

# **MULTILATERAL DEVELOPMENT IN FLUX: STRENGTHENING EUROPEAN COOPERATION WITH THE GLOBAL SOUTH**

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## **SUMMARY**

- European countries are rethinking their policies on multilateral development in the face of intersecting crises, geopolitical competition, and a loss of trust from the global south.
- Some leaders have turned away from multilateralism, but a larger number are looking to reform and renew their approach to cooperation.
- The search for improved responses to global challenges such as climate change and pandemic disease has given new impetus to multilateral efforts.
- European policymakers want to connect development with broader strategic goals, including improving relations with the global south. This could offer a new rationale for multilateralism.
- Europeans should embrace a far-sighted vision of development cooperation, based around the idea of solidarity in pursuing a broad range of shared interests with as wide a circle of partners as possible.

# Multilateral development under pressure

The world faces an interlocking series of crises – yet cooperation to resolve them is falling short. Progress on global development has been hit by covid-19 and Russia’s war in Ukraine. Many countries are struggling with high debt levels that divert government spending from pressing social needs. The climate crisis demands urgent steps on mitigation and adaptation that many low- and middle-income countries can ill afford. There is wide agreement among development professionals that multilateral cooperation is essential to addressing all these problems.

Most development experts see multilateral processes as the best way of ensuring assistance is efficiently directed at those most in need. Alongside this, the growing importance of finding solutions to cross-cutting problems such as climate change, pandemic disease, and debt has made international cooperation even more necessary. However, the world’s countries are divided by war, geopolitical competition, and deepening mistrust. Political trends in several Western countries have also made international cooperation more contentious.

As a result of these changes, European policy on development cooperation is in flux. Many European governments are re-evaluating how they work with partners and international institutions to fight poverty around the world and address global challenges. Some policymakers are pushing for a ‘renationalisation’ of development policy, turning away from multilateral institutions and seeking to tie assistance to obtaining support for the donor country’s political and strategic priorities.

On closer examination, however, the changes in European development policy do not represent a widespread shift against multilateralism but rather something more complex and open-ended. Many policymakers feel that traditional assumptions need to be revised for a world that has changed dramatically since the creation of institutions such as the World Bank and the United Nations Development Programme (UNDP). There is a sense that development cooperation should reflect strategic interests in a competitive world, and a broad desire to renew European relations with the global south, after Russia’s war in Ukraine revealed a gulf in perceptions between Europe and the non-Western world.

The exact implications of this evolution for European engagement are still to be resolved, including the new forms of partnership that could emerge and the resources that governments would put behind them. Nevertheless, the fact that many Europeans now see development cooperation as integral to their interests in the world offers an opening for a new and more ambitious vision.

This policy brief describes the trends affecting the evolution of multilateral development cooperation. It analyses the European debate around this issue, with a focus on four key countries: France, Germany, the United Kingdom, and Sweden. Drawing on a series of roundtables with policymakers, officials, and civil society representatives convened in these countries by the European Council on Foreign Relations, it examines the concerns and priorities that are shaping their thinking. The paper discusses the current political context for development policy, explores areas of convergence between key donor countries, and highlights where decisions remain to be made. It argues in favour of a far-reaching conception of solidarity, whereby Europe's shared long-term interests with countries across the global south provides the basis for deepening cooperation. That cooperation will involve balancing reforms to make traditional multilateral institutions more effective and responsive with the development of initiatives among like-minded partners that are more flexible and have a stronger normative dimension.

## The new global context for multilateral development cooperation

### Development's shifting forms

Since the end of the second world war, the rich countries of the West have offered funding and pursued initiatives to support the development of low- and middle-income countries. Much of this aid is offered bilaterally (ie, from one single country to another) – initially to former European colonies or, in the case of the United States, to European countries recovering from the war and to Asian countries thought to be vulnerable to Communist takeover. From the 1960s onwards, bilateral aid began to go to a broad range of countries across the world. However, alongside these programmes, since the early post-war period countries banded together to set up a series of multilateral aid institutions to supply coordinated large-scale grants, concessional loans, services, or expertise to developing countries. Early multilateral development institutions included the different arms of the World Bank and the development organisations linked to the United Nations, such as the UNDP, the World Food Programme, and the World Health Organisation.

In addition, from the late 1950s onward, a series of regional development banks (the African Development Bank, the European Bank for Reconstruction and Development, and so on) were set up to offer development funding in particular regions. The development activities of the European Union are also classed as multilateral since they combine the inputs of the EU's

member states. From around the turn of the century, a series of “vertical funds” was established to support projects in specific sectors, such as health, climate, and agriculture. This reflected the increasing focus in development policy on a series of emerging global challenges that often cut across national borders. Notable examples include the Global Fund (fighting HIV, tuberculosis, and malaria) and the Green Climate Fund.

## Strategic competition

In recent years, a number of shifts in development cooperation and global politics have combined to reshape the context for European efforts to support the development of low- and middle-income countries. The traditional Western donor countries that dominated the development landscape 30 years ago have seen their position eroded by the emergence of new sovereign lenders and private capital flows to the developing world. Between 2010 and 2019, the share of external financing to the public sector in developing countries provided by private sources grew from 36 per cent to 48 per cent. During the same period, according to the World Bank, over half of bilateral loans to developing countries came from members of the BRICS group of countries, with China providing the largest amount. Western countries can no longer set the terms of development cooperation through multilateral and bilateral efforts as they once did.

