Report

Crafting development power

Evolving European approaches in an age of polycrisis

Yunnan Chen, Raphaëlle Faure and Nilima Gulrajani

June 2023

How to cite: Chen, Y., Faure, R. and Gulrajani, N. (2023) Crafting development power: Evolving European approaches in an age of polycrisis. ODI Report. London: ODI (www.odi.org/en/publications/crafting-development-power-evolving-european-approaches-in-an-age-of-polycrisis).

Donors in a Post-Aid World series

Acknowledgements

This report would not have been possible without discussions with many officials and observers grappling with the changing world of development. We would like to thank everyone who gave their time to help inform the conclusions in this study.

We had the benefit of excellent internal and internal reviewers, including Iliana Olivié, Asa Thomasson, Dora Meredith, Matt Eldridge and Mark Miller. All remaining errors and inaccuracies are ours alone.

Lindsay Katz's research assistance is gratefully acknowledged, as is Ottavia Pasta's support with graphics and typesetting, Bianca Getzel for her help with the GPG section and data visualisation, and Gruffudd Owen's editorial support. This project was made possible with the generous support of the Bill and Melinda Gates Foundation.

We would also like to heartily thank Karen Triggs, Tegan Rogers, Tom Alwyn, Tom Harrisson, Laia Aycart-Piquer, Matt Foley and Nicole Roughton for helping with producing and disseminating this work.

About the authors

Yunnan Chen[ID] is a Research Fellow in ODI's Development and Public Finance (DPF) team.

Raphaëlle Faure was a Research Associate in the DPF team at the time of drafting this paper. She now works for the World Bank.

Nilima Gulrajani[ID] is a Senior Research Fellow in the DPF team.

Key messages

Mid-size European donors face growing pressures to link their development engagement to their diplomatic priorities. Nevertheless, instrumentalisation of development cooperation also comes with risks to donor reputation and influence, and can compromise the development impact of their spending.

Donors deploy a toolbox of development levers beyond aid to cultivate power and achieve strategic goals, including economic cooperation, multilateral engagement and global public goods. These tools can encourage different forms of power.

There is no single ‘development superpower’ in Europe. France, Germany, Sweden and the UK adopt different strategies for cultivating development power.

Rather than aping China’s development cooperation to secure national influence, European donors should build on the power they have derived from advancing development well. Credibility and consistency are key components of long-term influence with partners and can be a foundation for cultivating *smart* development power.

Contents

Display items

Tables

Figures

Boxes

Appendices

Acronyms

AFD	Agence Française de Développement (*French Development Agency*)
AIIB	Asian Infrastructure Investment Bank
BII	British International Investment
BIP	British Investment Partnership
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (*German Federal Ministry for Economic Cooperation and Development*)
BRI	Chinese Belt and Road Initiative
CGI	UK Clean Green Initiative
CRS	Common Reporting Standard
DAC	Development Assistance Committee
DEG	Deutsche Investitions- und Entwicklungsgesellschaft (*German Investment Corporation*)
DFI	Development finance institution
DFID	UK Department for International Development
EFSD+	European Fund for Sustainable Development Plus
FCDO	UK Foreign, Commonwealth and Development Office
FCO	UK Foreign and Commonwealth Office
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (*German Agency for International Cooperation*)
GNI	gross national income
GPG	global public good
IR	international relations
JETP	Just Energy Transition Partnership
LDC	least developed country
LIC	low-income country
LMIC	lower-middle-income country
MAE	Ministère de l'Europe et des Affaires étrangères (*French Ministry for Europe and Foreign Affairs*)

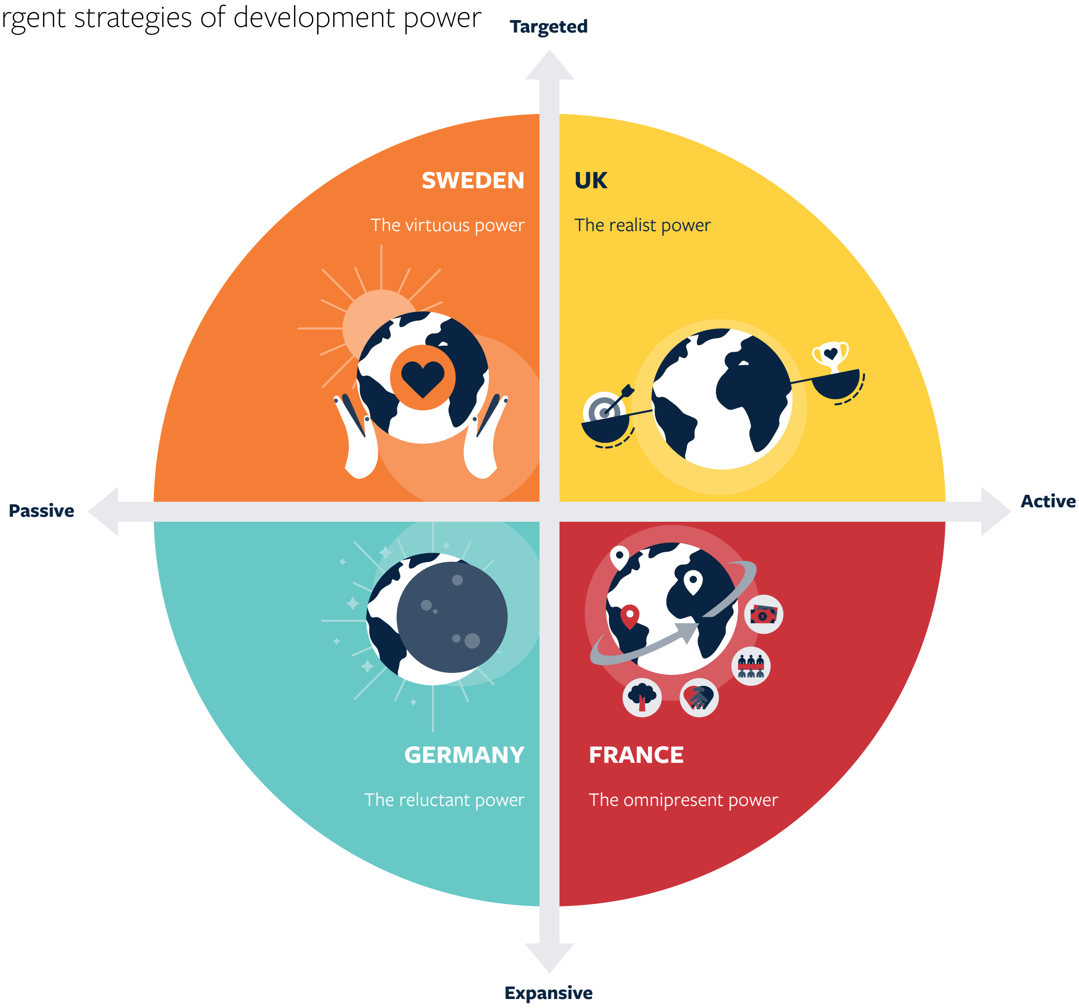
MEF	Ministère de l'Économie, des Finances et de la Souveraineté industrielle et numérique (*French Ministry of Economics, Finance and Industrial and Digital Sovereignty*)
MDB	multilateral development bank
MIC	middle-income country
NDICI	Neighbourhood, Development and International Cooperation Instrument
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
OOF	other official flow
PSI	private sector instrument
Sida	Styrelsen för internationellt utvecklingssamarbete (*Swedish International Development Cooperation Agency*)
TOSSD	Total Official Support for Sustainable Development

Executive summary

Amid the polycrises of Covid-19, the conflict in Ukraine and the intensification of geopolitical tensions, mid-size European donors face pressures to leverage development cooperation to secure their foreign policy goals.

These donors now deploy a diverse toolbox of development levers to cultivate influence and achieve strategic goals, including concessional aid, economic cooperation, engagement with the multilateral system and investing in global public goods (GPGs). While donors recognise the importance of volumes of development finance in crafting their status as a 'development power', other non-financial elements including technical capacity, institutional autonomy and commitment to national values also form a source of influence with peers and partners in the Global South (Section 2). Among the countries examined (France, Germany, Sweden and the UK), the paper identifies **four emergent strategies** for cultivating development power based on the degree to which their efforts are targeted and active (see ES1. Emergent strategies of development power).

ES1. Emergent strategies of development power



For mid-size donors, the quantity of aid they give is an important, but insufficient, source of development power. High aid volumes are a fragile source of influence. While they may go some way to building credibility with donor peers by cultivating *virtuous development power* as in Sweden, aid volumes are less significant for most recipient countries. Despite high official development assistance (ODA) volumes, Germany's desire for influence has not matched its aid commitments and it remains a *reluctant development power*. It is dramatic shifts in donor priorities (like budget cutbacks) that risk damaging reputations among recipients (Section 3).

Economic cooperation instruments are a growing part of the development toolbox to expand geographic influence. The rising use of private sector instruments (PSIs) and the prominence of national development finance institutions (DFIs) in the UK and Germany are sources of influence, and an indirect channel for cultivating national economic interests with middle-income countries (MICs) (Section 4). The UK's *realist development power* model has put greater emphasis on trade and investment opportunities as a secondary benefit in development cooperation, and along with France, its economic cooperation is moving further into the territory of geo-economic diplomacy.

Multilateral engagement is a critical channel for cultivating power. For European donors, multilateral development banks (MDBs) and European-level development initiatives like Team Europe can be powerful platforms to pool resources, exercise their voice and punch above their individual weight. Core contributions to the UN system can be a real source of moral power (Section 5). France, an *omnipresent development power,* derives influence from its cross-cutting membership and contributions across issues and organisations. Donors such as Germany still favour bilateral channels, while others such as the UK and Sweden are retreating in their multilateral commitments and showing greater tendency to earmark contributions.

Financial commitments and stewardship towards GPGs can endow donors with moral influence. At the same time, GPG investment can also bring commercial and diplomatic returns, mostly obviously in the climate space, which has been a prime focus for Germany and France. The GPG agenda has also incentivised earmarking, as well as a proliferation of vertical funds, increasing the complexity of global governance (Section 6).

There is no single 'development superpower' in Europe; rather there are multiple strategies for cultivating development power, anchored in how countries see themselves in the world. European donors are developing diverse strategies to use development cooperation instruments in achieving national objectives and global influence. We see variation in how actively, and how expansively, donors have deployed development levers. France and the UK have sought a closer and more active and explicit role for aid in their wider strategies and foreign policies, while Germany and (until recently) Sweden have been more cautious in linking development with other instrumental goals. However, Germany and France also show a more expansive use of multiple development levers across wider geographies, while Sweden and the UK take a more targeted approach (Section 7).

Donors should strive for smart development power. Credibility and consistency are clear foundations of long-term influence and relationship-building with partners. The geopolitical motivations that are now driving Western donors to pursue a model of development cooperation in the image of China run a high risk of being unmet and denting their credibility among potential allies in the Global South if promises are not kept. Aping China is a high-risk strategy to build foreign policy influence. Development done well has been – and still is – a source of geopolitical power, and diplomats should cultivate this policy sphere as a pragmatic, safe space. This can be done by displaying solidarity with the Global South and providing a positive offer that responds in some measure to both recipient priorities and to wider global challenges (Section 8).

