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European Development Cooperation to 2010: New Challenges

Simon Maxwell

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The UK has the Presidency of the European Union until Christmas. I do not represent the Presidency. I am not employed by the government. I have not discussed the ideas I am about to share with the government. I have not asked their views on these topics. Of course, the world would be a much better place if I did run the government, but unfortunately there are one or two other candidates standing in the way.

I am going to resist the temptation to comment in any detail on the UN summit, although I have commented elsewhere. Instead, I am going to develop an argument about how the development world is changing, what that means for the European Commission, and perhaps more important, what it means for us in this room. But I want to begin by congratulating Louis Michel for his political leadership and his vision. It is extremely refreshing to hear somebody come to talk not just about a vision in the abstract, but about a vision which is actually advancing the European collaborative project. We need people who have both the vision and the politics. Thank you, M. Michel.

Development after 2005: challenges for the aid industry and for research

2005 was billed as the year which was going completely to transform development. With a little irony, we described it as the “year of destiny” in international development. The year is not quite finished, but it is already clear that there are many cynics queuing up to criticise what has been achieved in the Sachs report, the High-level panel, the G8, the Paris High-Level Forum on Aid Effectiveness, and of course, the UN summit.

I think the cynics are wrong. Robert Chambers once said that natural scientists are trained to act, and social scientists are trained to criticise. Well, let’s not always criticise. One of the key results of 2005 is that we are going to move from a world in which development aid has been \$US 50 billion a year to a world in which development aid will be \$US 130 billion and growing. That is the most extraordinary transformation in my professional lifetime. And it opens huge opportunities for us as a profession and as an industry. An aid world of 130 billion dollars will be a very different aid world to one of 50 billion dollars, and we need to adjust with it.

Some of the biggest decisions in 2005, though, are still to come. Louis Michel has mentioned one or two of them. The Development Policy Statement. The Africa Strategy coming shortly from the Commission. Of course, the trade agenda in Hong Kong. And a decision which probably now won’t be taken this year, thanks to our colleagues, the electorate in Germany, on the financial perspectives in Europe, which will set the budget for the European Commission from 2007 to 2013.

What does the aid architecture look like, now and in this world of 2015? We describe it, those of us at ODI who work on this subject, with an analogy from supermarkets. We say that on one side of the street we have Walmart – large, dominating the whole industry, with a very efficient supply chain and

massive throughput. On the other side of the street, we have what the Americans call “Mom and Pop stores”, corner shops.

With no disrespect to the European Commission and the big bilaterals in Europe, nobody would deny that the World Bank is absolutely dominant in the world. Partly, this is because of its financial throughput; but it is also because of the intellectual muscle that it brings to the debate about development. And if you were an industry regulator sitting in Brussels, London, Berlin or Bonn, you would certainly say that an industry structure characterised by Walmart and lots of corner shops is not a sustainable or an equitable structure. You would be looking to change that structure through your regulation policy. You would want to have a number of large players offering diversity and some competition in the aid industry. The fact is that we don't have a truly diverse or competitive aid market. And from the perspective of regulation, this is a bad thing.

That raises an important question for me about what the role of Europe should be in the future aid structure, as we move to a world of 130 billion dollars a year. And it raises the question also what the role of the European research industry should be. Those are the two questions that I want to address.

The EC as a global player

To take the aid industry first, there need to be at least two or three global players. The World Bank needs to be one. We have just had the biggest ever replenishment of the IDA. We should celebrate that. We need the World Bank. But we need two or three others. The UN should be one, and my great disappointment with the Summit is it hasn't positioned the United Nations to be the second major pillar of the development cooperation world. The European Union needs to be the third. It is perfectly correct what Louis Michel said to us, that to have 25 plus one agencies is not a sustainable nor a serious way of approaching development. But even if that were not the case, from an administrative and coordination point of view, the world needs Europe. It needs Europe for its ideas, for its financial presence, and for its collaboration.

What does a global player look like? That's a research question. We can answer that, and we have researched it. I've carried out workshops in many countries with different partners. We have asked policy-makers in developing countries what they want from your global aid players, and how the different aid administrations compare with that vision of the perfect global player.

