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***Session IV: New and old donors -
Complementing or competing approaches to development?***

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New and old donors: complementing or competing approaches to development – An European view

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The answer to the question in the title of this panel is rather simple: we need more transparency to be able to judge whether, not only in Asia, the changing landscape of development cooperation shows stronger tendencies towards complementing or competing approaches. Today, both attitudes exist in parallel, depending on the countries and sectors which are involved with, for instance, an intense donor competition in Myanmar/Burma, water diplomacy advocated by the EU vs. river dam constructions pursued by China and with the EU's assistance which is specifically focused on human rights, democracy and good governance. Only modernization of official development assistance (ODA) definitions, a Global Partnership for Effective Development Cooperation (GPEDC) that goes beyond the OECD's Development Assistance Committee (DAC), the readiness of emerging donors to publicise their assistance budgets and priorities, simplification of the organizational set-up of the bilateral and multilateral development cooperation and a degree of coordination within the Asia-Europe Meeting (ASEM) and Association of Southeast Asian Nations (ASEAN) bodies could halt the proliferation and fragmentation of relations between donors and beneficiaries leading to an improved impact of development assistance in the post-2015 Millennium Development Goals (MDG) world.

In Asia, with two thirds of the world's poorest people, where also 80% of global economic growth took place since 2000, the development cooperation landscape is changing quickly, with emerging donors playing an increasingly significant role and with the international community searching for a more inclusive and flexible model that goes beyond the "North-South" divide. In this context, the strategic interests of the EU which is the biggest global development player thanks to the size of its aid are two-fold: on the one hand, the EU must strive to develop further its engagement with traditional donors in order to improve its collective impact both at the global policy level and in developing countries. At the same time, the EU should look for a more meaningful engagement with emerging donors which have so far showed reluctance to align themselves with mainstream "aid effectiveness" rules and to coordinate their policies or actions with traditional partners.

Traditional donors

The United States is the most important non-EU partner and the only one that we have established a development dialogue with at the Ministerial and Senior Official level. In total, the EU (including its Member States) and the US represent almost 80% of global ODA. Working together, the EU and the US can clearly achieve a greater impact both at the global policy level and in the field. Moreover, regular discussions take place on possible synergies in Asia/Pacific and notably in the Lower Mekong region.

To a certain extent, the same goes for Japan which represents almost 10% of global ODA. In spite of using different terminologies (e.g. the EU does not use the human security concept), we largely share with Japan the same values and the same focus in our respective development policies. The Resilience/Disaster Risk Reduction is one of the examples of how our policy thinking has converged (with enhanced policy discussions at the level of Commissioners). On the post-2015 MDGs, there is a broad convergence of views between the EU and Japan. In particular, we have a strong shared interest in cooperating closely on issues such as respective responsibilities and comprehensive approaches to financing. Since our development dialogue with Japan was revitalised in 2013, regular high-level meetings have been taking place on issues of common interest, including increased cooperation on the ground.

The case of the Republic of Korea (RoK) is slightly different. Despite being a much younger aid provider (and with limited amounts of aid), it has nonetheless showed a strong interest in engaging with the EU and learning from our experience. In this context, we have set-up an annual dialogue with Seoul, encouraging RoK to increase its generosity in providing aid.

Being the biggest donors in the Pacific (including East Timor and Papua-New Guinea), Australia and New Zealand consult regularly with the EU and multilateral financial institutions. In the case of Australia, the EU has delegated to it the implementation of small scale assistance projects in the Pacific (while, vice versa, Australia delegated projects to the EU in Africa). Furthermore, with New Zealand, the EU will build the first ever joint diplomatic premises with a third country in Solomon Islands.

New donors

Over the last decade, relations between emerging and developing countries have been growing fast with many emerging economies becoming large providers of South-South Cooperation. While the BRICS (Brazil, Russia, India, China and South Africa)

are probably leading the group - and they have recently agreed to set-up a New Development Bank - the others, such as Turkey and the Arab donors, also play an increasingly important role.

