Mélonio, Thomas; Naudet, Jean-David; Rioux, Rémy

Book

Official Development Assistance at the age of consequences

Authors Thomas Mélonio,
Jean-David Naudet, Rémy Rioux

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Official Development Assistance at the Age of Consequences

Policy Paper

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Introduction

Official Development Assistance (ODA) was introduced in the 1960s as a temporary instrument to respond to a phase in world history involving decolonization, the Cold War, industrialization and flagrant inequalities between the "North" and the "South". Fifty years later, in an influential text, Jean-Michel Severino and Olivier Ray (2009) noted that ODA had become a "global public policy", while pondering its imminent demise. ODA seems to be both an instituted, supported, financed global policy – and thus resilient in a constantly changing world – and at the same time does not escape recurrent criticism.

This "obsolescence" is notably advocated in the abundant "beyond-aid-literature", which calls for a profound renewal of approaches to international financing and generally incorporates strong criticism of ODA in almost every respect, including its name, principles, calculation method, amounts, institutional architecture, effectiveness, procedures, Western-centrism, and hypocrisy in the face of commercial or geopolitical interests.

In the first two sections of this Policy Paper, we analyze this apparent paradox. The first section examines what has made development assistance strong over the past century: stable rules, shared goals and norms, specific determinants, and a fragile but nonetheless established legitimacy. Despite its "hybrid" character, involving both global and Northern policy, ODA is one of the few examples of a real global public policy. The second section analyzes what has weakened the foundations of this development aid policy since the beginning of the 21st century, namely the end of the division of the world into two blocs, the emergence of the issue of fragile states and new international threats, the broadening of the global agenda towards the Sustainable Development Goals (SDGs), and the interdependencies arising from global issues, first and foremost climate change.

The third section looks at the future of ODA, and more generally the future of international financing for development and global public goods. In particular, we argue that attempts to expand ODA towards more ambitious policies and instruments designed to serve SDGs are at present leading mainly to tension and confusion, due to the dissolution and/or contestation of existing funding norms.

As the series of climate-related catastrophes during the 2023 summer has proved, the international community has now entered the age of consequences[1]. The future of international financing, under the impetus of the climate emergency, should be to move towards two distinct global policies. The first one, called here International Development Investment (IDI) dealing with global vulnerabilities and based on two mechanisms: a financial instrument for international solidarity –reformed and refocused ODA- and an international insurance mechanism for managing the consequences of climate change. The second, designated as Sustainable Development Investment (SDI), to finance and support the global common commitments towards low-carbon transitions, emphasizing the leverage and mobilization effects of public actions.

1 The phrase "Age of Consequences" is taken from the title of a documentary by Jared P. Scott (2016).

1.
ODA: a 20th century policy

1.1 – ODA as a hybrid global public policy

1.1.1 – What is official development assistance?

The term "official development assistance" covers different aspects:

- ODA policies at various levels: global, national, and the level of major multilateral and bilateral institutions;

- the ODA instrument of financial transfers from the North to the South: the tool for these policies.

The ODA financial instrument is clearly defined by precise, common rules. ODA policies constitute a much more diffuse approach, but their characteristics – objectives, strategies, determinants and norms – nonetheless make it possible to define a specific identity. At an international level, this ODA policy can be described as a hybrid global public policy in the sense that its characteristics seem to stem from agreements reached within the "Club" of donor countries constituting the OECD, and more broadly from consensus and practices developed within the international community as a whole.

1.1.2 – A financial instrument with stable rules since 1960

In 1969, the Development Assistance Committee (DAC) of the OECD (created in 1961) formalized the concept of "official development assistance". The aim was to promote financial transfers from the North countries to support the development of the South countries, and to begin by defining and measuring them.

The definition is based on four criteria still in use today. ODA must:

- emanate from public bodies (states, local authorities, or bodies acting on behalf of public authorities) of DAC member states;

- be intended for developing countries or territories as identified in a regularly reviewed DAC list of ODA recipients;

- be offered in the form of targeted public spending, financial transfers on favorable financial terms, or debt relief;

- aim to "foster economic development and improve living standards in recipient countries" (according to *Focus* 2030, 2021).

At the same time, the DAC defined precise calculation rules (scope, level of concessionality) for the accounting of ODA and advocated a target level of 0.7% of the gross national income (GNI) of donor countries, which was endorsed by the United Nations General Assembly in 1970.

Over the past 50 years, the concept of ODA has changed little in terms of its scope, its method of calculation, its lists of donor and recipient countries, and its 0.7% target. Donor country practice has led to the gradual eligibility of expenditure not initially foreseen, such as debt cancellation, tuition fees for foreign students from eligible countries, or costs concerning asylum seekers. The lists of donor and recipient countries have constantly adapted to global developments, and have evolved without being disrupted (see box 1). The target of 0.7% of GNI is still regularly mentioned, including in the Law, by many donor countries.

Box 1 – ODA donor and recipient countries

The lists of donor and recipient countries have been constantly revised over the past 50 years, but these changes do not fundamentally challenge the North-South bloc vision underlying ODA

Since 1970, 17 countries have been added to the list of aid recipients, mainly former Soviet republics or new countries (Eritrea, South Sudan), while 61 countries have been removed. These are mainly European countries (Portugal, Greece, Cyprus, Yugoslavia, etc.), countries that have joined the group of high-income countries (Hong Kong, Korea, Taiwan, Chile, Uruguay), oil-producing countries (Qatar, Kuwait, UAE, Libya, etc.), dependent territories (French Overseas Territories, Micronesia, the Marianas) and numerous small island countries (St Kitts and Nevis, Aruba, Antigua and Barbuda, etc.). In 2022, there are 140 countries on the OECD DAC list of aid recipients.

The donor section of the OECD DAC consists of several European countries, the United States, Canada, Australia, New Zealand, Japan and South Korea, the latter being the only non-Western country to join the DAC after its foundation. Some Gulf countries (Saudi Arabia, Qatar, UAE) are DAC partners as "participants" but not members.

The eligibility rules for ODA, including the degree of concessionality, have been clarified several times, and most importantly underwent a major recent revision implemented in 2018. From then on, concessional flows were no longer counted as net transfers (disbursements minus repayments) but as grant equivalents with reference to a parametric market interest rate, except for flows to the private sector. This major reform, however, has produced only modest changes in terms of assessing overall ODA levels, since in 2020 the new grant equivalent eligibility differed by only 0.09% from what was obtained with the previous measurement.[2] Overall, the definition of and eligibility for ODA appear to have been extremely stable for over 50 years.

1.1.3 – A public policy based on objectives and norms

ODA objectives have changed over the years: closing the economic gap, structural reforms, the fight against poverty, sustainable development, Millennium Development Goals and, since 2015, Sustainable Development Goals.

To help achieve these goals, ODA has never been either the only North-South financial flow or the only international policy. However, it has been the financial instrument of an autonomous public policy in the countries of the North, with specific norms, institutional architecture and management. This is why Severino and Ray (2010) have qualified it as a kind of "global public policy":

> *"International development assistance forms a kind of global public policy dealing with North/South relations, which has come to incorporate three different subsets of objectives: the economic convergence of developing nations, the provision of basic services to all human beings and the protection of global public goods."*

What underlay this public policy was a shared agreement on these different categories of objectives, and a set of norms defining the means to help achieve them, focused particularly on:

- transparency, with the implementation of detailed accounting rules subject to regular reporting by DAC member countries;
- "burden sharing", by promoting a target contribution from developed countries based on their GNI;
- coordination in various forms, including alignment on common strategies, joint management of debt issues and the adoption of shared principles;
- exchanges of best practices, notably through peer reviews but also through working groups in various fields: action in fragile countries, social and environmental norms, management of corruption, etc.;

2 On the other hand, there are significant differences with some donors: Japan (+19%), Spain (+9%) and France (-11%). APD-2020-detail-resume.pdf (oecd.org).

- the collective search for efficiency via a specific process that gave rise to the principles of the Paris Declaration (OECD 2005);

- and even emphasizing solidarity and the moderation of "national interest" policies, including channeling tied aid, regulating concessionality and excluding certain sectors such as military or security spending.

The ODA financial instrument and the ODA public policy, which have the same objectives, differ in that the former is defined by rules and the latter by norms. Using Ostrom's (2009) definition,[3] common rules define in a strict, enforced way what is required, eligible and non-compliant, while norms qualify what is considered, in a shared way, as recommended or appropriate. This distinction is important. The overall ODA policy is never binding, only incentive-based, notably through peer pressure. Thus, it is a well-known fact often criticized by aid-receiving countries that the target of 0.7% of GNI for aid has rarely been reached, and by only a few countries.[4] On the other hand, while ODA policy remains voluntary, and therefore non-constraining, it is nevertheless based on a financial instrument that complies with binding rules of definition and accounting.

1.1.4 – An (ambiguous?) policy of reciprocity

Beyond these norms and objectives, the determinants of ODA policy undoubtedly make it a specific policy different from other major international policies.

The fact underlying this policy is the existence of two blocs of countries and populations (the North and the South) with distinct levels of development and/or poverty, thus constituting the rational and ethical justification of public transfers, essentially investments, from the North to the South.

Consequently, three main categories of principles or determinants seem to have motivated development aid policies on the part of donor countries.

The first of these principles is that of mutual benefit. This principle is implicitly but also explicitly (see box, among many statements by policymakers) established as one of the foundations of ODA.

It should be understood as being broader than a simple search for an advantage. It is not a question of simple commutativity (the principle of market exchange), for which the benefits exchanged are equivalent and simultaneous, but of reciprocity (the principle of cooperation or that of gift and counter-gift), where a positive cooperative attitude responds to an equivalent attitude (Fehr and Gächter 2000), based on what each has to offer. In this respect, the counterparts of the financial advantages granted as aid may be deferred and not commensurable with the ODA itself; they may be global as well as bilateral, and may be in the economic, political, diplomatic, security and cultural spheres, etc.

3 "Rules as used in this book are defined to be shared understandings by participants about enforced prescriptions concerning what actions are required, prohibited or permitted... Norms can be thought of as shared concepts of what must, must not or may be appropriate actions or outcomes in particular types of situations" (id.: 112). (Ostrom 2009).

4 In 2019, Denmark, Luxemburg, Norway, the United Kingdom, and Sweden were in this situation. Previously, Germany, Finland and Luxemburg and the UAE had temporarily crossed this threshold

Box 2 – ODA as mutual benefit

"Remember that the main purpose of American aid is not to help other nations but to help ourselves" (Richard Nixon, 1973)

"The Chinese government always relies on the principle of equality and mutual benefit in providing aid to other countries." (Zhou Enlai's principles formulated in 1964, repeated in the 2011 White Paper on Chinese Foreign Aid).

'*I am committing that our development spending will not only combat extreme poverty, but at the same time tackle global challenges and support our own national interest*' - Theresa May, 2018

*"The Special Rapporteur recommends the coordination of ODA policy with the pursuit of **France's** interests."* (Joël Giraud, French National Assembly Report, 2018)

"*We will examine what is working, what is not working and whether the countries who receive our dollars and our protection also has our interests at heart*" – Donald Trump, 2018

"*We will contribute $1.3 billion in aid to the Pacific – our highest ever contribution. This demonstrates yet again that Australia's aid program reflects our interests*" - Julie Bishop (Australian Minister for Foreign Affairs, 2013- 2018)

The second determinant of ODA policies is the promotion of models and/or values, which can also be called influence in a broad sense, and be considered as part of the reciprocity principle, although in a less explicit and more ambiguous form. In the 1960s, the basis of aid (and "development": see Rostow 1960) as the promotion of alternative models to Communism was clearly assumed. The promotion of liberal market economy through structural adjustment programs was also asserted in the 1980s. Since then, we might think we have moved on from the promotion of economic and social "models" to the promotion of diversified values, reflected notably in the SDGs, concerning law (human rights, minority rights), equality (fight against major inequalities, gender equality), the management of shared environmental issues, and so on.