I was reminded in thinking about this about that very old and inappropriate joke about Europe, where paradise is when the policemen are British, the mechanics are German, the cooks are Italian and the lovers are French. And hell, well, you can imagine... Although they do say British cooking is improving.

So here is what heaven might look like in the aid world.

First, we need the intellectual fire power of the World Bank, or even of the large bilaterals. And I'm reminded of another well-known German who asked: how many divisions has the Pope? How many divisions do you have, M. Michel, in terms of professional researchers working in your policy division? You have Bernard Petit, who is wonderful, and a few helpers. But Bernard Petit on his own is too “petit”: ‘Bernard Petit, c'est trop petit’. Somebody asked the other day : why is it the case that the major international conference on development economics in Europe is sponsored by the World Bank, as the Annual Bank Conference on Development Economics. It is not sponsored by the European Union. How many divisions has M. Michel? Answer: not very many.

Second, we need the volume of the multilateral development banks. You are moving in that direction and you have substantial volume, M. Michel. But think about this: aid is going to double. If your volume passed through the Commission does not double in the next five years, you are going to lose market share. That's an increase of 15% a year. Every year from now to 2010. And it will need to be more than that, because most of the increase in aid is coming from European member states rather than from other G8 members. You need to double in five years at least to maintain market share. DFID has done calculations which show that two or three years ago 30% of all its aid went through Europe. By 2010, it will be 10%. The share is falling. The European Union is not just a “Mom and Pop store”. It is a “Mom and Pop store” that runs the risk of going out of business if it does not get on to a growth trajectory. A serious question for the European Union.

The global player – the French lovers, the Italian cooks, and so on – needs the political muscle of the IMF. Of course, allied with the vision of the EU. It needs the representativeness and the accountability

of the UN, which you are on the way to achieving with the Cotonou Agreement. It needs the kind of commitment to growth that is shown for example by the commitment Italy has made at the G8 to increase its programme. It needs the efficiency of the German aid programme. And it needs the ruthless dedication to coherence between development and other objectives of the US. But again, under the umbrella of the European vision.

The vision of the EU, the fire power of the multilateral development banks, the volume of the multilateral development banks, the political muscle of the IMF, the representativeness and accountability of UN, the growth trajectory of Italy, the efficiency of Germany, the coherence of the US. Let me say again, this is not me, just making this up, this is based on research that many people have carried out with both donors and recipients.

A reform agenda for Europe

What then does Louis Michel have to do over the next five years? What's our agenda? We have been debating that question through our programme of meetings and seminars and papers in the "European Development Cooperation to 2010" project that EADI has adopted and sponsored, with meetings in at least 20 of the 25 member states, bringing together parliamentarians, researchers, civil society and representatives from governments. This is not an agreed list. But here are a few things, M. Michel, that you should be thinking about over the next five years:

First of all, where are your divisions?

Second (and forgive me if I list these almost campaigning points) what are you going to do about the poverty focus of European aid? European aid in my country is indefensible, when nearly 50% goes to middle income countries. We cannot go to Monterrey and then on to the various other summits and say to the world: we are committed to the Millennium Development Goals; we insist on achieving universal primary education, on reducing poverty; we calculate how much that is going to cost, which means doubling aid; we are doubling aid - and then not provide that aid for the poorest countries, but instead spend it in large part for the ring of friends in the Mediterranean and the Balkans. Let me say it again: European aid is indefensible in my country. And I know that some of this is not official oda, and I know it is important to support the Balkans and the Mediterranean, but don't do it with money for the poorest people. That has to be tackled, and urgently.

