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# Narratives of a Changing World: Rethinking ODA, SMEs, and European Competitiveness

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**Anna Widegren / Peter Hefele**

Brussels, June 2026

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### Executive summary

Europe is entering a period of profound geopolitical, economic, and psychological transition. The assumptions that shaped its post-Cold War development model are increasingly under strain: geopolitical fragmentation is intensifying, global supply chains are becoming more politicised, technological competition is accelerating, and Europe is under growing pressure to redefine its role in the world. At the same time, Official Development Assistance (ODA) is facing increasing scrutiny, often framed as a moral luxury that Europe can no longer afford amid domestic pressures.

This paper argues that this framing is outdated and strategically harmful. ODA was largely designed for a world characterised by Western dominance, clear donor-recipient hierarchies, and relatively stable geopolitical institutions. That world no longer exists. Today's environment demands a new narrative — one that positions *development cooperation as a tool of partnership, resilience, competitiveness, and mutual prosperity*.

The report 'Enhancing EU Competitiveness through Strategic ODA Investments' (Re-Imagine Europa, 2025) highlights that current ODA narratives remain trapped between humanitarian appeals, moral obligation frameworks, and defensive arguments that fail to resonate with contemporary political realities. Similarly, participants at the Roundtable on "Rethinking ODA, SMEs, and European Competitiveness", held on 13 April 2026, hosted by the Wilfried Martens Centre for European Studies, emphasised that Europe continues to approach Africa and emerging markets through outdated paternalistic lenses, often overlooking the innovation capacities, the demographic transition, and economic opportunities these regions represent.

Small and medium-sized enterprises (SMEs) must play a central role in this new narrative. SMEs account for 99% of all EU businesses and around two-thirds of private employment in Europe (European Commission, 2024), yet current development instruments frequently privilege large multinational actors that are better equipped to absorb regulatory complexity and investment risk. A more effective model would connect ODA to SME partnerships, innovation ecosystems, and local value creation in both Europe and partner countries.

Ultimately, Europe must move from an aid narrative rooted in sacrifice and obligation toward one rooted in strategic partnership. This is not about abandoning values — it is about ensuring those values remain relevant in a rapidly changing world.

## Why the Old Narrative No Longer Works

Europe cannot remain internationally credible if it ignores the broader, rapidly changing environment in which it operates. *Competitiveness, strategic autonomy, and development cooperation can no longer be treated as separate policy silos.* ODA was fashioned in a different era, when development cooperation was closely tied to postwar reconstruction, Cold War diplomacy and a prevailing faith in multilateral institutions. Today, that landscape has changed significantly. China's Belt and Road Initiative, Gulf investment strategies, and new South-South partnerships have reshaped development financing globally (OECD, 2024). Europe now operates in a world defined by rapid technological disruption, renewed great power competition, climate shocks and more fragmented global governance. The war in Ukraine has heightened concerns about energy security; US foreign policy unpredictability has raised doubts about transatlantic reliability; African economies are growing in strategic importance, and global supply chains are being restructured around resilience rather than efficiency. These structural changes alter the stakes of development policy: investments overseas now affect Europe's access to critical materials, the resilience of supply chains, the stability of neighbouring regions and the viability of future markets for European firms. Narrative frames that treat ODA as an optional expression of solidarity are ill-suited to this landscape because they fail to connect aid assistance to Europe's strategic and economic vulnerabilities and opportunities.

Framing development cooperation mainly through charity, moral duty or humanitarian solidarity leaves its strategic and economic relevance politically underdeveloped. As the Re-Imagine Europa analysis shows, such moralising frames risk triggering zero-sum perceptions: citizens who feel economic strain ask why scarce public funds should be spent abroad when domestic needs appear pressing. The Roundtable emphasised that charity framing also sustains paternalistic patterns in practice, inhibiting local ownership and mutually beneficial partnerships. When ODA is presented as a moral duty rather than an investment, it becomes easy to portray it as a drain on taxpayers and to exclude it from competitiveness debates where it, in fact, has direct relevance.

*Narratives are not neutral descriptions*; they are cognitive frames that determine whether a policy appears plausible, fair, and necessary to the public and decision-makers. In today's environment, dominant emotions include fear, anger, and nostalgia, which shape how citizens respond to arguments about international spending. The way ODA is framed therefore matters politically: inclusive, pragmatic narratives that foreground shared benefits reduce polarisation, broaden the coalition of supporters, and make sustained financing more tenable. The Roundtable discussion underlined that without reframing, ODA risks being sidelined in the EU Multiannual Financial Framework negotiations and cut back precisely when its strategic uses are most valuable.

