The public goods conundrum

The European Union has the opportunity to establish itself as a leader in the new, global development landscape. But to do so, its member states must agree on a distinct policy framework that addresses the need to provide global public goods.

The European Union (EU) has massive potential to drive the global development agenda in the 21st century. It has cash, technical expertise and its own post-war experience to share. Its economic size and range of activities mean it has a wide array of policy tools to bring to the table. Making the most of these advantages requires more Europe: a European strategy for global development, with collective action through the common institutional structures and actors that have been created for this purpose. However, in the current political and economic climate, many of the EU's 27 member governments are reluctant to act collectively, not only in development policy but in virtually every area of EU integration. This is a short-sighted view: in an increasingly interdependent world, where the global power balance of power is shifting rapidly, European countries have little option but to work together.

summary

- Global power shifts are altering the development landscape, necessitating a parallel shift from a development aid focus to a global development policy that addresses priorities linked to global public goods.
- The European Union has the funds, expertise and experience to drive this initiative, but first its member countries need to agree on concrete goals and implement a common strategy for realizing them.
- Public diplomacy regarding EU development policy needs improvement. The EU and its members must convey to the public that global development is a long-haul process that does not immediately produce measurable results.
- The EU must also convey that the short-term costs will be outweighed by the longer-term benefits of equitable GPG provision.

Global public goods

The global development landscape is changing fast. Power shifts in the 'new global society' are demanding traditional development actors to move beyond aid towards a 'policy for global development.' This means that policy strategies need to adjust to address global development priorities that are increasingly interwoven with global public goods (GPGs) challenges (for more on these issues, see Inge Kaul's special report, '**Collective Self-Interest**', and Ellen Lammers' special report, '**Reshuffling Power**', in issues 20 and 24 of *The Broker*, respectively).

GPG challenges such as climate change, biodiversity, food security, migration, financial instability and human security do not recognize borders. They affect rich and poor countries alike. GPGs such as peace, economic stability, environmental sustainability and social justice are both requirements for and outcomes of socio-economic development. The frequency and intensity of recent global crises, such as the food and financial crises, have underlined the global nature of development in an interdependent world. If dealing with development in isolation was ever possible, it is certainly not any more.

Policy for global development therefore means much more than what is traditionally understood as the remit of development cooperation. It extends beyond the narrow policy field of official development assistance (ODA) defined by the OECD–DAC. This does not mean that aid is an

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Fabrizio Bensch / Reuters

Berlin, Germany

outdated concept, despite predictions of 'the end of ODA'. Traditional development challenges such as aid effectiveness and policy coherence for development (PCD), which are aimed at eradicating poverty while discouraging policies that undermine this goal, are still part of the global development story. Policy for global development includes development aid, which is increasingly being used to fund GPG provision.

Policy for global development is bound up with equitable GPG provision in ways that are conceptually much broader than PCD. It also includes aspects of classical foreign and security policy – the 'high politics' of international diplomacy. Economic and trade policy, finance and investment policy, environmental and climate change policy, fisheries, agriculture, technology transfer, migration, and aspects of 'domestic' policies – such as consumer protection policy and food standards, which might affect producers and markets in developing countries – are all components of a global development policy package. The issue is not only how policies in these areas impact on aid effectiveness and policy reduction, but how they can be utilized at the global level to address complex challenges, entrench successes and move forward in hitherto difficult areas where globalization needs better management

If global development is to become the leitmotif for EU policy on developing countries, a clear and convincing strategy for providing GPGs needs to be articulated and implemented. This would pave the way for a harmonized approach between member states and Community interventions in developing countries, engagement with emerging countries, and cooperation in international negotiations. Such a strategy would need to involve several elements:

- Decisions about which GPGs to focus on
- Decisions about how to engage with countries or groupings of countries with varying development levels, needs and priorities
- Decisions about which countries should continue to receive ODA and which countries could rather benefit from partnerships based on mutual interests and the promotion of activities such as trade, energy, environment and investment cooperation
- Decisions about the way to organize within Europe so that member states and Community actors are all pulling in the same direction
- Decisions about how to get international agreement on the global regimes needed to entrench GPG provision

Such an ambition would also require that global development policy become the central element of the EU's international engagement – a strategic decision that would allow the EU to fully seize the potential of its external policies.

