



Report

Crafting development power

Evolving European approaches
in an age of polycrisis

Executive Summary

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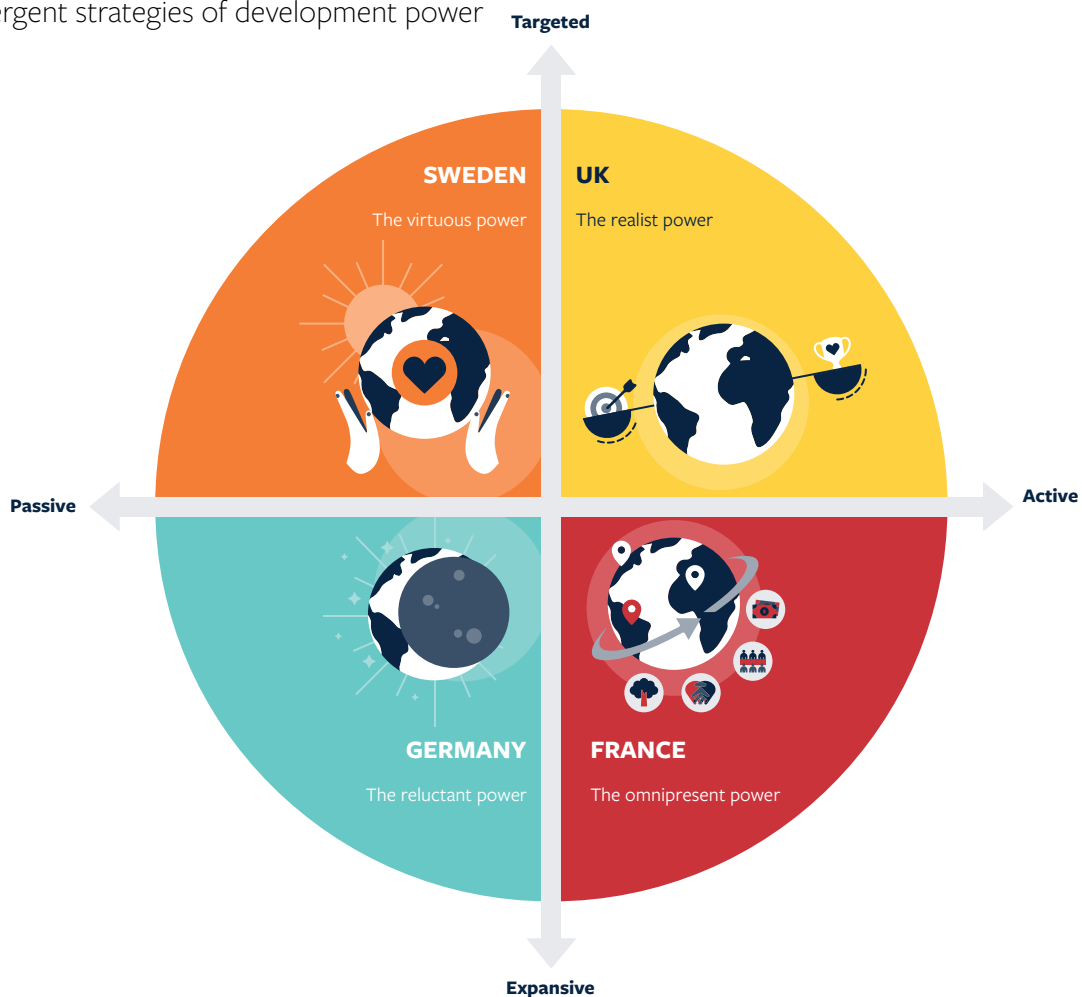
Executive summary

Amid the polycrises of Covid-19, the conflict in Ukraine and the intensification of geopolitical tensions, mid-size European donors face pressures to leverage development cooperation to secure their foreign policy goals.

These donors now deploy a diverse toolbox of development levers to cultivate influence and achieve strategic goals, including concessional aid, economic cooperation, engagement with the multilateral system and investing in global public goods (GPGs). While donors recognise the importance of volumes of development

finance in crafting their status as a ‘development power’, other non-financial elements including technical capacity, institutional autonomy and commitment to national values also form a source of influence with peers and partners in the Global South. Among the countries examined (France, Germany, Sweden and the UK), the paper identifies **four emergent strategies** for cultivating development power based on the degree to which their efforts are targeted and active (see ES1. Emergent strategies of development power).

