RBPI
Revista Brasileira de Política Internacional
ISSN 1983-3121
http://www.scielo.br/rbpi

Philippe Orliange[1]
[1]Agence Française de Développement/ French Development Agency, Paris, France (orliangep@afd.fr).
ORCID ID: orcid.org/0000-0002-6794-2268

Thomas Zaratiegui[2]
[2]Agence Française de Développement/ French Development Agency, Paris, France (zaratieguit@afd.fr).
ORCID ID: orcid.org/0000-0001-9439-6234

Article

International development cooperation as a global governance policy

DOI: http://dx.doi.org/10.1590/0034-7329202200215

Rev. Bras. Polít. Int., 65(2): e015, 2022

Abstract

The three major international texts adopted in 2015 -Addis Ababa Action Agenda on financing for development, 2030 Agenda for Sustainable Development and Paris Climate Agreement- place national public policies and actors at the heart of international development cooperation (IDC). By bringing IDC closer to national institutions, particularly development banks, and taking it further away from traditional foreign policy, this shift has challenged long-held IDC narratives and structures, both among developed and developing countries. It has also laid the foundations for a degree of structured and universal accountability within the international development cooperation system, setting the stage for a wider shift within global governance.

Keywords: International development cooperation; development banks; governance; foreign policy.

Received: April 11, 2022
Accepted: August 15, 2022

Introduction

The 21st century has seen its fair share of crises, be they financial, political or health-related. They are all either a cause or a symptom of the growing questioning of the “international liberal order”. Yet global challenges such as climate change, growing inequalities or loss of biodiversity, have also triggered renewed efforts to build collective responses. The culmination of these efforts was reached in 2015 with the adoption of the Addis Ababa Action Agenda (AAAA) (United Nations 2015) on financing for development in July, the 2030 Agenda for Sustainable Development in September and the Paris Climate Agreement in December. The Addis Ababa summit placed domestic resource mobilisation and national development banks at the forefront of the effort to reach global development goals. The New York summit substituted the Millennium Development Goals (MDGs) with the Sustainable

Development Goals (SDGs) which commit all countries to common objectives. Finally, the Paris Climate Conference introduced the Intended Nationally Determined Contributions (INDCs) creating a package of national objectives and directing financial flows towards a low-carbon economy. Thus, divided as it may be, the international community "pledged common action and endeavour across a broad and universal policy agenda" (2030 Agenda, para. 18). The recent pandemic has only served to reinforce this new paradigm, by underlining the existential threat of failing to cooperate.

The agreements adopted in 2015 established the basis for a new narrative on development cooperation and led to three fundamental shifts. The first was the importance given to national public policies. By calling countries, in particular developed ones, to practice domestically what they preach abroad, these agreements blur the divide between foreign affairs and domestic policies. The call for transparent domestic action to reach global goals as well as the presentation of INDCs to frame the objectives of national climate policies have become key features of the global agenda.

The second shift stems from SDG 17's exhortation to "revitalise the global partnership for sustainable development" which must be read in conjunction with the AAAA and the financial component of the Paris Agreement. To respond to this appeal, IDC is shifting away from an Official Development Assistance (ODA)-based vision of *development aid* specifically aimed at poor and fragile countries, to embrace broader, albeit vaguer, expressions of *development finance*. The *summa divisio* between developed/donor countries and developing/recipient countries, that has long structured both the Organisation for Economic Co-operation and Development (OECD)-led narrative and the South-South cooperation (SSC) discourse (Bracho 2015) is losing its relevance. However, it has yet to be substituted by a consolidated and universal platform for norm- and standard-setting able to structure the global partnership for sustainable development (Chaturvedi 2021).

These two shifts have led to a third development whereby, for IDC to emerge as a global public policy that supports the objectives set in 2015, and not simply be a foreign policy tool, the institutions that design and/or implement IDC must also evolve. Yet, the bureaucratic setup in many countries still reflects the subordination of IDC to foreign policy. The cooperative dynamic prompted by the 2030 Agenda did not end the dynamics of tensions and competition. France's new law on development cooperation aligns its IDC with the 2030 Agenda but also brings it closer to its foreign affairs policy. Meanwhile, the UK has merged its Department for International Development (DFID), a long time reference in the aid industry- into a Foreign, Commonwealth and Development Office (FCDO) guided by its post-Brexit Global Britain strategy. China implemented its "vaccine diplomacy" in response to the Covid crisis.

Seven years after the adoption of the 2030 Agenda, are the systemic changes foreseen in 2015 occurring? Firstly, we will consider how the changes operated in 2015 have affected the narrative, policies and structures of France and the UK, two "traditional" donors that have recently reformed their IDC institutional set-ups. Since the distinction is no longer between donors and recipients and since the objective of IDC is no longer exclusively the fight against poverty, how should institutions who built their legitimacy on these foundations adapt? In this reassessment process, where are these countries placing the cursor between IDC policy and foreign affairs interests?

Secondly, we will seek out changes in the Global South's development cooperation narrative and practices, with a specific focus on the Brazilian IDC. Through its distinct set of values and a narrative built in opposition to traditional North-South cooperation practices, SSC has gradually become a staple of IDC. However, while the 2015 compact vindicated SSC's horizontal approach to IDC, it also questions SSC's implementation in an increasingly asymmetric Global South. As shown by the trajectory of Brazil's IDC, the shifts that have occurred since 2015 bring as much promise as uncertainty regarding emerging countries' new roles and responsibilities in the global governance framework.

Finally, we will consider how the 2030 Agenda promotes an increasingly central role for public development banks (PDBs), including recently created ones such as the New Development Bank (NDB) and Asian Infrastructure Investment Bank (AIIB), and how this trend affects global governance. PDBs have gained increased political recognition, increasingly coalescing around multilateral organisations and holding their first international summit in 2020. The near universal geographic coverage and financial weight (10 % of global investment) of the 450 banks that joined the call to "form a global coalition of all PDBs around the world" (Finance in Common, 2020) illustrate the emerging force to be reckoned with and the hybrid global governance of IDC that has emerged with the 2030 Agenda.

Are traditional donors adapting their policies to the 2030 agenda?

The OECD traditionally identifies four types of institutional arrangements for IDC (Organisation for Economic Co-operation and Development 2009): (1) the Ministry of Foreign Affairs (MFA) leads and is responsible for policy and implementation; (2) a development cooperation body within the MFA is responsible for both policy and implementation; (3) a ministry has overall responsibility for policy and a separate executing agency is responsible for implementation; (4) a ministry or agency other than the MFA is responsible for both policy and implementation. France's institutional set-up, like a majority of OECD Development Assistance Committee (DAC) members (Gulrajani 2020), comes under the third model with the French Development Agency (AFD) as its main IDC implementer. With the recent creation of the FCDO, the UK has gone from being the only DAC member using the fourth model to adopting the first model. The following sections will examine the merits and policy implications for these traditional donors of their recently reformed set-ups, particularly in light of global shifts in IDC's sectoral and geographic priorities.