On the right track

Europe has long been a global leader on development-oriented issues and policies. The EU's development policy stems from the same founding moment that initiated the European integration process, the Schuman Declaration of 1950. In recent years, the EU has issued several policy declarations that have started a transition from Europe's traditional role as a group of 'donors' into a new role as a development 'partner' (see 'Timeline' box), thereby beginning the tortuous process of modernizing development policy to meet the demands of a changing world.

The EU appears to be on the right track to address a more complex world and formulate policies that support a GPG approach. All in all, its policy statements represent a comprehensive and innovative framework. Nevertheless, as is often the case with the EU, the challenge is to get all of the relevant actors to agree on concrete goals and to implement a common strategy for realizing them. Taken either in isolation or as a group, the EU's policy documents do not constitute a strategy for global development.

The EU has launched several initiatives aimed at underwriting GPG provision at the global and regional levels in the framework of its external action. Unfortunately, such efforts often fail to deliver on their promises. This is sometimes due to factors outside European control. The EU's new strategy for the Horn of Africa, for example, has four overarching 'public goods' objectives: to create security and build peace, to strengthen regionalism, to tackle fragility and support democratic governance, and to build prosperity. However, the strategy faces serious challenges stemming from tensions in the region itself.

As if 'external' challenges were not enough to deal with, the fate of the EU's grand regional and global visions often suffers from lack of commitment by European governments to empower the EU with the tools for implementing promises made in the policy declarations. This reluctance manifests itself in several ways.

Timeline: Europe's tentative steps towards global development policy

The 1992 Maastricht Treaty included provisions on coherence between foreign policy and development objectives.

The 2003 European Security Strategy stated that 'security is the first condition for development' and called for coordination of the various instruments at Europe's disposal.

The 2005 European Consensus on Development defined poverty reduction as the primary goal of development policy, benchmarked against the Millennium Development Goals (MDGs). The Consensus explicitly linked policy areas, including trade, human rights, good governance, education, health, environment, migration and security, with the MDG agenda and poverty eradication.

The 2005 EU Africa Strategy combined trade, aid and support for security and governance in a 'package deal' for partner governments in Africa.

The 2007 EU Code of Conduct on the Division of Labour has the objective of enhancing complementarity among EU donors (Community and member states) in developing countries.

Article 208 of the 2009 Treaty of Lisbon stated that 'the Union shall take account of the objectives of development cooperation in the policies that it implements which are likely to affect developing countries.'

The 2009 Council Conclusions on PCD and the 2010 12-point Action Plan for meeting the MDGs stressed the need for the EU and its members to deepen efforts to make aid more effective, whilst at the same time moving beyond the narrow focus of merely providing aid conditional on reforms, market access and other donor interests.

Reluctance to commit

First, many of the EU's initiatives can only be taken on a best endeavour basis. For example, the EU supports the Extractive Industries Transparency Initiative (EITI), which aims to make commodity transactions between international companies and developing country governments transparent. Nevertheless, the EU has not yet managed to legislate to ensure European companies respect EITI guidelines.

Second, the nature of the global challenges requires a strong development-oriented approach and vision in order to be addressed sustainably. This is yet to emerge in the EU. For instance, in the peace and security field, the EU and its members have acknowledged the complex links between security and development and declared their intention to address these.

The EU has backed these words with several peace-building missions to developing countries in recent years. The mandate of the 18-month EUFOR mission to Chad and the Central African Republic, which ended with a handover to the UN in March 2009, was to protect civilians, facilitate the delivery of humanitarian aid and provide a secure environment for political transition. The mission nevertheless received criticism from many quarters for not addressing the complex factors behind the conflict.

Similarly, the EU-Atalanta naval mission in the Gulf of Aden has successfully protected UN humanitarian aid convoys to Somalia, but has not ended piracy off the Somali coast. The mission is in any case tasked only with dealing with the symptoms of a classic case of 'tragedy of the commons': the United Nations Environment Programme alleges that years of illegal overfishing and toxic waste dumping have destroyed much of Somalia's territorial fisheries and pushed skilled sailors into seeking alternative sources of income.

Third, the EU has struggled to build the broad coalitions required for getting signatures on binding international agreements for entrenching GPG provision. Whatever vision that the EU achieves internally, it needs to be able to mobilize support from non-EU actors. A stark illustration of the EU's failings in this regard was the fate of the EU's common position during the December 2009 Copenhagen Summit on Climate Change. European heads of state did not let the Commission negotiate on their behalf, and without the unequivocal backing of its members the EU was powerless to prevent the United States, China and India from sidelining its proposal.