The EU's Agenda for Change recognises this evolving landscape and proposes to explore new ways of working with emerging donors while promoting a more inclusive development agenda. Based on this premise, the European Commission is currently attempting to shift its development relationship with emerging countries away from bilateral cooperation projects (most of these countries graduated from the EU's bilateral aid programmes in the 2014-2020 Multiannual Financial Framework) and towards a more strategic partnership on development. With emerging donors (at least those who are interested and willing), contacts and dialogues are being developed.

Although China is still a developing country with significant internal challenges such as inequality, environment, urbanisation, rule of law, human rights, migration etc., it understands that it has not always been perceived as such by the international community, particularly as it rose up by more than ten places in the informal global donors ranking to a safe sixth place with a further upwards trend. By donating about 14.41bn USD in ODA during 2010-12 to 121 countries worldwide (although only 285 million USD through multilateral institutions) out of which about 30.5% went to 30 countries in Asia, but with an increasing and less transparent amounts which are perhaps 4 to 5 times higher in the development-oriented FDI, concessional loans (55.7% of the official figure), tied and in-kind aid with low or no conditionality, but with high project visibility through filling project niches and focusing strongly on its own political and strategic interest, China is extending and exporting its own development model to the others. Moreover, China devotes much of its effort and resources to the South-South cooperation. Although China's foreign aid is allegedly based on principles of equality and non-interference in internal affairs, it constantly tries to enlarge China's soft power and its own business interest by, for example, securing natural resources abroad.

China concentrates on the least developed countries (LDCs) and sectors such as economic and public infrastructure, food security, culture, education, health and livelihoods. Green growth, private sector and regional integration/trade cooperation are potential subjects for further collaboration with EU development cooperation. China is of the view that ODA must remain the mainstream source of development finance but recognises that other sources such as private funds, FDI or foundations can be tapped into. Officially, China would welcome more engagement with the EU on these issues even if it is too early to determine any scope and focus of such discussions.

Over the last few years, there have been major changes both in the way in which the EU and China engage with poorer countries and in the global development agenda (e.g. the Busan Global Partnership which was signed by China, thereby launching of the post-2015 debate). This new landscape calls for renewed efforts towards a further bilateral engagement. The EU is pleased that, alongside development dialogues that have already been established by EU Member States, an EU-China development dialogue was agreed at the 16th EU-China summit and its first meeting took place in March 2014. Further meetings, including at the Ministerial level, will be necessary to take this discussion forward and move our relationship towards a strategic partnership on global development. The first dialogue showed a large degree of convergence in positions of both sides on the post-2015 framework. Moreover, the two sides also shared a view that the discussion on financing of development must go beyond the ODA and must encompass all sources of the development finance (domestic resources, private funding etc.). The EU and China should continue the coordination on global issues which is an area where they can together make a difference to the final outcome. Nevertheless, the EU would welcome more bilateral engagement on green growth, regional integration/trade cooperation, private sector engagement and remittances.

Only during the last decade, has Russia returned as a donor but quickly expanded its assistance and focused it on its Asian neighbourhood, thus underpinning its hard power interests with soft power cash in susceptible countries, including in the Pacific. In this case, the statistics are extremely dodgy and the line between ODA and other transfers is particularly blurred.

During the last decade, India has switched from being the biggest aid recipient in history to doubling its development assistance and, as a result, became about the 15th biggest donor worldwide, concentrating on its poorer neighbourhood while improving its diplomatic relations. , India is even the fifth largest donor in Afghanistan and, of course, cover for the post-war reconstruction in Sri Lanka. A development dialogue with the EU could be an option with the new government.