From an annex to a pillar: updating development cooperation's role in France's foreign policy.

The principles guiding France's development policy were laid down for the first time in a 2014 law which recognised development cooperation as a public policy in its own right and aimed at "*fostering sustainable development in developing countries, in its economic, social, environmental and cultural dimension*"[1].

The 2018 DAC report on France's IDC (Organisation for Economic Co-operation and Development 2018) identified four strengths which provide wider lessons to best reconcile the IDC/foreign policy dialectic: (i) the strong focus on climate financing which is a crucial contribution to France's wider "environmental diplomacy"; (ii) the use of domestic rules and frameworks to implement IDC, deepening national ownership; (iii) partnering with emerging countries through development bank networks; (iv) France's largely untied aid which contributes to its credibility abroad. However, the report also pointed out that the French co-operation system's institutional structure "*remains complex and fragmented*". While the Ministry for Europe and Foreign Affairs (MEAE) is the "lead ministry" for development policy (2017 decree), it shares its strategic oversight with the Finance Ministry's Treasury Department. Furthermore, the legally entrenched divide between said oversight and the practical implementation of France's development policy by AFD is blurred. This leads to a duplication of efforts in areas such as partnerships with non-government organisations or governance projects.

This is partially remedied in the government's "Programmatic law on inclusive development and the fight against global inequalities" (JORF August 2021) which was almost unanimously approved by France's Parliament in August 2021. This revised legislative framework lays a new foundation for France's IDC by stressing the need to align public policies with the AAAA, the Paris Climate Agreement and the 2030 Agenda. A multi-year budget plan also enshrines President Macron's pledge for France's ODA to reach 0,55% of its Gross National Income (GNI) by 2022.

No longer merely "*contribut*[ing] *to France's foreign policy and its reach*", as described in 2014, the new law promotes development policy to "*a pillar of France's foreign policy*" that "*will contribute to and ensure peace and security, by complementing diplomatic and military action, in the context of a global integrated approach*". This semantic shift demonstrates the MEAE's wish to further align IDC and foreign policy, and is backed-up by the proposal that ambassadors chair a new committee in charge of designing and implementing local development strategies. The prominence given to global public goods, SDGs' universality and the fight against inequalities and climate change, characterise a development policy driven by the key challenges of globalisation. However, it suffers from two major inconsistencies.

Firstly, the budget included in the draft law only refers to financial instruments (loans, grants, debt relief, bilateral/multilateral), with no geographic or sectoral allocations. The new law does, however, entrench that AFD's portfolio must be 100% compatible with the Paris Agreement and social inclusion objectives. Secondly, it does not substantially clarify French IDC's geographic priorities. Through its "differentiated partnerships" framework, the 2014 law identified priority recipients of its IDC. The first group is Sub-Saharan African and Mediterranean countries, a category driven by geopolitical, economic and cultural factors, which includes a number of middle-income

[1] Authors' translation.

countries (MICs) such as Algeria, Morocco, Tunisia, Lebanon and South Africa. The second group the law identifies is "priority poor countries" (exclusively African, except Haiti), which targets "least developed" and "low-income" countries. Finally, it also repeats the 2014 commitment to cooperate with "emerging countries" and to "*rely upon principles of shared responsibility and reciprocity, in particular with regard to global public goods and the fight against climate change*".

The inherent contradiction between these categories has led to a gap between geographical and sectoral priorities and France's actual ODA spending. Of the top twenty recipient countries between 2011 and 2016, only four are among the "priority poor countries" (Senegal, Madagascar, Guinea, Mali) with the rest being either lower-MICs (Cameroon, India, Ivory Coast, Morocco, Tunisia) or upper-MICs (Brazil, China, Colombia, South Africa, Turkey).

As "emerging countries" is not an OECD-established aid category (Barros-Platiau and Orsini 2021) its use for development policy and aid allocation is murky. However, it has become more relevant in the context of the 2030 Agenda's defence of global public goods. Indeed, many emerging countries such as China, India, Indonesia, Brazil and Iran, are large emitters of greenhouse gases as well as the repositories of a "megadiverse" biodiversity ("Megadiverse Countries." 2020).

Through this reform, France's development policy has made a great step towards meeting the 2030 Agenda, the AAAA and the Paris Agreement. Particularly by, *de facto*, prioritising MICs, including BRICS countries (Brazil, Russia, India, China, South Africa), that are increasingly key international players in environmental and biodiversity issues. However, it has failed to remedy the disconnect between France's stated focus on "poor priority countries" and the priority given in practice to Mediterranean MICs for geopolitical, economic and migratory reasons.

From DFID back to FCDO: a Brexit from UK aid's fundamentals?

1997 saw France and the UK's respective development institutional setups move in opposite directions. While France closed its Ministry for Cooperation, the UK created DFID, taking overseas aid policy away from the Foreign and Commonwealth Office (FCO)[2]. More than two decades after its creation, DFID had become a leading global development agency, contributing decisively to the UK becoming an "aid superpower" (Wickstead, 2020). Yet, in September 2020, the Conservative government merged DFID and FCO once again, launching the FCDO.

The months leading to this merger saw strong internal pushback within the DFID, as well as widespread criticism from the broader UK development community, three former Prime Ministers as well as the House of Commons' International Development Committee (Effectiveness of UK aid 2020). The Integrated review published in March 2021 designed to guide the wider strategic realignment of the UK's foreign policy did not put these criticisms to rest. Not only did it adjourn the definition of the UK's IDC strategy *sine die*, it also stoked fears of tied aid by linking IDC to its trade and foreign policy. Prime Minister Boris Johnson had previously described those policies

[2] It was first merged by the Conservatives in 1970, then separated by Labour in 1974, reintegrated by Margaret Thatcher in 1979 and, finally, separated from FCO after Labour's victory in 1997, leading to the creation of DFID.

as "*one and the same endeavour […], designed to achieve the same goals […] and serve our national interest*" (United Kingdom 2020).