However, this is more of a shift than a rupture. The ambiguity of this determinant of ODA influence is that it is largely constructed both by and within the ODA community, with a predominant contribution from the "club" of donor countries,[5] even if it is subsequently legitimized by broad international consensus.[6] While the excesses of coercion that characterized structural adjustment programs can be considered as part of a bygone era, the ambiguities between the promotion of universal values and that of Western models constitute a source of deep and persistent misunderstanding, often unspoken, between donors and recipients of aid.[7]

The third principle is a principle of humanity or solidarity. The moral duty to do something to relieve or remedy other people's situations of distress or deprivation in a universalist vision of a minimum of goods and services accessible to all, is an extremely widespread human principle, whose constant demonstrations can be cited (Opeskin 1996, Chauvier 2006). The role of the public sector (the States) in addition to the private sector (charities, historically religious movements) in the expression of this principle of humanity is also one of the foundations of ODA. It would be unrealistic to ignore this principle of humanity as a determinant of ODA, emanating from Western societies that claim the universalism of the human rights principle.

5 For example, Céléstin Monga (2018) reports about the major international conventions on human rights: "But even if we assume that each sovereign state of the United Nations has freely chosen to ratify these conventions, no one would seriously dispute their Eurocentric quality."

6 A recent study synthesizing more than 3,000 scientific studies establishes, for example, that the impact of the global adoption of the SDGs has so far been "mostly discursive, affecting the way stakeholders understand and communicate around sustainable development." (Biermann *et al.* 2022).

7 See the debate on "Asian values" of the 1990s (Barr 1997, Sen 1997) or the more recent Post-colonial studies (Chakrabarty 2000).

These principles combine to make ODA a special international policy, governed by its own rationale. They can be summarized by the principle of "justice as fair reciprocity" taken from Page (2007), incorporating the reciprocity of mutual benefits, including the adoption of values or models, combined with special ethical consideration for the most disadvantaged, who have little to offer in order to enter the reciprocal exchange of benefits. ***It is this principle of fair (or humanistic) reciprocity that underlies the concessional public transfer nature of ODA.***

But the combination of these very different principles is also a source of ambiguity and tension. The coexistence of "self-interested" and "disinterested" purposes has always fueled strong criticism of double talk or hidden agendas for ODA, particularly from analysts in the Global South.[8]

1.1.5 – A hybrid global policy

The ODA policy, with its financial instrument defined by stable rules and involving almost the entire planet, seems sufficiently specific, with its objectives, norms, good practices and principles, to constitute a "global public policy". But it is also by nature an hybrid policy due to the diversity of objectives, encompassed under the flexible concept of development, and even more the tangle of highly diverse foundations.

This hybrid character should be emphasized particularly in its international aspect. ODA policy seems like both the policy of a group of countries – the OECD countries – and a global policy. As we have seen, ODA policy is first and foremost a voluntary policy, based on principles and norms largely developed within the OECD DAC "Club". Transfer is not a matter of right for the recipient countries, or of obligation for the donor countries. In other words, ODA has never acquired a true character of justice on a global scale, whether corrective or distributive (Naudet *et al*. 2007).

Nevertheless, the global nature of ODA policy is also undeniable, if only because of the global and consensual ambition of its objectives – nowadays the SDGs, but in the past economic catch-up or the eradication of poverty – and the necessarily cooperative and partnership-based nature of its arrangements (Pacquement 2009).

The institutional architecture of aid, made up of both bilateral structures and multilateral institutions with multiple levels of governance – from United Nations organizations to global or regional development banks and all sorts of thematic funds, not to mention the growth of the bi-multi – is a concrete illustration of the global and "Western" character of ODA policy, which we propose to describe here as a hybrid global public policy.

1.2 – A legitimacy that is still sound?

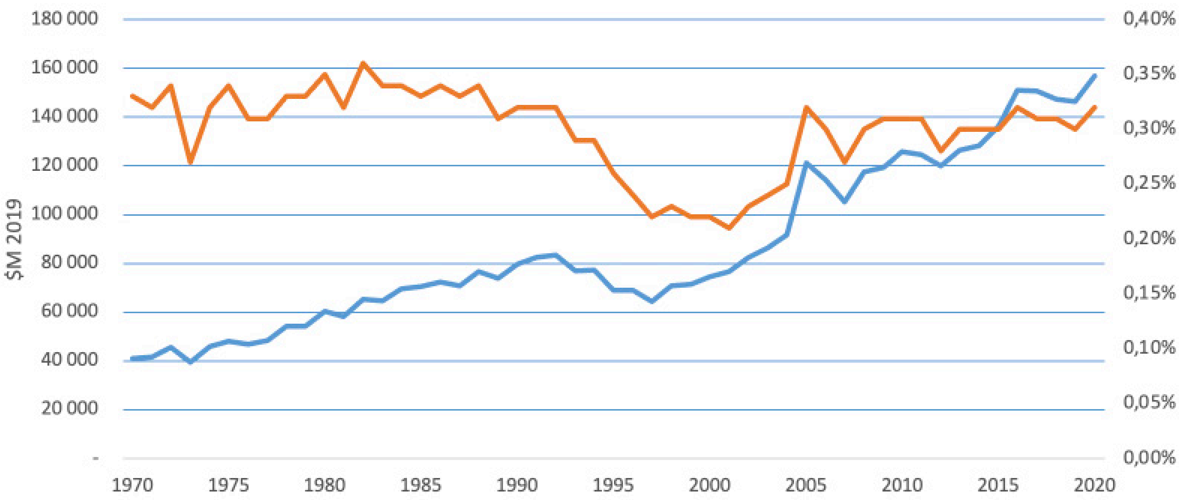
1.2.1 – Historic levels in recent years

The ODA financial instrument reached a new historic level of $179 billion in 2021, up 4.4% in real terms from the previous year, which was already a record year despite being the world's worst for economic growth since World War II, due to the COVID crisis.

The continuity of the accounting rules makes it possible to trace ODA's evolution over the long term. Overall, ODA shows a pattern of continuous increase in constant dollars at an average rate of 2.7% per year over 50 years, with the exception of the 1990s (more precisely, ODA fell in real terms between 1992 and 1998), often described as a period of "aid fatigue" following the fall of the Berlin Wall. As a proportion of the GNI of donor countries, the level in 2020 is close to that of 1970 at around 0.3%: a long way from the target of 0.7%, with a pronounced decline in the 1990s followed by a clear recovery from 2001 on.

8 For example, Amougou 2009, Andrews 2009 and Tandon 2015, but also the bulk of the post-development literature synthesized, for example, by Ziai (2016). There is also substantial econometric literature that seeks to distinguish between the altruistic and selfish motivations of donors through their aid allocation patterns (see Fuchs *et al*. 2012 for a relatively recent review of this literature).

Figure 1 – ODA in constant $ (blue) and as % of GNI (orange) for DAC countries

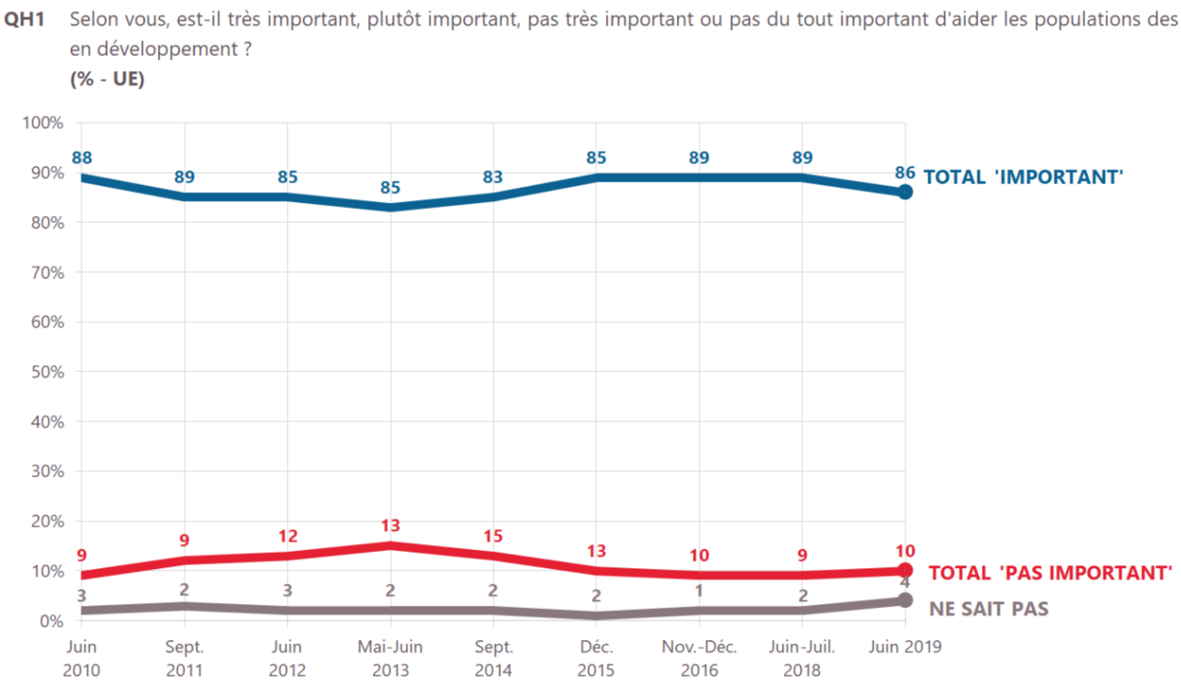


Source: OECD

1.2.2 – Broad public support in the North

ODA remains a strongly supported policy in donor countries because of the extent of global inequalities between countries, and the associated security threats and humanitarian challenges. It is widely endorsed by public opinion and is often the subject of cross-party consensus among political representations (Cazotte 2019).

Figure 2 – European public support for development aid



Source: Eurobarometer 2020

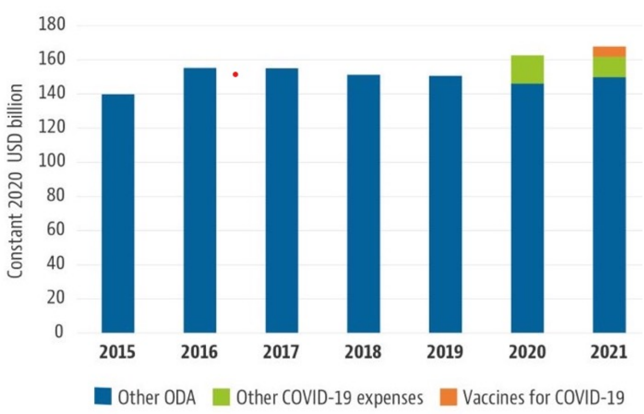
The details of opinion polls show that public opinion is primarily attached to the fight against poverty in poor countries as an objective of ODA. They also show that the principles that determine aid seem to be endorsed by public opinion. Thus, the Eurobarometer survey reveals that over ¾ of the European populations questioned consider that fighting poverty in the South is also in the interest of the European Union. Similarly, 70% of respondents consider ODA a good channel of influence.