Gonzalo Fuentes / Reuters

Paris, France

Although the international process on mitigating climate change is far from over, the outcome of the Copenhagen Summit disappointed many who had hoped for a binding commitment to address this GPG provision problem.

Fourth, the EU's complex institutional and bureaucratic set-up has at times proved inadequate for mobilizing the political momentum to implement its ambitious global agenda. The EU is both a set of institutional actors on the one hand, and an arena for member state bargaining, on the other. Within this structure, multiple policy actors must reach common positions on a large number of issues, especially cross-cutting ones such as GPGs. It is a major challenge to reach compromises that are both acceptable to all actors within the EU *and* meaningful for development, in that non-EU actors affected by EU policies also benefit.

Often, the complexity of the EU decision-making processes has undermined efforts to link GPGs to development policy. Responsibilities within the EU are often fragmented and leadership diffuse. It is sometimes difficult to identify what the EU is trying to do – in most cases the many actors that make up the EU all need to agree before it can do anything, and a clear common position is not always possible.

Competences over specific policy areas vary from being exclusive to the Commission (trade), to being shared with the member states (development) or remaining in the domain of member states (foreign and security policy).The Commission acts as a donor in its own right, while bilateral development policy is still to a large extent considered a national prerogative driven by donor priorities and interests, especially in the larger member states. This tendency has increased noticeably in recent years amid the financial crisis and the accompanying rise of Euro-sceptic political discourse in many parts of Europe.

Why the struggle?

GPG provision involves costs. Security, free trade and pollution control do not happen naturally but require both active intervention and the preparedness to sacrifice individual gain in the interests of the common good. The question of who pays is sharpened by the 'free rider' problem: somebody has to pay the costs of providing a benefit that everyone can use, but some beneficiaries will avoid paying if they possibly can.

The problem with GPGs is that while benefits are often diffuse and difficult to measure, costs are often much easier to grasp, especially if these can be calculated financially. In a world in which resources are scarce, decisions to underwrite GPGs and orient their benefits towards inclusive development usually require making trade-offs between legitimate policy objectives and the legitimate interests of powerful political and economic actors.

This complex problem is not merely theoretical but has significant policy implications. In the EU context, promises to provide GPGs can be made at the community level, but the costs for ensuring they are provided must be borne by member states. At the minimum, democratically elected governments need to demonstrate that tax payers receive concrete benefits from the sometimes huge payments required to underwrite GPGs.

The recent euro crisis has highlighted both the free rider problem and the difficulty of resolving it: Greece, Ireland, Portugal, Italy and Spain have been accused of profligacy incentivized by the economic stability of the Eurozone, and, >

faced by the prospect that one or more of these countries will default, the German government has been forced to provide costly guarantees to protect the euro. This has not been easy because of strong domestic opposition in Germany, where many voters feel that they are being made to bear costs unfairly.

Similar dynamics can sometimes be seen in external policy. EU-driven efforts to underwrite 'peace, stability and prosperity' in the European Neighbourhood Policy (ENP) have foundered partly because the EU's member states have been unwilling to pay the costs of incentivizing political and economic reform, such as opening up to competition from North African agricultural exports, providing visas for citizens of neighbouring countries who want to work in the EU and increasing financial transfers to ENP partner governments. All of these measures would impose costs (real or perceived) on groups of voters in member states.

As the promise of the Arab Spring became frustrated in Egypt and Tunisia and turned into a violent summer in Libya and Syria, the EU found that its options were limited. Its main policy response to the turmoil in the Arab world, the 'Partnership for Democracy and Shared Prosperity with the Southern Mediterranean' released on 8 March 2011, offered southern neighbours very little that was not already on the table. The EU's High Representative for Foreign and Security Policy, Catherine Ashton, may have liked to do more, but her mandate is given by the member states – some of which have preferred to pursue change in the region through NATO rather than the European External Action Service (EEAS).

Pushing for reforms under the Lisbon Treaty

Article 208 of the Lisbon Treaty put development policy at the heart of the EU's external action, promising to improve the Union's effectiveness as a development actor while raising its international presence. High Representative Ashton welcomed the Lisbon Treaty as a 'once-in-a-generation opportunity' to improve the coherence of the EU's external policies in support of common global objectives.

In June 2010, EU Development Commissioner Andris Piebalgs told the European Parliament Development Committee that he believes that 'perhaps more than in any other sector, development reflects Europe's shared values and common willingness to implement them effectively… development rightly finds its place at the head and heart of EU external action worldwide.'