A crucial element of UK aid's international credibility had also long been its strong commitment to the UN General Assembly-set objective of spending 0.7% of GNI on ODA. It had reached this target since 2013, the sole G7 country to have done so, and enshrined it in the 2015 International Development (ODA Target) Act (United Kingdom 2015). However, contrary to the government's commitment, the UK's ODA only reached 0.5% of its GNI (approximately £10 billion) in 2021 and will remain at this percentage in 2022 (FCDO Annual Report and Accounts: 2020–21). This decline is as much financial as the result of a long-brewing strategic impasse. Since DFID's inception, the fight against poverty has been the top priority of the UK's international development policy (United Kingdom 1997). The 2002 International Development Act (United Kingdom 2002) bound the development secretary's spending to be "*likely to contribute to a reduction in poverty*" and led to seven of the top ten recipients of UK's aid being Least Developed Countries (Organisation for Economic Co-operation and Development 2020). The UK's strong focus on the poverty agenda was taken to scale and crowned through the adoption of the MDGs. However, the adoption of the 2030 Agenda and the Paris Agreement have since shattered "*the perennial divide between the environment and development communities*" (Caballero, 2019). By doing so, they shifted some of the donor community's attention away from the fight against poverty and towards the fight against climate change, thus giving more prominence to MICs.

Time will tell if FCDO manages to "*[integrate] diplomacy and development to achieve greater impact and address the links between climate change and extreme poverty*" (Global Britain Integrated Review 2021) or if the UK's voice on global issues is further diminished as a result of the merger (Barder et al. 2019). For the time being, between the creation of the UK Infrastructure Bank (UKIB) in June 2021 and the projected overhaul of the Commonwealth Development Corporation (CDC) into the British International Investment (BII), the UK's development finance priorities seem more local than global and thus further away from the SDGs.

At the crux of policy discussions in France and the UK is the articulation of poor-countries-based and issues-based approaches to foreign and development policy. Despite its promise to "leave no one behind", the 2030 Agenda has opted for the latter, putting a greater focus on MICs both as GHG emitters and/or "megadiverse" (2020), but also as the largest portion of "developing countries" (close to 100 of 137) with growing middle-classes. Furthermore, developing countries are playing an increasingly important role in the definition of global governance, particularly through IDC.

The global south's contribution to a revitalised global partnership

We will first consider how the shift which came about in 2015 has impacted IDC narratives and practices in the Global South, before focusing on the trends affecting an important actor of SSC, namely, Brazil.

South-South Cooperation: changing international development cooperation from the inside

Between 2010 and 2019, more than half of bilateral loans to developing countries came from the BRICS, especially from China and Russia and to a lesser extent India and Brazil (World Bank 2021). Throughout the 90s and noughties, the increasing financial weight of SCC was not reflected in texts on international development. The United Nations Framework Convention on Climate Change (UNFCCC) and Kyoto Protocol were perceived as strongly inspired by the North's liberal framing of environmental cooperation and, in the view of many southern countries, they insufficiently considered developed countries' "historic responsibility" in climate change (Jernnäs and Linnér 2019). While placing most of the burden on developing countries, the MDGs also largely ignored the Global South's approach to IDC. SSC and Triangular cooperation have since been included in the G-20 Multi-Year Action Plan and, crucially, the 2015 texts recognised SSC as an "*important element of international cooperation for development*" (AAAA, para. 56) and mentioned it alongside North-South cooperation (2030 Agenda, target 17.6 and 17.9). SSC now finds itself having to reckon with the paradigm shift initiated in 2015, which corroborated its aspiration to a horizontal approach to development challenges, but also questions some of its approaches.

The Global South, in particular MICs such as Colombia, Guatemala, Mexico, Pakistan or Peru, but also the African Union through its 2063 Agenda, were strongly involved in the texts adopted in 2015. This is apparent from the texts' appeal to both developing and developed countries to contribute to the broadening of international development finance beyond ODA. This has facilitated the integration of the 2030 Agenda in southern institutions' strategies, in particular among institutions in charge of domestic policies and mobilising resources such as national cooperation agencies and development banks (Orliange 2020). This process of incorporation is further achieved through SSC's "*distinct attributes and strengths that can be leveraged to contribute towards the 2030 Agenda and Paris Agreement*" (ECOSOC Brief 2017) by "*facilitat[ing] a horizontal relationship in which cooperation is built as a partnership between equals*" that "*face comparable challenges*" (UNSG SSC report 2018).

Yet, SSC's principles appear to be debased when for instance, China's IDC is conflated with commercial activities in African countries (Dreher et al. 2018) or the 2030 Agenda is amalgamated with its Belt and Road Initiative (People's Republic of China 2021). The Global South is increasingly characterised by highly unequal relationships (Tujan et al. 2010) rather than mutual benefit and equality. As such, the SSC narrative is at risk of being manipulated by emerging super-powers to avoid the responsibilities inherent to their increasing weight in development finance and carbon emissions (Chaturvedi 2012) and, as such, hinder the achievement of the objectives set out in 2015.

These objectives are further stalled by the weakness of their reporting mechanisms. By their own admission (United Nations 2019, para. 29), many SSC actors' IDC show varying degrees of inadequate monitoring and evaluation mechanisms as well as a general lack of transparency, ranging from strategic decisions to specific aid volumes. Initiatives led by southern countries such as the Group of Friends of the Voluntary National Reviews, which advocates rigorous reporting on the SDGs, show the way towards bridging the aid effectiveness gap. However, this takes place on SSC's terms, as the group, created in 2019, made a point of "*steer[ing] away from the idea of peer reviews*" (Friends of VNRs Concept Paper 2019).

This lack of transparency is partially due to the fact that emerging donors' institutional setups have not significantly changed since 2015 and often harbour the institutional fragmentation and ulterior motives traditionally reproached to Western donors. Indeed, most have adopted a two-headed approach that comes under models 2 and 3 of the OECD typology described earlier. Thus, an agency, secretariat or ministerial department is in charge of international cooperation *per se*, particularly technical cooperation, and is either fully integrated or under the MFA's close tutelage. It works alongside development banks (of which often an "Export-Import" bank) which are supervised by the Finance and/or Trade Ministry. These financial institutions' core activity is domestic but some have expanded abroad to support export finance as well as investment and project finance. National development banks are key to both leveraging public finance and as "last-mile institutions" with practical experience in implementing national development programs. As such, they seem best suited to reconcile the divide between the MFAs' focus on technical assistance and domestic development finance, with its additional international component. By doing so, they can foster the "whole-of-Government"[3] approach advocated by the UN Secretary General to deliver the SDGs, and promote practices aligned with the principles of the 2015 texts, which many of them already refer to.

