DRIVE impact

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FINAL REPORT

DRIVE Impact Initiative

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Introduction

Following the new United States administration's move to strike development assistance from the books in early 2025, laying off aid workers across the globe and slashing funding, the global development landscape now faces a period of cataclysmic transformation. With official development assistance (ODA) in many economies already under stress from budgetary cuts, much ambiguity remains as to the role of development cooperation in this new reality. Despite the challenges, this may nevertheless be an opportunity for the European Union's new College of Commissioners to engage in a rethink of development cooperation, aligning it with the EU's broader strategic goals on the world stage.

It is fair to say that the historical concept of ODA, rooted in a post-World War II context, no longer fully aligns with the realities of a modern, interconnected world. Today's development challenges are situated within a global framework characterised by mutuality, interdependence and reciprocity. There is also a shift from viewing development cooperation as a standalone sector to recognising it as a key driver of international collaboration within a whole-of-governance approach. This shift reflects a world where goods, services and opportunities are globalised, necessitating cooperation that transcends the outdated donor-recipient paradigm. That said, the value of development cooperation at its most basic level remains poorly understood by many citizens, leaving it vulnerable to politicisation and polarisation, particularly from right-wing movements that question its relevance or effectiveness.

Friends of Europe, in partnership with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and Enabel, launched the DRIVE Impact Initiative to address these pressing concerns by fostering a reimagined approach to development cooperation. Through a series of focused working group meetings, the initiative has brought together stakeholders from across sectors to tackle systemic issues in the EU's approach to development cooperation.

This report outlines the deliberations and outcomes from the DRIVE Impact Initiative's working group meetings. A total of eight working group sessions took place over the course of 2024 – four in June and four in October – each lasting 90 minutes. The first meetings were held on 17 and 18 June, ahead of Ursula von der Leyen's re-election and the presentation of her new political guidelines. The second meetings followed on 22 and 23 October, just a month before the approval of the new College of Commissioners. Discussions focused on rebalancing partnerships, optimising social impact, promoting sustainable natural resource management and enhancing the role of trade and investment. Unfortunately, no sessions were able to account for the changes which have reverberated across the global development community since the inauguration of the new US president on 20 January 2025.

Cross-cutting themes

The DRIVE Impact Initiative aimed to redefine development cooperation in a way that fosters mutual benefit, amplifies community impact and equips all stakeholders to address the challenges of a rapidly changing world.

Throughout the discussions, several themes emerged again and again, proving that no matter the context, some core principles remain.

Keep local needs front and centre – because it is the right thing to do, but also because it sets the EU apart as a different kind of partner

The EU must ensure that all development work is grounded in local needs and contexts, integrating social and environmental considerations from the outset. This inclusive approach is, in the first instance, the right thing to do as it ensures greater impact by aligning projects with local needs. But it is also a way for the EU to distinguish itself as a different type of partner in a fraught geopolitical environment.

Improve cooperation and coordination – internally and externally

The development field is populated by numerous actors and strategies, from national agencies and European frameworks to financial institutions. To maximise impact and reduce inefficiencies, the actors involved must create coherence amongst their internal strategies and with each other's approaches. By taking a collective approach, European development actors will be able to implement more effective projects and improve local contexts.

Take an enthusiastic but measured approach to public-private cooperation

The private sector has a vital role to play in international development. Public development actors should help to de-risk challenging markets, encouraging private sector investment. But they should also be practical in their approach to cooperation, embedding strong social and environmental safeguards and regularly reviewing and renegotiating contracts in order to ensure that all efforts benefit communities first and foremost rather than simply prioritising private profit.

Change the narrative around risk

There is a disconnect between the perceived and actual risks associated with investment in emerging markets. By changing the narrative to correct inaccuracies and working together to de-risk when true challenges arise, development actors will be able to unlock greater investments into partner countries, ultimately benefiting local communities.

Core recommendations

Insights emerging from the discussions offered concrete ideas and broad suggestions to guide more effective and inclusive development strategies.

Rebalancing partnerships and redefining community engagement

- Enhance coordination and coherence within EU- and member state-level development strategies: The EU must improve coordination not only within its own frameworks (e.g., Global Gateway), but also across member states' development strategies and financial institutions. National development banks, the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) each operate with distinct mandates, often leading to fragmentation. A comprehensive mapping of these institutions, their roles and their financing mechanisms would help align resources, reduce inefficiencies and improve coordination between the European Commission, member states and financial institutions, ultimately enhancing the impact of European development cooperation.

