

The recession's storm holds a silver lining for development cooperation



Governments' typical reaction to economic crisis is to help at home and leave others to fend for themselves. But **Jean-Michel Debrat** of the Agence française de Développement and **Simon Maxwell** (right) of the UK's Overseas

Development Institute say that giving a hand to poorer countries at this critical point will benefit everyone

As Europe struggles with economic recession – and spends unprecedented sums in doing so – salvation may come from thinking in a new way about our relations with developing countries.

Not only should Europe maintain its development activities, but it should also transform them into an engine for growth. By investing in the less-developed regions around it, Europe would kill three birds with one stone: narrow the gaps that threaten regional stability, gain the international

influence that it deserves, and find an adequate economic plan to face crisis.

This counter-intuitive argument is made up of three strands: humanitarian, security and partnership.

Humanitarian. The current recession is far from being a mild cold affecting only a few developed economies; rather, the symptoms of outright flu are appearing in communities all over the world. For developing countries, and especially for their poorest citizens, the impacts are immediate and severe. Exports

are falling, in price and volume. Remittances are down. Foreign direct investment has fallen sharply. Trade credit has evaporated. Stock markets have lost up to half their value. The impact on the poorest, already hit by the food and fuel crises of 2008, is severe. The World Bank estimates that every 1% contraction in economic growth pushes 20m people back below the poverty line.

Middle-income countries most integrated into the world economy are most severely affected; but in the new geography, no country is an island. Indeed, small island economies dependent on tourism and financial services are among the most vulnerable.

In this humanitarian perspective, aid is an expression of shared humanity. Solidarity is no less valued or valid during a recession. Indeed, it is precisely when basic human rights – to life, food, health, or education – are most under threat that the moral case for aid is strongest.

Security. The second strand is motivated by self-interest. Development policy, including aid, is an essential instrument in pursuit of European welfare. Misery abroad threatens well-being at home. Disease, migration pressures, international crime, environmental degradation – none will be easier to manage if the recession undermines progress in the poorest countries. Joint action on climate change certainly features here, as the discussions progress from Poznan last December to Copenhagen at the end of the year.

In this perspective, aid is an investment in our own security – taking that term in the

wider sense to include not only peace and stability, but also material wealth, democracy and voice. Europe's aspirations are well expressed in the preamble to the Lisbon Treaty, emphasising respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights. Development cooperation is an instrument to achieve those aims.

Partnership. The third strand puts mutual benefit at the heart of the argument. In the 1980s, the Brandt Commission presented the vivid image that rich and poor countries were on the same vessel: if the end containing developing countries were to sink, then inevitably the end containing developed countries would follow. The fact that the recession of 2009 is global in scale reminds us that we sink or swim together.

In a partnership perspective, the world has become a territorial puzzle where each piece has only a limited degree of latitude. The question for Europe is whether its piece assembles correctly with those of its closest partners, in Eastern Europe and the Mediterranean. On a larger scale, Europe's economic space certainly also encompasses sub-Saharan Africa and Asia. This area can become a market and a stimulus to growth for all. The enhanced competitiveness of the area as a whole will drive competitiveness of each of the parties involved. It can also be perceived as a kind of employment pool requiring a coherent strategy for human capital. Europe needs to manage an aging population and to control migration flows. Developing countries benefit from labour migration, in remittances and the transfer of skills and networks. Investing in human capital is one of the key engines of growth.

Put these three strands together, and a new conversation becomes possible between European leaders and the European public.

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Developed countries may be tempted to turn their backs on the developing world. Aid is a hard sell when recession bites at home. It is far easier to concentrate fiscal stimulus to protect local industries and jobs, whether in banking, the automobile industry, construction or retail. Why spend money on foreign aid when the jobs, houses and public services of hard-working families are at risk at home? In some countries, an even sharper question is asked: why spend money on aid when others countries are cutting their overseas budgets? No one wants to be the last man standing.

But crisis can be a driving force for change. In order for this to happen, Europe must redesign its vision of development – and do so jointly with its developing partners. It should base its vision on two pillars: the search for global social justice

and for an efficient mitigation of the risks linked to globalisation – notably respect for the environment.

Europe also must set priorities in development cooperation. First, aid pledges need to be met and even increased, to protect vulnerable groups and enable transformatory partnerships. ODI research suggests that developing countries will lose at least \$300bn in 2009, as a result of falling exports, lower investment and shrinking remittances. Middle-income countries will suffer the largest falls, but there are many poor people in such countries.

The EU provides more than half of global development cooperation, but there is already a significant risk of backsliding on the pledges made at Gleneagles and since reaffirmed by the European Council. It will be especially important to protect development cooperation from pressures to divert funding to climate change aid money intended to achieve the Millennium Development Goals; climate change funding should be additional.

Second, the financial instruments should be merged, and the priorities – both geographic and sectoral – must be defined by the European Council and approved by the European Parliament. At the same time, the EU has developed a strong framework for partnership and accountability through successive Conventions with the 79 countries of the African, Caribbean and Pacific Group. These include arbitration procedures and political oversight through joint ministerial and parliamentary groupings. It would be desirable to preserve these mechanisms and widen their geographical remit.

Third, the organisation must be rethought. The EC needs a unified chain of command, from political definition to operational and financial action. This implies a single European Commissioner and a single Director General in charge of development policy.

Fourth, and to be consistent with the vision, the EU must think of the best use for its financial resources. Our countries are currently looking for the best stimulus plan to boost their economies, targeting investment projects rather than consumption. Could they look at investment on a larger-scale than the national or European territory? In the short term, this logic could be part of the solution to the crisis. In the longer run, it should also lie at the core of the discussions about

the next EC development budget (2014-2020). This requires fostering new modes of development financing: supporting the private sector and equipping territories with coherent and well-organised infrastructures.

Fifth, the new globalisation requires new global rules and frameworks – in trade and finance particularly. The G-20 last year promised to arrive at a trade deal by Christmas, and notably failed. Will there be anything to show by the time they meet in London in April?

The international timetable will be crowded in 2009, with the EU and its member states centrally involved. In April, the G-20 will meet in London. In June, there will be elections to the European Parliament, and the EU Council will gather in the Czech Republic. In July, Italy will host the G8. In September, the UN will convene a follow-up meeting to the Financing for Development Conference held in Doha at the end of 2008. In November, a new EU Commission will take office. And in December, climate change negotiators will meet in Copenhagen.

To make an effective contribution, Europe will have to speak with one voice in these meetings. The EU will not wield the international influence that its financial effort deserves as long as it does not face the challenges deriving from a shared development policy. □

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