Brazil's IDC policy: going north

In 1987, in line with SSC's strong focus on technical cooperation among developing countries, Brazil was among the first countries in the Global South to create an institution dedicated to implementing its international technical cooperation programmes, the *Agência Brasileira de Cooperação* (ABC). A year later, Brazil's Constitution entrenched "*cooperation between peoples*" as one of the "*principles of [its] international relations*" (art. 4). From then onwards, its foreign policy and IDC mutated from their characteristic pragmatism (Leite et. al 2014), to "continued international extroversion and state activism" (Trajber 2020). Under Lula's presidency, Brazil's international cooperation was an instrument at the service of the national project and interests, including positioning Brazil as a global player, an "environmental power" and an advocate for the Global South (Santander 2020).

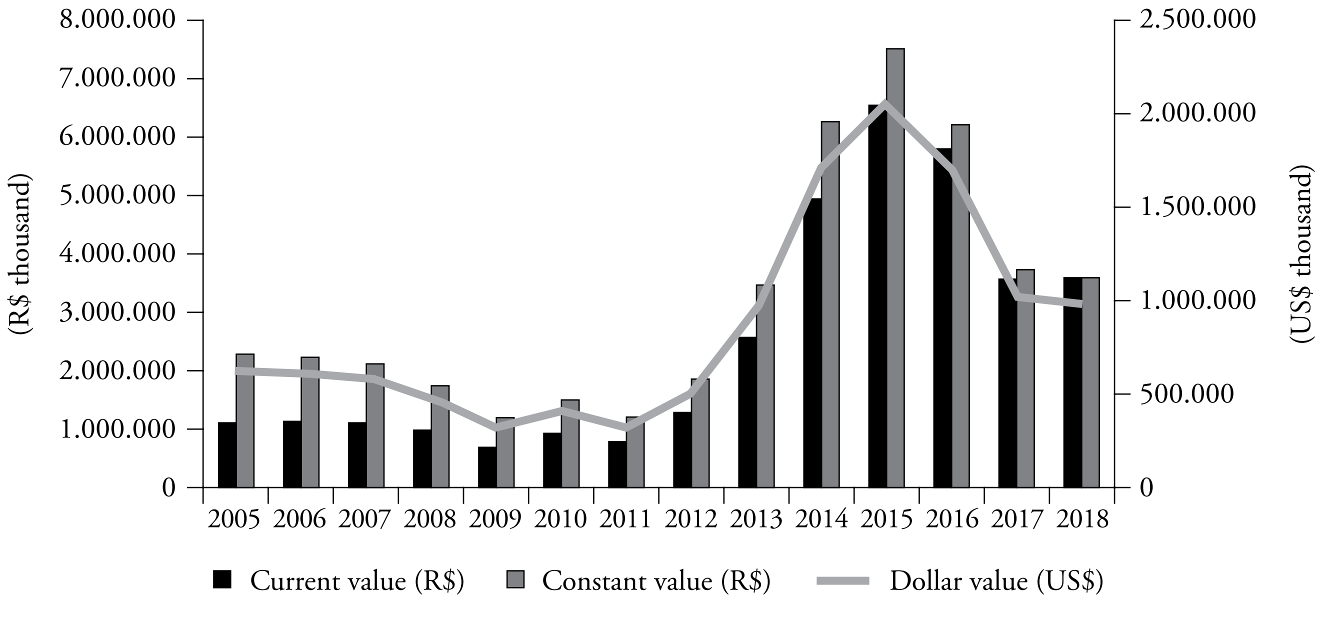
This mirrored its ambitious and multi-dimensional IDC, which was wide in its geographical reach, sectoral coverage and tools, although fragmented in its implementation. Indeed, the ABC is one among a hundred federal bodies implementing Brazil's IDC policy. In a series of reports published since 2010, the ABC and the Institute for Applied Economic Research (IPEA) have aimed

[3] "*Conceptually, the ambition of the SDGs calls for a "whole-of-Government" approach. […] the scaling up of south-south cooperation is beginning to suggest bold, innovative means to strengthen cooperation to deliver the SDGs.*" (SGNU 2017)

to consolidate disparate federal contributions to Brazilian Cooperation for International Development (COBRADI). This effort led to the first definition of Brazilian IDC: "*The total funds invested by the Brazilian federal government, entirely as non-repayable grants, in governments of other countries, in nationals of other countries in Brazilian territory or in international organizations with the purpose of contributing to international development*" (Instituto de Pesquisa Econômica Aplicada 2011).

The accuracy of reported volumes has since been hindered by divergences from this definition in subsequent COBRADI reports (Trajber 2020) and the plurality of stakeholders and instruments, many of which go beyond grants. Furthermore, ABC's scope has widened very little since its creation. The pre-eminence of domestic matters in the national debate since 2015 has contributed to preventing the reform of ABC into an effective tool to coordinate a structured international cooperation agenda (Milani, 2017). Combined with cuts to ABC's budget, its reach has gradually been limited (Marcondes and Mawdsley 2017). This comes against a wider backdrop of political and economic turmoil that has led to the consolidation of a new stage in Brazilian IDC (Griffith-Jones and Ocampo 2018), both in financial (as seen in the chart below) and strategic terms.

Figure. Annual spending by organs of the Brazilian Executive power of the federal public administration in international activities (2005–2018)



Source: Budget Department/Economy Ministry
Elaboration: IPEA in COBRADI 2017–2018, p. 13 (authors' translation)

When Brazil joined the Paris Club in 2016, former Finance Minister Henrique Meirelles claimed that the country had shifted from being a borrower to an international lender (Empresa Brasileira de Comunicação 2016). The following year, Brazil initiated the petition for OECD membership. The current administration has deepened this shift away from SSC as a pillar of its international projection, in a context of wider criticism of international development finance. BNDES (National Bank for Economic and Social Development) had long been in charge of implementing Brazil's export-boosting programmes and supporting the internationalisation of Brazilian companies. These activities were considerably cut by the current administration[4] after coming under harsh criticism during the 2018 presidential election campaign for supposedly being opaque and determined along political lines. Despite its stated rejection of multilateralism, the Brazilian government continues to engage in bilateral cooperation. Furthermore, notwithstanding continued criticism to its approach to socio-environmental issues, particularly in the context of the EU-Mercosur trade deal, Brazil is swiftly incorporating most of the OECD's "acquis". While Brazil, were it to become a member of the OECD, would follow other Latin American members and not join the DAC (Asmus et al. 2017), it is deepening its efforts for greater transparency. The 2019-2020 COBRADI report is more aligned with TOSSD (Total official support for sustainable development) metrics; in June 2022 the ABC and the Brazilian Institute for Information in Science and Technology launched the Observatory for International Development Cooperation (OCID); and BNDES continues to dispel misinformation by publishing detailed public reports of its activities.