Outlined below are **five recommendations** for cultivating smart development power:

1. *Cultivate consistency and reliability to show solidarity with the Global South:* Building trust and long-term credibility with development partners is a critical resource for influence. Sharp shifts in policy and aid cuts can easily damage credibility.
2. *Quantity of aid is a necessary but insufficient condition for development power:* High aid budgets or aid ratios do not automatically translate into influence, and when they do not meet widely held expectations, they can actually undermine reputational legitimacy.
3. *Ensure institutional coherence and competence:* Non-financial resources such as technical competency, institutional autonomy, long-termism and clarity of mission are also sources of credibility and influence.
4. *Do not underestimate the importance of multilateral engagement:* Multilateral membership and collaboration are key platforms for influence and impact for smaller and mid-sized powers.
5. *Work towards impact first, influence second:* Development done well is a source of influence with partners and peers and should be preserved as a safe space for international cooperation.

1 Introduction

Covid-19. Cost of living. Climate. Conflict. Our world today is like a cake layered with crises that are anything but vanilla. Radical uncertainty envelops all countries irrespective of wealth, with stark effects on human development, social stability and political polarisation (UNDP, 2022a). There is both frosty suspicion of states, and deep mistrust among states. Global politics, already struggling with messy multipolarity, is now gridlocked by Russia's invasion of Ukraine that exacerbates the rift between China, the United States and their allies (Foa et al., 2022).

Anxieties over polycrisis and power are the main filters through which global policy now percolates. Western leaders call for the creation of robust security perimeters to ensure access to energy and critical minerals, 'friend-shore' supply chains and secure digital infrastructures. In such a world, we are told everything – from pipelines and processors to populations on the move – is a potential weapon to be deployed by states wanting to reassure, protect and advantage their citizens (EEAS, 2022).

Overseas development cooperation has been at the intersection of power conflicts and polycrisis before. For most of its history, 'foreign aid' has been the main development policy instrument for cultivating allies, influence and interests, a contested policy arena for nations wrestling with post-colonial identities and state-building challenges (Loehr, Price and Riachur, 1976). But past weaponisation has hardly covered aid in glory; rather, the blunt use of aid as a strategic instrument has been a source of sub-optimal impact, even failure (Kenny and Yang, 2021).

Given a 'new Cold War for foreign aid' is now more than merely hypothetical (Kumar, 2023), a nuanced understanding of the ways development cooperation interfaces with state power capabilities would seem timely. The battle to win allies, defend democracy and safeguard supply chains will be fought on many foreign policy battlefields, and will almost certainly ensnare development cooperation, if it has not done so already. Development cooperation may be used to further national objectives, but such instrumentalisation also poses real threats for maximising progress towards the goals of sustainable development that lie in the long-term interests of all states. The aim in this paper is to highlight these possibilities for cultivating national power, illustrate the emerging strategies of four European middle powers[1] (UK, France, Germany and Sweden), and draw attention to the consequences that instrumentalisation may bring. Three questions motivate this study:

1. What is the meaning of *development power* today? Is there a model for how to craft it in a world where concessional ODA is no longer as salient as it once was?
2. How do senior policy officials and observers in four European countries understand the relationship between development instruments and national power?
3. What are the emerging donor strategies for cultivating development power? What risks and opportunities might these strategies bring?

This paper explores the conceptual and empirical relationships that link development instruments and different forms of national power.

1 While not an uncontested concept, we define 'middle-powers' as states that are not superpowers, but still project significant influence and have some capacity to shape international affairs.

It aims to make explicit **the ways contemporary development cooperation is linked to the pursuit of power and offers analysis of the theory, empirical evidence and policy practices of this relationship**. It looks closely at how several European donors are dealing with the transition to a wider and more explicitly interest-driven development cooperation and traces how power and influence appear and manifest in the different spaces and tools of international assistance. The hope is that in doing so, we can achieve a clearer understanding of the ways development and power intersect today, assess the ways donors are adapting to a world of radical uncertainty and geopolitical rupture, open the door to future studies on how development power is triggered and sustained, as well as take the measure of the risks these adaptations may pose to the integrity of the global development project.

Section 2 presents an overview on international relations (IR) conceptualisations of power and how it might be linked to several instruments of development cooperation. It provides a definition for development power and unpacks our model for understanding the ways development can cultivate power capabilities. **Sections 3 to 6** focus on specific instruments in the toolbox of development cooperation of four providers, including their use of ODA, economic cooperation, multilateralism and global public good investment. It is worth noting the bulk of our interviews were collected in 2022 and thus may have been superceded by more recent policy developments. Nevertheless, **Section 7** collates these development choices into a framework that helps us understand the emerging strategies we see each donor is adopting for cultivating development power. By way of conclusion, in **Section 8** the authors offer a considered view on the contemporary usefulness of the concept of development power, and how it might catalyse greater donor effort in the service of a more principled national interest, rather than encouraging its application as a coercive tool over the Global South. We conclude with a few ideas on what might be included in a checklist on how to cultivate smart development power.

2 Understanding development power

In 2011, the United Kingdom's Secretary of State for International Development Andrew Mitchell made a striking comparision between US and UK engagements in global development: 'Just as the Americans are a military superpower, we are a development superpower – we are in the lead' (Brown, 2011). The term 'development superpower' resonated in a former Great Power like the UK which was looking for alternative sources of influence to substitute for the coercive powers of empire it once possessed.

Mitchell returned to government to take up the role of Minister of State for Development and Africa in the UK Foreign, Commonwealth and Development Office (FCDO) in October 2022. A decade on from his initial remark, Mitchell is now committed to rebuilding the UK as a development superpower.[2] But what exactly is a development power? What are its basic elements in a world where an aid war chest is but one (diminished) aspect of the political armoury of the nation (Morgenthau, 1962: 309)? And how is it expected to generate effects that raise national status and influence? It seems a new model outlining the relationship between a wider range of development instruments and national power is required. This section aims to offer one.

2.1 What is development power?

Power aspirations and contestations have always intersected with the practice of development. Since the end of the Cold War, however, global development policy has largely sought to divorce itself from the explicit pursuit of power, even if high-income countries providing aid to lower-income ones is undoubtedly an expression of state status and influence.

The language of power does not always sit easy with global development practitioners, who are more comfortable trading in the nobler goals of freedom, sustainability and equity. This is because this vocabulary tends to reduce development to a strategic apparatus intended to win 'hearts and minds' (Pamment, 2016; Zielińska, 2016), and that presses itself into the direct service of public diplomacy and geo-strategy. Yet this discomfort needs to be grappled with, both to temper and circumscribe development power's potential harm and to incentivise its capacity to do good.

2.1.1 Foreign aid for domestic influence

Aid quantity is a common indicator to assess the stock of national power and global presence in many composite indices, with ODA an attribute of state diplomatic or international economic strength that sits alongside military prowess or cultural dominance (Figure 1). **But foreign aid is also a platform from which national influence can be created, allies courted and agendas diffused. History has shown aid to be a valuable instrument for advancing diplomatic and economic interests.** Thus, the post-war reconstruction of Europe under the US-led Marshall Plan doubled as an American export promotion strategy by attempting to revive global trade flows, while also providing a democratic bulwark against a growing communist

2 www.devex.com/news/mitchell-uk-must-restructure-fcdo-to-regain-aid-superpower-status-104575

threat (Morgenthau, 1962; Eichengreen, 2011). More recently, countries in the Global South have been providing assistance to signal their growing economic maturity and capacity to support and sponsor low-income countries (Gulrajani and Swiss, 2017; 2018). This signal is felt even when such financing is small and built around singular technical-assistance projects.

In international relations, aid is one of the most frequently cited tools for increasing influence overseas. There is, however, a tendency for this capacity for influence to be taken as read, without exploring its extent, nature and origins (Langan, 2018: 2, in Olivié and Santillán O'Shea, 2023). Where such exploration exists, it sits mainly as a qualitative, discursive analysis of how aid can be used to exert power regionally and globally.[3] There are only a handful studies empirically assessing the quantitative robustness of the association between aid-giving and power (Box 1). These studies adopt the perspective of a single provider nation, most often significant global powers like China and the US (Dietrich, Mahmud and Winters, 2018; Eichenauer, Fuchs and Brueckner, 2018; Custer et al., 2021; Wellner et al., 2022). Middle powers, for the most part, remain under-studied. Tools of development cooperation beyond aid remain largely understudied as vehicles of power, with the exception of some studies of China that cast an eye on the ways both concessional and non-concessional public finance are marshalled to craft national influence, most notably in Africa.

There is no surprise, then, that identity as **a development 'superpower' has long been associated with the size of a country's ODA commitments**.[4] The 0.7% ODA/gross national income (GNI) target is an important benchmark for donor commitment to, and effort for, development, even if it has never been formally ratified as a global objective (Clemens and Moss, 2005). League tables ranking countries by this informal target remain a source of competition among the donor community of the Global North, such that a downward movement is often viewed as a signal of deteriorating global standing, or 'minnow-hood' among Development Assistance Committee (DAC) members (Dissanayake, 2021). This is even as other policies (e.g. trade, migration, technology) and financial flows (e.g. non-concessional debt, equity investment, remittances) impinge on the trajectory of a low-income country's national development prospects.

As ODA providers draw on a wider set of flows, policies and assets, it seems inaccurate to reference their development power only in terms of the quantity of their aid spend alone. This may have been appropriate for the majority of the post-war era where state-to-state aid provided status and influence, but it seems rigidly uni-dimensional in a world where development power, especially among a growing set of MICs, draws from multiple sources, which likely includes but almost certainly extends beyond ODA commitments. Our understanding of the relationship between development cooperation and national power needs updating.

---

3 For a good overview of several pieces in this vein, see Olivié and Perez (2021).

4 For most of this history, the US has occupied a pole position as an aid superpower, having institutionalised and diffused the concept of aid and possessed the largest aid budget in absolute terms (still the case today, though the US does not meet the 0.7% ODA/GNI target).

Box 1 Empirical approaches to the study of aid and power

There are two principal empirical approaches used to explore the relationship between aid and national power. **One approach examines the ways aid cultivates public opinion within recipient countries**, for example through branding aid-provided goods and services. The logic tests whether aid can generate positive public attitudes and win the 'hearts and minds' of citizens in the aid-receiving country (Custer et al; 2015, 2018, 2021; Dietrich, Mahmud and Winters, 2018). Results suggest that the provision of aid does foster positive perceptions among foreign publics and improve donor reputational legitimacy.[5] A recent contribution by Blair, Marty and Roessler (2022) extends this research by looking at the effects of aid on citizen perceptions in countries where both China and the US are donors. They conclude that when these geopolitical rivals deliver aid to the same country at the same time, this decreases affiniities for China, and increases affinities for the United States. Chinese infrastructure projects have a net negative effect on perceptions of China, and a net positive effect on perceptions of the US.[6] Aid does seem to be a way to cultivate public attitudes and national image overseas and enhance international influence, strengthening persuasive, moral and agenda-setting powers.