- Prioritise long-term, partner-centric development goals: The EU must continue to prioritise long-term, partner-centric goals when pursuing its trade and political interests. In a world of competing partnership offers, this long-term vision and genuine interest in partner-led development can distinguish the European offer from that of other geopolitical actors who should not be copied.

- Leverage innovative financing and partnerships: The EU, as well as national and regional development agencies, should further invest in partnerships with providers of innovative (private) financing mechanisms to diversify the resources available for development initiatives. Stronger partnerships with philanthropic organisations and the private sector can mobilise additional funding, expertise and innovative solutions.

Optimising social impact in partnerships

- Systematically integrate social impact considerations from project design: To optimise social impact, the EU must integrate social and environmental considerations from the very start of project design, rather than relying on post-implementation assessments. This proactive approach will ensure that development initiatives are aligned with the communities' needs and aspirations from the outset.

- Facilitate open, inclusive dialogue with local stakeholders: The EU should facilitate more open and inclusive dialogue between its institutions, civil society, and local communities in the design and implementation of development initiatives. This will help ensure greater transparency, community ownership, and alignment with local priorities.

- Prioritise localisation and community engagement from project inception: To ensure sustainable and community-driven development, the EU should actively involve local civil society and affected communities from the early stages of project design. This includes improving transparency, fostering inclusive stakeholder dialogue, and aligning project priorities with locally identified needs through meaningful consultations.

Long-term solutions to natural resource management

- Leverage public funds for social returns: Policymakers should attach stronger social and environmental safeguards to public funds used to support private sector investments in natural resource projects, ensuring that public money generates tangible benefits for local communities rather than prioritising private profit.

- Align national and regional strategies: Governments and regional organisations must integrate natural resource management policies and considerations more holistically within broader national development plans and the policy frameworks of regional bodies, to ensure coherence and strengthen collective approaches.

- Foster transparency and accountability: Governments must establish frameworks for regular review and renegotiation of long-term contracts between governments and extractive companies, enhancing transparency and accountability around the terms of resource extraction agreements.

Trade and investment

- Optimise public finance channels: Policymakers and development institutions should carefully select the channels through which public funds are deployed. Establishing common investment platforms could provide several advantages and reduce transaction costs, better match investment needs with available capital, and facilitate greater collaboration between public and private actors.

- De-risk and enabling private sector engagement: Development agencies should play a more proactive role in de-risking private sector investment, particularly in challenging markets, by acting as 'honest brokers' and providing instruments like guarantees to minimise perceived risks and create an enabling environment for private capital.

- Blend finance for social impact: Policymakers and development institutions should continue to explore and experiment with innovative blended finance models, such as repayable grants, social impact bonds and other structures that can effectively leverage private capital for social and developmental impact.

- Address the perception-reality gap: Policymakers, development institutions and private sector actors should work together to bridge the disconnect between the perceived and actual risks of investing in developing markets, particularly in Africa, to unlock greater private capital for sustainable development. Initiatives like the European Long-Term Investment Fund (ELTIF 2.0) were seen as promising avenues to address this challenge.

Working Group 1: rebalancing partnerships and redefining community engagement

The complexities of EU development strategies

The challenge and complexity of navigating the EU's extensive array of development initiatives and strategies featured prominently in the discussion. Team Europe initiatives and strategies like the Global Gateway often operate in overlapping spheres, creating challenges in coordination and alignment. Participants emphasised the need for greater coherence, suggesting that a unified mapping of strategies and initiatives, as well as better communication between stakeholders, could alleviate inefficiencies. The mandate of governmental agencies in direct delegation contracts also merits reassessment, as some EU delegations in partner countries interpret their level of involvement and control differently. In some cases, this leads to excessive micromanagement, role confusion and additional inefficiencies during project execution.

Bilateral cooperation was identified as an essential asset for European cooperation. EU member states maintain close ties to partner countries and their implementing agencies have often maintained long-standing collaborations with partner governments, with significant staff on the ground and extensive networks that help to deliver a wide range of projects. Aligning European and bilateral planning and programming promises immediate gains in efficiency, effectiveness and impact.

An international financial institution raised concerns about the Team Europe initiatives' limited demarcation of engagement with non-EU institutional partners, such as UN agencies. The initiative has strengthened internal EU collaboration, however it sometimes remains unclear how European engagement with other development actors complements these efforts and provides a comprehensive European offer to partners. Additionally, the growing importance and interest of the EU in multi-country and regional programs require the establishment of new partnerships with regional bodies and a revision of procedures to ensure effective implementation and coordination.