1.2.3 – ODA as a central instrument in crises

One of ODA's legitimacy lies in its capacity to be mobilized rapidly throughout the world during crises, whether natural disasters, conflicts, humanitarian crises or any other form of acute need.

For example, the increase in ODA in 2020 and 2021 was entirely due to the international response to the COVID crisis in the South, which in both 2020 and 2021 amounted to about 10% of total ODA.[9]

Figure 3 – COVID mobilization and ODA progress



Source: OECD DAC Statistics

In international crisis management, ODA is often one of the central instruments of international cooperation. In particular, it is the combined forces of institutions, instruments, networks and practices built around ODA policy whose mobilization is proving valuable, as the OECD has once again shown as regards the COVID crisis.

> *The pandemic put development cooperation to the test in unique ways. It has shaken up working practices, partnerships and business models and put unprecedented strain on public finances. Against this backdrop, development co-operation agencies showed impressive agility in responding to the health and humanitarian aspects of the pandemic while also ensuring program continuity. They also displayed creativity in reallocating budgeted funds and raised new resources. Initial estimates in this report suggest that Development Assistance Committee (DAC) members mobilized USD 12 billion for COVID-19 support to developing countries. (OECD 2020)*

Other examples as well as the COVID-19 pandemic could be given. Thus, aid to refugees, counted as ODA, has tripled over the past decade (from $3.4 billion in 2010 to $10 billion in 2019), particularly because of the Syrian situation.

Today, ODA is called upon in the context of the Ukrainian crisis through various channels: direct financing of Ukrainian development in a show of solidarity in the face of Russian aggression, financing of the reception of Ukrainian refugees, and management of the indirect consequences of the war on many countries, particularly in terms of food markets.

9 An amount out of all proportion to the $2.5 trillion spent on social protection in high-income countries over 2020 and 2021 (Gentilini 2022).

1.2.4 – Established but fragile evidence of effectiveness

But public support and its use in crises are not enough to establish the legitimacy of ODA. The latter has always been essentially a substantive policy, i.e. aimed at specific goals. ODA transfers are not justified in themselves as a fair procedure (as a redistributive or insurance mechanism might be), but by their consequences with respect to the purpose pursued, which is consistent with the investment character often given to aid (Jacquet and Naudet, 2006). The considerable importance given to the issue of aid effectiveness, and its evaluation, is a direct result of this substantive approach to ODA.[10]

Global ODA policy has been the subject of significant evaluation activity, particularly at the micro level of projects, which achieves a very high success rate on average (Tarp 2006, Riddell 2007; Howarth 2017), in the range of 70% to 85%. In addition to this corpus of evaluations, there are field studies and/or analyses from the qualitative sciences, but they are too numerous and diverse to summarize. However, these studies highlight the possibility that aid will have undesirable effects in certain contexts, particularly with the institutions of recipient countries (Brautigam and Knack 2004, Easterly 2006) and frequently point to negative effects linked with the non-developmental objectives of aid (Moyo 2009), lack of appropriation (Moss *et al*. 2006), as well as coordination problems partly due to the fragmentation of ODA (Knack and Rahman 2007; Djikstra 2018) and its volatility (Riddell 2007). The hypothesis of a "micro-macro paradox" arose from this co-existence of positive micro effects and potentially undesirable macro effects (Mosley 1986).

To address this question, a large number of econometric analyses testing the macro effectiveness of aid have been carried out since the 1990s (see Amprou and Chauvet 2004 and box 2).

Box 3 – Econometric analyses of aid effectiveness

Numerous econometric studies on aid effectiveness have been carried out since the 1970s. In reference to Glennie and Sumner (2014),[11] they can be grouped into three successive generations:

A first generation, directly questioning the macroeconomic impact of global aid, concludes that it has a positive effect on investment and, for the most part, a significant impact on growth.[12]

A second generation[13], marked in particular by the highly influential work of Burnside and Dollar in 2000, sometimes referred to as "conditional literature" (Stockemer *et al*. 2011), has questioned the conditional impact of aid, particularly as regards the quality of the institutions or policies of the recipient countries, or their vulnerability (Guillaumont and Chauvet 2001).

Lastly, a more recent generation is studying the "disaggregated" impact of aid by factoring in the specific effects of certain types of aid in terms of objective (e.g., maternal mortality in Banchani and Swiss, 2018) and also the period of time expected to achieve an impact (e.g. between budget support and an immunization campaign).

10 More precisely, the issue of aid effectiveness did not immediately emerge in the public debate. In 1970, for example, DAC Chairman John Lewis wrote that "there is no more need to ask for proof of the effectiveness of aid than there is to ask for proof of the effectiveness of taxation" (OECD 1980), illustrating his vision of aid as a redistributive mechanism. During the 1980s, sometimes called the lost decade of development, the need arose to show that ODA, as a global policy, was delivering results in terms of its objectives.
11 They themselves, inspired by Arndt *et al*. (2010) and McGillivray *et al*. (2006).
12 See for example (Hansen and Tarp 2000) reviewing 131 studies of this kind.
13 About 60 studies according to Glennie and Sumner (2014) in the 1990s using better methodologies and data – panels, nonlinear effects, instrumental variables, etc.

This debate, which has continued over several decades, shows that the question of effectiveness has been central to the legitimacy of ODA policy. While studies seem generally to have confirmed this effectiveness, it could simultaneously be conditioned by:

- the nature of the contexts, in particular the vulnerability and quality of institutions, and also the level of human security;
- the characteristics of the aid itself: firstly its developmental nature (as opposed to more geopolitical or economic motivations), and secondly its level (ODA has decreasing marginal effectiveness[14]), fragmentation or predictability;
- the quality of the dialogue between partners and in particular the appropriation of aid and its alignment with local strategies.

Econometric and qualitative analyses seem to agree on one point. Aid is less effective in contexts where large amounts are involved, institutions are weak and there is a "misalignment" between donors and recipients, i.e. frequently in the context of poor and fragile countries, as summarized by Caselli and Presbitero (2020) after a broad synthesis of studies:

> "*Overall, our reading of the literature and the evidence on aid effectiveness in fragile states suggest that the growth dividend of aid flows could be limited by a number of factors (e.g. high aid dependency coupled with limited absorptive capacity, limited propensity to act as a shock absorber, rising donor fragmentation), which are common to several recipients, but often more prevalent in fragile states.*"

The question of the legitimacy of aid in terms of its effectiveness leans more in the direction of global validation, but with the somewhat awkward observation that aid would be more effective where it is less needed (Riddell 2014).[15]

14 For example, Clemens *et al.* 2012, Islam 2005.
15 "One of the paradoxes of international development is that aid is often the least effective where it is needed the most" (Riddell 2014).

2. Rupture and obsolescence at the beginning of the 21st century

Roughly concentrated in the first decade of the 21st century, several upheavals of very different kinds have contributed to profound changes in ODA's ecosystem and have led to controversy over the very foundations of global ODA policy.

2.1 – The emergence and end of a world in two blocs

In the 2000s, a new category of countries began to play a major role in international relations and the world economy. These are most often referred to as emerging countries. Some of them are economic and demographic giants, like China and India.

This emergence represented a world upheaval that took place mainly in the first decade of the 21st century. In 2000, OECD countries still accounted for 81% of world GDP: the same proportion as in 1970. In 2020, this share of world GDP was 62%[16], about 20% lower (68% in 2010).

This economic shift, however, has had little impact on the division of the world between "donors" and "recipients" of aid, as shown in box 1 above on developments in DAC lists. All emerging countries are still eligible for and are receiving aid, including China for a few more years, and Mexico. At the same time, these countries have become major global players, and in particular providers of international official transfers for development purposes, but according to specific norms, which are neither declared nor recognized as ODA.[17]

The rise of the large emerging countries has overcome the separation of the world into two blocs as shown in the graph below, which shows the distribution of income among the world's population in 1970 and 2019.

The comparison of the two breakdowns is striking. It shows the disappearance of a world divided between North and South. The population to the left of the vertical poverty line remains large and geographically concentrated, but the curve is globally Gaussian, showing the emergence of a global middle class.

The term "Third World" is now obsolete. Yet development aid is still largely based on this concept, as well as climate negotiations which the groups of countries have essentially taken up. OECD countries are still frequently referred to as industrialized countries, even though the majority of manufacturing production is now carried out in the South and the industrial share of GDP is globally higher in the South than in the North.

Figure 4 – Breakdown of the world population by income level in 1970 and 2019

Source: Gapminder. Income Mountains | Gapminder

16 Meanwhile, the OECD has expanded to include several newcomers since the beginning of the 21st century, and now includes Chile, Colombia, Costa Rica, Estonia, Israel, Latvia, Lithuania and Slovenia.
17 Turkey does make statements to the DAC about its development work, but this is not counted as official ODA.

Table 1 - Distribution of ODA by recipient country categories in 2019

	TOTAL ODA	ODA PER CAPITA (CURRENT $)	ODA/GDP
Low income countries	34%	70	10%
Lower middle income countries	26%	14	0.6%
Higher middle income countries	8%	5	0.06%

Source: WDI

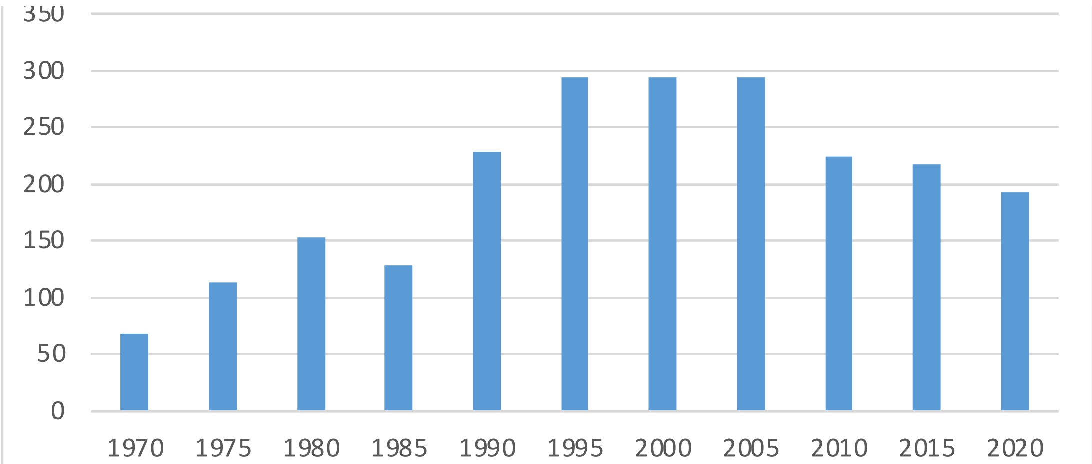
The division of the world into two blocs also contributes to a phenomenon of thinly-spread ODA, particularly in large emerging countries and more generally in middle-income countries.