As European countries come to see China as a systemic rival that seeks to remake the international order in its favour, they are increasingly concerned about the influence it is gaining through its range of development projects. The Belt and Road Initiative (BRI), launched in 2013, has become a vehicle for China to funnel bilateral funding for infrastructure development to more than 150 countries around the world. By offering finance for infrastructure, the BRI provided an alternative to Western development funding, which focused more on social development than on construction and manufacturing. By 2022 China had given out an estimated \$1 trillion in loans and grants under the programme, although the level of new funding has fallen sharply in recent years. The BRI is a massive initiative that combines a range of goals and objectives, linking development in partner countries, the delivery of projects attractive to national leaders, and Chinese economic and energy interests.

China has also moved to establish itself as a leading player in more traditional areas of multilateral development. In 2021, President Xi Jinping announced the launch of the Global Development Initiative (GDI) in a speech at the UN General Assembly. This initiative responds to a new international climate in which there is growing concern about the lack of progress towards meeting the UN’s 2030 Sustainable Development Goals (SDGs); the initiative involves more cooperation with international bodies than the BRI. The GDI’s announced priority areas include “poverty alleviation, food security, Covid-19 and vaccines, financing for development,

climate change and green development, industrialisation, digital economy, and connectivity.” At the same time, China has become more active within the UN development system, providing leaders for UN bodies such as the Food and Agriculture Organization and promoting China-led projects.

## Rising needs, falling trust

Western concerns about China’s growing influence come at a time when the needs and expectations of the global south have risen, pointing up the importance of development as a sphere of global competition. The intersecting crises of recent years, particularly the covid-19 pandemic and the Russian invasion of Ukraine, not only intensified geopolitical tensions but also led to a sharp increase in global needs. Severe shocks around access to food and energy, weak growth and inflation, and the accelerating impact of climate change have come together to set back development in many low-income countries. The World Bank has warned of a “lost decade of growth” with serious implications for the world’s ability to tackle poverty, increasing inequality, and the impact of climate change. Since the outbreak of covid-19, progress towards meeting the SDGs has stalled and, on 30 per cent of indicators, the world is now at or even below the 2015 baseline. Global hunger is at a level not seen since 2005.

While rich countries were able to boost spending to help them weather the economic impact of the pandemic, many emerging markets and low-income countries were unable to do so. Having taken on significant levels of debt before the pandemic, these countries were unable to access new loans, and faced increasing problems meeting their payments due to lower growth, higher food and energy prices, rising interest rates, and an increase in the value of the dollar. More than half of low-income countries and around a quarter of middle-income countries were assessed to be in debt distress or at high risk in mid-2023.

Moreover, the growing sense of urgency across the world in fighting common challenges and upholding global public goods, particularly the need to mitigate and adapt to climate change as well as to prepare for future pandemics, will require significant increases in spending. The International Energy Agency estimates that investment in clean energy in emerging and developing economies would need to rise from \$770 billion in 2022 to as much as \$2.8 trillion by the early 2030s, a target that will require big increases in both public and private external financing.

The West’s failure to deliver on promises of financial support to address the climate crisis and to share medical goods including vaccines during the pandemic has created a profound loss of trust among much of the rest of the world. The reluctance of many countries in the global south to rally behind the West after Russia’s full-scale invasion of Ukraine in February 2022

brought home to European policymakers how these countries had other, more urgent, concerns and saw Europe and the US as selective and inconsistent in their foreign policy. Many influential voices from Africa, Latin America, and Asia are now calling for far-reaching changes in their relationship with the West, including not only a greater sharing of resources but more inclusion in decision-making bodies and partnerships based on equality and mutual respect rather than old-fashioned donor-recipient models.

## Western initiatives and responses

These developments have led European and US policymakers to worry that a new multipolar order is emerging, with many low- and middle-income countries alienated from the West and looking to China, Russia, and other emerging powers as partners. They have also led the West to take steps to reset their relations with the global south; these have played out above all in the field of multilateral development cooperation.

As the world began to recover from covid-19, the G7 launched the Partnership for Global Infrastructure and Investment (PGII) at its summit in 2022. Officially billed as a “values-driven, high-impact, and transparent infrastructure partnership” to meet the needs of low- and middle-income countries, the PGII made little secret of the fact that it was meant to provide an alternative to the infrastructure funding channelled through China’s BRI. Indeed, the US administration said that the initiative would “support the United States’ and its allies’ economic and national security interests”.

The EU’s contribution to the PGII is the Global Gateway, which aims to mobilise €300 billion by 2027 for investment in infrastructure, including energy connections, digitalisation, and vaccine manufacturing. However, some national development officials in member states worry that the Global Gateway could raise expectations that the EU fails to meet, given that much of the funding collected under the initiative was already pledged through different frameworks. In addition, the EU and some member states are among the International Partners Group of like-minded countries that has negotiated a series of Just Energy Transition Partnerships (JETPs) with emerging economies – South Africa, Indonesia, Vietnam, and Senegal. These initiatives are designed to bring together public funding and investment from other sources to aid development and climate transitions, though progress on the initial agreement with South Africa has been slow.