As Chithra Purushothaman (2021) puts it, "*Brazilian development cooperation should be seen in relation to the country's broad policy objectives as well as in the context of international power shifts in which Brazil is an emerging power capable of shaping the global governance architecture*." There is no doubt that it has the assets necessary to fulfil this promise as a "*potential multiplier of its domestic experiences*" (Hochstetler and Inoue 2019). Brazil boasts a strong and competent body of diplomats willing to contribute to "*cooperation between peoples*". This commitment is further supported by a vibrant network of civil-society organisations, sub-national development banks and local authorities ready to play their part on the global stage, particularly regarding environmental issues. Finally, Brazil's position on the threshold of the OECD places it in the privileged position of being able to bridge traditional DAC-set conceptions of ODA and more horizontal types of cooperation such as SSC, which, until recently, it had championed.

SSC can rely on a set of distinct and well-intentioned principles, as well as on a robust, even if unbalanced, institutional setup, that have made it a pillar of IDC and a major contributor to the 2030 Agenda's pledge to "leave no one behind". However, reconciling long-fought principles and hefty postures with hard-nosed geo-*realpolitik* is proving as challenging for SSC actors as it is for "traditional" northern ODA providers. China, India and South Africa abstaining to vote on the UN General Assembly motion condemning the invasion of Ukraine, or the recent show of unity at the June 2022 BRICS Summit, have shown where the balance can be struck. Recent trends in Brazilian IDC, once a staple of the South's approach of global governance, have shown the need for reinforced cooperation agencies or for development banks with an international agenda. As national and multilateral development banks are increasingly called upon to play a

[4] In 2019, the government cut from 40% to 14% the proportion of the FAT (Fundo de Amparo ao Trabalhador) dedicated to BNDES, it being its main source to finance export credits, with plans to totally extinguish said source.

role on the global stage, being able to mobilise a strong crosscutting development cooperation body has become crucial to participating in global governance.

Development banks to the rescue of the 2030 agenda

Since 2015, development banks have gained recognition and visibility. In this section, we consider whether the newcomers –AIIB and NDB- have been "game changers" and how the newfound role of development banks can help implement the 2030 Agenda.

Are the AIIB and the NDB game changers?

Along with the adoption of the 2015 compact, various "southern" countries coalesced around *"new institutions regional and global banks and funds"* (United Nations 2019), with the NDB and AAIB respectively created in 2014 and 2015. This raised questions on how disruptive these new actors would be in relation to the recently adopted texts. Would they "*forge a new and more inclusive paradigm that secures faster and more sustainable development for all citizens*"? (R. Roy in Stuenkel 2020). Given southern countries' repeated calls for structural changes within existing institutions, would these new banks steer away from "traditional" lending practices?

Table 1. Comparison of the NDB and AIIB's main characteristics

	NDB	AIIB
Membership	BRICS	93 members. Breakaway from traditional international finance institutions' (IFIs) practice, as neither Japan nor the USA are members (unlike various EU countries).
Initial capital (bn USD)	100, with an initial subscription of 50, of which 10 are paid-in.	100, of which 10 paid upfront.
Capital distribution and voting rights	Equally shared among member States. NDB is a rare example among IFIs of a "one country, one vote" approach.	Split unequally among shareholders, with China being the largest shareholder (27% capital) and holding a right of veto. Voting rights are proportionate to shares.
Presidency	Rotates among shareholders (currently Brazilian).	Chinese President.
2020 disbursed volume (bn USD)	5,38 (out of 10,27 approved)	6,23 (out of 9,98 approved)
Sectoral focus	Infrastructure - transport and energy represent 50% of lending.	Infrastructure - transport and energy represent 68% of lending.
Clients	90% sovereign (i.e. States, or with State's guarantee) – increasingly balanced among the five beneficiaries.	76,5% sovereign with limited non-sovereign (e.g. public companies borrowing without State guarantee) and private sector lending.

Continue

Continuation

Currency	Mostly US dollar (market raised) with bonds emitted in Chinese RMB, Russian ruble and South African ZAR.	Mostly US dollar (market raised).
Co-financing & Coordination	Less co-financing than AIIB but greater use of development banks of its shareholders (e.g. BNDES) and regional banks (e.g. CAF). Uses national rules and procedures for tendering, social and environmental safeguards (common practice in international public finance).	Operates largely through co-financing with the World Bank and the Asia Development Bank, demonstrating a degree of compatibility between their rules and procedures. Decreasing share of co-financing (74% in 2016, 33% in 2019), due to the AIIB's increasing capacity to generate its own operations.
2015 compact	Its 2019 annual report states that it "is paying due regard to the alignment of its operations with the SDGs as well as the goals of the Paris Agreement […] in line with its general strategy 2017-2021".	The "Agenda 2030" strategy adopted in 2020 makes numerous references to the Paris Agreement.

Source: authors' elaboration based on both institutions' reports

Based on these elements, the creation of the AIIB and the NDB has not fundamentally altered the patterns of international public finance. The still relatively small amounts of annual lending are explained by the fact that both banks are still building their portfolio. Because of its current membership, the NDB has no equivalent, while the AIIB is similar to the Asian Development Bank (AsDB) in its geographical focus.

Table 2. Comparison of AIIB and AsDB's disbursement volumes in 2016, 2018 and 2020

	2016	**2018**	**2020**
AIIB disbursements	0,01	0,62	6,23
AsDB disbursements	12,48	14,18	23,58

Bn USD - Sources: authors' elaboration based on institutions' reports

The overall increase of the AIIB's activities has not prevented the AsDB from increasing its own activities. Yet, the comparison is of limited value since the AIIB restricts itself to infrastructure and its financial instruments are limited to loans while the AsDB's "toolbox" includes soft loans and grants.

Their financial toolbox is dominated by US dollar-denominated sovereign lending, as is the case of all multilateral development banks (MDBs) which resort to US dollar or euro as they bear less risk. Lending in local currency has remained limited so far. Non-sovereign lending is low when it could be attractive for public companies and local governments to have access to both banks' long term lending.

Finally, the AIIB's membership offers a potentially diversified group of clients while the NDB has to deal with a structurally limited demand. Despite "*seek[ing] to mobilize resources for BRICS and other emerging market economies and developing countries*", it has so far approved loans solely in the five shareholder countries. Furthermore, none of the BRICS are highly dependent on sovereign lending by MDBs. Brazil and South Africa have a potentially high demand for non-sovereign lending which the bank is averse to. The NDB could work more with the national banks of its member States. Broadening the scope of its clients should be a priority, particularly given its high loan-to-capital ratio. Dissenting views among the five founders have so far hampered this much-needed development.