As can be seen, ODA allocated to middle income countries is as much as ODA to low income countries,[18] while it is only 0.6% and 0.06% of GDP on average for lower and higher middle income countries respectively. The low percentages are largely due to the presence of India and China in each of these categories, but they nevertheless reflect a real phenomenon of thinly-spread aid in middle-income countries where the relative level of aid is often very low.[19]

However, inequality between countries remains very high. The GDP per capita of the 10 richest countries in 2020 is almost 200 times higher than in the 10 poorest countries: a gap that is much larger than in 1970, even though it has begun to narrow since 2005 (see figure 5 below).

So what is at issue is not the principle of a public transfer between the richest and poorest countries, but the fact that it is based on a binary distinction between developed and developing countries.

Figure 5 – GDP per capita ratio between the 10 richest and 10 poorest countries



Source: WDI

18 A significant portion of ODA is not attributable to a particular geographical location, which explains why the total percentages of ODA allocated to different groups of countries by income level is less than 100%.

19 In 2019, 42 ODA recipient countries received less than 1% of their GDP in aid.

2.2 – New international threats: ODA in situations of "fragility"

> *"Not least since 11 September 2001, a group of countries has quickly moved from the periphery of the international community to the top of the policy agenda. It is an extremely heterogeneous group of 30-50 countries, which are loosely characterized by weak institutions and poor governance, often in combination with violent conflict"* (Von Engelhardt 2018).

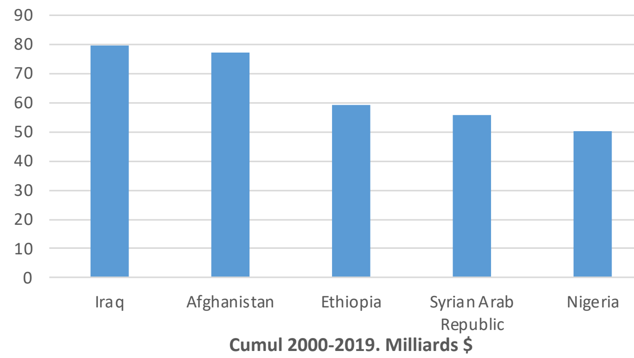
After a decade of decline following the fall of the Berlin Wall, ODA rose again in 2001, showing how aid mobilization is linked to the existence of international threats to donor countries.

> *Globalization challenges, such as violent conflicts, increasing migration and numbers of refugees, as well as climate change as a global challenge, have turned discourses on development cooperation away from development-oriented motives towards the strategic interests of development cooperation providers, such as expanding their own political and economic opportunities* (Chatuverdi 2021).

In 2001, the World Bank launched a working group based on a new concept: LICUS (Low Income Countries Under Stress). Since then, the term fragility has come to be used to describe situations marked by various forms of insecurity, which raise particular questions from the international community's point of view. In 2009, Robert Zoellick, President of the World Bank, stated that "fragile states are the greatest challenge to development of our time", and the World Bank subsequently devoted its 2011 Development Report to the theme of conflict, security and development (World Bank 2011).

This change in context has marked the return of geopolitics to the heart of development aid issues. The terrorist threat, which is still present, had a decisive impact on the mobilization and allocation of ODA during the first two decades of the 21st century. A return to a new Cold War may be the new threat that will guide some of the future aid flows; this is already underway, following Russia's attack on Ukraine.

Figure 6 – Main ODA recipients in the 21st Century



Source: DAC/OECD

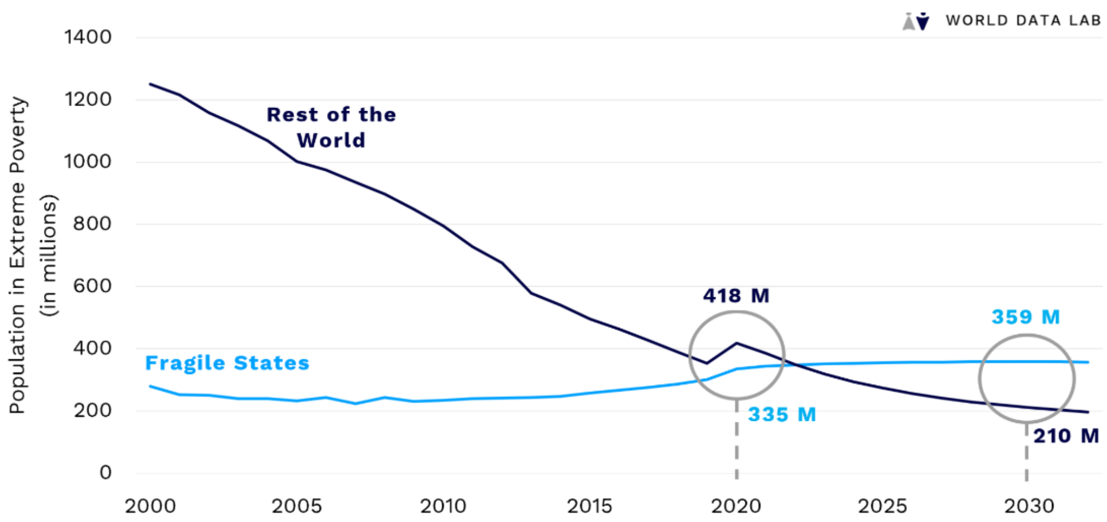
The list of the largest recipients of ODA since the beginning of the century speaks volumes about the role played in aid by geopolitical and security issues during the 21st century. In 2000, 15% of ODA was allocated to conflict-affected countries or in fragile situations. This soared to 30% in 2010 and 36% in 2019 (WDI).

ODA to fragile and insecure countries exacerbates the different motivations for aid and of course amplifies the tension between them. Firstly, the threats are the greatest there and the interests to be defended are thus proportional; secondly it is also in these countries that human distress is the most severe, and humanistic duties the most urgent.

Beyond conflict-affected countries, the focus on the most troubled countries on the international agenda has brought two major criticisms of "traditional" ODA back into the debate.

On the one hand, the criticism of domination: in the context of fragile states and under the effect of decolonial approach, but also more broadly the emergence of questions of recognition and dignity in the social sphere (Rosanvallon 2021), the dual nature of power/duty of ODA as analyzed by Murray Li (2007) has been criticized: "the will to take action for others has two sides: to improve their lot – i.e. the exercise of an altruistic will –, and at the same time, to regulate their conduct and keep them under supervision – i.e. the exercise of a will for power."

Figure 7 – Number of people in extreme poverty in fragile states



Source: World Data Lab

On the other hand, and even more centrally, the criticism of effectiveness. As seen above, the effectiveness of aid in fragile states, where institutions are weak and aid is considerable, is particularly questionable. The graph below illustrates this point empirically.

The combat against extreme poverty will increasingly be fought in fragile countries. By 2030, more than 80% of people in poverty will live in fragile states (OECD 2018).

It is true that ODA is only marginally responsible for failures in the fight against poverty in fragile countries. They primarily involve a variety of factors, including political factors, wars and environmental issues. However, the graph seems to show that there is probably little hope for a continuation of "business as usual" aid in the future.

Going back to the principles, the case of fragile states and new international threats raises the question of international action in situations where interests are not aligned between ODA stakeholders: populations and civil societies in the North, governments in the North, governments in the South, populations and civil societies in the South.

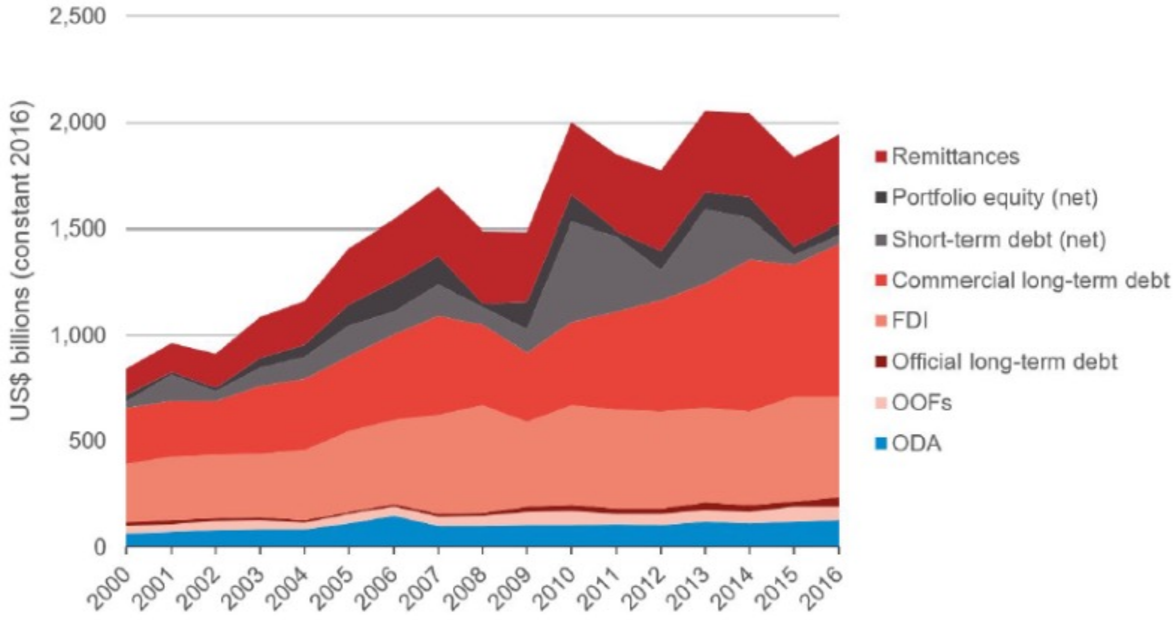
This alignment is a kind of unstated presupposition of ODA, as the Paris Declaration on Aid Effectiveness (OECD 2005) made clear by making it a principle. It is the alignment of interests that effectively enables the effectiveness, in terms of development, of state-to-state cooperation, and eliminates the question of domination/interference when cooperation directly affects populations and civil societies.

This unconsidered aspect challenges ODA as regards the heart of its mission: the fight against poverty in the most disadvantaged countries.

2.3 – The dilution of ODA in the face of sustainable development objectives: "from billions to trillions"

At the same time as ODA was focused on the group of poor and fragile countries, and contested, it was diluted as regards the broader issue of financing for development. Over the long term, with financial globalization, ODA has in fact gradually occupied an ever-smaller place in international capital flows to developing countries. It now accounts for only about 5% of capital flows to developing countries (figure 8): less than one-third of migrant remittances.