Western countries have also thrown their weight behind moves to reform the international financial institutions (IFIs), particularly the World Bank and the IMF, to make them more responsive to the needs and concerns of the global south. The Bridgetown Initiative, launched by Barbados prime minister Mia Mottley, is calling for a series of steps to increase access to

capital for developing countries to fight climate change and pursue development, including \$100 billion in new funding and reforms to the functioning of the World Bank and IMF.

Mottley has written that the covenant between the world's wealthier and poorer countries faces a "fundamental breakdown". In June, President Emmanuel Macron aligned France with this agenda by convening a summit for a new global financing pact in Paris. The results of the summit included the announcement of a series of crisis response measures from the World Bank, and statements of progress on pledges to increase funding for global recovery and climate measures.

Encouraged by the US, the World Bank has set out an evolution roadmap, designed to overhaul its mission, operations, and resources. There is broad agreement among Western policymakers and analysts that multilateral development banks need both more resources and a new way of doing business if they are to be able to meet today's development challenges. At the annual meetings of the IMF and World Bank in October 2023, the bank agreed a new mission statement that included action on climate change, and shareholders agreed reforms to increase lending available with current resources. The IMF agreed to a quota increase that would leave existing ratios untouched, as the US had proposed. Nevertheless, the annual meetings left many observers concerned that concrete steps to match the ambitions expressed remained lacking.

Both the US and leading European countries have backed the idea of increasing the firepower of the IFIs, but there is a difference between their approaches that may be accentuated as reform discussions proceed. Ahead of the G20, US president Joe Biden asked Congress to increase funding for the World Bank by \$2.25 billion, which would unlock \$25 billion in lending. For the US, as national security adviser Jake Sullivan put it, the World Bank and the IMF are institutions "that were founded on and continue to embody US leadership". Sullivan said the administration's request to Congress for additional funding for the IFIs was designed in part "to offer a credible alternative to the coercive and unsustainable lending practices of the PRC [People's Republic of China]."



Sullivan's language seems to reflect a calculation that the best way to win approval from the US Congress for increased development spending is by emphasising competition with China. But the administration's positioning and broader anti-China sentiment among US legislators will put limits on the way that Biden approaches IFI reform. The US is betting that changes to the functioning of the institutions and the injection of additional resources through shareholder guarantees will be enough to improve their functioning and win renewed backing from large parts of the global south. But it is unclear whether technical fixes of this kind will be enough to defuse the larger political issues about the legitimacy and representativeness of institutions that were set up in a very different world.

By contrast, if shareholders were to expand the World Bank's resources on a larger scale through a general capital increase, this would raise the question of whether countries including China as well as India and Brazil should receive larger shareholdings. European countries seem more receptive than the US both to the idea of a capital increase and to broader changes to IFIs to make them more inclusive. In his speech to French ambassadors in August 2023, Macron called for "a radical reform of global governance" including the governance of the World Bank and IMF, warning that "unless we bring back many of those countries which are not there, we will allow an alternative order to be created and move towards the marginalization of our own system." This vision of the sources of legitimacy of multilateral development institutions is very different to that put forward by Biden and his administration. It could result in US-European divisions as reforms move forward, limiting scope for European leaders to achieve the reforms they want.

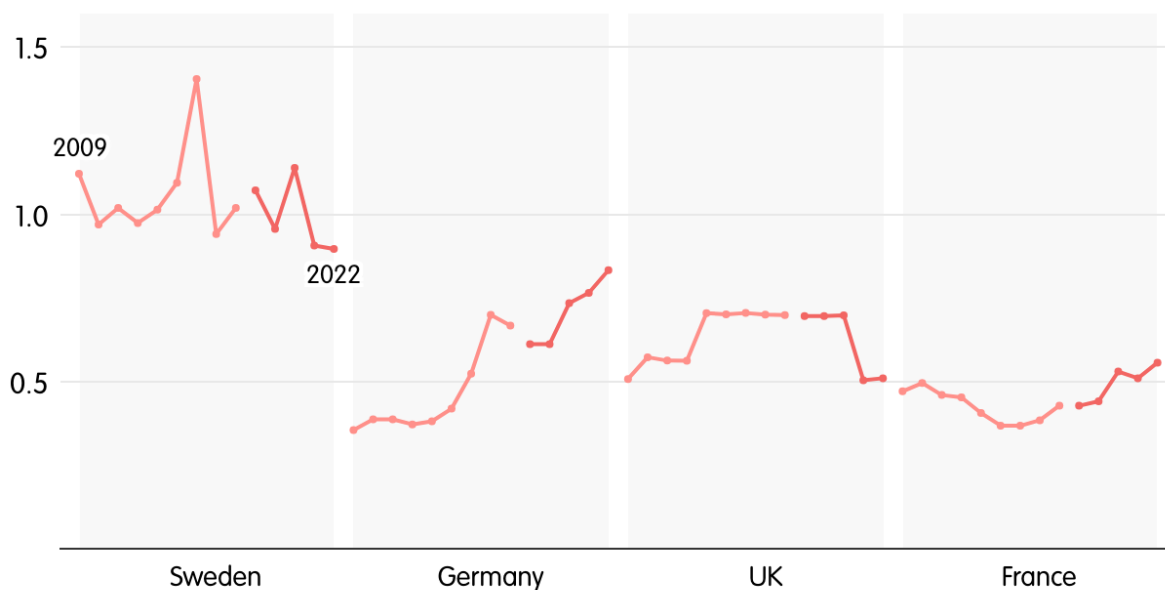
Finally, there have been some halting global moves to address the debt crisis in a way that takes account of the complex structure of contemporary sovereign borrowing. Announced with great fanfare in 2020, the G20's Common Framework for debt restructuring has struggled to be effective. In June, Zambia finally reached an agreement on debt treatment with its creditors after talks lasting over two years. The agreement showed that restructuring agreements with China, Western creditors, and multilateral institutions are possible, but it does not necessarily imply that it will be easier to reach similar deals in future cases.