Third, there needs to be a startling simplification of the European Union's relationships with the different regions of the developing world. In particular I want to raise the question of what the ACP is for in the modern world. The effort that we have been putting into development over the past year has not been about the bits of sub-Saharan Africa that happened to belong to the ACP. They have been about Africa. Africa from the Mediterranean down to South Africa. And yet the European's political construction has been very much around the African, Caribbean and Pacific countries which formally exclude South Africa and of course exclude North Africa. Why are we supporting strengthening the African Union, strengthening the ECA, strengthening NEPAD, the African Partnership Forum meeting in London in a couple of weeks' time, and yet the EU is working still with a construction that frankly has about it the whiff of the 1970s? There are too many cross-cutting regional agreements, too many different philosophies, ideologies, accountability mechanisms and policies; there needs to be a radical simplification of our European project.

Fourth, I know that you will agree with this because I've heard you say it, the design of the European Commission is a complete mess. Of course, you didn't use the words "complete mess", you are much too diplomatic, which is why you are the Commissioner and I am not. We cannot have a Commission in which we have External Affairs nominally in charge of development, with a separate Directorate for development and then EuropeAid as a separate agency. It works in practice, I have heard you say, M. Michel, but that's luck. We need to change it. We need a Development Commissioner who is responsible for development, who controls the money, who controls the administration, full stop, end of the paragraph, turn the page.

Fifth: coherence. You have been criticised because your Development Policy Statement is not also a Foreign Affairs Policy and a Trade Policy. That criticism is incorrect. It is perfectly justifiable to have a development policy alongside other policies. That's what your Development Policy Statement does. It does it well. It provides exactly, as you say, the principles which ought to govern European aid. But if that's the case, then there needs to be somewhere else in the system where coherence is achieved

between the Foreign Policy, the Trade Policy, the Development Policy, and of course the Security Policy.

On the topic of coherence, I have to say that nothing has made me more ashamed as a European than to be in Spain on holiday and see Peter Mandelson having to stand up and defend quotas on Chinese exports on textiles. What makes me particularly ashamed is that I know that Peter Mandelson is somebody who cares very much about development. We should be ashamed of ourselves for blocking labour-intensive imports from poor countries, no matter what the problems are of exchange rates in China. Coherence needs to be on the agenda. I know you have said that M. Barroso is extremely supportive of coherence. We need to see that in action.

And finally, and this is my sixth point, sequencing. The European Union, if it is not to lose market share, needs to grow. 15% per year at least for the next five years, more if you want to maintain your market share in Europe. But I have to tell you that member states that I have talked to – and you would have talked at a higher level than me, and much more intensively than me – are not going to support an increase in the resources for the European Union in the financial perspectives for development, unless these other things are sorted out first. And so, it is the sequencing of reform that becomes central to this debate. We need the intellectual capacity, we need the focus on poverty reduction, we need to simplify the geographical arrangements, we need stronger and more directed management in the Commission, we need much greater coherence, and then we can make the case for more money, and not the other way round. It has too often been an error of the European project, that people have put structures in place and tried to sort the mess out afterwards. We need to do things properly and do it the other way round.

That has very practical implications for you, because what it means is that donors are not going to provide substantial new resources in the financial perspectives, unless there is some kind of backroom deal. So you need performance based instruments which will enable you to tap their money as you make the reforms. And this might be something like the EDF, but it might be something else. The World Bank, for example, has performance-based instruments. Donors pledged extra money if certain performance standards are met over time. The EU needs instruments like this. People have talked a great deal about budgetising the EDF. Precisely the opposite should be the case. It is necessary to “EDFise” the budget. Take these decisions out of a seven-year perspective and make them contingent on a structure of incentives and rewards, whereby we can deliver a stronger Europe and then claim additional money.

These are quite critical comments. I want to emphasise that they are made in a spirit of a research result, which is that multilateralism has real value and Europe has a real voice. These are intended to be pro-European comments, not anti-European comments. We know why multilateralism is important, because of its political character, and because there are savings in terms of procurement and transaction costs, as M. Michel said. So, I want this to be a pro-European, not an anti-European conversation. And it's perhaps when our friends are most demanding that we are most likely to achieve change.

