident alongside limited political support, yet the steps taken towards institutionalising mechanisms that force DGs to coordinate and cooperate across issues may prove to be appropriate in dealing with the changing context of development cooperation and force the EU to move beyond beneficiary relations towards increased economic cooperation, should their potential be fully activated.

3.3 Comprehensive Partnerships

The Lisbon Treaty introduced a new principle of EU external action: that *"The Union shall seek to develop relations and build partnerships with third countries, and international, regional or global organisations"*. At the same time, we are witnessing an evident departure from the principle of non-reciprocity towards developing countries in the EU. Aid to middle-income countries is gradually being reduced (cf. Herbert, 2012; ECDPM, 2012), and many trade agreements are negotiated on a reciprocal basis minus the preferential treatment of past times, on the basis that these countries have industrialised and developed trade capacity to a level where they now represent competition in the global economy and should be dealt with as such. Thus, through the differentiation agenda, the relations between the EU and MICs are in the immediate future likely to change from that of donor–beneficiary towards being comprehensive and reciprocal partnerships, building upon likely areas of common interest including trade, investments, energy and political dialogue. In a context where aid no longer remains the primary driver for development in a wide range of countries, substituting aid relationships with comprehensive partnerships is an exceedingly important endeavour.

The EU experience with partnerships is primarily evident in the relations governing the ACP–EU cooperation and in the strategic partnerships currently developing with emerging powers. Common to these different types of agreements is that they are characterised by a complexity and diversity of content, and cover a wide range of issues and instruments.

3.3.1 Lomé, Cotonou and ACP relations

The Cotonou agreement succeeded the Lomé Conventions I–IV (1976–1999) in 2000 and is the most comprehensive partnership agreement between the EU and the developing world, covering relations with 78 countries. The Lomé Conventions (I–IV) governed the relations between Western Europe and its former colonies (46 countries were part of the Lomé) from its inception in 1975. The Lomé Conventions were a truly comprehensive partnership arrangement, and in addition to the provision of technical and financial support in the areas of aid and trade, the framework provided preferential and nonreciprocal access to European markets and also included political conditionalities. The three initial conventions did not impose obligations on political affairs, but the fourth convention introduced the principle of 'mutual obligations' including clauses on human rights, corruption, democracy and good governance, and also contained a clause on the structural adjustment agenda of the World Bank and the IMF (Avafia & Hansohm, 2004).

As the expiration year of 2000 approached, the assessment of the framework's results was not positive. The European Commission itself concluded that the agreement had failed to meet its objectives of poverty reduction and the attainment of higher levels of economic and social development (EC, 1997). African, Caribbean and Pacific (ACP) countries' market share of exports in Europe had decreased and contrasted with the Asian economies' non-preferential treatment but increased relative importance in European markets.

Subsequently, the Cotonou Partnership Agreement (CPA) was signed in 2000 to cover a period of twenty years. It initially covered cooperation with 78 African, Caribbean and Pacific (ACP) states within the three pillars of aid, trade and political dialogue (cf. Broberg, 2011). In terms of trade, the fundamental change from the Lomé model was replacing the unilateral preferences with a reciprocal arrangement, fostering bidirectional trade liberalisation through the establishment of free trade areas (Aurre et al. 2011). *Free trade* was not included in the formulation of the CPA however, and Economic Partnership Agreements (EPAs) were to be implemented instead. The non-reciprocal preferential trade arrangement was kept, but only included LDCs through the Everything But Arms (EBA) initiative of 2001.

Political dialogue was elevated to being a cornerstone of the Cotonou Agreement and legally enforceable political conditions were introduced. The political provisions of Cotonou primarily include good governance in the shape of anti-corruption and democracy. Article 97 defines consultation procedures should one of the parties find proof of instances of corruption. This is not confined to EU funds, but rather if corruption occurs at any level in a country where the EU is involved (cf. Broberg, 2010). Article 9 describes democratic principles of rule of law, accountable governance and human rights and how these are *"universally recognized principles underpinning the organization of the Country to ensure the legitimacy of its authority, the legality of its actions reflected in its constitutional, legislative and regulatory system, and the existence of participatory mechanisms'*. Article 96 then sets out how a consultation will be commenced if a party fails to fulfil an obligation according to the definition of the principles.