The EU policy approaches and ownership by development beneficiaries

The EU has engaged in recent years in a process of dynamic consolidation of its relationship with Asia and the Pacific. The EU remains Asia's largest economic and development partner and political interdependence between the two regions has reached unprecedented levels. An uncontrolled conflict or crisis in the region would have a systemic global impact and the world has a profound interest in seeing that Asia and the Pacific follow a path of stability, economic development,

democratisation, regional cooperation and peace. The EU needs a strong commitment from its five Asian strategic partners to tackle global challenges such as climate change and environmental sustainability, the fight against poverty, terrorism, non-proliferation, illegal migration and human trafficking. Key challenges in the region include: (i) the need to pursue market-based reforms to promote sustainable growth, aid for trade, deal with urbanisation, ageing populations in some countries and developing social safety nets; (ii) deteriorating governance in a number of regionally important countries (Bangladesh, Pakistan, Thailand) and (iii) a pervasive sense of uncertainty triggered by the transformation of power relations in the region (with China's growing influence and the US re-balancing/pivot), by a worrying number of unsettled disputes (Afghanistan, the Korean peninsula, the Taiwan Strait, the South and East China Seas, India-Pakistan) and by a significant increase in defence spending throughout the region.

Development aid remains an important aspect of EU policy in Asia and the EU remains a leading donor in the region. Despite economic constraints and the graduation of several countries, the financial envelope allocated to Asia under the new financial framework for 2014-2020 (Development Cooperation Instrument and the European Development Fund) has increased by around 20%. This takes the form of individual country allocations as well as regional assistance. The region will also get a significant share of funds available under the new “Partnership Instrument” which is targeted at promoting EU strategic interests (economic presence, regulatory convergence and public diplomacy) in the region. Joint programming of aid in countries such as Afghanistan, Myanmar/Burma, Cambodia and elsewhere remains a particular priority, with uneven levels of buy-in from EU Member States. There would also be room for making a better political use of the leverage which EU aid provides in some parts of the region which are faced with deteriorating governance (e.g. Bangladesh, Cambodia and Laos).

The promotion of human rights and democracy should continue to be the central element of EU policy across the region. The EU’s support of transition in Myanmar/Burma has been a particularly successful demonstration of reacting fast and mobilizing the full set of instruments at its disposal in order to underpin a home-grown commitment to reform. Deteriorating governance or political instability in countries such as Sri Lanka, Bangladesh, Cambodia and Thailand and human rights situations in one-party states will require careful monitoring, not least given their destabilizing potential and the particular interest taken by European public opinion, media and the European Parliament in the issue. The EU continues support and observation of elections to promote democratisation and ensure fair and credible elections in 2014-2015, in particular in Myanmar/Burma, Sri Lanka, Afghanistan,

Thailand, Fiji and the Solomon Islands. The EU continues to use UN Human Rights fora to attract attention to situations where there is little or no bilateral opening to engage (DPRK, Sri Lanka).

Tensions in Asia and the Pacific have a direct bearing on EU interests while non-traditional security challenges, such as climate, water (notably in the Mekong and Brahmaputra/Ganges river systems), energy, pandemics and disaster-related risks are increasingly on the regional security agenda and have the potential to increase tensions. The lack of recognized functioning mechanisms for dialogue and dispute resolution in the region increases the risk of conflict escalation. These security challenges often contrast with a booming economy and with high stakes for all, including the EU, to preserve security of investments and supply routes.

The EU has gradually built up over recent years a remarkable track-record of cooperation with Asian countries in the fields of crisis resolution, mediation and post-conflict reconciliation as well as defence and security. The EU has been a major player in peace and reconciliation processes as diverse as Aceh, East Timor, Nepal, Mindanao or Myanmar/Burma. The EU is working with several Asian countries on cross-border issues such cyber-security and maritime security. On the bilateral front, CFSP/CSDP cooperation is developing at a good pace with China, Japan, Korea, Australia and New Zealand. Afghanistan remains the only Asian country where the EU currently deploys (since 2007) a CSDP mission (EUPOL Afghanistan).