Western countries have launched a process of rethinking multilateral development cooperation, introducing new initiatives while trying to reform older institutions to make them respond to the urgency of tackling climate change and other global challenges. These moves are driven by concern about worsening development trends and by the consciousness that Western relations with the global south have frayed and need to be repaired at a time when China and other rival powers are gaining influence. Nevertheless, European policy on multilateral development assistance is still in the process of formation, influenced by



strategic priorities and political debates in leading countries. This paper now turns to look in more detail at current trends and unresolved questions about multilateral development cooperation in four key European countries, based on the discussions in ECFR's roundtables. The following section characterises the distinctive context in each country. Subsequent sections draw out conclusions from both these discussions and other research.

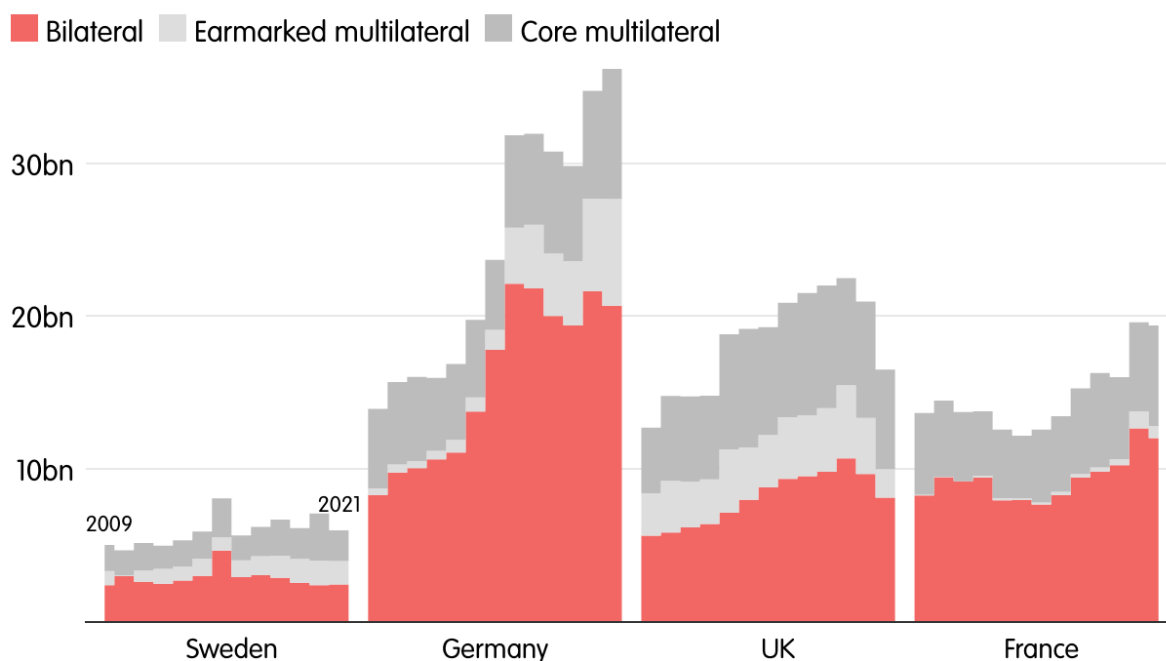
### ODA allocations as a share of GNI, 2009-2022\*. In per cent



2009-2017 Net ODA flows as a percentage of GNI. 2018-2022 ODA grant equivalent as a percentage of GNI.  
 \*2022 figures are preliminary.

Source: OECD  
 ECFR · ecf.eu

## ODA allocations, 2009-2021. Gross disbursements in USD, 2021 constant prices



Source: OECD  
ECFR · ecf.eu

## Policy debates in Europe

### France

Under Macron, France has shown an increased commitment to development and overhauled its policies. The central step was the Programming Act on Inclusive Development and Combating Global Inequalities, adopted in July 2021. The act set an objective that no more than 35 per cent of France's development funding be spent through multilateral channels in the period 2022-2025 – a provision that policymakers say was included to help build parliamentary support. In practice, however, it has not significantly changed the levels of multilateral spending. The amount of French aid spent bilaterally ranged between 31 per cent and 40 per cent in 2012-2021, and development spending overall has been increasing.