A second approach focuses on the relationship between aid and measurable increases in power, for example testing whether US aid induces recipient governments to vote with the donor country in the United Nations General Assembly (Dreher, Nunnenkamp and Thiele, 2008) or whether countries can effectively 'buy' a temporary seat on the UN Security Council (Reinsberg, 2019). Studies here largely conclude that aid can acquire votes in the General Assembly and the Security Council. Beyond this econometric work, several qualitative studies have shown how Chinese state-directed financing fosters interpersonal social bonds among elites to create perceptions of a new 'China-centric' world order, develop economic ties, and advance national interests (Custer et al., 2021; Kassenova, 2022).

5 For example, a multi-national survey established that PEPFAR substantially improved perceptions of the US in recipient countries (Goldsmith, Horiuchi and Wood, 2014).

6 While the authors cannot concretely explain these results, they hypothesise that Chinese aid is not translating into affinity for China because of perceptions of substandard project and product quality, reliance on undemocratic leaders, the behaviour of Chinese citizens living in the respondent's country, and a loss of local jobs and businesses due to Chinese competition (Blair, Marty and Roessler, 2022).

Table 1 Composite power indices using ODA to rank countries' stock of power or global presence

	Source	Dimensions	ODA indicator as proxy for	Rationale for ODA	ODA weight
Asia Power Index[7]	Lowy Institute	(1) Economic capability (2) Economic relationships (3) Military capability (4) Resilience (5) Defence networks (6) Future resources (7) Cultural influence (8) Diplomatic influence	Economic relationships	Global and regional ODA as measure of economic diplomacy	2.25% of overall index weight
Soft Power Index[8]	Portland Communications	(1) Enterprise (2) Culture (3) Digital (4) Government (5) Engagement (6) Education	Engagement sub-index	Measure of a country's foreign policy resources, global diplomatic footprint, and overall contribution to the international community. Essentially, it captures the ability of states to engage with international audiences, drive collaboration, and ultimately shape global outcomes	Unknown
Global Presence Index	Real Institute El Cano	(1) Economic presence (2) Military presence (3) Soft presence (4) Scaling factors	Soft presence	ODA as a measure of development cooperation	4.4% of total index weight

7 https://power.lowyinstitute.org/
8 https://softpower30.com/

	Source	Dimensions	ODA indicator as proxy for	Rationale for ODA	ODA weight
Audit of Geopolitical Capability	Henry Jackson Society	(1) National base (2) National structure (3) National instruments (4) National resolve	National instruments (diplomatic leverage)	A large ODA budget over a sustained period (five years) indicates a high level of economic development, and an ability to shape the goals of international development, with potential positive feedback for global influence and reputation	1.5% of total index weight

2.1.2 The four capabilities of power

IR literature suggests that power can produce effects in two main ways. First, *power over others* can incentivise others to do something they would not otherwise do (Dahl, 1957). For Dahl, this required an immediate and tangible causal connection between the subject and object of power. A second dimension of power relates to the ability to influence the decisions of others. This is the '*power to*' persuade actors, reduce policy conflicts, influence values and practices, and finalise decisions (Bachrach and Baratz, 1962).

Power over others can be exercised as a **coercive** stick, like military force or trade tariffs.[9] Such power is a tangible expression of material strength over others.[10] While hard power is used to command by threat, 'soft power' co-opts through attractiveness that 'wins hearts and minds' (Pamment, 2016; Zielińska, 2016).[11] Normally, development assistance is considered a soft-power alternative to hard coercive power, though aid has also sustained brutal internal security regimes and authoritarian practices overseas (Girod, 2019).

9 We also know that military power is not a guarantee of coercive capabilities; one need only consider Russia's invasion of Ukraine as a recent example of the limits of one of the world's largest armed forces (Woods, 2022).
10 The distinction between 'power over' and 'power to' mirrors the difference between hard and soft forms of power (Nye, 2004; 2011).
11 It is worth noting that the demarcation between hard and soft power can be fuzzy. This is best illustrated by what some analysts now call 'sharp power,' a strategy of hard power coercion and soft power charm exercised by authoritarian states 'piercing' the political and information environments in targeted countries through disinformation, censorship and information control (Walker and Ludwig, 2017; 2021).

An alternative manifestation of power over others occurs through the internalisation of behaviours which may appear contrary to actors' basic interests (Lukes, 1974). Such structural power directs behaviours according to the wishes of the powerful (Little, 2010). For example, the accepted labelling of low-income countries (LICs) as 'developing countries' reflected Western power over post-colonial national identities. Such power transforms almost imperceptibly and endows **moral power**. Donors cultivated such power in the late 1990s, as poverty reduction became a central analytic in global development, triggering a progressive, altruistic interregnum for the sector (Fukuda-Parr and Shiga, 2016; Mawdsley and Taggart, 2022).[12] This turn towards global poverty deflected attention away from the drivers of unequal development which kept high income countries economically and politically influential (Noel, 2006; Payne, 2006).

The '*power to*' persuade occurs when incentives are more effective instruments for cooperation than threats (Wolfers, 1952). This has led to comparisons between large aid budgets and low-cost 'bribes' that can purchase support and buy off opposition under the pretense of economic development (Morgenthau, 1962). Technical and economic aid to improve the growth of 'underdeveloped areas' is usually associated with a desire for such **persuasive power** (Truman, 1949). The invention of aid coaxed a diverse set of Western allies to join forces with the US against the Soviet Union, and enhance European influence over former colonies. Recent Northern donor engagement on climate change may also be understood as an effort to persuade LICs of the value of this shared collective challenge. While GPGs like climate are an important orientation in a world facing existential collective challenges, as we will see this agenda can also rationalise double-counting and skirt long-standing ODA pledges (Kaul, 2017). This can result in spending that largely benefits Northern industries and sectors (Kenny, 2020), or simply block the South from following the energy-intensive pathways to prosperity taken by the North (Roy, 2021).

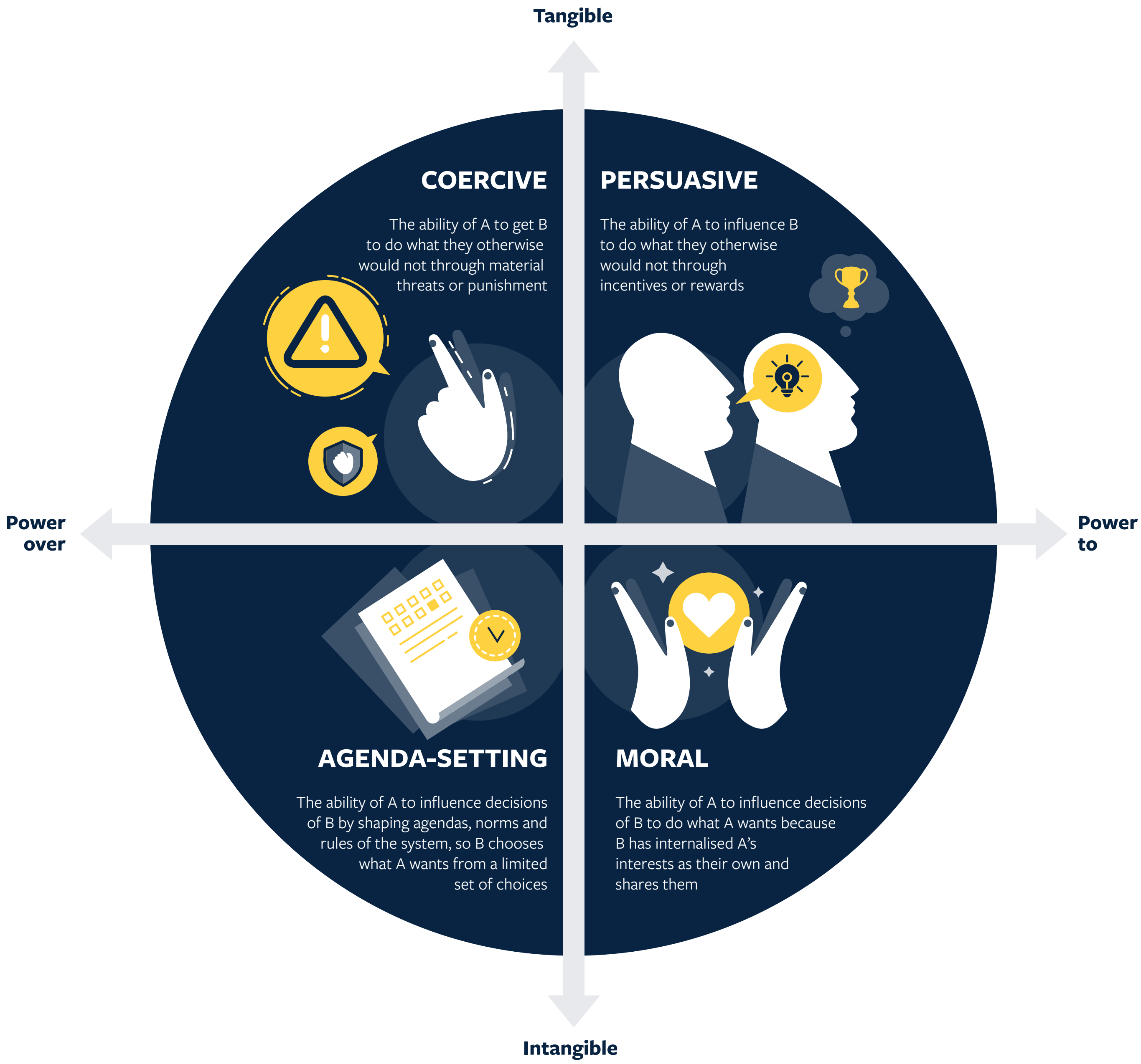
If persuasive power is largely about visible leverage, **agenda-setting power** represents the power to cultivate attractiveness through less obvious means, for example via cultural centres, political ideals or institutional histories. 'Shaping the narrative,' the European Union's most senior diplomat Josep Borrell bluntly explained, 'is the real currency of global power.'[13] Thus, the rise of China as a muscular creditor to the Global South (Box 2) has provided a powerful template for DAC donors to consider the way domestic industrial policy concerns intersect with overseas development engagement. The adoption of a looser concept of development cooperation inspired by China and other donors has opened up a space to consider the returns flowing to the provider nation as legitimate 'win-wins' that can be acceptably cultivated (Keijzer and Lundsgaarde, 2018; Gulrajani and Silcock, 2020).

12 This agenda was best exemplified by visible advocacy efforts like the 2005 'Make Poverty History' campaign, the creation of the Millennium Development Goals and the signing of the Paris Declaration on Aid Effectiveness. Despite the use of aid to combat Islamic extremism in the aftermath of 9/11, commitments to poverty reduction remained strong (Fleck and Kilby, 2010).