The initial time plan envisioned saw EPAs launch on 1 January 2008, and was followed rigidly by the EU at first. Pressure was put on the ACP side with the proclamation that in the absence of agreements by the deadline, the only option would be to transfer the trade relations to a much less favourable framework, such as the Generalised System of Preferences (GSP), if not an LDC with EBA possibilities (ibid.). As the deadline approached, only one full EPA had been negotiated with the Caribbean states, and the rest had to make do with interim accords that addressed problems of incompatibility with the WTO regulations. When the initial deadline of 2008 passed unmet, the EC granted the ACP countries with temporary preferential access to the European market under 'market access regulation 1528/2007' (MAR1528). MAR1528 has a deadline of 2014 set, but when the European Parliament met in September 2012, 322 to 78 voted in favour of extending the regulation until 2016. The Council's Trade Policy Committee has, nonetheless, rejected Parliament's amendment, and the proposal is now in second reading with the aim of finding an agreement between the three institutions (Dalleau, 2012).

The EPAs have generally been perceived as controversial by research, civil society and most importantly the partnering Southern countries. The EU argument of positive outcomes through increased differentiation has been counter-argued to be a positive spin on what is an attempt by the EU to break the cohesion of the ACP group by engaging countries individually or in regional blocs in a process that will eventually encourage regional disintegration by pitting countries against each other in the regional agreement frameworks (Barbarinde & Wright, 2010). Aside from these arguments, criticism towards the EPA processes has primarily focused on: a loss of customs revenue for the ACP countries; the vulnerability of particular sectors to European competition; the EU's double standard in terms of fostering free trade while stalling on agricultural protectionism through the Common Agricultural Policies (CAP); the weakness of the ACP countries' negotiating leverage; distortion of regional African integration processes; and controversial EU positions on investment, intellectual property rights and public contracting. The experiences of Lomé and Cotonou are also apparent in the EPA negotiations, as normative principles and aspects of regional governance are included as conditionality clauses.

3.3.2 The Strategic Partnerships

The erosion of well-defined global power structures and symmetries makes bilateral relations critical in facilitating mutual understanding, addressing tensions, or stimulating collective action. The strategic partnerships of the EU are not as much based on colonial connections as on the relationship to the ACP countries evident in the Cotonou Agreement. Nor are they based on notions of support attributed to an asymmetric relationship in which the EU considers itself to be solidary towards feebler countries. Rather, they are partnerships with countries considered to be key in shaping the global context of which the EU is a part, and are as such based on conceptions of necessity more than choice or indulgence, as divergence from this would greatly damage the EU's interests and position.

The EU has strategic partnerships with Brazil, China, India, Japan, Mexico, South Korea, Russia, South Africa, Canada and the US, and with three regions: Africa, Latin America and, to some extent, the Caribbean (this partnership mainly includes a joint strategy and is not formally *strategic*). Some of these partnerships go back to the 1990s, but most were established or revitalised in the last decade, and partnerships that have traditionally revolved around development cooperation have all been extended into other fields of cooperation, such as trade and economic agreements (e.g. with South Africa, Brazil and India). Common to all of the partnerships is that the political and *hard* foreign policy issues have mainly been at a rhetorical level (Grevi & Khandekar, 2011). It remains difficult to determine the 'degree of *strategic*' in many of these partnerships, and the EU itself is not overtly vocal on the conditions and nature of many of them.

At the European Council summit in September 2010, HR Catherine Ashton proposed that strategic partnerships could be formed with Egypt, Israel, Indonesia, Pakistan, Ukraine and South Korea. The type of countries selected is striking, and strategic, security and geopolitical interests seems to have played a greater role than shared values. The group of existing and potential strategic partnerships involves likeminded and different value systems, advanced economies and emerging global players, regional players and countries struggling with social and development issues.

The strategic partnerships with Brazil, South Africa, India and China all relate to the changing nature of cooperation with emerging powers and rising middle-income countries at the centre of the challenges to EU development cooperation. All of the four partnerships are mainly built around trade, investment and economic relations, with little progress in other areas. The EU–Brazil relationship has yet to surpass the traditional North–South divide, principally due to Brazil's self-image as a part of the global South. A Joint Action Plan 2012–2014 was nonetheless approved at the last Summit in 2011, upgrading and broadening the scope of relations on a range of bilateral, regional and global issues. This contrasts with the stalled regional negotiations with MERCOSUR (under which Brazil's FTA with the EU is to be negotiated). During the Danish Presidency an attempt at revitalising these was initiated, but without any success.

The EU–India partnership has moved from being focused solely on development issues, to now including trade and economic matters, as with the rest of the emerging powers. These economic relations have not been comprehensively agreed upon in a framework, as India is also yet to have an FTA negotiated with the EU, as a number of difficult issues are still to be resolved. The common priorities for the partnership remain trade, security, energy and climate change (renewables) on the part of the EU, and sustainable agriculture, development, commerce and a source of technology transfer to maintain growth on the part of India (Khandekar, 2011).