Intersections between trade and development and the need to find middle ground

The evolution of development cooperation is often portrayed as a shift from a 'donor-centric' model to an investment-oriented approach, emphasising mutual benefit and economic partnerships. In reality, development cooperation, especially at the bilateral level, has been deeply committed to partner orientation: from political agreements that frame the partnerships and define mutual interests, to co-ownership of projects, processes and results.

A new 'investment mentality', while promising to bring in new partners and offering opportunities for innovative and sustainable cooperation, risks overemphasising the interests of investor countries The working group emphasised the need for transparency regarding investor-country objectives (as seen in ongoing debates about ODA) to ensure that this shift does not overshadow the priorities of partner countries in favour of donor-driven trade and political interests, highlighting the importance of forging genuine win-win partnerships.

What has been missing is a close alignment of development cooperation with other key external policies and interests, including economic, trade and security policies. Participants underscored the importance of ensuring that the emphasis on investments still keeps development objectives at the core of cooperation efforts. Overcoming these incongruities promises to make the concept of mutual partnerships meaningful. What should be avoided is prioritising short-term commercial or political gains – such as promoting donor country exports or securing contracts for domestic businesses.

Development programs need to address the systemic challenges that impede sustainable growth in recipient nations, especially when donor countries are not as transparent as they should be. This includes strengthening local productive capacities, enhancing market systems and promoting sustainable and inclusive economic growth. Such development orientation can ensure that European partnership offers prevail in an increasingly competitive global landscape.

The working group's discussion called for a principled and partner-centric mindset and an ambition to complement development objectives with trade and political collaboration to foster trust, ensure sustainable outcomes and boost the impact of mutually beneficial relationships with its partners.

Innovative tools and new partnerships

Participants explored the potential of innovative financing mechanisms, such as blended finance (the blending of concessional and commercial capital to incentivise private sector investment) including guarantees and challenge funds, to expand the resources available for development initiatives. These tools, when coupled with greater transparency and accountability, can play an essential role in enhancing the effectiveness of development programs, considering that the tools at hand for the EU are no longer appropriate for the challenges ahead. The principal goal should be to encourage and support private sector investment in places that have not yet been reached.

Partnerships with the private sector were seen as a means to leverage innovative solutions, strengthen market systems and support the growth of small and medium enterprises. By forging closer partnerships with the private sector, development agencies could tap into a broader range of resources, expertise and innovative solutions to address complex development challenges at a time when overlapping crises strain budgets and are overwhelming public resources. Transparency and good governance in such collaborations, however, must be carefully structured to align with development objectives and principles.

The group also discussed the emerging opportunities for collaboration with philanthropic organisations and the private sector. While in many countries and sectors these actors have investment interests that are well in line with development objectives of partners, more and better coordination is needed to ensure new funding streams actually emerge and complementary initiatives can be implemented.

The wider development community needs to actively engage on how to build and develop private capital mobilisation, including by improving the bankable deal flow, addressing risks and investment barriers, and ensuring "additionality" of multilateral development bank financing, while ensuring data transparency. There is also a case to scale financing instruments such as Sustainable Development Goal loans/bonds, green loans/bonds and blue loans/bonds, where specific frameworks and key performance indicators ensure that envisaged results are firmly committed and undertaken by the company.

Working Group 2: optimising social impact in partnerships

Limitations of the inequality marker

Participants were largely critical of the European Commission Inequality Marker (I-Marker) as a tool for driving social impact. While acknowledging its value as a baseline, many argued that it falls short as a mechanism for meaningful change.

The marker was described by some as a ‘box-ticking exercise’, failing to capture the nuances and complexities of social impact.

Participants emphasised the need for a more proactive, holistic approach that systematically integrates social and environmental considerations into project design from the outset, rather than relying on ex-post assessments. They also highlighted the importance of developing a dedicated instrument and methodology to measure the unintended effects of programs and projects, particularly in relation to inequality. Such a framework would help identify and mitigate adverse impacts early on, ensuring that development initiatives contribute to more equitable and sustainable outcomes.

Concerns were raised about the marker’s limited reach, with only 60% of Global Gateway initiatives reported as contributing to inequality reduction. This low figure was seen as particularly worrying, given the EU’s ambitions for the Global Gateway strategy. Participants stressed the importance of going beyond just monitoring inequality, and instead focusing on how to actively drive social change through development partnerships.