13 https://www.eeas.europa.eu/eeas/europe-interregnum-our-geopolitical-awakening-after-ukraine_en

Thus, power can be analytically dissected into four capabilities – coercive, persuasive, agenda-setting and moral – through which geopolitical effects are then created (Figure 3). This underlines the point that power is not just simply an asset or attribute to be measured; it is also an action that is meant to induce behavioural change (Olivié and Santillán O'Shea, 2023; Olivié, 2022). If agenda-setting and moral power largely operate intangibly by cultivating norms and cognitive perceptions, coercive and persuasive capabilities are products of more tangible incentives or attributes. Of course, these four capabilities of power are hard to dissect from one another. For example, ODA can be viewed simultaneously as an inducement to persuade, an opportunity to set agendas and an expression of moral standing in the world. Nevertheless, dissecting power into its four capabilities provides a more nuanced analytical framework for understanding the relationship that links development and the search for national influence in the world.

Figure 1 A typology of power capabilities



Box 2 China's competitive advantages as a development actor

China has a historical legacy as a provider of aid, under the umbrella of *south–south cooperation* (Bräutigam, 2011). But it was not until the early 2000s that its role as a provider of concessional finance really took off, with a growing presence as a trade partner and investor in the African continent. Following the global financial crisis of 2008, China's domestic economic stimulus and the conditions for over-capacity, as well as the inflationary consequences of large foreign reserves, led to a shift in this model to one characterised by non-concessional lending (Strange et al. 2022). This culminated in the Belt and Road Initiative (BRI), announced in 2013, which has since become enshrined in China's foreign and development policy.

In China, there is also no clear distinction between the developmental purposes of aid and other diplomatic and economic policy objectives: aid is explicitly linked to strategic foreign policy goals (foremost ostracising and isolating Taiwan) and to creating markets for Chinese exports, technologies and companies.

This is reflected in the modalities of Chinese development finance, the bulk of which comes from state-owned policy banks and which sometimes blurs the line between foreign aid and commercial forms of finance. China is not part of the Organisation for Economic Co-operation and Development (OECD)-DAC and is not subject to rules around untying aid, nor is it a signatory to the OECD Arrangement on export credits that governs the 'level playing field' of trade finance. The provision of aid-subsidised concessional finance from the export credit agency China Eximbank is a clear example of this merging of aid and export credit activities. Cultivation of allies among resource-rich nations has also been notable, aligning with China's resource diplomacy to secure key commodity assets for its growing industries. Resource collateralisation has also been a distinct feature across a portion of China's overseas lending.

Alongside growing bilateral finance, Chinese contributions to multilateral institutions, including the multilateral development banks (MDBs), also expanded significantly in the early 2010s. Most notably, 2014 saw the creation of two Global South-led MDBs, the BRICS New Development Bank and the Asian Infrastructure Investment Bank (AIIB), where China is a primary shareholder. This period represented a golden age of European-Chinese cooperation, exemplified by the growing participation of European states in the AIIB and growing bilateral trade and investment, particularly with the UK and Germany.

China's scale of finance, backed by its significant foreign exchange reserves within a 'coordinated credit space' between financiers and firms (Chin and Gallagher, 2019), allows it deploy its development finance at speed in the service of critical infrastructure and natural resource exploration. This speed – as well as the competitive cost of state-owned firms and contractors – has been a key source of its appeal. Its courting of elites and funding of prestige projects has provided additional advantages. China's willingness to side-step norms on development effectiveness, and its relative lack of safeguards around social and environmental impacts and good governance – instead often relying on weaker host government institutions and frameworks – present lower transaction costs for host countries compared to multilateral or bilateral donor projects. Nonetheless, this has also raised alarms over the weakening ability of Northern donors to advance these agendas among recipients (Woods, 2008).

Since 2017, however, bilateral development finance (in the form of both loans and grant-based aid) has been in decline as China's economy has slowed and banking regulations have tightened (Gallagher and Ray, 2020), leading to a diminished profile of the BRI in China's foreign policy – while the newer Global Development Initiative indicates a diversification and shift in how Chinese institutions approach development cooperation (Chen, 2022). Most saliently, the impact of the Covid-19 pandemic has reignited controversy and criticism over the role of Chinese lending for sovereign debt distress, particularly Africa. Backlash against Chinese lending in the Global South, particularly in its responses to debt restructuring, offers a new opening for Northern donors to present an alternative offer.

2.1.3 A working definition

While realists and liberals have long argued over whether development advances goals defined by strategic national interests or moral values, we know a state draws on a mix to achieve desired outcomes (Lancaster, 2006; Van Der Veen, 2011; Gulrajani and Calleja, 2019; Gulrajani and Silcock, 2020). Development cooperation would never be provided if it worked against a country's national interests (Packenham, 1966).[14] At a minimum, global development engagement has to be benign to nationally defined objectives and priorities to be initiated.

Nevertheless, values matter greatly for defining these interests, especially today as Western states perceive democracy and freedom as being under siege. Democratic 'friend-shoring' of supply chains and trade linkages reflects this intertwining of values and interests (Parkinson, 2022; Worley, 2022b; Yellen, 2022). Today, a combination of donors' values and interests informs donors objectives for development cooperation. Development power becomes both a resource and a capacity to achieve these donor objectives, using tools that include but also go beyond aid. Thus, we define development power as **the implicit or explicit use of an array of development cooperation instruments for increasing a state's capabilities to achieve desired outcomes in global policy**.

14 Up until the twentieth century, strong states had rarely provided outward financial and technological resources to weaker states; instead, they typically sought tribute or 'protection' money from them (Lumsdaine, 1993: 33).

A wider definition for thinking about the ways development and power intersect is important given ODA is being asked to service multiple policy agendas.[15] For example, ODA is increasingly double-counted as climate finance, with conservative estimates suggesting 55% of the Global North's public climate finance actually constitutes diverted development finance rather than additional funds (Hattle and Nordbo, 2022).

In the UK, aid is now 'soaking up costs from across government departments that fit the internationally agreed definition of what can be classed as aid,' notably on accommodating refugees (Champion, 2022a). This is partly driven by the spiralling costs of hosting refugees from the conflict in Ukraine. Donors like Sweden and France are rebalancing their ODA budgets to the detriment of existing priorities, while others like the UK and Germany are allocating additional funds for assisting Ukraine to insulate core ODA priorities (albeit with varying degrees of success).[16] Excluding expenditures in Ukraine and refugee hosting costs, ODA would be $17 billion lower than its recorded 2022 levels, representing an 11% nominal fall from the previous year (Mitchell, 2023).

Alongside the incentives to double-count ODA are escalating pressures to reduce aid budgets in real terms given inflationary pressures and Covid-19 debt overhang. In Germany, the 2023 aid budget has been reduced by 3.9% compared to 2022, while in the UK, the abandonment of the legislated 0.7% ODA/GNI target has accelerated cuts exceeding $4 billion since 2020. The worsening economic backdrop is compounded by populist leaders reframing international generosity as incompatible with addressing domestic economic and security priorities, for example in Sweden where the new coalition government under the Moderate Party (with heavy backing from the right-wing Swedish Democrats) has decoupled the aid budget from its 1% ODA/GNI target and aims to divert it towards deterring irregular migration (Chadwick, 2022b).

All this suggests donors are unwittingly cultivating development power with reference to a smaller ODA pot that is meant to sit within a larger toolbox. It is worth asking what these tools are, how they are being used, the institutional and political backdrop for their utilisation, and how they might be applied to cultivate positive influence in the world.

15 This enlarged scope for ODA includes hosting refugees from conflict-affected states, investments in humanitarian and reconstruction efforts on European territory for the first time since the Second World War, catalysing private investment, funding Covid-19 vaccines, and adapting to and mitigating climate change.

16 In his November 2023 Autumn Statement, UK Chancellor of the Exchequer Jeremy Hunt announced the allocation of £1 billion ($1.2 billion) for FY2022/23 and £1.5 billion ($1.8 billion) for FY2023/24 on top of existing ODA. Germany allocated additional funding to cover the costs associated with in-country refugees. See https://donortracker.org/publications/one-year-into-the-war-in-ukraine

2.2 The development power toolbox

Over the last decade, the development toolbox has become far more diverse, as the relative importance of concessional finance in achieving development outcomes has fallen – evidenced in the rise of 'emerging economies' such as China and India in the last three decades. These trends have led to a shift in focus for donors, from simple poverty reduction to a broader remit centring on the challenges of global development (Janus, Klingebiel and Paulo, 2014; Horner and Hulme, 2017; Horner, 2020).

2.2.1 Four development tools

The development toolbox consists of *tools* or *levers* through which donors deploy development cooperation finance. All four levers rest on public financing modalities, but they do so to varying degrees of concessionality and with distinct developmental purposes in mind.[17] While bilateral ODA grants and loans remains the default modality for development cooperation, its blending with other official flows (OOFs) lubricates economic diplomacy with MICs. Meanwhile, investments in multilateral organisations and a functioning rules-based international architecture are growing priorities for donors, with the MDBs thought to be especially impactful at leveraging concessional resources to increase sources of capital. Alongside, shared transnational challenges like climate change and global pandemic preparedness have brought attention to the role that public finance plays in the provision of GPGs. This widened understanding of the meaning and objectives of development cooperation necessitates a larger toolbox, including modalities associated with fostering economic partnerships, growing multilateral engagement and building GPGs, as well as a more traditional focus on concessional aid (Figure 2).

While financing is the most visible and tangible characteristic of each of these levers, Figure 2 shows how financial modalities can be shaped by, and deployed through, dynamics, arrangements and capacities internal to each provider nation. Several factors contour and determine the effective power of this finance. They include the **technical capacity** represented by donor agencies and staff; the **institutional channels** through which governments direct public finance and resources, and the autonomy of the donor's development agency or ministry; and the **policies and regulations** which in turn delimit the mandate, budgets and allocations of aid agencies and institutions. Lastly, **domestic political configurations**, including the party or coalition in power, inform the political consensus on aid development and the level of support for development spending. They also influence decisions about volumes, levels, governing regulations, institutional choices and allocations of development finance, and the choice of development lever and its use. Ultimately, development finance modalities are not a singular, technical instrument but are shaped by donor organisational, institutional and political contexts (Gavas, Gulrajani and Hart, 2015; Gulrajani, 2015; Gulrajani, Mawdsley and Roychoudhury, 2020). Thus, **the cultivation of development power**

17 Our analysis excludes the larger set of public diplomacy activities that are often studied in relation to soft power but are not explicitly linked to a developmental purpose as expressed within the Sustainable Development Goals, including cultural exchanges, media and professional secondments, and overseas student networks.