Moreover, the guidelines on development policy released by the Interministerial Committee for International Cooperation and Development in July 2023 dropped the act's limit on multilateral spending, saying instead that there should be greater coherence between multilateral and bilateral spending

. At the same time, the guidelines pushed back France's commitment to reach the UN-recommended threshold of spending 0.7 percent of GNI on official development assistance (ODA) from 2025 – the date specified in the Programming Act – to 2030.

Compared to other European countries, there is a strong emphasis in French development policy on reform and innovation in the multilateral development system. Policymakers are focused on the need to retool the multilateral system so that it can better respond to the impact of climate change. Helping developing countries reduce their reliance on hydrocarbons and promote renewable energy is listed as the first objective of French policy in the new guidelines. In his speech to ambassadors in September 2023, Macron called for the creation of new formats and an examination of international governance beyond current structures. Development officials present the JETPs negotiated with South Africa, Indonesia, and other countries as representative of a constructive new approach.

Macron's summit for a new global financing pact held this summer also showed the French interest in reforming the multilateral system to help countries in the global south be able to afford measures to promote their own economic development and measures to limit carbon emissions. French policymakers and the wider development policy community are also giving significant attention to other ways of raising funds for development, including domestic resource mobilisation in low and middle-income countries and to the role of public development banks. This latter goal is highlighted in the Finance in Common network, based within the French development agency AFD. These initiatives demonstrate the ways in which France is looking to forms of international cooperation that go beyond traditional multilateral processes.

## Germany

Up to around 2015, Germany had an established preference for bilateral aid, because it offered greater visibility and a chance to promote German interests, and could draw on the strength of Germany's development agency. But over the last decade, the country has increased both total levels of development spending and the proportion going to multilateral bodies, with a particular increase in contributions earmarked for specific purposes. In 2021, admittedly an exceptional year because of the covid-19 pandemic, Germany spent 57 per cent of its ODA bilaterally, 19 per cent as core contributions to multilateral organisations, and 24 per cent as earmarked multilateral funding (requiring that funding be spent on a specific purpose rather than going to organisations' core budgets).

German officials and analysts say the country is becoming increasingly confident and constructive in its engagement with the multilateral development system. Germany now

participates more actively on organisations' boards and is embracing a leadership role, as for example in the Sahel Alliance and Global Shield against Climate Risk. The use of earmarking is indicative of this trend: Germany sees the value of working collectively but wants to ensure that it can put its priority topics on the agenda. Nevertheless, German analysts feel that their country needs a more coherent and strategic approach to use its position to best advantage. Officials say that the development, finance, and foreign ministries would all benefit from better coordination.

Germany's evolving thinking on multilateral development is spelled out in the country's new multilateral development strategy, published in September. The document stresses the important role of multilateralism in preserving global public goods such as peace and security, protection of the climate, and pandemic preparedness as well as reinforcing social protection systems against the background of global interdependence and escalating crises. It says multilateral organisations offer high political legitimacy, financial clout, and reach for pursuing shared goals. According to the strategy, Germany will help "strengthen the countries of the Global South as capable and effective partners in the multilateral system", including through joint initiatives such as Germany co-facilitating the 2024 UN Summit for the Future with Namibia.

More than in other countries, German officials also see the reinforcement of a global rules-based order as valuable in itself. The multilateral development strategy says internationally applicable, jointly agreed goals and rules provide the "central compass" of Germany's multilateral engagement. Within development policy circles, there is concern about the risks of undermining global institutions such as the UN if Western countries shift their focus to initiatives based on cooperation between like-minded partners, though officials also recognise that the support of the US is important for reforming international institutions. German policymakers say they want to chart a multilateral development policy that recognises the reality of geopolitical competition but avoids being trapped in a bipolar paradigm created by the US-China strategic rivalry.

## United Kingdom

The UK's development policy is emerging from a tumultuous period that saw the merging of the Department for International Development into the Foreign and Commonwealth Office in 2020, the abandonment of the commitment to spend 0.7 percent of GNI on ODA in 2021, and a new development strategy in 2022. The development strategy was written in the context of a broader vision of British foreign policy based around the idea of systemic competition from Russia and China. The development strategy said that the UK would substantially rebalance ODA investments from multilateral to bilateral channels so that funding could be focused on

UK priorities, including to “support countries to succeed as open, free nations”.

However, current policy no longer reflects this aspiration. Andrew Mitchell, who served as international development secretary from 2010 to 2012, returned to the portfolio as development minister in October 2022. Mitchell has overseen the drawing up of a new white paper published in November 2023. With an election looming next year, the white paper attempts to set a direction for UK development policy that has cross-party support by incorporating the views of the opposition Labour Party and other stakeholders. The white paper includes a strong commitment to multilateralism. It says the international system is “uniquely placed to promote universal principles and priorities” and that global multilateralism “brings the scale and legitimacy needed to tackle humanity’s most fundamental challenges”. Under the broad goals of ending extreme poverty and tackling climate change, the white paper sets out priorities that include doing more to mobilise international finance and strengthening and reforming the international system, with stronger voice and representation from the lowest-income countries.