The AIIB and the NDB have introduced an unprecedented degree of competition in the "game" of international public finance. They could do more by exploring avenues overlooked by others, such as non-sovereign lending. Their commitment to the 2030 Agenda and the Paris Agreement could also encourage innovations. One of these should be reconciling the climate and inequalities agendas.

From a bit part to a starring role: the newfound role of public development banks

A first step towards the consolidation of PDBs, particularly from the Global South, as key agents of the implementation of the 2030 Agenda and climate finance was the creation of the International Development Finance Club (IDFC) in 2011. With members from Latin America (8), Europe (7), Asia (6) and Africa (4), the South represents a large majority within IDFC. Its founding members, KfW (Credit Institute for Reconstruction), BNDES and Andean Development Corporation, were driven by their perceived lack of recognition of national and regional development banks in the global conversation on development policy. Yet, MDBs had long occupied a strategic position on the IDC scene, channelling larger loan volumes than many MDBs and providing international summits with technical and financial support. Scattered geographical networks of development banks existed, however, IDFC was the first to bring together like-minded worldwide practitioners. Beyond its identified "community of practices", IDFC found an additional *raison d'être* in the run-up to COP 21 by contributing decisively to the recognition of the importance of climate finance and its measurement, for the Agreement's success (International Development Finance Club 2019). The set of principles produced by IFDC in March 2015 would eventually be picked-up by the MDBs themselves. It is telling how an initiative launched by a select group of regional and national institutions, whose legitimacy on the climate finance issue is built on the fact that it's part and parcel of their mission (be it domestic or international finance), is eventually endorsed by MDBs who are naturally perceived as key players of global governance.

The success and recognition earned by development banks was further enhanced by the numerous references made to their role in the AAAA: "*We acknowledge that national and regional development banks also play a valuable countercyclical role, especially during financial crises when* *private sector entities become risk-averse. We call on* [them] *to expand their contributions in these areas, and further urge relevant international public and private actors to support such banks in developing countries*".

Based on a census of all PDBs in the world conducted by a Chinese university, the CEO of the French Development Agency, and current IDFC President, invited these institutions to meet for the first time in Paris at the FICS. 450 of them, as well as their respective geographic network organisations, the UN Secretary General and several Heads of State did so, albeit virtually, in November 2020. This was followed by a second FICS in Rome in October 2021 with a third one planned in 2022 in Abidjan. At the first summit, the PDBs affirmed "[their] *determination to collectively shift [their] strategies, investment patterns, activities and operating modalities to contribute to the achievement of the SDGs and the objectives of the Paris Agreement while responding to the Covid 19 crisis*" (FICS Statement). These commitments are noteworthy given that PDBs collectively represent 10% of total global investment (2 trillion USD). The World Bank coined the expression "from billions to trillions" to describe the need to scale-up commitments needed to turn the 2030 Agenda and the Paris Agreement into reality. There is no doubt that PDBs, as key mobilisers and implementers of "public finance for development", are crucial contributors to the "billions to trillions" equation.

Development banks have grown in relevance and visibility since 2015. The creation of AIIB and NDB introduced a level of "competition" among multilateral banks, but both institutions have joined the effort in favour of the objectives established in 2015 alongside "traditional" MDBs. PDBs have gained international recognition as IDC players, even though many of them are primarily domestic institutions. The current pandemic is further strengthening their role. Development banks, whatever their size and scope, have been in the forefront of the financial response to the pandemic and its economic, social and environmental consequences, in line with the interconnections and "revived global partnership" advocated by the SDGs.

Conclusion

Seven years after it was adopted, the 2030 Agenda is being submitted to a a series of "stress tests". Yet, while short-term health and socio-economic uncertainties have somehow side-lined the 2030 Agenda's long-term goals, the overlap of crises have in fact reinforced the relevance of the 2015 compact. Domestic public policies are at the heart of the response to the crisis and national development banks are playing a crucial role in mitigating its socio-economic consequences, albeit insufficiently in most developing countries[5].

[5] Early estimates (May 2020) found that developed economies had committed on average almost 30% of their GDPs to fight the pandemic, while the average size of relief packages in developing countries did not reach 5%. (UNCTAD 2020)

Having pushed for the internationalisation of BNDES during his mandate (Oliveira 2016), former President and frontrunner in the 2022 Brazilian presidential election, Lula wishes to transform it into a guarantor bank comparable to multilateral banks (Paraguassu 2022). At the crux of the poverty and climate agenda, with one foot in the BRICS and the other in the door of the OECD and potentially armed with a reinforced development cooperation body, Brazil has an unparalleled opportunity to promote its version of IDC as a global governance policy.

This leads us to three final points.

First, is the need for transparency and reporting on the implementation of the 2030 Agenda. The UN High Level Political Forum's supervision of the SDG voluntary national reviews remains subpar. It does a disservice to the 2030 Agenda by taking self-congratulatory reports at face value instead of transparently monitoring the implementation of domestic policies in favour of the SDGs, through a robust peer review process. This is partially due to the insufficient involvement of practitioners as opposed to UNGA 2nd committee experts. The TOSSD, as mentioned in the AAAA, could also be a useful tool towards greater transparency, as is the OECD's Global outlook for financing sustainable development.

Second, is the issue of funding these public policies, for which, as described in the AAAA, domestic resources mobilization is crucial. This requires progressive tax reform, which the Covid crisis and the US administration's recent commitments have made a likelier prospect. It is particularly critical for MICs under threat of entering or remaining in the "middle income trap". A second tool to increase the mobilisation of domestic resources is maximising PDBs' combined financial leveraging and practical technical capacities. The recent plan to create a new development bank by a British Conservative government is the recognition of these institutions' usefulness beyond traditional ideological lines.

The third point is the primary *raison d'être* of IDC which should be to serve the 2030 Agenda and the goals of the Paris Agreement, using the methods, actors and tools outlined in the AAA. For IDC to "*revitaliz*[e] *the global partnership*" it must be recognised as an international public policy rather than a mere foreign policy instrument. Considering, for example, the direction taken by France and the UK's respective reforms, tensions between the United States and China or Russia and Ukraine, power politics show no sign of fading away to give way to consensual global public policies.

However, these inherent contradictions can be mitigated if IDC continues to transition towards a system for global governance rather than as a collection of loosely coordinated actors and "à la carte" multilateralism i.e. "*the declining share of core contributions* [reflecting] *the growing tendency of donors to forsake consensus-based approaches in favour of ad hoc initiatives funded by a limited number of donors*" (Organisation for Economic Co-operation and Development 2020). Recent replenishments of specific funds (International Development Association, Green Climate Fund, Global Fund) have proven successful contributions to the sustainable goals. Nevertheless, the collective norm setting required to produce effective and sustainable global governance policies depends on multilateral institutions being protected from "bilateral blackmailing". Indeed, the

Covid pandemic has shed a harsh light on the fragmented governance of the multilateral system which is to blame for many of the shortcomings of the World Health Organization's response (the WHO's assessed contributions and its earmarked contributions are roughly 1 to 4).