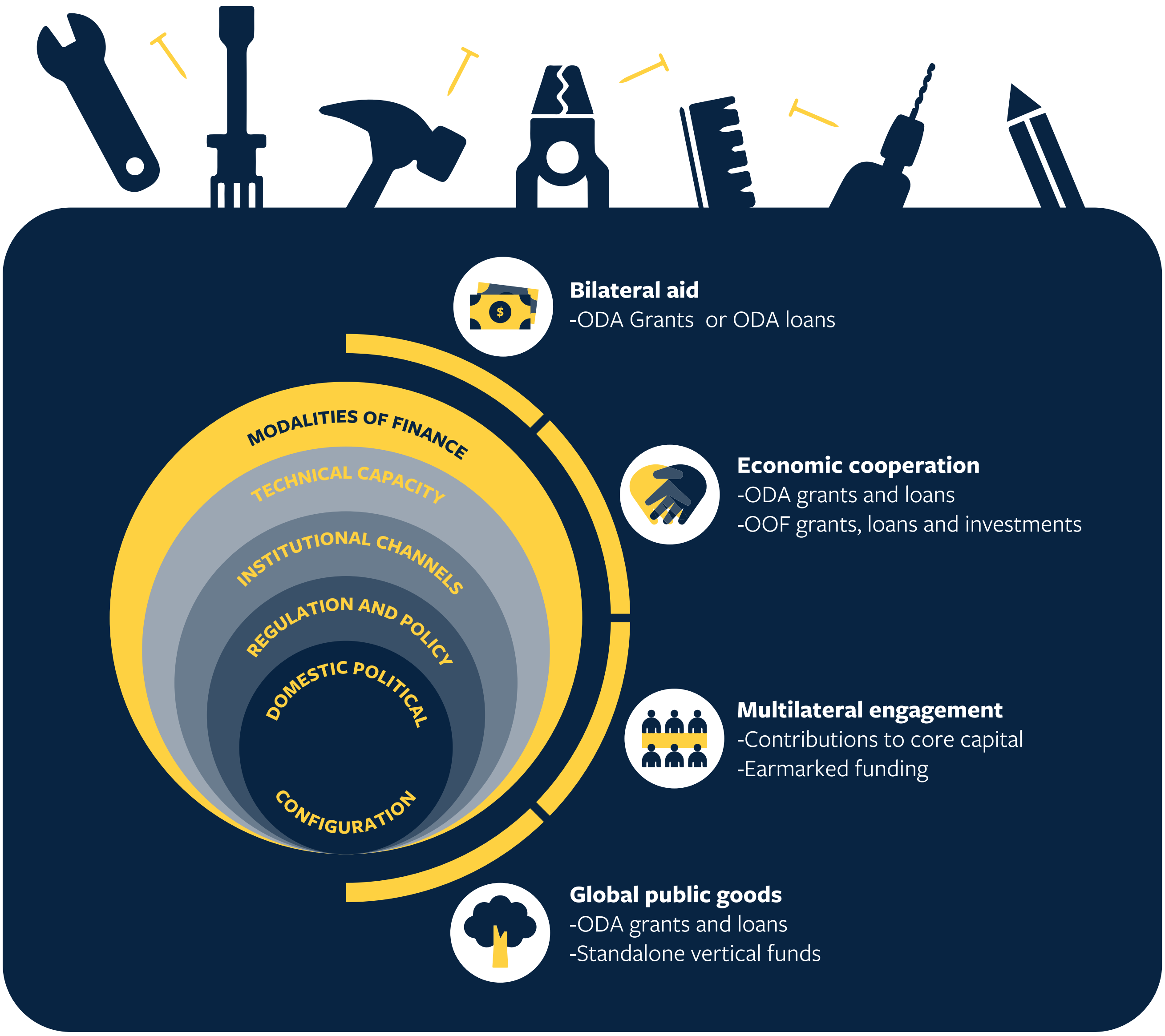
partly reflects how donors see themselves in the world, and the resulting choices they make in support of that vision.

2.2.2 Applying the toolbox

Figure 3 puts forward our conceptualisation of the ways development instruments substantiate a donor's global policy goals, the latter defined by both its national values and its interests. The critical causal mechanism lies in the latent power capabilities (identified in Section 2.1.2) activated by the chosen development tool individually, as well collectively with the other tools in the toolbox. The achievement of national policy objectives can also contribute towards a state's power resources in recursive fashion, which will drive future choices regarding the use of the development toolbox.

This theoretical model begs the question whether certain development instruments are more conducive to the cultivation of specific kinds of power capabilities. To understand if there are any empirical grounds for a synergistic relationship

Figure 2 The development power toolbox

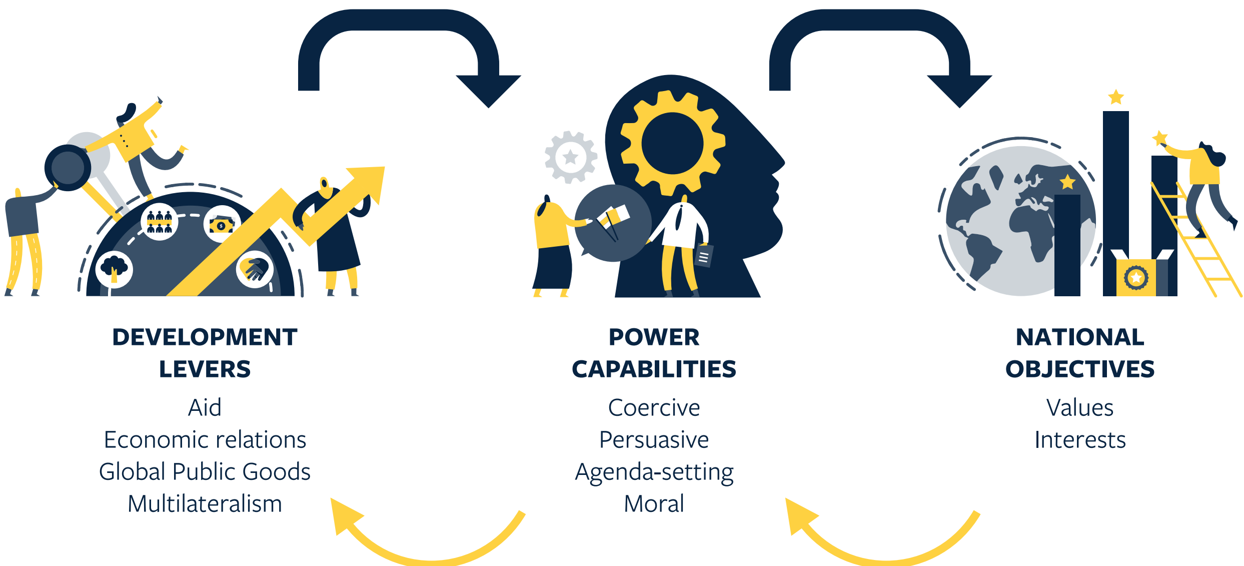


between these variables, we conducted a preliminary correlation analysis between our four development instruments and four power indicators across all 29 DAC donors. A full discussion of our methods and the findings for this analysis can be found in Appendix 1.

While this is only an initial analysis that proxies each variable with a single indicator, the larger circles in Figure 4 nonetheless show the possibility for significant associations between ODA and donors' persuasive and agenda-setting powers; between donors' economic investments overseas and their coercive and agenda-setting powers; between their GPG spending (on climate) and their persuasive and agenda-setting powers; and between multilateral investments and persuasive, moral and agenda-setting power.

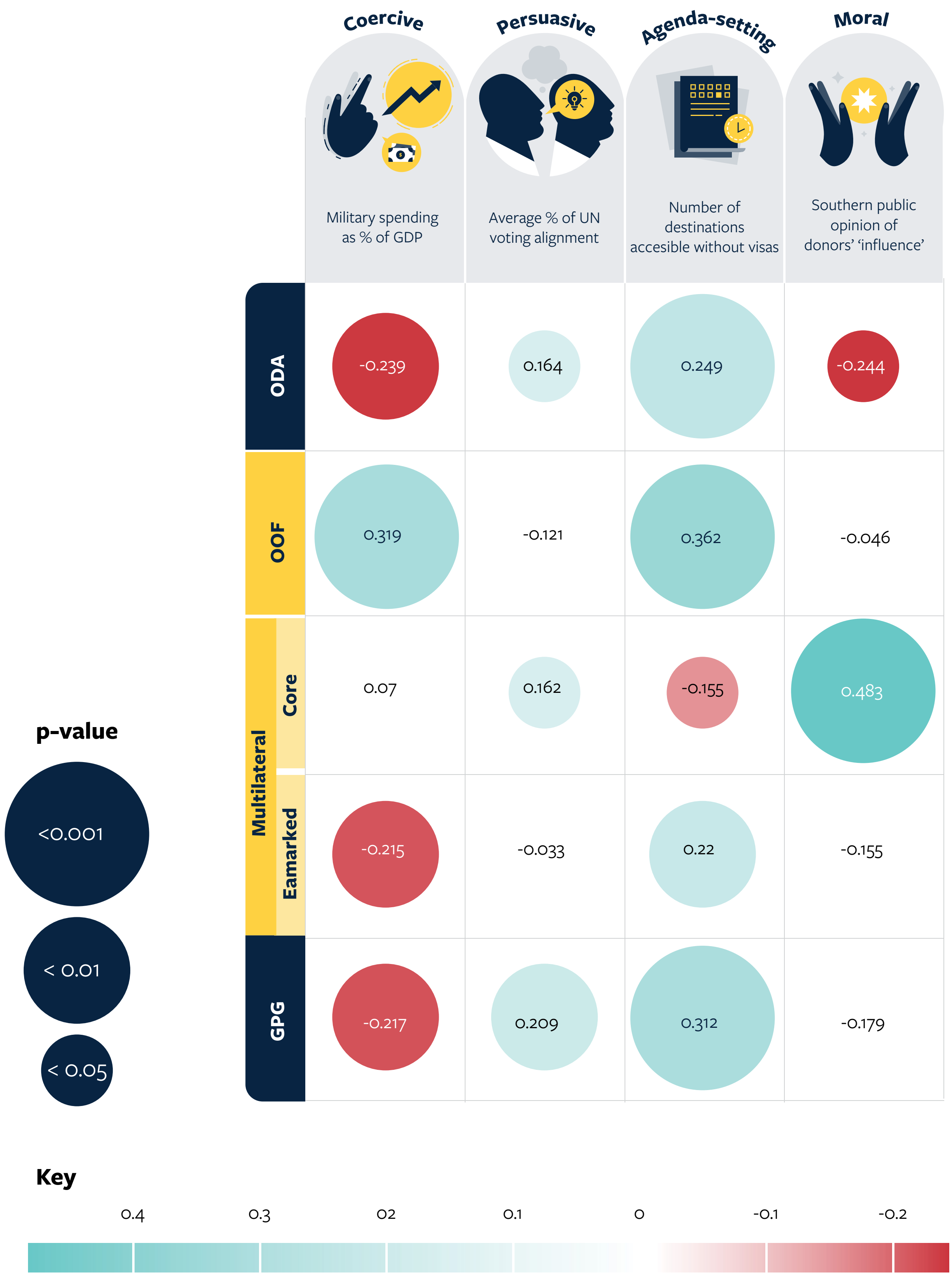
This suggest that some development tools may be better placed to deliver certain kinds of national power ambitions. The larger circles indicate areas where there may be greater possibility for successful instrumentalisation, but also where the risk of secondary harms is higher. In the interviews that follow, we examine and probe these potential opportunities and risks more closely in four European donor contexts.