The Sino-European partnership continues to face difficulties and constraints: Europe's competitive edge on trade is shrinking and the all-market strategy of China has entailed that the overlap of exports from China and EU has increased from 15% to 35% in the last decade, greatly increasing competition between the two. A normative disconnect continues to test the EU–China relationship (China as a developing country holds principally different, short-term, priorities and interprets common challenges differently than the EU does); and finally both China and the EU face internal problems in the form of the Eurocrisis and political disagreements in Beijing (Grevi & Khandekar, 2011). Common to China and at least Brazil and India is the shared EU interest in a stabilised world that does not allow conflicts or conflict-prone regions to have negative economic consequences. To this end, the transfer from a unipolar world to an order of polycentric pockets of power is a main concern, addressed *inter alia* through reforming institutions and upholding an open trade regime. In this respect, the principles of non-interference remain a central area of divergence between the EU and the three emerging powers, and recent differing positions on, for example, Libya have displayed the limits of common ground for global action of the EU and all the four emerging powers (Brazil, China and India all abstained from voting on a possible military intervention in the UN Security Council).

The partnership with South Africa is of a different nature than the other three, as it continues to revolve around development cooperation and includes vast amounts of financial support. It was, however, upgraded in 2007 to include issues beyond development moving into areas of technology and knowledge exchange, diplomatic support in global fora, and cooperation on energy, climate, security and human rights. South Africa is part of the collective Southern African Development Community (SADC) with which the EU is currently negotiating an EPA, a process that has been argued by South Africa to be one-sided in the interests of Europe rather than reciprocal.

The most important regional strategic partnership of the Union is formed with Africa. The strategic partnership is institutionalised in the EU strategy for Africa of 2005 and, more importantly, the Joint Africa–EU Strategy (JAES) adopted in 2007 in Lisbon, setting out the intention to *"build a new strategic political partnership for the future, overcoming the traditional donor–recipient relationship and building on common values and goals"* (EC, 2007) within the issues of peace and security, governance and rule of law, trade, regional integration and development, migration and climate change, but also including less traditional issues such as space, science and information technology, which demonstrates the high level of ambition of the strategy. The joint strategy is an expanded institutional framework with policies and action plans, time frames and assessable outcomes. JAES seems to have lost traction in the last years though – stakeholders on both sides argue that it is not moving either fast enough or in the right direction in terms of modifying the quality of Africa–EU relations (Bossuyt & Sheriff, 2010), it does not seem to capture the attention of EEAS, and strategies covering regions such as Sahel and the Horn of Africa have come into play.

It is apparent that the strategic partnerships of the EU face a number of challenges, both in their nature and the way they are advanced, as well as in the political realities they develop under: the sheer number of partnerships established may create a fear of overstretching the concept of *strategic* partnerships, and risks rendering them partnerships without strategic choices; the perceived proliferation of such partnerships, long before their added value has been clearly established and with no clarity on the process for selecting and establishing the partnerships; the already existing bilateral relations many Member States have with countries that could undermine the European strategic partnerships (but also support them if done in a coordinated manner); and the links between European and national bilateral relations which needs to be developed more comprehensively. If China continues to attract the attention of African leaders, the EU will have to downplay the role of governance and human rights conditionalities in the partnerships or they will have no one to cooperate with (this was made especially evident when the developing EU–India partnership broke down due to EU pressure to include human rights conditionalities in the FTA). On many issues the EU has concrete key policies, including on development cooperation, climate, energy and migration, which are not thoroughly integrated into the partnerships.

Comprehensive partnerships are, nonetheless, an important flexible and multi-purpose foreign policy instrument in a global arena that is becoming increasingly complex. They are essential for the EU's economic interests in terms of a more open trade system, market access and reciprocity, and increase its political footprint in regions of the world where this has not been as evident as the economic ties, such as Asia (Grevi & Khandekar, 2011). If properly pursued and negotiated, they could form the basis of a wide-ranging approach to development cooperation, potentially fit to address the exclusion of the emerging powers and MICs from the traditional aid relationships as a consequence of the current agenda of differentiated partnerships in the EU. They are ideal for developing relations with countries situated at the interface between north and south, and all the current partners are also members of the G-20. But they are also testament to the changing global power relations manifesting themselves in development cooperation, and take on radically different shapes from the partnerships with the ACP countries. China's arrival has allowed for increased room for manoeuvre within bilateral and multilateral frameworks for African countries, as these can diversify their relations with external partners, but the power asymmetries are still very much intact in EU–Africa relations, especially in bilateral dealings. This heterogeneity of relations is not the case for agreements with the emerging powers, nor with strong regional groupings elsewhere in the world. Inter-regional cooperation with Asia does not bear the same activities and scope of policy as are evident in the EU–Africa cooperation. The numerous political challenges and collisions accounted for in the above underline how greater power symmetry requires reciprocal and equal terms at the cost of self-interest, and limits the possibilities of applying political pressure on the partner through conditionality.