Figure 8 – International capital flows to developing countries



Source: Understanding ODA in the mix of all international resources - Development Initiatives (devinit.org)

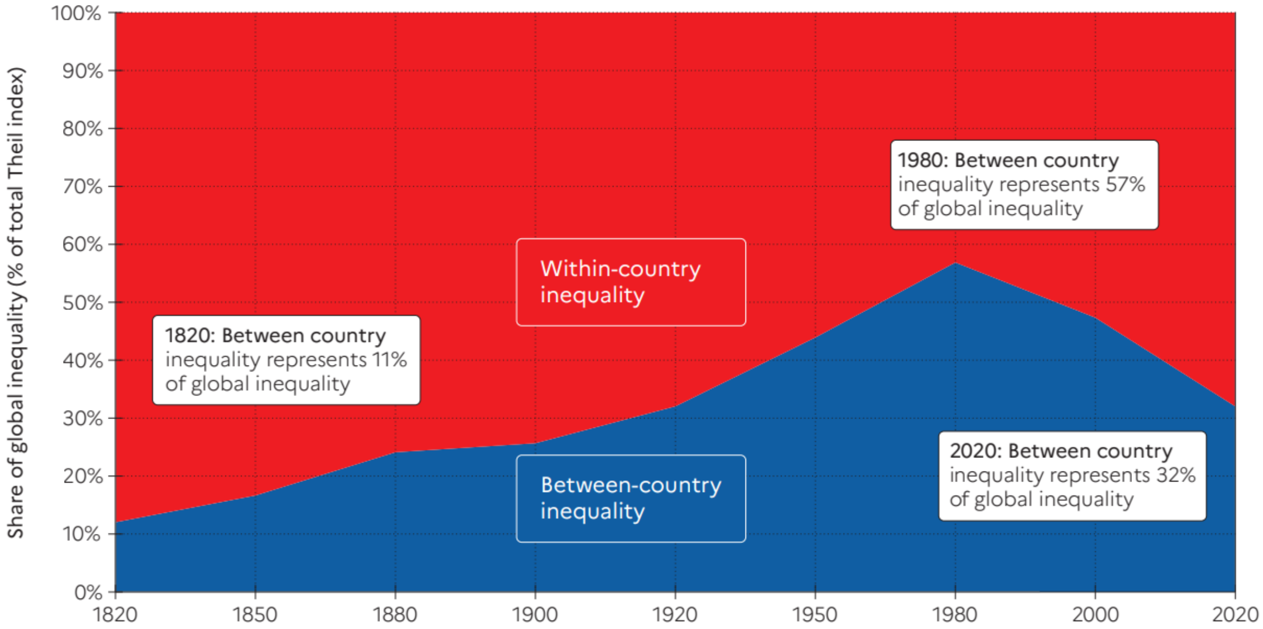
As long as ODA was aimed at relatively narrow objectives, such as poverty reduction or universal primary education, and generated a need for targeted international public investment flows in addition to local resources, it warranted a specific place among all international capital flows.

The adoption of the SDGs in 2015 has changed the context in which ODA operates. The SDGs are common goals for all developed and developing countries. They no longer define a specific challenge to the South for the international community, as MDGs did. This is clearly illustrated by the fight against global inequality, as shown in the graph below.

The rupture in the trend in 1980 is spectacular. In the second part of the 20th century, the fight against global inequality was primarily a fight against inequality between nations, which represented 57% of total inequality in 1980. In the 21st century, the situation is clearly different. In 2020, nearly 70% of global inequality is intra-country, and the slope of the curve suggests that this proportion will increase. In other words, North-South ODA transfers appeared to be a perfectly appropriate tool to fight global inequalities in the 20th century, but today they are only a secondary or indirect instrument: the main action is played out at the level of national trajectories.

Like MDG 10 on reducing inequality, other MDGs are “transitional” or political goals that are not primarily associated with an investment gap, which should be filled by additional resources, such as MDG 12 on sustainable production and consumption. Other MDGs, such as MDG 9 on infrastructure and industrialization, rely heavily on the mobilization of private capital. Counting only the public capital spent on it makes little sense. Finally, global public goods – climate (SDG 13), and biodiversity (SDG 15) – are still quite separate goals, which will be discussed in the next section.

Figure 9 – Global income inequality: inter- and intra-country inequality (Theil index)



Source: World Inequality Report 2022

The result is a twofold challenge to ODA. Firstly, the shift from MDGs to SDGs completely changes the scale of the capital at stake, which the World Bank has translated into the widely used slogan (Mawdsley 2016) "from billions to trillions." The amounts of ODA no longer seem able to make a difference with this objective for achieving SDGs. Kharas and McArthur (2019) estimate total annual global public flows in sectors directly related to SDGs at $21 trillion, in which ODA accounts for only 0.8%. Estimates for additional annual capital requirements to achieve SDGs in developing countries are around $1 trillion to $1.5 trillion annually, or 7 to 10 times the current ODA (Schmidt-Traub 2015; Kharas and McArthur 2019).

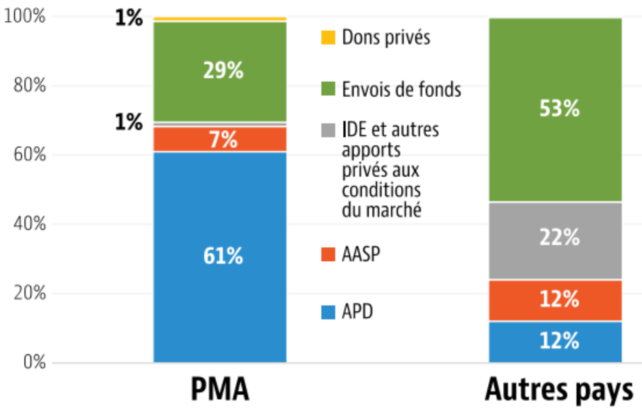
Secondly, the separability of ODA from other capital flows has lost some of its consistency. The broadening of the goals raises multiple questions about the boundaries and nature of ODA: boundaries, because the separation between local and international flows, public and private flows, and concessional and market flows is being called into question; and nature, because the challenge for some of the MDGs is as much about redirecting existing capital as providing additional capital.

Achieving the SDGs will require a change in the development trajectory and a reorientation of certain activities and investments, particularly those that lead to the unsustainable consumption of resources: annual public and private financing for fossil fuels represents over 5,000 billion, for example (Gemenne 2021).

ODA now appears to be only a small part of international financing for sustainable development, whose effects are difficult to separate from those of other types of flows. Its character as a specific global public policy is to an extent dissolved within broader international issues like climate, transitions, inequalities, the fight against pandemics and the protection of biodiversity.

However, this phenomenon of the overall dilution of ODA needs to be qualified in two ways. Firstly, despite their small amount, ODA flows have a particular "quality" (in terms of stability, guarantee and as a signal), resulting in particular from the experience of global and global South issues, that leads the rest of the financial system to accord them a value more than proportional to their amount. Secondly, ODA flows are not marginal in the case of the poorest countries, for which other types of capital inflows are still modest.

Figure 10 – Gross disbursements from DAC countries to developing countries in 2018-2019



Source: OECD Overview: External Financing to LDCs (oecd.org)

As indicated in the previous point, the case of poor and fragile countries needs to be considered in its own right.

2.4 – The climate question: reciprocity tested by responsibility and interdependence

The first decade of the 2000s was finally the decade of widespread awareness of climate issues with the third IPCC report in 2001 – often presented as the scientific consensus on the anthropogenic origin of climate change –, the Earth Summit in 2002 and the Stern Review in 2006. More globally, this decade also saw the emergence of the issue of global public goods (GPGs), and an ongoing debate, for example with the current COVID-19 crisis, on the appropriateness of ODA as an instrument for financing these GPGs in developing countries.

In a highly influential collective book published in 1999,[20] Kaul, Grunberg and Stern presented GPGs as an "added rationale" (452) for international aid and cooperation. At the time, given the "aid fatigue" of the 1990s, the emphasis on global public goods and the observation that they were underfunded seemed to be an opportunity for collective reinvestment. In 2001, Jean-Michel Severino proposed "rebuilding aid around global public goods."

For since the beginning of the 21st century, the growing concern for global public goods in terms of the environment, health and peace, and their inclusion in the SDGs, has led to new activities. The ODA instrument, and the associated institutional mechanism, has represented a real opportunity for the international financing of GPGs and in return has acquired new legitimacy from it.

But while GPGs are part of the discourse legitimizing ODA, the inverse question – whether aid is a legitimate instrument to intervene in favor of GPGs – is the subject of ongoing debate. Many analysts, including Inge Kaul herself, point out that the separation between development aid and international financing of global public goods is a matter of different mobilization principles. ODA is in fact a voluntary transfer based on principles of reciprocity and humanism, whereas the financing of GPGs is based on collective interest, and the management of interdependencies and/or principles of responsibility. Kaul *et al.* (2015) consider, for example, that the pooling of funding for biodiversity conservation is based on the principle of payment for a service.

This difference in nature is particularly evident between ODA transfers and financing that concerns international climate change. Since the 1990s, particularly in the context of the United Nations Framework Convention on Climate Change (UNFCCC), the climate issue has introduced – with no possible way out – the question of the responsibility of past national trajectories on the current situation and the interdependence of future trajectories.

20 Global Public Goods: International Cooperation in the 21st Century

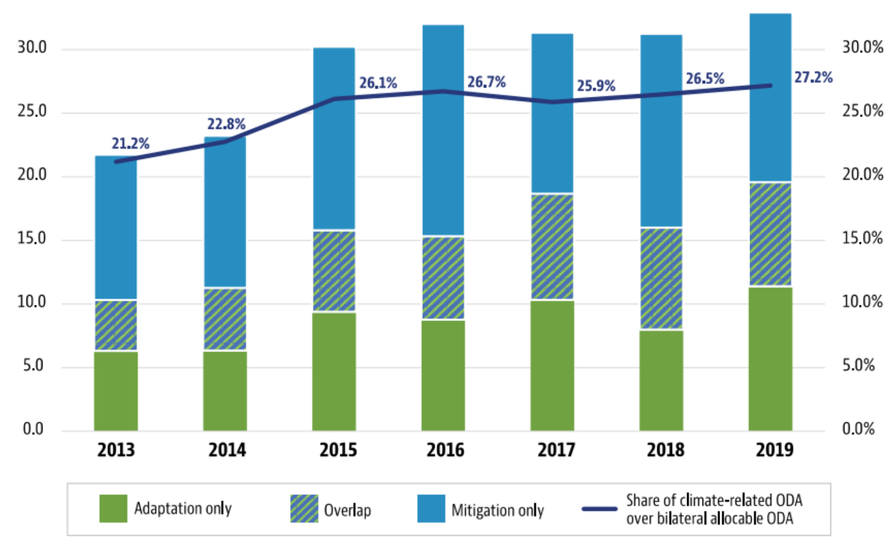
However, ODA policy has always looked exclusively to the future in a vision in which solutions to poverty are largely a local matter, i.e., national policies and local investments, and in which local stakeholders are free and autonomous in choosing their future trajectories. It has thus never confronted head-on the questions of international responsibilities and global interdependencies, which are admittedly unlikely to produce a consensus on the global issue of poverty.

Neither the principle of reciprocity nor the humanist principle specific to ODA can suffice as a basis for an international policy in the climate field. In 1992 at the Rio Summit, the principle of "common but differentiated responsibility and respective capabilities" was established. Moreover, the climate issue cannot be reduced to cooperation between States, but must extend mobilization to all international players that bear responsibility: companies, banks, communities, etc.

It is with the issue of adaptation (and more broadly the consequences of climate change) that climate action breaks most clearly with the nature of ODA. Financing adaptation falls under the umbrella of responding to the damage caused by global pollution (Khan 2014). It is ethically inappropriate to qualify as aid, or subject to the reciprocity principle, international transfers from countries with high GHG emissions to help countries that are victims of climate change but are not themselves emitters. For many developing countries, both vulnerable and low-emitting, the allocation of international adaptation funding is a matter of justice and rights, not reciprocity or humanism, and thus in no way "traditional" ODA (Weikmans 2018).

However, the issue is complicated by the fact that while development aid and climate finance (and GPG financing more broadly) are different in nature, they are often similar, or even identical in some cases, in their purpose, particularly in the case of adaptation. The idea sometimes advocated of separating flows according to whether their expected benefits are global or local (Kenny 2020) can seem artificial and difficult to implement in practice (Stern 2015). The share of ODA with a climate objective is significant and has increased, as shown in the graph below.