Figure 3 A model for cultivating development power



Source: Authors' conceptualisation

Figure 4 Correlations between power and development, 2015–2020



3 Bilateral aid as an instrument of influence

Sections 3–6 gathers views in four mid-sized European donors – France, Germany, Sweden and the UK – and concentrates on understanding the geopolitical effects of four types of development instruments: foreign aid (Section 3), overseas economic relations (Section 4), multilateralism (Section 5) and GPGs (Section 6). While these countries represent middle powers in a global sense, they constitute sizable providers of development finance on both global and European scales. Justification of our case selection and methodological approach can be found in Appendix 2.

Our interviews sought to understand the choices development policy elites are making in response to conditions of radical uncertainty, overlapping crises and geopolitical flux; the relative power of their own country given this context; and the pathways by which their development engagements confer influence, including the opportunities and risks this brings.

3.1 More aid, more moral power?

In line with our findings in Section 2.2, **large volumes of aid are perceived as a source of moral and persuasive power** (Figure 5a). Most interviewees agreed that the size of Chinese and US aid budgets qualified them as 'development superpowers', but also ascribed this status to Sweden and the UK before sizable aid cuts occurred (over £4 billion in the UK since 2020 and around $700 million in Sweden) (Worley, 2023, n.d.).

While moral power is strongly associated with aid quantity, for middle powers aid volumes relative to their size are likely to be more important for their power capabilities (Figure 5b). Therefore, while German respondents identified the absolute size of the country's aid budget as endowing more influence than the achievement of the 0.7% ODA target (which it did meet in 2021),[18] Swedish respondents suggested the attainment of 1% ODA/GNI was more significant because it exceeded the OECD-DAC target of 0.7% (though this commitment no longer exists since the arrival of the new coalition government in the autumn of 2022). France has committed to meeting the 0.7% ODA/GNI target by 2025 and achieved a 0.51 ratio in 2021 (exceeding the UK). Meeting threshold targets allows states to signal strong developmental values from which influence is created, with **the 0.7% ODA/GNI target signalling comparative donor commitment to development. This is especially felt among DAC members, where the target acts as a positive form of competition.**

Admittedly, **a high ODA/GNI ratio can limit donor flexibility to respond to emerging global issues** (if the target acts as a ceiling) or pursue fiscal reallocation. This was true in the UK, where a significant reputational cost was incurred in moving away from a legislated commitment to the 0.7% target through budget cuts, reducing ODA levels in excess of $4 billion since 2020. Similarly, in May 2022, Sweden received negative publicity among development observers for redirecting a fifth of its aid budget to the resettlement of Ukrainian refugees at the expense of ODA

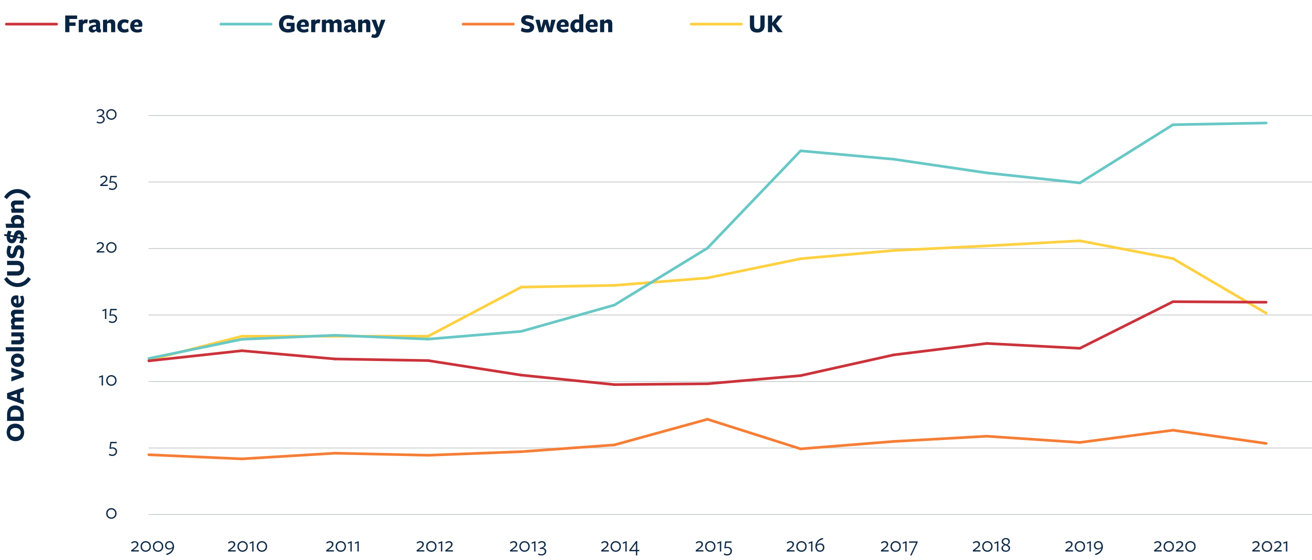
18 Of the four country case studies, Germany has the largest aid budget, having grown rapidly since 2014 on account of its in-country refugee spend.

investments in multilateral institutions, and is increasingly in the spotlight as its new Moderate coalition government seeks to allocate aid to deter migration (Chadwick, 2022a).[19] **Budget cuts and reallocations that have downward implications for ODA targets come with reputational costs at home and abroad.** Gaming ODA statistics is a common counter-strategy to avoid a falling or unmet ODA target: for example, double-counting climate finance to meet development finance targets or stretching ODA rules to include unused Covid-19 vaccine donations at inflated prices (Mitchell, Ritchie and Tahmasebi, 2021).[20]

While perhaps necessary for status as a development power, **aid quantity alone is not a sufficient condition for global influence**. Despite being a large donor (and the largest of our European cases), informants viewed Germany as punching below its weight. This was put down to several factors, including: a strong focus on bilateral aid, which limits influence in multilateral fora; a large share of the increase in ODA being spent on refugee costs at home, which again limits external influence; and aid fragmentation across too many recipients. Perhaps most prominently, a strong factor in Germany's reluctance to gain more leverage from its aid budget lies in its historical sensitivities to national muscle-flexing, as one interviewee described:

> *'World War II legacy is a constraint ... After the war, we tried to stay away from questions of power ... There is a reluctance to be more influential within the political elite, to translate this monetary and development power into political power.'*

Figure 5a ODA volumes (2009–2021)

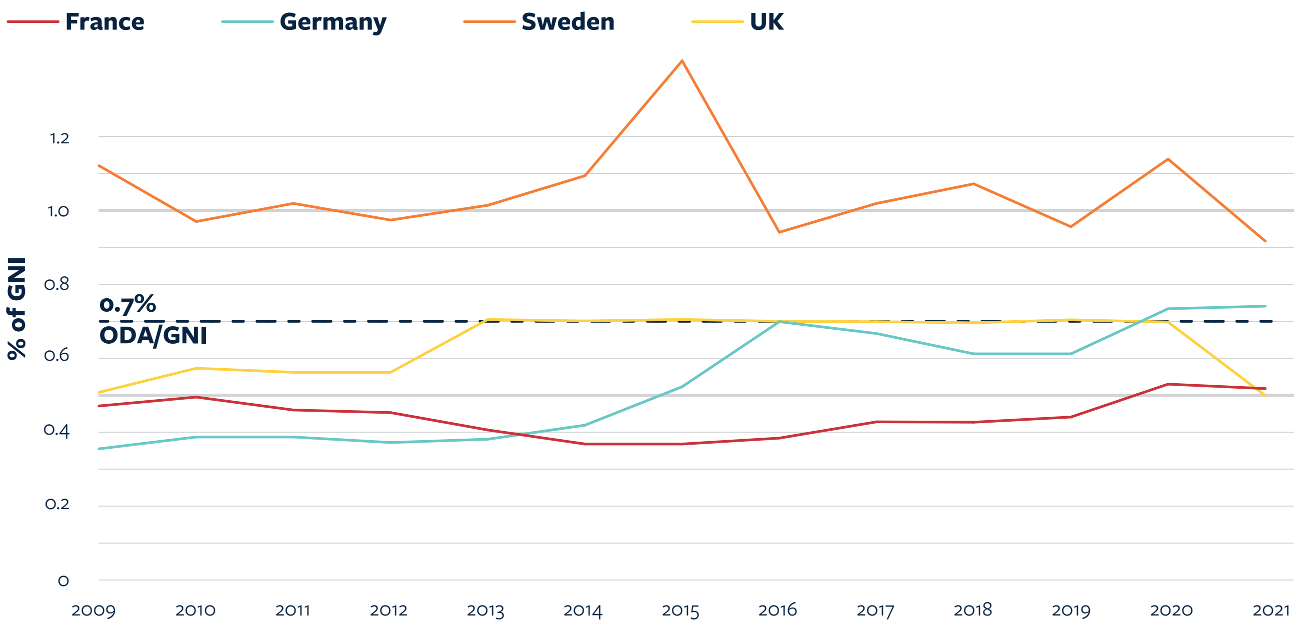


Source: OECD Common Reporting Standard (CRS)

19 First year resettlement costs are growing as a share of ODA budgets for all donors https://donortracker.org/ukraine_oda_tracker.

20 See also https://www.dailymail.co.uk/wires/pa/article-10490593/Government-accused-using-Covid-vaccines-cut-aid-budget-sly.html

Figure 5b ODA as a percentage of GNI (2009–2021)



Source: OECD CRS

3.2 Delivering aid for influence

Delivery channels also affect the ways in which aid builds influence. Both France and Germany utilise loan instruments intensely – in 2020, over 40% of French gross ODA and 20% of German gross ODA were in the form of loans (Figure 6). In contrast, Sweden and the UK provided the bulk of their ODA as grants in the absence of a sovereign development bank. Interviewees suggested a trade-off between these different modalities of finance. **Lending instruments have a greater ability to influence recipients when there is a need for scale in strategically important sectors. Moral power was signalled through ODA grants because they come with the largest financial cost to the provider.**

Given this, Swedish and British interviewees thought Germany and France had gained leverage in MICs, with their development banks giving them access to a wider set of partner countries, particularly among MICs. Conversely, French and German respondents acknowledged that budgeted grant-based development assistance was a powerful signal of political commitment for development agendas indicating real financial effort. Notwithstanding, over 40% of French ODA loans were provided to least developed countries (LDCs) in 2020, suggesting an approach that is less sensitive to the fiscal repercussions of concessional debt instruments, at least in comparison to Germany which largely avoids lending to LICs (Figure 7).[21]

21 60% of LDCs and LICs are either in debt distress or at high risk of debt distress, a number that has doubled since 2015 (https://www.un.org/ohrlls/news/debt-affordable-finance-and-future-least-developed-countries). France's increase in ODA loans to LICs thus risks trading off public support in fragile regions like the Sahel, given challenges to servicing public debt. See https://carnegieendowment.org/files/Cohen_FranceAfrica_Policy_v4.pdf