As such, building comprehensive partnerships remains a feasible answer to the challenges accounted for in this paper. The rise of new powers of the global south and the immediate changes in the global poverty landscape imply increased cooperation with MICs that possess the economic capacity but perhaps lack the political will to initiate domestic reforms targeting their internal pockets of poverty, with the purpose of moving relations beyond development aid into a wide range of areas with trade, economic cooperation and political dialogue as the central ones. Having the necessary experience in coordinating and making differing policy areas complement each other is fundamental in dealing with the possible future marginalisation of aid, but it is also vital in the future scenario of poverty in fragile states where development aid will be central. But building effective partnerships is also about the coherence between EU and national positions and initiatives, the factors that shape them at the domestic level, and about standing firm on the EU's own principles and interests, while not overestimating the actual political influence and leverage of the Union.

4. Conclusion

This paper has identified significant challenges to the European Union's development cooperation from the reorganisation of the global development arena around three pillars: the emerging powers and the associated increased South–South and trilateral development cooperation; private financing for development and the potential marginalisation of aid; and the changing spatiality of the global poverty landscape.

In reviewing the experiences within three policy areas (division of labour and complementarity, policy coherence for development, and comprehensive partnerships) and their appropriateness to deal with the challenges posed, the paper suggests that:

(i) The future predicted shifts in global poverty imply a possible increased per capita spending if aid levels are held constant, underlining the importance of division of labour and complementarity in a context where absorption capacity may be challenged and a *laissez-faire* attitude will entail ineffectiveness of development assistance. However, lack of progress in internal coordination and limited inclusion of non-EU donors in the current framework of division of labour and complementarity should push the EU to, firstly, focus its efforts on the internal division of labour between European donors before trying to include external actors. Joint programming is continuously committed to at EU-level, but has not yet materialised in practice because of concerns about visibility and the narrow bilateral priorities of EU Member States. Still, synchronising programming cycles and implementation would be a major step towards increasing aid effectiveness, and can only really be furthered at EU-level. The future focus should remain on translating the commitments to action at country level.

(ii) The EU efforts on policy coherence for development would benefit from being narrowed to fewer thematic focus areas, with increased focus on institutional coherence between different policy areas and instruments. Refocusing on coherence between economic cooperation and development assistance (*inter alia* involving the areas of trade and investment) would be appropriate in dealing with the possible marginalisation of aid, and the changing nature of development cooperation, currently shifting towards comprehensive reciprocal partnerships rather than donor–beneficiary relations.

(iii) Comprehensive partnerships are an important, flexible and multi-purpose foreign policy instrument in a global arena of development cooperation that is becoming increasingly complex. If properly pursued and negotiated, they could form the basis of an approach to development cooperation, potentially fit for addressing the exclusion of the emerging powers and MICs from the traditional aid relationships as a consequence of the current agenda of differentiation in the EU. They are ideal for developing relations with countries situated at the interface between north and south, and they bear testament to the changing global power relations manifesting themselves in development cooperation. They remain an evolving answer to the challenges accounted for, and having the necessary experience in coordinating differing policy areas to make them complement each other is fundamental to the emerging forms of cooperation with new powers and rising MICs, and also in dealing with the possible future marginalisation of aid and the stimulation of private finance for development. But the EU continues to walk a fine line between standing by its own interests and overestimating its political leverage in the imposition of political conditionalities, and needs to develop a more realistic self-perception of its role in these new forms of partnership.

The EU has struggled to adapt its policy and engagement with the changing context of the world. It has had difficulty in redefining its own interests, in moving away from the traditional charity partnerships of development assistance, and national differences and narrow interests continue to constrain policy. Consensus is not easily achieved, and even in areas of EU competence, it can only make an impact when the Member States provide it with a strong mandate. This paper has nonetheless shown that the potential to address and confront the challenges of this new context, to some extent exists and is embedded in the experiences and policy initiatives made over time in the EU, in the three areas engaged in. The greatest challenge for the future of the Union's development cooperation becomes to truly activate this potential.

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