## Towards a New Perspective on Development Cooperation

Development cooperation should be repositioned from a one-directional transfer to a durable framework for two-way partnership. Partnership implies co-design, shared risk-sharing, joint governance and measurable reciprocity. The roundtable participants stressed that escaping

the charity paradigm is essential: business relationships in Africa are increasingly mutual convenience rather than unilateral assistance. Making partnership the default means prioritising joint ventures, local supplier development, technology transfer and contractual arrangements that bind European and local firms into shared value creation. Operationally, this requires adjusting procurement rules, financing modalities and technical assistance so that local ownership is real and visible.

*A more relevant understanding of ODA links it explicitly to competitiveness, security and resilience. Competitiveness captures the economic dimension: ODA can help create markets, nurture suppliers and secure sustainable access to critical inputs. Security captures investment in food systems, energy infrastructure, and economic opportunity and can reduce instability and transnational shocks. Resilience captures the systemic perspective: building local capacities for energy, food and climate adaptation lowers the global risk of crises and creates resilience for both Europe and partner countries. This aligns closely with the European Commission's growing emphasis on economic security, outlined in both the Green Deal Industrial Plan and the broader competitiveness agenda.*

Europe's comparative advantage in the new environment is less about the capacity to act fastest and more about acting reliably, lawfully and transparently. One of *Europe's strengths is its rule-based systems, standards, and credibility, which* can be leveraged into long-term partnerships that attract both local trust and international respect. Europeans may be slower and more bureaucratic, but they remain dependable partners with high standards of governance. This reputational asset can be deployed strategically: European ODA should aim to de-risk private investment, embed high environmental and social standards and offer long-term predictability that firms and partner governments can rely on. In an increasingly volatile geopolitical environment, reliability itself may become a valuable export.

## The Role of SMEs in the New Narrative

SMEs are essential to buttressing the link between development cooperation and European competitiveness. They constitute over 90% of European businesses, generate over 50% of EU GDP, and employ roughly 100 million people. They are often more agile, innovative, and embedded in local communities than large multinational firms. When European SMEs engage abroad, they create granular economic connections that translate into jobs, strengthened supply chains and knowledge diffusion. The Re-Imagine Europa report positions SMEs as anchors of local economies and critical intermediaries for the diffusion of technology and standards; the Roundtable discussion reinforced this point, with panellists noting that SMEs can test novel business models and build local ecosystems in ways that larger firms often cannot.

Current policy instruments and public debate tend to privilege large contractors and multinationals because those actors can absorb project scale, complexity and early losses. Global Gateway-type programmes, while strategically conceived, often advantage global firms due to procurement thresholds, complex application processes, and high compliance burdens. This structural bias crowds out SMEs and risks locking Europe into models that reproduce dependency rather than promote local capacity. The debate also too often overlooks the basic

enabling services SMEs need: accessible guarantees, rapid access to working capital, straightforward matchmaking, and legal support for joint ventures. By not including SMEs, Europe risks creating development frameworks that exclude the very businesses most capable of generating inclusive and sustainable growth.

SMEs offer a more *compelling political narrative because they connect development policy with tangible economic outcomes such as job creation, innovation, local entrepreneurship, skills development and regional growth*. Their involvement produces visible local jobs, supply-chain links and business cases that are comprehensible to domestic publics. SMEs are also well placed to innovate: their lean structures allow them to pilot solutions and to adapt rapidly to local markets, which can then be scaled through blended finance and public-private partnerships. The roundtable highlighted that NGOs and civil society, with lower bureaucratic overheads, can act as early innovators in partnership with SMEs, while public finance de-risks initial stages and helps translate early pilots into sustainable markets. Emphasising SME success stories — particularly those in which European SMEs and African partners co-own ventures — will counter paternalistic tropes and demonstrate reciprocal benefits. They also create stronger win-win narratives by demonstrating that development cooperation can generate shared prosperity rather than zero-sum competition.

## Conclusion

If Europe wants to rethink ODA credibly, it must move beyond inherited aid categories and articulate a more strategic, partnership-based narrative in which SMEs play a visible role. That requires *three concurrent actions*:

- 1) Narratively reposition ODA as strategic investment for prosperity, security and resilience rather than as charity;
- 2) Adapt instruments — particularly Global Gateway modalities — to be SME friendly by lowering administrative burdens, offering targeted guarantees and combining working capital with technical assistance;
- 3) Communicate measurable outcomes that show local jobs, market creation and supply-chain resilience to domestic audiences. The April 2026 Roundtable underscored the urgency: as transatlantic dynamics shift and budgetary pressures rise, Europe's credibility will depend on its capacity to demonstrate that development cooperation is a pragmatic, win-win tool that strengthens European competitiveness and supports partner country agency. Policymakers who act on this insight can preserve ODA's political space, catalyze SME-led growth, and secure Europe's long-term strategic interests. The future of ODA should not be framed as sacrifice. It should be framed as investment -- an investment in a more resilient, competitive, and interconnected future for Europe and its partners alike.

## References

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