Figure 6 Share of ODA disbursed as loans

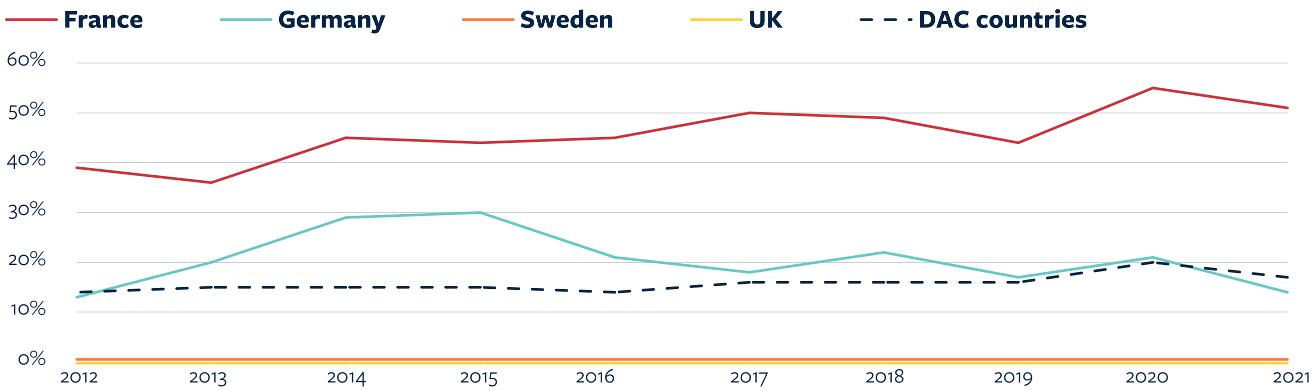
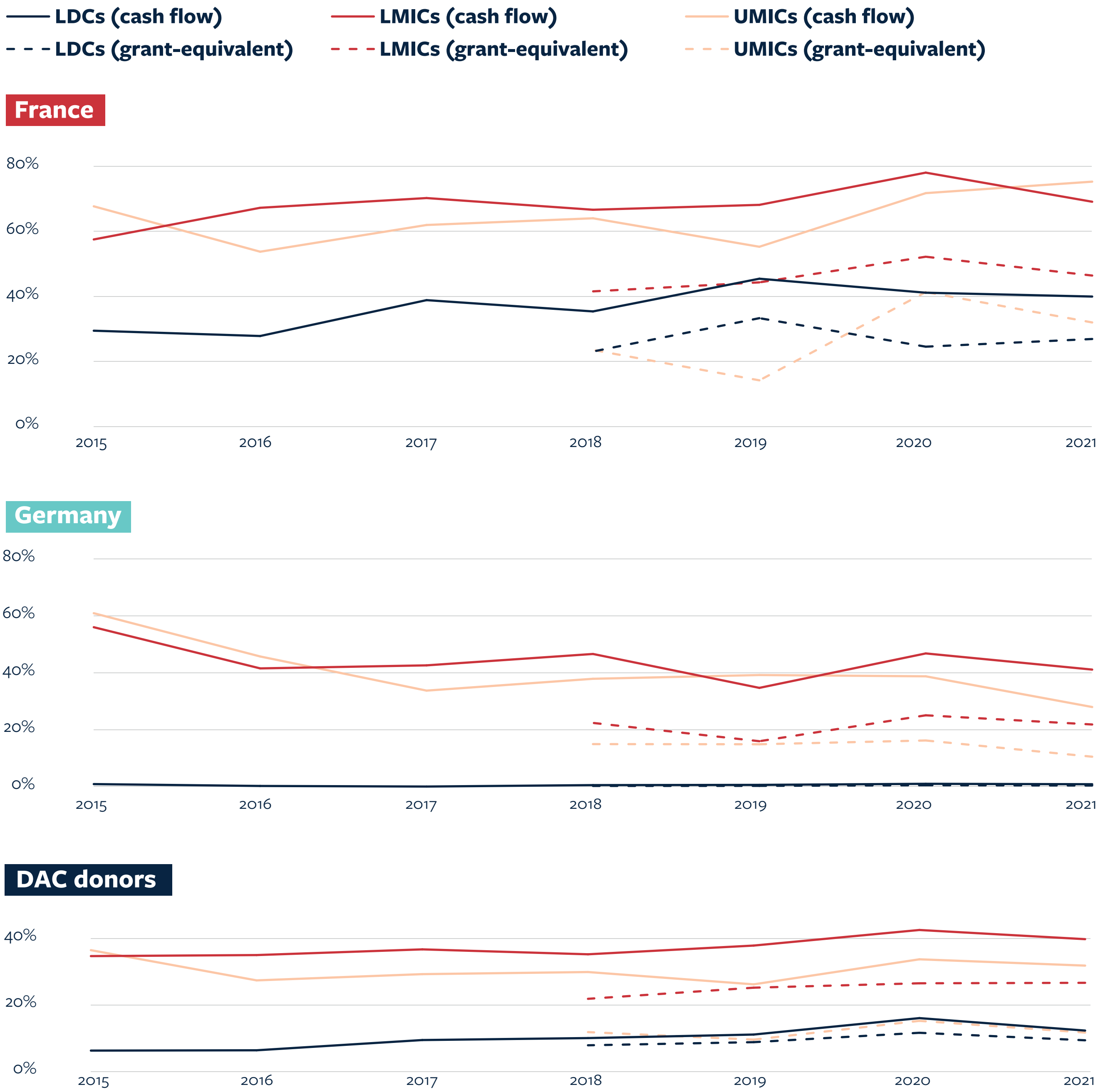


Figure 7 Percentage of ODA disbursed as loans by income group



Clearly, the manner in which aid is delivered goes some way to fostering its persuasive potential. **Longer-term commitments can lubricate economic and diplomatic relationships.** As one Swedish respondent stated, 'long-term commitments on aid projects with bilateral partners cultivate diplomatic friendships … that can be useful in multilateral politics'. For UK officials, it is not so much the length of commitment as the power to commit that was perceived as a source of diplomatic influence. As one UK respondent described:

> *'Former UK ambassadors were asked for their views on [whether aid helps project power]. They said it is really useful to have aid in your ambassador toolbox … as it makes you a more attractive economic and diplomatic partner'.*

The recent UK International Development Strategy aims to give greater autonomy and decision-making authorities for aid spending to in-country ambassadors and high commissioners (UK Government, 2022). The intention is to increase speed and flexibility in diplomatic responses to country needs and deliver aid programmes that are capable of quick pivoting.

Geographic aid allocation choices are also important for aid to fulfil geo-strategic ambitions. France has committed to allocate 75% of its ODA to Africa and the Mediterranean region by 2025, and to concentrate at least 25% of its ODA within 19 priority countries, most of which are in the Sahel (Focus 2030, 2021). France is a significant donor to the Sahel compared to other donors, a choice driven by President Emmanuel Macron's security and diplomatic objectives in the region. Interviewees considered France to be successful in projecting influence in the region, even as its military engagements and counter-terrorism activities falter and even if the bulk of its ODA is concentrated on wealthier countries (Cohen, 2022). France's leverage thus extends beyond its financial outlays, which some suggest derives from its colonial connections:

> *'The UK and France as former colonial powers, [they] still have very strong linkages. That really makes a difference. In Zambia, in absolute terms Germany was the number one donor and the UK Department for International Development (DFID) second or third but [it was] still tricky in political issues or if the EU really tried to convince the President of certain things. It was always the [UK] High Commissioner spearheading the discussion.'*

In the UK, the government leaned into the Indo-Pacific region in its Integrated Review of Security, Defence, Development and Foreign Policy and its International Development Strategy, although the latter showed a more sustained commitment to Africa than had perhaps initially been expected (Cabinet Office, 2021). The 'tilt' towards the Indo-Pacific region was framed as critical to the interests of the UK's economy, to its security and to its ambition to support open societies in a region where China's shadow looms large (FCDO, 2022a). A refresh of the Integrated Review in 2023 has, however, put more emphasis on relations with Europe and connecting the Atlantic and Pacific regions in a way that reflects UK foreign policy ambitions in both regions given

22 https://ukandeu.ac.uk/explainers/integrated-review-refresh-2023/

the war in Ukraine.[22] Meanwhile, Germany's new development strategy for Africa, published in January 2023, is also framed as a way to diversify its trade relations and to increase independence from China following Russia's invasion of Ukraine (Delfs, 2022; BMZ, 2023).

Sweden's 'Policy framework for development cooperation and humanitarian assistance' (2016) had made it explicit that bilateral funding must be focused on the lowest-income and most vulnerable countries.[23] Nevertheless, under the new government, it has been announced that Ukraine will become Sweden's largest aid recipient, with lower-income countries like Myanmar and Guatemala seeing ODA receipts cut by 60% (Development Sweden, 2023).

3.3 Structures and capacities matter

Several interviewees pointed to **domestic architecture choices as a source of influence**. For example, German respondents highlighted the status of the country's Federal Ministry for Economic Cooperation and Development (BMZ) – the last remaining cabinet-level development ministry in the DAC – as a source of moral credibility. Conversely, French respondents noted the subordinate position of the French Development Agency (AFD) under the French Treasury, with full command over the aid budget and an agenda that – according to one informant – 'is all about economic diplomacy, and nothing else'. **Independence signals the political prioritisation given to development within government policy.** This autonomy endows bilateral development cooperation with greater stature in whole-of-government negotiations over budget and priorities, as well as generating higher levels of moral power because of the commitment it demonstrates externally.

Relatedly, the merger of DFID with the Foreign and Commonwealth Office (FCO) to create the FCDO in 2020 was heavily criticised for downgrading the UK's international status, including by the current Minister of State for Development and Africa,[24] who at the time bluntly described the merger as 'a self-inflicted act of vandalism' (Worley, 2022a). The Chair of the International Development Select Committee has been no less forthright, describing the loss of DFID as 'weakening our impact internationally' as 'a physical department demonstrates that we care.' (Worley, 2022c). While interviewees were less blunt, acknowledgements were made that the merger did diminish British ambassadors' credibility and influencing possibilities with bilateral partners. This has resulted in calls to reverse the merger from several quarters (Ricketts, 2022).

The power ascribed to independent aid structures in the UK and Germany is much less salient in Sweden. Here, constitutional history endows considerable autonomy to government agencies like the Swedish International Development Cooperation Agency (Sida), even as it remains accountable to the Ministry of Foreign Affairs and has a limited role in setting development

23 This policy had been backed by allocation choices with more than half (52%) of Sweden's bilateral ODA allocated to LICs in 2020. See https://donortracker.org/donor_profiles/sweden

24 Prior to the merger, DFID had a Cabinet-ranked Secretary of State for International Development. The merger did away with political representation for the international development portfolio until September 2022, when a Minister for Development position was created with Cabinet-level status, albeit a Minister of State acting under the Foreign Secretary.

policy direction. This suggests that **realised independence – more than specific, formal governance structures of policy – sustains aid's ability to influence**. But explicit challenges to this independence are palpable in Sweden too, most notably with the recent decision to merge the development and trade portfolios by creating a new Minister of Development Cooperation and Foreign Trade (Standfast and Sriskandarajah, 2022).