British officials point out that the UK has a strong history of working multilaterally and has invested substantially in the creation of some multilateral development institutions. In addition, the UK has a particular interest to work through multilateral development banks because it does not have a development bank with an established record of lending to other countries. Despite its financial constraints in recent years, the UK has also continued to innovate in development policy, for example through its growing use of guarantees to increase lending by multilateral development banks, in particular for climate adaptation and mitigation and aid for Ukraine.

## Sweden

Sweden’s centre-right coalition government, which took office in October 2022 with parliamentary support from the far-right Sweden Democrats, has announced major changes to the country’s development policies. These include a shift of support away from multilateral organisations, especially the UN, in favour of civil society organisations. Swedish officials say that the multilateral development system is inefficient, and that UN organisations are too much under the influence of China.

The government also said that it wanted to tie development policy more closely to other parts of foreign policy and to make it better serve Swedish interests, including promoting Swedish exports and encouraging cooperation on migration. The development minister, Johan Forssell, is also minister for foreign trade. The government has dropped the target of spending 1 per cent of GNI on aid, and it plans to direct more assistance to countries in Sweden’s

neighbourhood, especially Ukraine. In July 2023, Sweden announced a development assistance package for Ukraine of €522m over four years – Sweden’s largest-ever bilateral development strategy.

The government’s plans have been strongly attacked by opposition politicians and civil society in Sweden. Nevertheless, many opposition politicians and development experts in Sweden acknowledge that the multilateral development system, which Sweden has strongly supported (for example, it gave 0.49 per cent of GNI to the UN in 2021, a higher proportion than any other country), needs to change, embracing a vision of shared development, where countries cooperate for their mutual advantage, rather than an old-fashioned model of aid. But there is concern that Sweden could forfeit its voice in reform discussions if it appears fundamentally hostile to multilateral development cooperation. The policy debate in Sweden also remains strongly focused on human rights and the rule of law. While the government sees a turn away from multilateralism as the best way to prioritise rights, at a time when countries such as China are increasingly influential in international institutions, Swedish opposition politicians argue that the multilateral agenda embodied in the SDGs retains a normative dimension that would be lost if the UN system withers.

The fight against corruption also features prominently in the Swedish debate on development policy. The government cited the lower risk of corruption as justification for its shift in resources to civil society. But opposition politicians present in ECFR’s roundtable said corruption should be fought through multilateral initiatives in areas such as tax havens and the abuse of flags of convenience in shipping. Swedish officials also point to the need to encourage low and middle-income countries to improve their own governance and tax collection capabilities.

## Emerging themes and conclusions

At a time when European policymakers are trying to formulate a new vision of development cooperation that takes account of global competition and changing development needs, ECFR’s roundtables suggest the following themes are shaping their thinking. Understanding these trends helps to illuminate both emerging policies and also the opportunities that exist for developing an ambitious agenda in this area.

### The politicisation of development

Changes in the international context have turned multilateral development cooperation into a subject of domestic political contestation. In the UK and Sweden, political leaders and parties

have mobilised against multilateralism based on political ideology and their perception of national interest. The British development strategy elaborated when Boris Johnson was prime minister and Liz Truss was foreign secretary espoused a vision that saw bilateral aid as better suited to promote British objectives and values in the face of great power competition. As noted, members of the centre-right government in Sweden argue that multilateral institutions are inefficient and too influenced by China.

Swedish development officials say their internal polling shows a rise in political polarisation on questions of development policy over the last seven years. France's cap on multilateral spending had aimed to address parliamentarians' concern about the visibility of France as a donor. Even some politicians and officials who support multilateral development spending say that there needs to be more attention to improving the way that it is communicated to domestic populations and international partners. On the other hand, some German observers argue that the prominence of issues such as climate change and pandemic handling means that contributions to initiatives in these areas, such as the COVAX vaccine sharing platform, may win greater public support than a set of disparate bilateral projects.

## The persistence of pragmatism

Despite these political crosscurrents, no meaningful turn away from multilateralism is taking place in European development policy. Instead, officials in most countries emphasise that they continue to engage with the multilateral system on a pragmatic basis. They take decisions about the channels through which development funding is directed based on the goals to be achieved. In France, the 35 per cent cap on multilateral spending in the 2021 development law has been superseded by new guidelines that merely call for a balanced approach. The commitment in Britain's development strategy to shift away from multilateralism has been abandoned in the newly published white paper.

German commitment to, and confidence in, the multilateral development system has grown significantly in the last decade. Nevertheless, Germany's pragmatic approach has been visible in its increasing use of earmarking funds for specific purposes within multilateral organisations, as witnessed, for example, with funding in response to covid-19 in 2020 and 2021. Out of the four countries studied in this paper, only in Sweden does a shift away from multilateralism remain government policy, although the way it will be implemented remains unclear.