Given its own genetics, the EU has been a natural supporter of regional integration and cooperation in Asia and the Pacific. The EU has significantly stepped up engagement with ASEAN since the adoption of an EU-ASEAN Plan of Action in 2012. A united and self-confident ASEAN, proceeding with its own integration and extension (East Timor, Papua-New Guinea), is good for regional stability, security and prosperity. The EU provides a significant support to the efforts made by ASEAN to meet its integration targets that were set in order to establish an Economic Community by 2015. Furthermore, the EU financial allocation to ASEAN for the aid programming cycle 2014-2020 has tripled.

The EU and ASEAN should consider moving towards the upgrading of their relationship and setting out the terms under which they could establish a Strategic Partnership and hold regular Summits. On the other hand, mistrust between major Asian member countries has prevented the development of functioning regional cooperation structures in South Asia. The South Asian Association for Regional Cooperation (SAARC), the Heart of Asia (Istanbul Process) initiative as well as other regional processes still remain in an embryonic state. The EU, which has observer status in SAARC and is a supporter of Heart of Asia, will continue to support regional

integration, but the political will needed to overcome mistrust and vested interests must come from within the region.

With its increase from 23 to 51 member countries, ASEM is the main multilateral channel for multilateral dialogue between Asia and Europe. The particular strength of the ASEM process which will celebrate its 20th anniversary in 2016 is its ability to bring together leaders for informal exchanges, notably aiming to promote convergence on issues of global concern.

In summary, the EU's interaction has gradually evolved from a donor-recipient relationship to a more political partnership. Other powers looking to assert their geopolitical influence in South Asia and the Pacific have increased their demand for the EU to reinforce its presence in the region and even in the Pacific. The EU continues to promote further cooperation on global challenges (e.g. climate change, water) also by delivering aid, promoting democracy and human rights, seeking convergence of views in UN fora (e.g. the recent de-recognition of South Ossetia/Abkhazia by Tuvalu and Vanuatu, and the alignment with the EU's position of most of the Pacific countries at the UN General Assembly vote on Ukraine) and pursuing its economic interests (e.g. deep sea minerals, including rare earths). The EU also regularly attends the annual Pacific Islands Forum (PIF) of the Heads of States and Governments.

Prospects

The global long-term interest lies in engaging all donors meaningfully on a broad range of issues from global development, the South-South Cooperation policies and practices (which can indeed differ significantly from existing ones), public goods, good governance and other issues of mutual interest. Finally, as mutual confidence and understanding builds up, the EU looks at fostering its collaboration at the regional/country level, taking fully into account the respective specificities and comparative advantages. The issue of different policies/practices/procedures is a real one, but all donors should be able to work smoothly on issues/topics/situations of common interest, respecting each other's traditional approaches. Although this probably means excluding situations where emerging donors are using their most sensitive (or controversial) instruments, there is still a great deal of mistrust, misconceptions and wrong assessments where one might need to adopt a more refined approach.

The Global Partnership for Effective Development Cooperation (GPEDC) should be about sharing experiences and talking amongst partners. Even though GPEDC was initiated by the OECD, it is demonstrably not an OECD conversation any more, but it

brings all partners to the table. GPEDC is however not about creating a harmonised set of rules for all actors, as circumstances are different for them all. It only recognises that the development scenario has changed. GPEDC is meant to be country-focused and most work should happen at the country level through UN Development Programme.

Indeed, some emerging donors are less involved, but not all of them and not always. India has perhaps a “theological” objection, but Brazil is moving its position, while the Arab donors, Mexico and South Africa are very much involved and are producing a report on their own effectiveness. Since all of the emerging donors understand their altruism, the development of their soft power and the development of their business opportunities in a different way, it is understandable that emerging donors do not want a new set of rules, but are keen to see where one can work together and share experiences.

Going back to the initial question whether the new and old donors represent complementing or competing approaches to development, as this working paper argued as well as the EU’s practical experience from working with our partners showed, both approaches co-exist among old and new donors in a number of sectors. The EU’s priority therefore is to work efficiently and effectively both with its traditional and emerging partners to achieve the best impact of its development policies as possible. Only by doing so can the EU and Asia ensure a secure pathway to its future.

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