A reform agenda for the research industry

Let me come to the final thing I want to say, which is what this conversation means for those of us in this room. We are the research community of Europe. EADI has 150 or so member institutions. I last week stood down as president of the UK and Ireland Development Studies Association which has over 70 on its own. So we still have more to do in EADI in terms of membership. We are the strongest community on development studies in the world. We have produced the ideas which inform the European vision. And, M Michel, if you had been able to go to some of the sessions and hear the quality of the papers, you would be proud of what is available to you as a Commissioner in terms of research, from people who are both young and old.

But if you look at our industry, and think about it as an industry, we have a lot to do. We have dozens of small units of two or three people, we have enormous overlaps and duplication in research. We have cumbersome tendering procedures, and partnerships with very high transaction costs. I've described the European development research industry as looking like a medieval guild, with individual small specialists working in their different little corners. If this was the defence industry, and we wanted a world-class defence industry, you could be sure that the government would have taken us and shaken us and reorganised us and given us something that was much more efficient than we

currently have. The question we need to ask is: do we want the government to do that to us, or are we going to do it to ourselves first?

European Development Cooperation to 2010 was our first try: to have not 25 conversations about Europe, but one. Translations, shared websites, visits from one country to another, public meetings, research programmes... Very good, but it's not enough. We have a lot more to do, if we are to provide the divisions that M. Michel needs in order to deliver a stronger European research industry.

What would a world-class research industry look like? It would be diverse, of course. There would be argument, because that's what we do as academics, we argue. It would also have, though, serious investment in key problems. Don't let's have research programmes where, when you divide up the money, there's enough for one post. How should we manage globalisation? One post. We must be nuts. The people who fund us must be nuts if they think we can fund and solve global problems on \$US 500,000 a year. We need serious investment in serious research to tackle serious global problems - and we are not getting it.

We need researchers in this new vision also who are much better at communicating. Social scientists are trained to criticise. And as those of you who have heard me speak about policy entrepreneurship will know, we need to get our messages onto one sheet of paper with three options for M. Michel. And don't come back and say you need another five years' research, because he has to make decisions tomorrow.

So, the question is how we are going to restructure our industry. There are two models. We discussed these a bit at the EADI directors' meeting in Switzerland earlier in the year.

Model one is CERN, the "hole in the ground". This is the large centre of excellence: the MIT of Europe on international development. Do we need one large institution, where we bring together the fire power we need to solve global problems? There has been talk, for example, of creating an MIT for Europe in Poland. That's option one.

Model two is a network. We've all read Castells, we know about the network society, about the value of small distributed units working together. EADI is a network, it works in that way. But what it isn't is a managed network. Networks which are simply random accumulations of individual units are not the kind of network that Castells and others are talking about. Networks that function in the modern world need to be managed. The transactions' cost needs to be met.

Example: we have EADI Working Groups. These are loose affiliations of people who send each other e-mails and occasionally publish together. Why aren't our working groups taking charge of a research area, bidding together for research funds, managing and disseminating research results? The person who runs the EADI Working Group on globalisation should be M. Michel's best friend. He should be going to M. Michel and saying: we have 150 researchers in Europe working on this topic. Here, on one sheet of paper are the five things you should be doing on Monday morning. We need to be organised as an industry. Having a network which simply meets is not enough. We need to be bringing EADI to the next level.

Towards a new partnership?

And this brings me to the very last sentence or two. The challenges facing the European Commission up to 2010 are enormous. This is not just because there's going to be more money, and not just because there is a lot of poverty in the world. It is because we need a major change programme, which is politically driven and which is supported by research. M. Michel always says that the one job he wanted in the Commission was to be Commissioner for development. He was absolutely right. It is the most important job there is. He is doing fine - but he has a lot to do.

And he can't do it without us. He can't do it without a strong, vibrant, dynamic, deep, effective, policy-oriented, theoretically informed research community, working together in order to create a European voice. So that's the challenge for us, that's the challenge for EADI. He can't do it without us. And we can't do it without him. So what we need to do over the next months, and it's urgent, is to build a partnership for development in Europe which brings together the researchers and the policy-makers. That has always been my passion at ODI, and it needs to be the passion, it is the passion, of EADI. It needs to be the passion and commitment of all of us. We are good. We could be so much better. We could do so much more. Let's do it.