## Consensus on the need for change

Across all countries studied, there is wide agreement on the need for reform and innovation



in the multilateral development system. Development practitioners feel that institutions set up in the period after the second world war do not sufficiently reflect the world of today. There is a strong demand from low and middle-income countries for a vision of development that embodies partnership rather than paternalism. Officials see a growing interest in cooperation from development partners that will help them create jobs, entrepreneurship, autonomy, improved capacity, and a desire to take their place in the global economy and in value chains. As one Swedish official said, the donor-recipient relationship implied in the notion of ‘aid’ has increasingly limited relevance.

At the same time, many officials and analysts recognise that the functioning of institutions such as the World Bank needs to be streamlined, giving them greater flexibility and transparency. They acknowledge that the speed with which China has been able to deliver infrastructure funding to international partners over the last decade makes the response of multilateral development banks look sclerotic. In the UK, people involved in the multilateral aid review process – which was launched in 2011 to assess the value for money offered by multilateral organisations – see some of the problems they identified as still unresolved, particularly the way that funding often cycles through an unnecessarily long supply chain before reaching the point of implementation. British analysts also point out that in some ways the complexity of the system has increased, as new and overlapping processes have been set up in areas such as food security. Multilateral institutions have also shown themselves ill-prepared to deal with the sharing of technology and ideas, as the debate over vaccines during the pandemic showed. Reforms to the system, including UN development organisations, must at the same time be combined with increased funding, as the lack of resources undermines its effective functioning.

## The growing complexity of the multilateral system

Innovations that have already taken place in the multilateral system mean that it is increasingly outdated to envisage separate policies on multilateral and bilateral aid. The rise in the use of earmarked (or “multi-bi”) contributions to multilateral organisations has grown steadily, rising from 30 per cent of multilateral funding from members of the OECD’s Development Assistance Committee in 2011 to 37 per cent in 2021. While some analysts are concerned that earmarking constrains the ability of multilateral organisations to set their own priorities, there are different ways it can be used. During the covid-19 pandemic, some countries were able to choose the recipients of their donations to the COVAX platform without affecting the overall balance of distributions. The UK’s use of guarantees, growing attention in France and other countries to the role of public development banks, and the launch of new hybrid initiatives such as the UK’s Climate Action for a Resilient Asia all show

that the evolving nature of development cooperation allows some of the advantages of multilateral aid in pooling resources and economies of scale to be achieved in ways that go beyond traditional multilateral institutions.

## The increasing alignment of development and foreign policy

Development advocates have traditionally sought to keep their domain distanced from other parts of countries' foreign policies, so that aid is allocated for reasons of need rather than political interest. But European policymakers are increasingly questioning this approach. The rise of geopolitical competition – and the fact that areas of interdependence such as trade, technology, climate, and health are becoming sites of strategic rivalry – has led politicians and officials to seek alignment between development policy and other facets of foreign policy. As noted, in the current international context, development cooperation is irreducibly political, and it makes sense for policymakers to consider it as part of the broad relationship between the West and the global south.

The British development minister, Andrew Mitchell, opposed the merger of the Department for International Development and the Foreign and Commonwealth Office in 2021, but he said the white paper on development was designed to provide “an approach fit for the 21<sup>st</sup> century, which understands that development and geopolitics go hand in hand.” Officials in France and Germany are also interested in exploring greater alignment between development and foreign policy more broadly. Macron’s summit for a new global financing pact was designed to give political momentum to the technical discussion on reform of IFIs. Germany’s national security strategy, issued in July 2023, focuses heavily on relations with emerging and developing countries; it commits Germany to “fair, respectful and long-term cooperation between sovereign and equal partners” and to “strengthening multilateral structures to resolve global challenges and thereby counter the emergence of new blocs”.

## Integration, not instrumentalisation

Of the four countries studied in this paper, only Sweden currently endorses a directly transactional approach to at least a part of its development assistance. Its coalition government argues that Swedish aid should do more to promote Swedish exports, and reward countries for working to curb migration. This kind of political agenda fits neatly with a turn against multilateralism, as it implies that development should serve primarily national interests. But in other countries, the alignment of development and broader foreign policy could produce positive outcomes. Unlike, say, the period of the cold war when development was subordinated to strategic goals, there is an increasing sense among European leaders that

pursuing meaningful development through multilateral cooperation has a strategic value.

In Germany, while officials acknowledge the government's interest in promoting relations with countries that have the raw materials that Europe needs, they also say this should be balanced against the longer-term interest in reducing poverty and fighting the effects of climate change to promote global stability. British officials say thinking in government has moved on since the 2022 development strategy, with the link to foreign and security policy pushing in the direction of multilateralism; according to this view, working with partners to offer assistance on development is the best way for the West to counter the offer from Russia and China. The widely shared goal among European policymakers of improving relations with the global south can best be met with an expansive vision of solidarity between richer and poorer countries, encompassing development alongside a range of other links.