Flexibility, risk and accountability

A key issue discussed was the need for greater flexibility within EU development frameworks. Many participants contrasted the EU’s rigid, risk-averse structures with the more agile approaches often seen in bilateral agreements. The EU’s contractual frameworks, which often prescribe detailed operational and sometimes even activity-based plans and are cumbersome to adapt, were seen as a barrier to the flexibility needed to respond to dynamic and often fragile local contexts.

The EU’s cautious approach stems from its role as a public institution managing taxpayer money, which brings a heightened level of scrutiny. The large, bureaucratic nature of the EU also complicates the adoption of more adaptive, context-specific approaches. However, participants highlighted that development work, particularly in unstable environments, requires a different mindset when it comes to managing risk.

Participants noted that overly burdensome reporting requirements and administrative procedures often hinder the ability to adjust projects to meet local needs. A shift away from this culture of risk-aversion could unlock greater potential for effective, context-specific interventions and could channel funding from administration toward impact.

Localisation and community ownership

Some participants perceived flaws in the EU’s development model, particularly its limited engagement with local civil society and affected communities. An NGO representative noted that civil society is often relegated to a ‘watchdog’ role, with restricted access to information and little input into Global Gateway initiatives. This lack of transparency and stakeholder dialogue undermines local ownership and community-driven development.

Speakers called for a shift toward greater localisation, prioritising the voices and agency of local actors. Examples from Latin America and the Caribbean illustrated how community consultations uncovered critical needs, like water management systems, that had been overlooked.

Working Group 3: long-term solutions to natural resource management

Balancing local ownership and global interests

In the context of addressing the delicate balance required to ensure sustainable, equitable natural resource management, organisations shared their experiences working to strengthen local stakeholder engagement and promote local ownership in their specific projects. They described initiatives like self-financed projects aimed at strategic dialogue with partner governments, civil society and local economies. They noted that the goal is to better understand the needs and demands of these stakeholders in order to tailor more mutually beneficial offerings.

Concerns were expressed about the possibility of funding being redirected toward international interests, like extractive industries, rather than supporting marginalised local communities. This highlighted the challenge of balancing priorities to ensure that local communities, especially in fragile contexts, have meaningful control and ownership.

The moral imperative of transparency and accountability

A recurring theme was the moral imperative for greater transparency and accountability in the governance of natural resources. Participants pointed to the long-term contracts between corporations and governments, which often limit the ability of the latter to negotiate fair terms. These contracts, sometimes spanning 30-50 years, were viewed as limiting countries' flexibility, making it difficult for them to renegotiate or adjust the terms as situations evolved over time.

Participants argued that these long-term agreements, often signed when governments were in a vulnerable position, were fundamentally unfair and needed to be challenged. There were calls for more dialogue on eye-level between corporations and governments to address these practices, which were seen as systematically weakening communities and crowding out honest discussions. One example of best practice in this context is the CONNEX Support Unit II, a project which aims to enable partner countries in negotiating fair and stable investment contracts in the areas of mining, infrastructure and renewable energy, and to increase the associated developmental benefits. This helps to ensure that international cooperation on mining is of mutual benefit, thereby making the European partnership offer more attractive in a competitive geopolitical environment.

Beyond corporations, there were also calls for a ‘moral reckoning' with European citizens and their consumption patterns. It was suggested that the demand from European consumers for certain products and materials at particular prices was a key driver behind the exploitative practices of corporations, who then lobby their governments to maintain the status quo.

The need to leverage public funds to ensure social returns, rather than just private profits, was emphasised as a crucial step forward. Participants argued that the taxpayer money used to underwrite risks for mining companies or provide incentives should come with stronger conditionalities and clauses to ensure local communities and the environment are protected, rather than just maximising corporate gains.

Reframing the narrative of development cooperation

The discussion highlighted the need to reframe the narrative around development cooperation. Participants argued that the current discourse has failed to adequately address the root causes of resource extraction and wealth outflows from developing countries.

Participants emphasised the need to ensure that partnerships on trade, investment and natural resources also prioritise countering poverty and inequality as well as protecting the environment. By centring the discussion on these systemic challenges, participants believed the development community could drive a more impactful policy dialogue. One example of such effective engagement is the Extractive Industries Transparency Initiative (EITI), a global effort implemented by non-governmental organisations, companies, financial institutions and governments. It promotes transparency and accountability regarding revenue received from the extractive sector, as well as the responsible use of natural resources.