Following the Treaty, the EU made changes to the institutional framework for making and implementing development policy. The two most significant innovations are the launching of the EEAS in January 2011 after long and at times acrimonious intra-EU negotiations over its policy mandates, and the merger of the policy units of the Commission's DG Development and the EuropeAid agency into the new Directorate-General EuropeAid Development and Co-operation (DG DevCo), which is responsible for overseeing and implementing the EU's development programmes.

These new institutions have to meet the challenge of sharpening the EU's profile as a global player and improving the coherence of EU's external policies and actors. The institutional mergers should be welcomed at face value: bringing together policy analysts from the former DG Development and implementation officials from EuropeAid promises mutual learning as well as efficiency gains. Bringing all of the country and regional desks together under one roof in the EEAS will (when the Service finally moves into its new building) end an artificial administrative split between the ACP countries and the rest of the world.

The EEAS can play a key role in improving the EU's internal coordination, since it provides a focal point for member state and Commission policies. The inclusion of member state officials in the EEAS – especially at the delegation level – offers the prospect that better information exchange will facilitate closer coordination between bilateral and Community programmes. Its relationship with DG DevCo and other Commission directorates with external policy mandates that are not formally part of the EEAS, such as DG Trade and DG Environment, will also be crucial for Europe's policy for global development.

While it is still too early to draw concrete conclusions as to whether the new institutional framework will live up to the Lisbon Treaty's promises, there are already signs that Article 208's potential to refocus EU external policy on development may not be fulfilled. Although the EU's common institutions normally work together in international affairs, tensions have surfaced in the past between the Council Secretariat and the Commission in times of turf war.

From a development perspective, the European Parliament is a key player: at the insistence of the Parliament the Council decision establishing the EEAS was amended to include explicit references to the 2005 Consensus on Development and Article 208 of the Lisbon Treaty.

Despite reassurances, the allocation of development policy-making responsibilities to the EEAS entails risks for the PCD agenda and for the EU's work on GPGs. Thus far the EEAS roll-out has been dominated by the foreign and security policy bureaucracies in Brussels and member state capitals, raising concerns that development policy may be 'securitized' or subverted by short-term foreign and security policy concerns.

The Lisbon Treaty has not changed the fact that decisions under the Common Security and Defence Policy will still be taken on an ad-hoc basis in the European Council. Member states – especially the 'big three' (Germany, France and the United Kingdom) – are likely to continue to dominate external policy decision making and make the most of opportunities to promote national foreign policy interests through the EEAS.

Member states are in the driver's seat

January 2011 brought to an end three major public consultation processes – all initiated by the European Commission – on the funding of EU external action after

London, the United Kingdom

2013, and on Green Papers on the future of EU development policy and the future of EU budget support. The consultations reflected a genuine effort to reach out to stakeholders, from whom the Commission received around 230 written contributions from EU member governments, national parliaments, partner countries, international financial organizations, civil society organizations, private firms and interested citizens.

The consultations process is to result in Commission communications on budget support and modernizing EU development policy due to be published in late 2011. So far indications from Brussels suggest that the results of the consultations are only partially being taken on board. It is likely that the development communication will argue that the consultations confirmed the relevance of the Commission's approach to development, and will focus mostly on aid effectiveness leaving the 'beyond aid' debate to the member states.

The paper is also likely to stress the need for distinct policy frameworks to structure the EU's engagement based on the development level of its partners, with priority given to sub-Saharan Africa and the ENP. The communication on budget support is likely to focus on governance and transparency, with measures to strengthen domestic resource mobilization in partner countries and reduce dependency on aid.

The next step is to use the consultations to formulate a more effective EU development policy linked to GPG provision. For this to bear fruit, member states need to commit fully to both the policy making process and its implementation. Although the United Kingdom, France and Germany are ahead of the European Commission in their thinking on GPGs, they are currently sending mixed messages. All have recently issued updated development strategies that stress the global nature of development challenges and the need to work with emerging countries on global issues from climate change to food security to financial regulation.

The 'big three', however, do not articulate a common strategy for addressing GPGs in the European context, which would require them to coordinate their policy positions not only at the national level but among the different line ministries as well, many of which have clearly defined national interest agendas. Until this happens, the Commission's mandate to move its own policy agenda beyond ODA is limited.

As Simon Maxwell noted in a recent piece for *Europe's World*, 'Why the EU's Aid Effort Must Escape the Budgetary Axe', Europhiles may need to temper their expectations. European consensus does not occur easily or naturally but is usually the outcome of arm-twisting and horse-trading between member governments. National interests have not gone away and still play a major role in development policy.