ES1. Emergent strategies of development power



For mid-size donors, the quantity of aid they give is an important, but insufficient, source of development power. High aid volumes are a fragile source of influence. While they may go some way to building credibility with donor peers by cultivating *virtuous development power* as in Sweden, aid volumes are less significant for most recipient countries. Despite high official development assistance (ODA) volumes, Germany's desire for influence has not matched its aid commitments and it remains a *reluctant development power*. It is dramatic shifts in donor priorities (like budget cutbacks) that risk damaging reputations among recipients.

Economic cooperation instruments are a growing part of the development toolbox to expand geographic influence. The rising use of private sector instruments (PSIs) and the prominence of national development finance institutions (DFIs) in the UK and Germany are sources of influence, and an indirect channel for cultivating national economic interests with middle-income countries (MICs). The UK's *realist development power* model has put greater emphasis on trade and investment opportunities as a secondary benefit in development cooperation, and along with France, its economic cooperation is moving further into the territory of geo-economic diplomacy.

Multilateral engagement is a critical channel for cultivating power. For European donors, multilateral development banks (MDBs) and European-level development initiatives like Team Europe can be powerful platforms to pool resources, exercise their voice and punch above their individual weight. Core contributions to the UN system can be a real source of moral power. France, an *omnipresent development power*, derives influence from its cross-cutting membership and contributions across issues and organisations. Donors such as Germany still

favour bilateral channels, while others such as the UK and Sweden are retreating in their multilateral commitments and showing greater tendency to earmark contributions.

Financial commitments and stewardship towards GPGs can endow donors with moral influence. At the same time, GPG investment can also bring commercial and diplomatic returns, mostly obviously in the climate space, which has been a prime focus for Germany and France. The GPG agenda has also incentivised earmarking, as well as a proliferation of vertical funds, increasing the complexity of global governance.

There is no single 'development superpower' in Europe; rather there are multiple strategies for cultivating development power, anchored in how countries see themselves in the world. European donors are developing diverse strategies to use development cooperation instruments in achieving national objectives and global influence. We see variation in how actively, and how expansively, donors have deployed development levers. France and the UK have sought a closer and more active and explicit role for aid in their wider strategies and foreign policies, while Germany and (until recently) Sweden have been more cautious in linking development with other instrumental goals. However, Germany and France also show a more expansive use of multiple development levers across wider geographies, while Sweden and the UK take a more targeted approach.

Donors should strive for smart development power. Credibility and consistency are clear foundations of long-term influence and relationship-building with partners. The geopolitical motivations that are now driving Western donors to pursue a model of development cooperation in the image of China run a high risk of being unmet and denting their credibility among potential allies in the Global South if promises are not kept.

Aping China is a high-risk strategy to build foreign policy influence. Development done well has been – and still is – a source of geopolitical power, and diplomats should cultivate this policy sphere as a pragmatic, safe space. This can be done by displaying solidarity with the Global South and providing a positive offer that responds in some measure to both recipient priorities and to wider global challenges.



Outlined below are **five recommendations** for cultivating smart development power:

1. *Cultivate consistency and reliability to show solidarity with the Global South:* Building trust and long-term credibility with development partners is a critical resource for influence. Sharp shifts in policy and aid cuts can easily damage credibility.
2. *Quantity of aid is a necessary but insufficient condition for development power:* High aid budgets or aid ratios do not automatically translate into influence, and when they do not meet widely held expectations, they can actually undermine reputational legitimacy.
3. *Ensure institutional coherence and competence:* Non-financial resources such as technical competency, institutional autonomy, long-termism and clarity of mission are also sources of credibility and influence.
4. *Do not underestimate the importance of multilateral engagement:* Multilateral membership and collaboration are key platforms for influence and impact for smaller and mid-sized powers.
5. *Work towards impact first, influence second:* Development done well is a source of influence with partners and peers and should be preserved as a safe space for international cooperation.