Participants highlighted that policymakers should shift the policy dialogue away from a narrow focus on aid budgets towards a more comprehensive examination of resource flows, wealth outflows and the structural drivers of unequal natural resource governance. This reframing could help generate more effective solutions to empower local stakeholders and ensure a fairer distribution of the benefits from resource extraction.

Working Group 4: trade and investment

Maximising the impact of public funds

The discussion highlighted the importance of carefully considering the channels through which public sector money is deployed. The relatively recent initiative of creating common investment platforms or 'country platforms' as a way to reduce transaction costs and better match investment needs with available public and private capital could provide a good example of how to innovate in this space.

Participants noted that such platforms could help address the fragmentation and inefficiency that often arises when investors and recipients have to navigate a complex web of different government agencies, development banks and other actors. By pooling resources and creating a more streamlined approach, these platforms could facilitate greater mobilisation of private capital for development priorities. Participants agreed that pooling per se is not enough to generate projects that are fit for investment as well as fit for purpose. But combining these platforms with other interventions on a sectoral or sub-regional level can help accelerate the concretisation and implementation of new initiatives.

De-risking and enabling the private sector

Participants emphasised the critical role of development agencies in reducing risks that deter private sector investment in high-risk markets. Development agencies can act as intermediaries or 'honest brokers', building trust between investors and investees by offering guarantees, technical assistance and other risk-mitigation tools.

These efforts are essential for channelling private capital towards sustainable development priorities. By creating an environment where private investors feel more secure and confident, these organisations can help to catalyse much-needed private investment in areas such as renewable energy, infrastructure and small and medium enterprises, especially in regions where concerns about political or economic stability prevail.

Blending finance for social impact

One participant shared examples of how their organisation had used guarantee instruments to de-risk investments across the renewable energy value chain in Africa, facilitating private sector engagement in projects that not only generate financial returns but also deliver tangible social benefits to underserved communities.

The discussion also touched on the potential for development agencies and governments to incorporate social impact requirements into public-private partnerships and procurement contracts. This can incentivise private actors to prioritise and deliver measurable social outcomes, rather than relying on voluntary corporate social responsibility efforts.

While using blended finance for social impact is not new, participants stressed the need for innovation as development budgets tighten. Strategic use of public funds to attract private capital for social returns was seen as essential. As development actors navigate the evolving landscape, finding ways to effectively blend public and private resources for maximum social impact will be an important area of focus.

Donors are facing increased pressure on reporting development impact due to the growing fiscal constraints of ODA. In this context, it would be of interest for the development community to strive towards a transparent, standardised development finance impact assessment, which would allow for enhanced resource utilisation and ensure development outcomes.

Addressing the perception-reality gap

A recurring theme was the disconnect between the perceived and actual risks of investing in developing markets, particularly in Africa. Participants highlighted the need to better communicate the investment opportunities and de-risk the continent in the eyes of private investors.

Participants discussed how this perception-reality gap acts as a significant barrier to mobilising private capital for development priorities. Private investors, both institutional and retail, often shy away from African markets due to concerns over political instability, regulatory challenges and other perceived risks. To address this, the discussion touched on the potential of initiatives like the European Long-Term Investment Fund (ELTIF 2.0), which aims to combine institutional and retail investors for long-term investments in areas like infrastructure and sustainable development.

The participants underscored the importance of engaging with European institutions to ensure the effective implementation and communication of frameworks like ELTIF 2.0. By providing a structured investment vehicle that can pool resources and mitigate perceived risks, these initiatives were seen as promising avenues to bridge the gap between investor perceptions and the realities on the ground in developing markets. Ultimately, addressing this disconnect was viewed as crucial for unlocking the significant private capital needed to drive sustainable development.

Participating organisations

Africa Platform; Africa-Europe Foundation; Agence Universitaire de la Francophonie; Anglican International Development (AID); Belgian Development Agency (Enabel); Brussels; Africa Hub; CECADE; CESVI Cooperation and Development; Danish Institute for Human Rights; Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) Headquarter; Economic Research Institute for ASEAN and East Asia (ERIA); European Association of Development Agencies (EURADA); European Centre for Development Policy Management (ECDPM); European Commission Directorate-General for International Partnerships (INTPA); Fundación Ayuda en Acción; Global Solutions Initiative; International Finance Corporation (IFC); International Fund For Agricultural Development (IFAD) Headquarters; People in Need; Platform for Accelerating the Circular Economy (PACE); Swedish Institute for European Policy Studies (SIEPS); The Data Tank; and Welt Hunger Hilfe. We were also joined by several academics and experts who participated in their personal capacities.

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