Finally, greater coordination between PDBs and the multilateral system is required. The IDFC's track record, as well as initiatives such as the FICS or the launch of the Alliance of Subnational Development Banks in Latin America, prove PDB's willingness to cooperate with bilateral and multilaterals IDC players within the framework of practitioner-led fora. As the key financial contributors to the global governance framework adopted in 2015, public, development banks should be provided with the means to their ends. This implies, for example, allowing them greater leeway to use blended finance, as is common practice among multilateral development banks. It should also involve, as recognised by the Paris Agreement, putting greater focus on redirecting existing financial flows, in particular export credits. The question should be less whether resources qualify as ODA and more whether they achieve positive climate and sustainability impacts. It follows that working towards a transparent and truly multilateral international development cooperation system, led by a wider understanding of sustainable finance, should be the next shared objective for those who, seven years ago, approved such an ambitious global agenda.

References

Asmus, G., A. Fuchs, and A. Müller. "BRICS and Foreign Aid." Forthcoming, BRICs and the Global Economy, AidData Working Paper no. 43, 2017.

Barder, O., H. Timmis, and A. Baker. *A Short-Sighted Vision for Global Britain*. London: Center for Global Development Notes, 2019.

Barros-Platiau, A. F., and A. Orsini. "Emerging countries." In *Essential Concepts of Global Environmental Governance*, edited by J. F. Morin, and A. Orsini. London: Routledge, 2021.

Bracho, G. "In search of a narrative for Southern providers." *German Development Institute Discussion Paper* 1, 2015.

Caballero, P. "The SDGs: changing how development is understood." *Global Policy* 10, suppl. 1 (2019): 138-40. doi: https://doi.org/10.1111/1758-5899.12629

Chaturvedi, S. "Development cooperation in the context of contested global governance." In *The Palgrave handbook of development cooperation for achieving the 2030 agenda*, edited by S. Chaturvedi, H. Janus, S. Klingebiel, X. Li, A. Mello, and E. S. Souza, and D. Wehrmann, 1-21. Basingstoke: Springer, 2021.

Chaturvedi, S. "Development cooperation: contours, evolution and scope." In *Development cooperation and emerging powers, new partners, old patterns?*, edited by S. Chaturvedi, T. Fues, and E. Sidiropoulos, 13–36. London: Zed Books, 2012.

Dickson, A., and P. Brien. *DFID and FCO merger: Implications for international development*. London: House of Commons Library, 2020.

"Decree n° 2017-1074 on the responsibilities of the Ministry for Europe and Foreign Affairs." *Journal Officiel "Lois et Décrets"*, May 25, 2017. https://www.legifrance.gouv.fr/jorf/id/JORFTEXT000034807087/

Donor Tracker. "Korea International Cooperation Agency establishes committee to develop 2030 strategy." *Donor Tracker Policy Update*, January 31, 2020.

Dreher, A., A. Fuchs, B. Parks, A. Strange, and M. Tierney. "Apples and Dragon Fruits: The Determinants of Aid and Other Forms of State Financing from China to Africa." *International Studies Quarterly* 62, no 1 (2018): 182-194. doi: https://doi.org/10.1093/isq/sqx052

Empresa Brasileira de Comunicação – EBC. "Brasil se torna o 22º membro do Clube de Paris." *TV Brasil YouTube*, December 30, 2016. https://www.youtube.com/watch?v=ypVtSniUi6o

Faust, J. "Are More Democratic Donor Countries More Development Oriented? Domestic Institutions and External Development Promotion in OECD Countries." *World Development* 36, no. 3 (2008), 383-398. doi: https://doi.org/10.1016/j.worlddev.2007.03.006

Finance in Common. *Final statement*. Finance in Common Summit, 2020

French Development Agency – AFD. *Financer l'action climat*. Paris, 2018. https://issuu.com/objectif-developpement/docs/financer-action-climat-afd

Friedrich, J., and M. Ge, and A. Pickens. "This Interactive Chart Shows Changes in the World's Top 10 Emitters." *World Resources Institute*, December 10, 2020. https://www.wri.org/blog/2020/12/interactive-chart-top-emitters

Griffith-Jones, S., and J. A. Ocampo. *The Future of National Development Banks.* Oxford: OUP, 2018.

Gulrajani, N. "Post-merger development governance in the UK." Overseas Development Institute (ODI) Working paper, 2020. https://odi.org/en/publications/post-merger-development-governance-in-the-uk-a-preliminary-cross-national-investigation-of-development-assistance-committee-dac-donors/

Haddad, L. "Development research: the shape of things to come." *The Guardian*, August 16, 2013. https://www.theguardian.com/global-development-professionals-network/2013/aug/16/development-research-future-impact

Hochstetler, K., and C. Inoue. "South-South relations and global environmental governance: Brazilian international development cooperation". *Revista Brasileira de Política Internacional* 62, no 2 (2019): 1-22. doi: https://doi.org/10.1590/0034-7329201900204

Instituto de Pesquisa Econômica Aplicada – IPEA. *Cooperação brasileira para o desenvolvimento internacional (COBRADI) 2005-2009 (2010); 2010 (2013); 2011-2013 (2016); 2014-2016 (2018); 2017-2018 (2020) ; 2019-2020.* Brasília, 2021.

International Development Finance Club – IDFC. *IDFC's Contribution to the climate action summit 2019.* New York, 2019. https://www.idfc.org/wp-content/uploads/2019/09/official-idfc-communique-vdef21-09-2019-22h50-cet.pdf

Jernnäs, M., and B. O. Linnér. “A discursive cartography of nationally determined contributions to the Paris climate agreement.” *Global Environmental Change* 55 (2019): 73-83. doi: https://doi.org/10.1016/j.gloenvcha.2019.01.006

KreditAnstalt für Wiederaufbau – KfW. “KfW Start-up Monitor 2012: Fewer start-ups in German.” *News*, April 26, 2012. https://www.kfw.de/KfW-Group/Newsroom/Latest-News/Pressemitteilungen-Details_10923.html

Leite, I. C., B. Suyama, L. T. Waisbich, and M. Pomeroy. *Brazil's engagement in international development cooperation: the state of the debate. Technical Report*. Brighton: Institute of Development Studies, 2014.