The big EU member states continue to programme aid in accordance with national prerogatives and regard the EU as complementary to their bilateral efforts. Visibility and flag planting remain very important – and justifiably so given that tax payers have a right to know what their governments are spending money on. Everyone agrees there needs to be more coordination, but nobody wants to be coordinated – despite the creation of the EEAS and DevCo for precisely this purpose. This has been a long-standing problem with aid programming, and it is only likely to get bigger as development policy moves beyond aid.

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Aid effectiveness necessary but not sufficient

The current negotiations on the EU's next 'multiannual financial framework' for 2014–2020 provide an opportunity for EU members to show greater commitment to global development. In terms of absolute numbers, it would not take much to signal to the rest of the world that Europe is ready and willing to take greater responsibility for solving global problems and thereby have more say in how these problems should be addressed.

In the current multiannual financial framework, 'heading IV' (which finances external policies, and of which the vast majority is earmarked for development) is around €56 billion for 2007–2013. This pales in comparison to the nearly €50 billion which is spent annually on the Common Agricultural Policy. If, as appears likely, EU member governments are unwilling to raise the EU's overall budget, even a small decrease in the Common Agricultural Policy would make a big difference if it were allocated to the EU's development budget instead. Such arguments are, however, unlikely to sway decision makers in Europe's agriculture and finance ministries, for whom the key question is often 'what do we get back when we transfer money to Brussels?'

Resources aside, the greatest problem for European development policy remains complementarity among EU-level actors and member states. Member states still do not have a common strategy for global development and for how best to use the EU to achieve it. Member states are starting to move towards GPG provision individually, but domestic opposition to real or potential costs cannot always be reconciled by promises of diffuse mutual gains. The EU cannot become a genuine partner for development if its members insist on remaining donors.

However, as noted above, 'more Europe' cannot be built on the uncertain foundations of 'best endeavour' language. The sluggish implementation of the 2007 EU Code of Conduct indicates that there is need for binding EU legislation, possibly in the form of a regulation, to strengthen the Lisbon Treaty's provision that member states should coordinate their aid programmes. This proposal was expected to be part of the 2011 spring package, but has dropped off the agenda for now.

The EU's first joint Commission–member states Country Strategy Paper (for Southern Sudan for 2012 and 2013) is currently being prepared. Further down the line, agreements on a shared intervention logic adapted to the partner country or region and including not only the management of aid modalities such as budget support, programmes and projects, but also GPG strategies, will be needed.

There is also room for improvement in the area of public diplomacy regarding EU development policy. Regular and clear communication with the European public is needed. It needs to be made clearer to voters, parliamentary decision makers, and officials in non-development ministries that development is a long-haul process, it does not produce immediately measurable results, it involves some risk taking especially to ensure ownership, and that the short-term costs will be outweighed by the longer-term benefits of equitable GPG provision. As the climate change debate clearly illustrates, building public consciousness about these complex issues is key to increasing the political will of decision makers. ■

Article 208 of the Lisbon Treaty

On 3 November 2009, the Czech Republic was the last of the 27 members of the European Union to ratify the Lisbon Treaty. Article 208 states the European Union's joint objective of not only reducing, but also completely eradicating poverty:

1. Union policy in the field of development cooperation shall be conducted within the framework of the principles and objectives of the Union's external action. The Union's development cooperation policy and that of the Member States complement and reinforce each other. Union development cooperation policy shall have as its primary objective the reduction and, in the long term, the eradication of poverty. The Union shall take account of the objectives of development cooperation in the policies that it implements which are likely to affect developing countries.
2. The Union and the Member States shall comply with the commitments and take account of the objectives they have approved in the context of the United Nations and other competent international organisations.

The Lisbon Treaty had predecessors in the 1992 Maastricht Treaty and the 1997 Amsterdam Treaty. The former established the following development cooperation objectives:

- To fight against poverty in developing countries;
- To enhance the social and sustainable development of developing countries, particularly the least favoured among them; and
- To further the integration of developing countries into the world economy.

It defined three principles upon which EC development policy should be based:

- Complementarity between development policies of the Member States and the European Commission;
- Coordination between Member States and the Commission at headquarters and in recipient countries; and
- Coherence of all Community policies so that they take development objectives in the South into account.

The Amsterdam Treaty added the following principle to the first three:

- Consistency of all external activities of the European in the context of all external relations: security, economic and development policies.

Source: The European Union

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