Figure 11 – Share of ODA with a climate objective



Source: OECD. Climate-related Official Development Assistance (ODA): A Snapshot

In Copenhagen in 2009, the countries of the North made a commitment to allocate 100 billion in climate finance for developing countries. The controversies surrounding the scope and measurement of this commitment, and in particular its additionality (see box 4), are typical of the current ambiguity between climate finance and ODA. Currently it is estimated that about a quarter of ODA is also eligible and reported as climate finance (Dwyer *et al*. 2020).[21]

Box 4 – Additionality of climate finance and development assistance: several possible definitions (according to UNCTAD 2015)

There are four possible definitions of the additionality criterion between ODA and climate finance:

1. **Funding above the ODA target of 0.7% of donor country GNI dedicated to climate goals is considered additional.**

2. **Any climate funding above a baseline (e.g. base year value) that meets the eligibility criteria can be considered additional.**

3. **Climate finance can also be reported as ODA, but in a capped proportion; for example, no more than 10% of ODA can be reported as climate funding.**

4. **Climate finance and ODA are completely unconnected; what is declared in one category cannot be declared in the other.**

21 However, these common flows are reported at different values in grant equivalent for ODA and in gross transfers (or even commitments) for climate finance.

3.
Separate global policies to finance the challenges of the 21st century

3.1 – Beyond ODA: a certain confusion

3.1.1 – Expand ODA?

The ruptures of the 21st century have eroded the foundations of ODA and challenged its nature as a global public policy for the SDGs. All aspects of ODA are now being questioned: its principles, calculation method, amounts, institutional architecture, effectiveness, procedures, Western-centrism, hypocrisy in the face of commercial or geopolitical interests, etc. Even its name, "official development assistance", is difficult to evoke today in many forums, as it seems to reflect the world of the past century. There seems to be a consensus that ODA is inadequate for meeting the challenges of the 21st century, as developed in the extensive literature on "beyond aid[22]."

This literature above all emphasizes the need to broaden the ODA objectives in line with the SDGs, develop and diversify the mobilization and change the scale of financing to meet the challenges: in short, to move from billions to trillions. Several concepts have been proposed to define these "beyond aid" international financial transfers for the international financing of the SDGs: *Global Policy Finance* (Severino and Ray 2009), *Global Public Investment* (Glennie 2020), *International Development Contributions* (Kharas and Rogerson 2016), *Sustainable Development Investment* (Rioux 2019), *New Development Assistance* (Jing *et al.* 2021), etc.

What these concepts have in common is that they attempt to decompartmentalize the current concessional public transfers characteristic of ODA:

- in terms of stakeholders by including, often in broad coalitions, all those likely to contribute to the international financing of SDGs: emerging countries, multilateral players, development banks, companies, financial players, philanthropic foundations, non-governmental players, etc.;
- in terms of financial instruments and modes of action by including non-concessional flows, but also part of private flows, by diversifying the financial instruments employed (sometimes including monetary policies[23]) and by moving from direct financing to leverage (guarantee, risk mitigation, incentives).

In this context, and following the Busan High Level Forum (2011) and the Addis Ababa Conference on Financing for Development in 2015, a new development financing measure was proposed to the international community – Total Official Support for Sustainable Development (TOSSD). This new aggregate was initiated and is calculated by the DAC, but is supported by a task force bringing together developed and developing countries and multilateral institutions alike.

The TOSSD was measured from 2016 and carried forward a double amount of ODA in 2019, close to $300 billion. It aggregates three components: international public funding of developing countries, including non-concessional financing and in sectors not included in ODA (peace and security financing, export credit), public financing of GPGs in reporting countries when the benefits are intended for recipient countries (e.g. malaria vaccine research), and private flows mobilized by the public towards recipient countries (for example, private financing mobilized through a public guarantee system).

The TOSSD, like the other concepts mentioned above, has a primary function of measuring the extent of collective mobilization for the SDGs. However, it is struggling to be recognized and endorsed by the various stakeholders.

The addition of private flows, investments in GPGs, and public development funding, i.e. flows of a different nature and with different objectives, raises a real question of the meaning of the aggregate thus obtained, as the US representative within the DAC pointed out, for example, with regard to the inclusion of export credits in the aggregate.

22 For example and not exhaustively: Browne 1999, Severino and Ray 2009 and 2010, Janus H., Klingebiel S. and S. Paulo 2014, World Bank and IMF 2015, Michel J. 2016, Mawdsley E. 2016, Lin et Wang 2017, Glennie 2020, Jing, Mendez and Zheng 2020, Sumner et al. 2020, Chaturvedi et al. 2021

23 After the financial crisis of 2008 and the ongoing COVID-19 crisis, awareness of the powerful weapon represented by monetary policies in the fight against major international crises also undoubtedly calls for a different type of decompartmentalization. Rich countries, whose currencies have high trust capital, were able to mobilize $12 trillion in 2020 in their various plans to combat the effects of the global COVID pandemic (Barnerjee *et al.* 2020). This figure must necessarily be set against the financing needs of global issues, first and foremost the climate issue, which the central banks of rich countries are gradually taking on board.

> *The U.S. has concerns about including export credits under TOSSD. The inclusion of US export credits under TOSSD would mischaracterize the underlying purpose and use of US export credit financing, which are to promote the exports of, and create jobs in, the United States.* (OECD, cited in Esteves and Klingebiel 2021)

One of the main goals of TOSSD was to integrate South-South cooperation, which is absent from ODA accounting, into the counting of international development flows. But most of the major emerging countries (China, India and South Africa, in particular) have so far been unwilling to join the process by reporting their flows.

Another goal was to integrate development financing and contributions to GPGs into a single aggregate. Thus, any country, including developed countries, can register as a recipient of TOSSD flows, provided that these flows, invested domestically, have effects in developing countries. However, the global nature of the climate issue is such that any investment in the world that has the effect of mitigating GHG emissions could be eligible for the TOSSD. Such an open field will likely lead to both the underreporting of actual climate-related flows and the dilution of other flows.

Instead of clarifying a new mapping of development funding, the result at this stage is a blurring of the meaning of the aggregate, statistical transparency, and the geographical categorization of stakeholders alike.

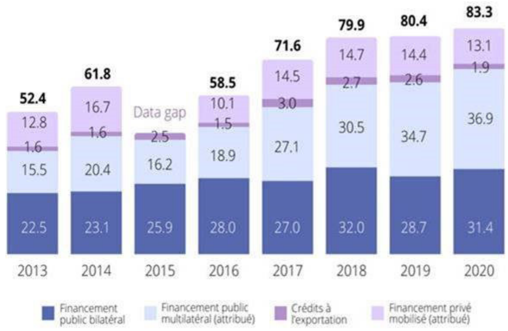
If we compare ODA and TOSSD, we see that the latter lacks all the aspects that give the former a global public policy character: precise accounting rules, burden-sharing norms and good practices, specific determinants, legibility and public support, etc. The same could be said for all the other "beyond aid" aggregates mentioned above.

3.1.2 – Climate finance that is more visible than normative

At the Copenhagen COP in 2009, the Northern countries made a commitment[24] to mobilize 100 billion in climate finance for the benefit of the Southern countries[25] from 2020. This commitment, confirmed at COP 15 in Paris, was part of the "quid pro quo" for moving from a binding system of emission reductions for Northern countries alone – the basis of the Kyoto Agreement – to a voluntary, cooperative and global system based on national emission reduction strategies: NDCs (Nationally Determined Contributions).

The progress of this financial commitment is monitored by the OECD, which has developed the calculation method, based on the declarations of ODA donor countries, in conjunction with the UNFCCC.

Figure 12 – Climate finance provided and mobilized ($ billions)



Source: OECD (2021)

24 More precisely, Annex II of the UNCCC, i.e. the list of industrialized countries of 1992 with a few adjustments made since then (e.g. Turkey has been removed from Annex II).

25 More precisely, outside Annex I of the UNCCC, i.e., a list similar to that of countries eligible for ODA in 1992.

The 100 billion committed were not reached in 2020, as the above graph suggests, even though it should be the case in 2023. The graph shows the four main types of flows recorded in this aggregate of climate finance: gross concessional and non-concessional public climate finance reported by donor countries and multilateral agencies to the OECD, export credits with a climate benefit, and private climate capital mobilized by public capital (in the form of blending, guarantees, equity, technical assistance, etc.).

This climate finance and its target of 100 billion are monitored and mentioned at each climate negotiation, and are highly visible in the public debate. It forms a potentially more coherent aggregate than TOSSD because of its more focused purpose. Nevertheless, it raises the same kinds of questions about what it means to add disparate flows, including grants and market flows. Moreover, the non-harmonization and imprecision of its calculation methods contrast with the media impact given to this target of 100 billion, and even with the importance that this financing seems to have acquired in negotiations.

These accounting issues are mentioned to underline the hitherto insufficient work in building collective rules around this climate finance, and the contrast with ODA, whose accounting, despite the criticism it attracts, results from several decades of collective construction of rules and harmonization of practices.

Climate finance remains an imprecise aggregate with few norms, resulting from non-harmonized reports. Its disparate nature makes it difficult to move towards good practices. Its $100 billion target is entirely aggregated without being broken down into either a target effort per donor country or a target ratio for the most vulnerable countries. This financing no longer seems like the instrument of a global public policy underpinning climate mobilization in favor of developing countries. It has not even been given a real name![26]

Box 5 – Non-harmonized rules for the calculation of climate finance (according to OXFAM 2020)

Donor countries' reporting practices for climate finance are far from harmonized. Thus, in their reports to the OECD of capital flows to developing countries, donor countries must specify whether this capital has climate objectives based on the "Rio marker". This marker has the value 0 if the flows have no climate objectives, 1 if they have climate objectives among other objectives, and 2 if climate is their main objective. Climate finance accounts for 100% of the flows rated 2, but a very different proportion of the flows rated 1, depending on the reporting country. For example, Japan reports 100% of these flows while Canada reports 30%, with the other donors somewhere in between. In addition, climate finance aggregates declarations of commitments and payments according to the reporting countries and the nature of the flows considered.

The differences between reporting countries are even more pronounced as regards private financing, for which each donor country seems to have its own reporting rules: many countries did not report any for 2017-2018 (Australia, France); other countries do not report annually (Japan and Great Britain, which provided a global figure for 2011-2018), and others follow specific rules (the Netherlands includes contributions to multilateral banks), etc. According to Oxfam, some private funding is likely to be double-counted, due to the inaccuracy arising from the eligibility of private funding mobilized through technical assistance or technology transfer activities.

26 It is referred to by the OECD as "climate finance provided and mobilized by developed countries".

3.1.3 – From fusion to confusion[27]

The preceding paragraphs can be seen as describing a dilution of existing collective norms in terms of international capital flows as the goals are broadened (towards the SDGs) and more means of action are incorporated (market finance).

The working process around the effectiveness principles of aid provides an example of this dilution process. The principles of the Paris Declaration (2005), confirmed in the Accra Agenda (2008) on aid effectiveness, could be contested (e.g. Severino and Ray 2010) but they were nonetheless operative norms of behavior. The ambition to go beyond ODA and broaden the consensus at the Busan high-level forum in 2011, by including emerging countries in particular, led to a shift from the concept of aid effectiveness to that of development effectiveness: a fuzzy concept that has so far not been much more than a buzzword (Eyben 2012), and has contributed to dissolving the collective work on aid effectiveness.[28]

This dilution is the flip side of a mainstreaming approach to all international issues in the existing ODA instrument.