Oliveira, A. L. “O BNDES como ator das relações exteriores brasileiras durante o governo Lula (2003-2010).” *Revista Brasileira de Geografia Econômica* 4, no 8 (2016): 1-17. doi: https://doi.org/10.4000/espacoeconomia.2277

Marcondes, D., and E. Mawdsley. “South-South in Retreat? The Transitions from Lula to Rousseff to Temer and Brazilian Development Cooperation.” *International Affairs* 93, no. 3 (2017): 681-699.

“Megadiverse Countries.” *Biodiversity A Z*, December 20, 2020. https://www.biodiversitya-z.org/content/megadiverse-countries

Milani, C. *ABC 30 anos: história e desafios futuros*. Brasília: Agência Brasileira de Cooperação, 2017.

Organisation for Economic Co-operation and Development – OECD. *Development Co-operation Peer Reviews: France*. Paris, 2018.

Organisation for Economic Co-operation and Development – OECD. *Development Co-operation Peer Reviews: United Kingdom*. Paris, 2020.

Organisation for Economic Co-operation and Development – OECD. *Managing aid: practices of DAC member countries*. Paris, 2009. www.oecd.org/dac/peer-reviews/managingaidpracticesofdacmembercountries.htm

Organisation for Economic Co-operation and Development – OECD. *Multilateral Development Finance 2020*. Paris, 2020.

Orliange, P. “From poverty reduction to global challenges, a new horizon for international development cooperation?” *Revista Brasileira de Política Internacional* 63, no. 2 (2020): 1-26. doi: https://doi.org/10.1590/0034-7329202000202

Paraguassu, L. “Lula quer transformar BNDES em garantidor de financiamentos internacionais se vencer eleição.” *Isto É Dinheiro*, May 5, 2022. https://www.istoedinheiro.com.br/lula-quer-transformar-bndes/

People's Republic of China. *China's international development cooperation in the new era*. White Paper. Beijing: China's State Council Information Office, 2021.

Presidency of the French Republic. “President's speech to the annual French ambassadors conference.” *Elysée*, October 17, 2017. https://www.elysee.fr/emmanuel-macron/2017/08/29/discours-du-president-de-la-republique-a-l-ouverture-de-la-conference-des-ambassadeurs

Purushothaman, C. “Cobradi: The Rise and Fall of a Southern Provider.” In *Emerging Powers, Development Cooperation and South-South Relations*, edited by C. Purushothaman, 63-107, International Political Economy Series. Basingstoke: Springer, 2021.

Reality of Aid Management Committee. *South-South Cooperation: a challenge to the Aid System*? Quezon City: IBON, 2010.

République Française. “Loi n° 2014-773 du 7 juillet 2014 d’orientation et de programmation relative à la politique de développement et de solidarité international.” *Journal Officiel de la République française*, July 8, 2014.

République Française. “Loi n° 2021-1031 du 4 août 2021 de programmation relative au développement solidaire et à la lutte contre les inégalités mondiales.” *Journal Officiel de la République française*, August 5, 2021.

Rudyak, M. *The Ins and Outs of China’s International Development Agency*. Beijing: Carnegie-Tsinghua Center for Global policy, 2019. https://carnegieendowment.org/files/5-29-19_Rudyak_Chinese_Aid.pdf

Santander, G. “Brazilian cooperation policy: promotion of development and global projection.” In *Aid, power and politics*, edited by I. Olivié, and A. Pérez, 165-178. London: Routledge, 2020.

Stuenkel, O. *The BRICS and the future of global order*. 2nd ed. London: Lexington, 2020.

United Kingdom. “Global Britain in a competitive age: The Integrated Review of Security, Defence, Development and Foreign Policy.” HM Government Policy Paper, 2021.

United Kingdom. “International Development Act 2002.” *UK Public General Acts*, 2002. https://www.legislation.gov.uk/ukpga/2002/1/contents

United Kingdom. *Eliminating World Poverty: A Challenge for the 21st Century.* White Paper on International Development presented to Parliament, 1997. https://www.bristol.ac.uk/poverty/downloads/keyofficialdocuments/Eliminating world poverty challenge.pdf

United Kingdom. *International Development (Official Development Assistance Target) Act 2015*. London, 2015. https://www.legislation.gov.uk/ukpga/2015/12/pdfs/ukpga_20150012_en.pdf

United Kingdom. *Oral statement to the House of Commons on Global Britain*. London, 2020. https://www.gov.uk/government/speeches/prime-ministers-statement-to-the-house-of-commons-16-june-2020

United Kingdom. *Statement on UK Official Development Assistance departmental allocations 2021-22*. London: FCDO Update to Parliament, 2021.

United Kingdom. *UK Infrastructure Bank Policy Design*. London: HM Treasury Policy Paper, 2021. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/966131/UKIB_Policy_Design.pdf

United Nations – UN. *Addis Ababa action agenda of the third international conference on financing for development*. New York, 2015.

United Nations – UN. *Concept paper on the Group of Friends of voluntary national reviews*. New York, 2019.

United Nations – UN. *Partnership in Development and South–South Cooperation Official Development Assistance of the* Kingdom of Saudi Arabia. Ryad, 2016.

United Nations – UN. *Report of the second High-level United Nations Conference on South-South Cooperation*, Buenos Aires, 2019.

United Nations – UN. *Repositioning the UN development system to deliver on the 2030 Agenda – Ensuring a Better Future for All*. Report to ECOSOC. New York, 2017.

United Nations – UN. *Role of South-South cooperation and the implementation of the 2030 Agenda for Sustainable Development: challenges and opportunities*. New York, 2018.

United Nations – UN. *South-South and Triangular Cooperation in Action*. Paris, 2018

United Nations – UN. *South-South Cooperation at the time of COVID-19: Building Solidarity Among Developing Countries*. Geneva, 2020.

United Nations – UN. *The evolution of South-South development cooperation: Its role in the implementation of the 2030 Agenda and the Paris Agreement on Climate Change*. New York, 2017.

United Nations – UN. *Transforming our world: the 2030 agenda for sustainable development*. Resolution adopted by the General Assembly on 25 September 2015. New York: General Assembly, 2015. https://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1&Lang=E

Waisbich, L. T. "Negotiating accountability in South-South Cooperation: the case of Brazil." *Revista Brasileira de Política Internacional* 63, no 2 (2020): 1-20.

Wickstead, M. "The UK: an aid superpower at a crossroads." In *Aid, power and politics*, edited by I. Olivié, and A. Pérez, 73-88. London: Routledge, 2020.

World Bank. *A Changing Landscape: Trends in official financial flows and the aid architecture*. ODI workshop. Washington, 2021.