## A growing focus on global public goods

Efforts to mitigate climate change and adapt to its effects are now a central element of the development policies of all countries in this study. Other global public goods such as the protection of biodiversity and the fight against pandemic diseases are also receiving greater attention. The focus on global challenges lends itself naturally to multilateral ways of working; as a recent OECD report stated, “today's public goods are increasingly interlinked and therefore require scaled up international co-operation to ensure their provision”. Officials in most countries studied also believe that it is easier to get public support for development spending aimed at providing global public goods, and this has helped raise backing for multilateral development cooperation.

## The need to balance different constituencies

The growing attention to climate change and other global challenges introduces tensions between different priorities for multilateral development institutions. Efforts to slow the rate of climate change call for spending or loans that are directed at the countries that are projected to be responsible for the largest share of emissions in the next decade, which are predominantly middle-income countries. The first JETPs were concluded with South Africa, Indonesia, and Vietnam, and officials say the decision to include Senegal as a partner was based more on political factors such as the country's role as a high-profile African democracy at an early stage of its energy transition than the short-term emissions reduction involved. Research has shown that large amounts of climate finance have come from existing development budgets, suggesting that money is being diverted from poverty reduction goals.

Policymakers argue that the goals of climate change adaptation and mitigation and development are intertwined

, since sustainable development and integration into global markets require an energy transition. Nevertheless, pursuing both objectives will require finding significant additional funding. Efforts to reform the multilateral development banks go in this direction, but further steps will be needed to raise the sums required. Officials also point out that many climate change mitigation efforts are focused on unlocking private capital and helping countries make a transition to an energy model that will ultimately be more affordable, thereby helping development goals as well. Nevertheless, there will remain groups, particularly the poorest women and children, who will always be left behind by market mechanisms, and will continue to need traditional multilateral aid delivered through organisations such as the UNDP for their support.

## The value of multilateralism during crisis

Despite the problems that recent crises have caused for international cooperation, some multilateral processes have also shown their value as vehicles for a coordinated response. The COVAX vaccine sharing initiative fell short of its goals, but it nevertheless showed that the global health system could improvise and enabled vaccines to be delivered to significant numbers of people. After Russia's invasion of Ukraine, IFIs were able to mobilise funding for Ukraine more quickly and at a larger scale than would have been possible through national budgets. In some countries, such as Germany, civil society representatives believe that coordinated crisis responses have helped raise the profile and support of multilateral development channels among the public. The proven value of multilateral institutions during times of crisis is feeding a growing recognition across Europe that they remain essential for European policy goals.

## The complexity of the China challenge

Much of the impetus for European countries to rethink their approach to development policy springs from policymakers' growing sense that they are in strategic competition with China. They hope to match Beijing's offer of development funding to recoup the influence they feel they have lost to it across the global south. Initiatives such as the EU's Global Gateway and the wider PGII that incorporates it are framed as a Western alternative to the BRI that will incorporate better standards on sustainability and local benefit. Other initiatives such as climate-related JETPs are also organised by a group of like-minded Western countries.

However, in other respects, cooperation with China remains necessary to achieve development goals. This is most obviously the case with debt negotiations. Since China is a major creditor of many heavily indebted countries, restructuring their debt requires that

Western creditors, China, and multilateral development banks work together. The recent deal on Zambia's debt could indicate a greater readiness from all parties to compromise on longstanding areas of disagreement, but it is unclear whether it will be replicated in other cases. Reforms to give emerging economies more influence in the IMF and the World Bank would also increase China's role, which could be a sticking point for the US. The tension within the Western alliance between not wanting to empower China but wanting the IFIs to be more global is hindering reform efforts.

## Solidarity as the basis for development cooperation

ECFR's roundtables showed that policymakers across Europe are trying to work out how to take a more strategic approach to development cooperation. There is a broad desire to align development with broader foreign policy goals. But, since these goals involve building relations with the global south and renewing cooperation on global challenges, the result need not be a narrow or instrumental approach to development. Instead, European policymakers appear open to an expansive vision of cooperation, working through a range of multilateral organisations and initiatives as part of a broader strategic effort to deal with the world's shared challenges and renew European relations with the diverse countries of the global south.

Europe should embrace this new vision. Partners in the global south will reject any obviously instrumental approach – which would only increase the loss of trust that already stands as an obstacle to European interests in finding new partners in a multipolar world. The interdependence of the contemporary world means that European interests and global development are strongly intertwined. Rather than seeing aid as a gift from the rich world to low and middle-income countries, Europeans should embrace a conception of solidarity as the basis for international cooperation. Development advocates who rightly worry about past examples of aid being subordinated to political goals should recognise that the present moment is different. Multilateralism is not now a way of transcending political agendas but an essential framework for meeting a deeper understanding of strategic needs.

Nevertheless, the complexities of international politics impose constraints. While UN institutions retain a unique reach and legitimacy, and while it is important to seek ways of working with China on issues such as debt, there are many areas where strategic partnerships between like-minded countries are more likely to be effective. Europeans may also need to accept that US support is essential to reforming international financial institutions – and that this could mean that significantly broadening the membership of these organisations is off the table for the time being.

The present moment is challenging for multilateral cooperation – but it could forge a new impetus and generate novel forms of development assistance. European leaders should put themselves at the centre of this effort: their interest lies in working to establish new partnerships for development that are adapted to a world where competition and common challenges coexist.

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