But the transition from hybrid norms, largely defined within the traditional ODA donor club, to collective norms at global level necessary for the SDGs or the climate, is leading, beyond their dilution, to a phenomenon where these norms are contested (Chatuverdi *et al.* 2021).

The large emerging countries, and also other groups of countries such as the G77 or the Alliance of Small Island States (AOSIS), do not want to enter into rules already established by the countries of the North, but want to be stakeholders in constructing new norms. This is how the non-adherence of large countries like China and India to the DAC reporting rules or their abandonment of the GPDEC can be interpreted (see note 28). Nor have these same countries ratified the procedures for calculating climate finance (Dwyer *et al.* 2020). In particular, developing countries emphasize the commitment to climate finance additionality with ODA, which has been lost in the current calculation (see box 4). This is also how we can interpret the hardening of negotiations on international financing around new concepts such as climate change-related loss and damage.

Of course, there are power and negotiation issues at stake in this challenge to norms. The OECD's role is central to the development of international financing norms because of its experience and data reporting system, but it can also complicate progress toward consensus, even though in all recent initiatives the OECD has joined forces with UN organizations to propose new rules.

There are also value issues at stake in these conflicts over norms. Emerging countries are putting forward new principles that would govern South-South cooperation such as horizontality, prioritizing the economy, non-interference and co-benefits. More broadly, these value conflicts can be summarized in terms of differing conceptions of international development finance: fair reciprocity for Northern countries; mutually profitable investment for newly emerging donors, and justice and accountability for LDCs and the countries most vulnerable to climate change (Fukuda-Parr and Shiga 2016).

ODA thus appears to be a global policy that is resilient, as shown in the first section, but hampered in its attempts to evolve in response to the challenges of the 21st century. Its hybrid nature, in terms of both global and Northern politics, means that every effort at enlargement is met with dilution and/or the contestation of the associated norms.

The result is a development financing situation that Silva *et al.* (2021) call "multiplexity." This neologism reflects, under the effect of no shared norms, the twofold phenomenon of fragmented players and proliferating instruments, i.e. multiplicity, and the diversification of objects, narratives, modes of governance and systems of accountability, i.e. complexity.

27 See Esteves and Kinglebiel (2021) and in particular the section of their article entitled: Busan and Beyond: From Fusion to Confusion

28 In fact, the main emerging countries did not wish to join the group designed to succeed the one on aid effectiveness in order to deal with development effectiveness (Bracho 2021, Xiaoyun and Gubo 2021), and the GPEDC (Global Partnership on Effectiveness of Development Cooperation) created after the Busan forum was temporarily suspended in 2020.

3.2 – Beyond ODA: climate justice and coalitions

3.2.1 – From the development regime to the climate regime

The preceding developments can be summarized in two salient points:

- ODA remains resilient, despite its many limitations, and is still the only instrument that truly underpins a global public policy for development financing;

- on the other hand, its attempts to expand towards much broader objectives (SDGs, GPGs) seem to lead inevitably to confusion and a lack of shared rules, principles and norms.

The outcome of such an equation might be not to seek to expand ODA (beyond aid), but to focus it on narrower objectives and at the same time to found new instruments for financing GPGs and SDGs on organizing principles other than those on which ODA is based. In other words, a global policy would be the result of an "international regime" within Krasner's meaning (1983).

> "*The term regime refers to the political arrangements, treaties, norms, and international organizations created to regulate a specific sphere of international relations*" (Krasner 1983, cited in Aykut 2018).

The "development regime", which is the basis of ODA, played a major role in the second half of the 20th century in international relations, i.e. all spheres – commercial, diplomatic and cultural – were also treated according to development issues, especially when they concerned the players of different continents simultaneously. This development regime has weakened in the 21st century without another regime becoming established in its place, which explains the current intermediate period of confusion.

Today, only the climate issue, and the prospect of a collective catastrophe, is establishing a new regime through which all international issues are viewed. While climate finance must be redefined by 2025 new regime calls for specific financial instruments whose foundations, mapping and norms will need to be different from those of the development regime.

In 1992, the United Nations Framework Convention on Climate Change (UNFCCC), adopted at the first Earth Summit in Rio, set out a number of key principles, including common but differentiated responsibilities and respective capabilities, providing a sustainable framework for financing the fight against climate change.[29] The UNFCCC thus invited all States to play their part in mitigation, while it was up to the so-called "developed" countries listed in Annex II of the UNFCCC to take responsibility for the effects of climate change, in proportions that remained largely to be determined.

The Paris Agreement[30] follows this line, maintaining the dichotomy between developed and developing countries, while recognizing the specificity of the least developed countries and small island developing states. It also refers to the Warsaw International Mechanism on Loss and Damage due to Climate Change Impacts.

International financing for the fight against climate change is thus part of the legacy of the official development assistance framework, but with several important differences in the pillars of this financing, which can only gradually move towards ruptures.

The first of these ruptures concerns the ethical principles that are central to firstly ODA, and secondly the handling of the climate issue. The low-carbon transition could be presented as a pure problem of distributive justice, dividing the remaining emissions according to past emissions. However, this approach, which was the one used in Kyoto, led to a dead end due to the refusal of the major industrialized countries to enter into a binding process on their own, and given the difficulty of objectively defining emission rights according

29 "It is the responsibility of the Parties [signatory countries] to preserve the climate system (...), on the basis of equity and according to their common but differentiated responsibilities and respective capabilities. It is therefore incumbent upon developed country Parties to take the lead in combating climate change and its adverse effects. (...) The developed country Parties listed in Annex II shall provide new and additional financial resources to meet the agreed full costs incurred by developing country Parties (...)". Source https://unfccc.int/resource/docs/convkp/convfr.pdf

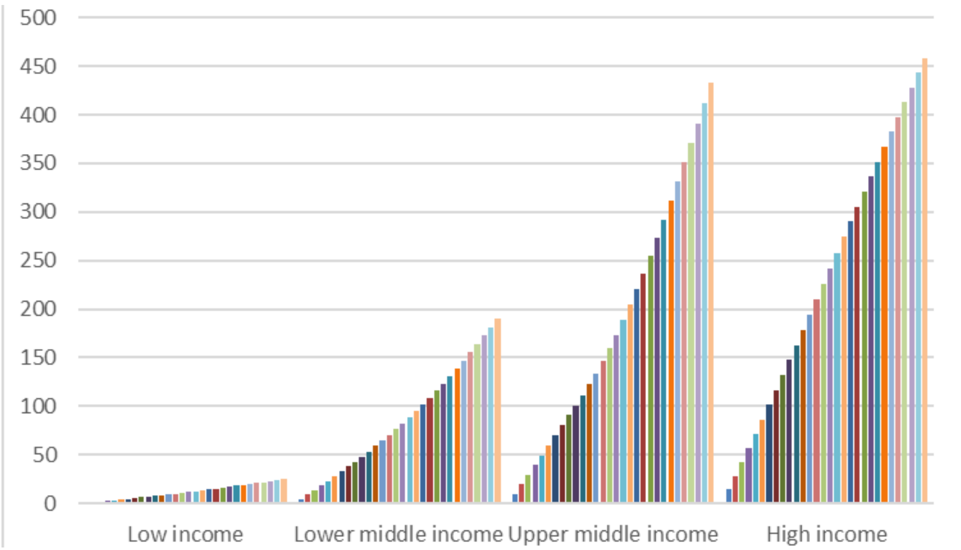
30 "Least developed countries and small island developing states [which] may prepare and communicate strategies, plans and actions for low greenhouse gas emissions development reflecting their special circumstances." Source: https://unfccc.int/sites/default/files/french_paris_agreement.pdf

to past responsibilities[31]. The success of the Paris Agreement can be interpreted as a change in logic, moving away from a distributive approach to a non-binding approach based on a voluntary and coordinated balance of efforts reflected in the NDCs (Gemenne 2021), i.e. a form of collective reciprocity approach based on responsibility. But, on the other hand, it will never be coherent to deal with the consequences of climate change, including adaptation and the handling of loss and damage, inside a rationale of voluntary reciprocity. It can only be part of a negociated corrective justice approach, based on duties as regards the emitting countries and rights as regards the affected countries (Grasso 2009, Khan *et al.* 2020), and from this point of view breaks with the very principles of ODA. International climate action relies on treaties or international agreement (such as the Paris agreement) -which create a mutual accountability- while ODA remains mostly unilateral.

The second rupture concerns the geographies delineated by development and climate regimes respectively. Since human-induced climate change is linked with historical CO2 emissions, this is the criterion that should be used when determining the lists of source or recipient countries for international financing, not income per capita. This mapping will also be increasingly different from the one dividing the world into developed and developing countries, since China, India, Russia, Iran, Indonesia, Mexico, Brazil, South Africa and Turkey emit more CO2 than France, Italy or the United Kingdom. In terms of historical emissions, even if a country like Russia, for example, has emitted three times more CO2 than France since the beginning of the industrial era, the hierarchy is closer to that of income per capita, but certainly not by dividing the world into two blocs as illustrated in the graph below. For example, the absence of the most-industrialized country and first carbon-emitter, namely China, in the list of industrialized countries in climate-agreements is obviously outdated.

Similarly, the fundamental notion of vulnerability also paves the way to new geographic categorizations. Small island states, despite the relative wealth of some, can thus claim greater access to funding, given the specific damage and risks to which they are exposed.

Figure 13 – Total GHG emissions 1990-2019 by income groups
(eq million metric tons of Co2)



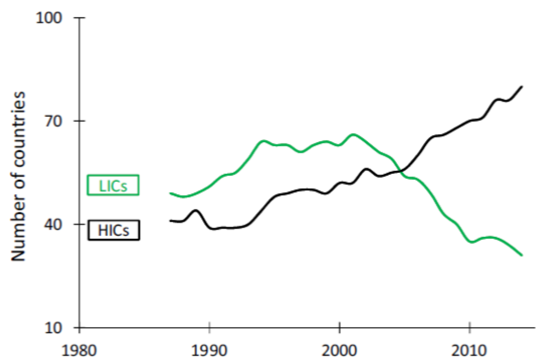
Source: WDI

31 This can be illustrated with the following climate justice issues, for example: To what date should total emissions be traced back? Should we consider the simple fact of polluting or the fact of polluting in all conscience? Should we consider emissions per country or per capita: is demography one of the variables that can be controlled in terms of emissions? Should we consider the emissive content of production or consumption? How can the differentiated specificities of countries be factored in: natural resources, geographical extent, etc.? How can the evolution of available technologies and path dependence be factored in?

In the same way that the OECD Development Assistance Committee admits new members and regularly updates the categories of countries eligible for ODA, a regular update of "climate geographies" (in terms of emissions and vulnerability) would be necessary for the gradual normalization of a climate regime.

In this hypothesis involving the temporary coexistence between a regressing development regime and a progressing climate regime (to which other regimes could be added, such as that of biodiversity), several distinct global public policies and international financial mechanisms – if we define them as ODA policy, i.e. as a linked set of objectives, norms and determining principles – would be set up. The global management of vulnerabilities, emanating from structural and climate fragilities, calls a policy of International Development Investment (IDI) composed by two financial instrument: an ODA reformed and refocused on the fight against poverty in the least developed countries (LDCs) and fragile countries and a global insurance mechanism to deal with climate consequences. The common transition towards decarbonation needs a transfer policy of Sustainable Development Investment (SDI) based on the leverage and mobilization effects of public actions. These different financial mechanisms are only sketched out below, mainly to highlight their specific features and the distinct challenges they would face.

Figure 14 – Number of low-income countries (LICs) and high-income countries (HICs): 1987-2015



Source: Sumner *et al.* 2020

3.2.2 – Refocused assistance: financing poor and fragile countries

The first of these global mechanisms could be seen as an ODA refocused on poverty, i.e., where the issues of financing global public goods and financing middle-income economies were progressively removed.
This refocused ODA, which would avoid the current thinly spread allocations, would be entirely focused on fragile and low-income countries: broadly overlapping categories that represented only 35% and 30% of total ODA respectively in 2020. These countries, which are becoming fewer (Figure 14) in line with the decline of the development paradigm mentioned above, already account for a very large proportion of extreme poverty on a global level, and will exceed 80% in the current decade.

We should not necessarily have a conservative view of this poverty-focused ODA in countries in difficulty. We have seen above that criticisms of effectiveness and domination called the procedures of this ODA into question, and that in some cases lifting the hypothesis of alignment has led to a complex standpoint. For this ODA refocused on poverty, a considerable challenge certainly lies in the renewal of approaches, methods and instruments.

3.2.3 – Climate justice: a global insurance scheme

Another global public issue deserves special attention, as it has not been treated as such until now: that of dealing with the consequences of climate change, encompassing the current areas of prevention, minimization and compensation. In fact, the separation between adaptation and compensation is already somewhat outdated. The IPCC 2022 report confirms that we have already passed the prevention phase and are now in the age of consequences in many areas.

Currently, from the point of view of institutional and financial architecture, adaptation issues are often grouped with mitigation issues and dealt with through development aid, while the issue of loss and damage, although formally opened since the Warsaw COP in 2013, has not yet led to an agreement and even less to effective norms and transfers.

A mechanism for managing the consequences of change would be based on the same type of financial tools as ODA (public transfers with priority given to grants and a large role for multilateral aid), but it would break with the latter on the principle of justice at stake.

It should not be based on a principle of reciprocity, but rather on rights and duties in proportion to responsibility, vulnerability and damage, i.e. a principle of corrective justice.

The issue of managing the consequences of climate change is also fundamentally different from that of financing low-carbon transitions, particularly in the nature of the financial tools and players mobilized by the latter.

It would also be specific in that it is non-substantive in nature, i.e., aimed not at clearly identifiable and measurable objectives like reducing emissions or global poverty, but at prevention, minimization and compensation. In other words, managing the consequences of climate change calls for procedural justice based on mutually agreed mechanisms.
Finally, it would present a specific mapping concerning climatic vulnerabilities, close to but nonetheless different from that of ODA, notably because of the specific case of small island countries.

To sum up, this mechanism should be based on an insurance-type financial instrument with contributions based on responsibilities and premiums based on vulnerabilities.

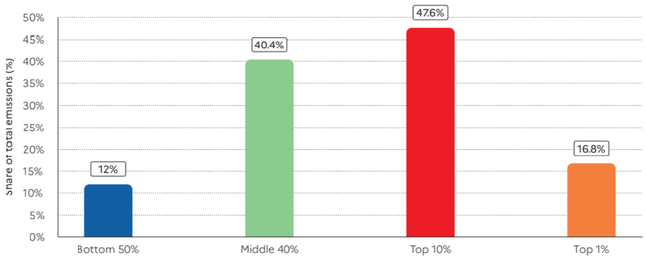
An insurance mechanism of this kind represents a break with the historical foundations of ODA (Pacquement 2015), yet similar actions can fall under both the mandate of an ODA refocused on poor countries and the management of the consequences of climate change in these same countries. In this case, the separation of the public policies concerned should simply be based on a clear principle of additionality (see box 4).

3.2.4 – Broad coalitions for low-carbon transitions

However, the policy that poses the greatest challenge and calls for the greatest mobilization is that of international support for low-carbon transitions. It is already underway with the Paris Agreement and its updated versions.

This policy breaks with the founding principles and ambitions of ODA policy, and can only marginally draw on existing aid. It is not primarily a policy of international financial transfers, and even less of international public transfers. It is first and foremost a policy that involves changing the trajectory and reorienting production and consumption patterns, and thus investments and incentives.

Figure 15 – Contribution to 2019 emissions by global income groups



Source: World Inequality Report 2022

It is based on an evolving mapping that is progressively moving away from the one delineated by ODA, as seen above, but which also requires doing away with national borders to consider issues of internal inequalities and lifestyles, as shown in the graph below.

However, the global policy for financing transitions includes an international financial transfer component, with three main challenges:

- the consolidation and development of current climate financing (the 100 billion) by increasing amounts, consolidating norms, moving towards targets per donor and probably expanding donor countries.

- the mobilization of various coalitions of financial players (development banks, central banks, local authorities, etc.) moving towards common principles that involve both incentives and dissuasion;

- an increase in the number of innovative instruments (carbon market, climate vouchers, treasury issues, taxation, risk sharing, etc.), enabling a change in scale.

Overall, it is the financial instruments mentioned in the "beyond aid" debate that constitute the components of this transition financing policy. But, as shown by attempts to expand ODA, it is probably futile to try to directly develop public international norms making it possible to organize all of this financial mobilization. The founding principles and norms of this global challenge could be developed far more within groups of similar players (States, development banks, central banks, local authorities, large companies, etc.), as witness the growing role of coalitions of players at the various COPs.

As an example of this gradual construction of collective norms between players of the same kind, the IDFC development banking club publishes its annual climate finance mapping[32] in conjunction with the CPI think-tank, which lists financing from the South and for the South. The Finance in Common initiative works to unite over 500 national and international development banks around the world in a common dynamic based on issues like pooled knowledge and shared practices.

The challenge of mobilizing the financial sector around low-carbon transitions must go beyond building an inter-state financial instrument, as is the case with ODA. However, the role of the States remains fundamental, to both lead these transition policies and give the signal of a global commitment regarding climate change. From this point of view, the response to the growing call for climate justice mentioned in the previous point could be seen as the keystone of a real regime change.

32 https://www.climatepolicyinitiative.org/publication/idfc-green-finance-mapping-2021/

Conclusion

The unparalleled challenge posed by climate change has led us to rethink present-day Official Development Assistance. It also prompts us to capitalize on the strengths of aid however and to advocate for an international development finance that would be divided into two distinct global policies, namely International Development Investment (IDI) and Sustainable responsible Investment (SDI).

The analyses developed in this paper have led us to identify three main distinct mechanisms through which international development finance could rise up to the challenge. But it remains at this stage a construction of the mind. By way of conclusion, we should ask ourselves how, starting from current ODA, existing mechanisms and agreements and ongoing negotiations, we could realistically and progressively direct the international financing agenda to take into account the entry into the age of the consequences.

The Paris Agreement has set the timetable: we must redefine the framework and contributors of climate finance by 2025. Let us take the opportunity to redefine development finance at the same time, since it is basically the same agenda, that of the SDGs in their dual dimension, “to leave no one behind” and to successfully transition our economic and social systems.

Our new reference framework would could consist of two major policies: i) international development investment (IDI) to increase the well-being of the most vulnerable countries and enable them to adapt to climate change, on the one hand; ii) sustainable responsible investment (SDI), on the other hand, to mobilize the greatest number of actors, including the private sector, so as to accelerate the low carbon transition everywhere in the world, starting with the emerging world where the biggest challenges are.

Move from ODA to international responsible investment in low-income or vulnerable countries would involve:

- Focusing current ODA and concessional resources on poor countries and fragile countries, which attract very little financing. This renewed policy - which could be named International Development Investment (IDI)- would preserve the achievements of ODA, by defining a framework open to new donors. We would do well to set a new collective target for mobilization. This new framework would add to the objective of the fight against poverty the challenge of adaptation to climate change, which hits the most vulnerable territories and populations even harder.

- IDI could include an **International Climate Insurance Mechanism** (ICIM) for the management of the consequences of climate change. This would involve mobilizing resources, including humanitarian aid and possible compensation for losses and damages resulting from historical emissions, and building the operating rules of ICIM after 2025. These rules should be unconditional to allow automatic transfers in the event of a crisis. In this context, regularly updated lists of contributing countries and recipient countries should be drawn up, taking into account levels of emissions and vulnerability.

Amplify collective mobilization for sustainable development investment, meant to finance low-carbon transitions, would involve:

- clearly and voluntarily allocate part of ODA budgetary resources to the mobilization of the greatest number of actors, and first of all for the reduction of risks, their sharing and co-investment with the private sector, where the emission reduction challenges are the most pressing and in support of the decarbonization trajectories defined by the countries. Any form of relevant financial innovation would be intended to integrate this mechanism, particularly in the event that debt cancellations and conversions are decided. Specific targets for mobilizing private financing would be set for public financial institutions contributing to the implementation of this sustainable development investment policy.

- Expand, multiply and connect coalitions of actors with a triple objective of mobilization, transparency and progressive construction of standards in favor of the low-carbon transition. These standards would be intended to apply very widely, to the public and private sectors, internationally and in each country. The existence of coalitions of financial regulators (NGFS), private investors (GFANZ) and public development banks (FiCS) should allow such methodologies to emerge, to produce better quality public policies.

These two public policies of international development investment (IDI) and sustainable responsible investment (SDI) would make it possible to overhaul ODA and reconcile ODA and climate finance, given the common imperative of the fight against climate change and reaching the SDGs by 2030.

An international negotiation would be necessary to define this new framework by 2025, by 1-setting the respective perimeters of these two public policies IDI and IDD, 2-allocating public resources to each of them and 3-inviting new contributors to participate in this new framework. This could possibly set a positive agenda in motion, making it possible to establish a more ambitious overall target and consensual allocation rules between these different mechanisms. Each country would define its priorities independently, beyond the agreed mandatory part. An ambitious target for IDI and the partially compulsory and automatic nature of its financing would aim to reassure the most fragile countries, and in particular to respond to their now explicit request to take into account losses and damage related to historical CO_2 emissions. It would then be possible to seriously open the debate, today very incomplete and unsatisfactory, on the policy of sustainable development investment. Financial, international, regional and national institutions would then have a clear and readable framework of incentives and could be organized in a powerful and coherent global architecture.

Appendix

International Development Investment

Vulnerability	Development	Climate
Targets	Poor and fragile countries	Vulnerable countries with low emissions levels
Contributors	DAC + new donors / voluntary logic	Emitting countries / logic of “differentiated responsibility”
Mechanism	Solidarity with indicative target	Redistributive insurance, with a negotiated target
Instrument	International solidarity finance	International Climate Insurance Mechanism

Strict principle of additionality

Sustainable Development Investment

Financing	National financing	International financing
Targets	All countries depending on COP commitments	Countries with financing gaps, depending on their potential emission reductions
Contributors	Domestic / logic of “common responsibility”	All countries / logic of capacity
Instrument	Public policies (taxation, public banks)	Climate finance with negotiated target
Modalities of action	Standards, investments	Mobilization: coalitions, incentives

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