An additional challenge in the UK is that the very visible loss of an independent department has been closely linked to the **loss of technical competency**. Respondents highlighted that partners prized the technical expertise of officials embedded in pre-merger DFID, which has ostensibly declined after 200 staff left the organisation (Worley, 2021). By way of contrast, the quantity and quality of specialist skills within the German Agency for International Cooperation (GIZ) and KfW were emphasised by some German informants, who underlined the soft power that came from this knowledge and capacity: '[Germany] has a huge technical cooperation branch that is more suitable for soft power, exchange, capacity development … this is quite unique'. This technical capacity and competency is thought to make Germany an attractive partner to MICs.

4 Economic partnerships for development power

4.1 Financial instruments for persuasive and agenda-setting power

Donors are increasingly looking to involve the private sector and private finance to achieve global development objectives. Interventions and investments both target private sector development and the private sector *for* development (ETTG, 2022). Such engagement reflects the expanded legitimacy of development agendas focused on economic growth (Mawdsley, 2018a; 2018b; Mawdsley et al., 2018; Mawdsley and Taggart, 2022). Economic cooperation is an approach to development cooperation more aligned with China and other Southern partners, and thus viewed as a rival offer for building alliances, especially in Africa (see Box 1).

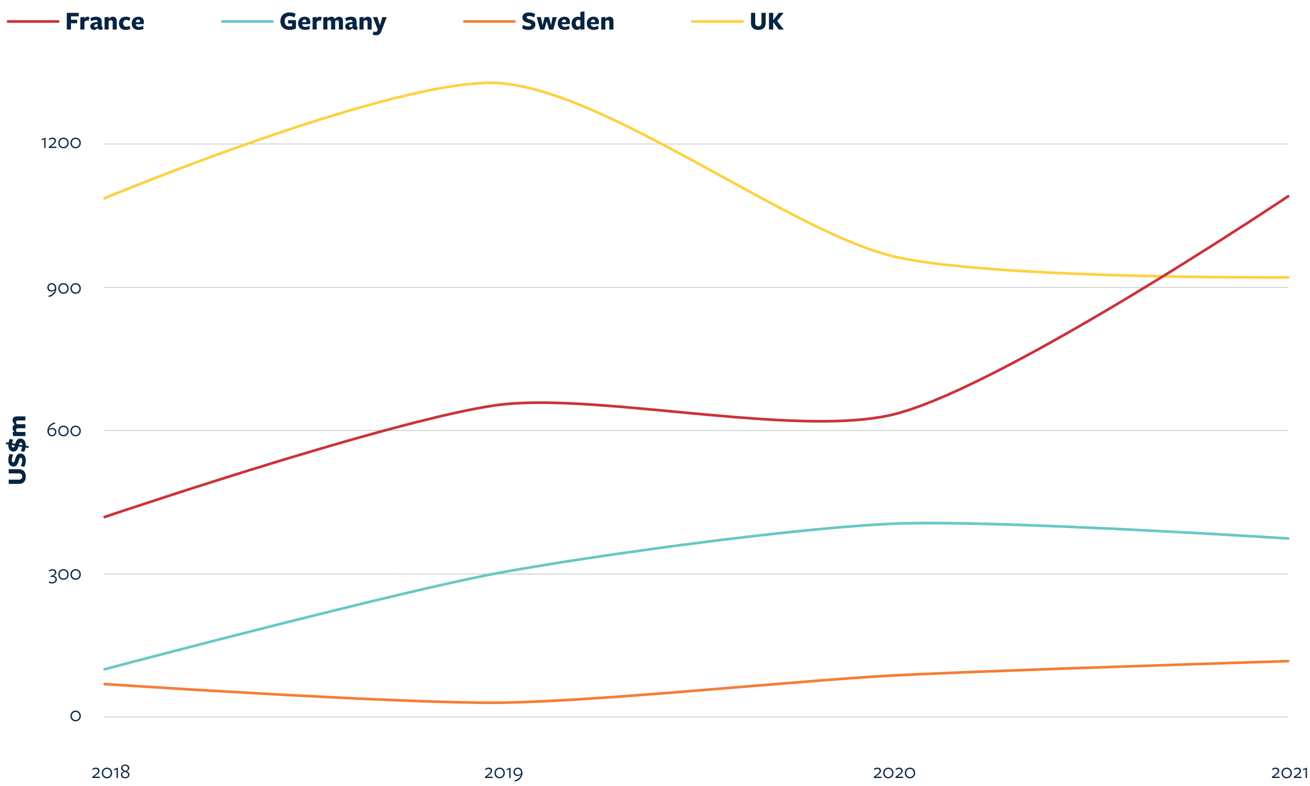
Access to a full suite of financial instruments can be the basis for new partnerships with the private sector, but it can also maximise economic diplomacy objectives. Table 2 presents some of the main instruments and principal public institutions overseeing, coordinating and implementing these economic relations. ODA can be both invested in private sector development activities, but also channelled through PSIs (Figure 8). PSIs are publicly financed instruments that include loans, equity investments, mezzanine finance and guarantees[25] provided to private sector enterprises or public sector vehicles for private finance (Caio and Craviotto, 2021).

Meanwhile, ODA grants and loans are increasingly complemented by a suite of other financial and non-financial modalities. For example, the French Treasury routinely combines ODA and OOFs[26] to support economic diplomacy objectives in emerging markets. Having a full suite of instruments enables the possibility of blending financing, enabling ODA-funded bodies like DFIs to co-invest alongside private sector entities.

As well as financial instruments, **regulatory policies governing the private sector have been salient tools for advancing economic diplomacy objectives**. Swedish respondents highlighted their Green Public Procurement strategy, which uses public procurement rules to promote and achieve sustainability and efficiency in development. Green Public Procurement can implicitly provide competitive advantages for Swedish companies without explicitly tying aid to national procurement, helping Swedish firms to compete, against the low-cost advantages of Chinese competitors.

25 Guarantee instruments are meant to mitigate risk to incentivise lending or investment from private sources.
26 As Table 2 suggests, OOFs are public financial transactions that do not meet ODA criteria. They include outflows from, and inflows to, donors. For example, OOFs can include grants to countries that are not eligible ODA recipients; subsidies, equity and debt instruments for private investment purposes; and transactions and credits that are primarily for export promotion (https://data.oecd.org/drf/other-official-flows-oof.htm).

Figure 8 Contributions to private sector instruments (2018–2021)



Source: DAC Creditor Reporting System

Note: DAC only began tracking PSIs in 2018.

By incentivising large Swedish multinationals such as H&M and IKEA to internalise sustainability concerns into their business models, these companies have entrenched their competitive advantages as leading environmental, social and governance players globally in a way that also furthers Sweden's green credentials. Similarly, Germany's Supply Chain Due Diligence Act uses legislation as a lever for agenda-setting power, mandating national corporations to regulate their own supply chains. This allows the state to further project influence.

4.2 Institutional structures for economic cooperation

Interviewees pointed to **national DFIs as influential structures for economic cooperation**. DFI capacity to blend concessional with non-concessional forms of finance creates opportunities to catalyse investment in overseas markets.[27] In particular, DFIs can promote the outward orientation of domestic and international commercial sectors in emerging markets.

27 Under the OECD-DAC definitions of ODA PSIs, institutional contributions to all DFIs are considered ODA. This has been an incentive to capitalise the DFI as a way to build up capital assets.

Table 2 Instruments of economic cooperation

	France	Germany	Sweden	UK
Development -focused ministry	Ministry for Europe and Foreign Affairs (MAE) Ministry of Economics, Finance and Industrial and Digital Sovereignty (MEF)[28] Grants Loans	BMZ Grants Loans Technical assistance	Ministry for Foreign Affairs Grants Debt relief	FCDO Grants Technical assistance
Implementing agency	AFD Grants Loans Guarantees Technical assistance	GIZ Grants as technical assistance and advisory services	Sida Grants (to support private sector, technical assistance) Guarantees	
Development bank		KfW Grants Loans Blended finance Bonds Debt swaps Insurance (through KfW-IPEX)		
Development finance institution	Proparco Equity capital investment	German Investment Corporation (DEG) Equity and direct investment guarantees Risk capital Advisory services	Swedfund Loans Equity Project preparation fund	British International Investment (BII) Disaster assurance Debt Equity Guarantees

Source: Authors' synthesis of DFI and ministry websites and documentation

28 French development policy is jointly determined by the MAE and the MEF.

For example, for the UK, BII is a strategic vehicle for building partnerships across the world after having relinquished EU membership, particularly through engagement with the Indo-Pacific region (Loft, 2022).[29] According to interviewees, it is also a direct attempt 'to challenge China' and a way to stand alongside infrastructure initiatives of peers in Africa, most notably the EU's new Global Gateway initiative (see also Box 3).

Our interviewees also cited Germany's KfW development bank (which comprises DEG, its subsidiary investment DFI) as a source of national power. KfW loans, which are provided on behalf of BMZ to other sovereigns, tend to be directed to emerging and middle-income economies, which feature heavily as its 'global partners' (BMZ, 2021). These are countries where loans are more likely to be repaid. In terms of market potential, they also align with the commercial interests of German companies. KfW's sheer scale, resources and capacity also mean that Germany can play a key role in blending finance discussions at the EU level, giving it a capacity for agenda-setting power, as well as persuasive power with bilateral partners.

Likewise, Swedish interviewees pointed to the growing prominence of the Swedish DFI Swedfund. Innovative instruments such as its project accelerator, which blends ODA and non-ODA export finance, have been used to support development projects in ways that align with Swedish business interests and areas of comparative advantage. While French informants did not shine a prominent light on Proparco, the private sector arm of the AFD group, they emphasised France's extensive range of financing to MICs and its strong focus on climate action, which contributes to enhancing France's image as a well-meaning economic partner.

4.3 Allocation choices for geo-strategic advantage

In all our cases, respondents highlighted the tendency of economic cooperation, overtly or implicitly, to be channelled to countries that may be more obvious candidates for expanding trade or commercial relations. This would be in line with the higher agenda-setting capabilities associated with OOFs that our correlation analysis identified. For example, France and Germany provide significant OOFs to higher-income countries and regions like the Americas at a higher proportion than their ODA, while OOFs in the UK and Sweden share the same regional focus as their ODA allocations (Table 3).

In the mid-2010s, the UK also saw a dramatic rise in the use of OOFs in its economic cooperation with LICs and MICs (Figure 9). Several informants suggest that the UK has gradually sought to use economic cooperation for development not because of the developmental benefits from trade and investment, but as a means to achieve other foreign policy objectives. This includes cultivating a post-Brexit identity as an open, trading nation and demonstrating its commitment to the Western liberal order now rallying against China.

29 BII is the name given to the former Commonwealth Development Corporation (better known as CDC UK) in 2022. BII has a new investment-focused (and green) mandate and continues to grow its capitalisation.

> *'Development was one of the levers the UK had on the international scene, on an equal footing alongside other external facing levers … now development is meant to boost the power of other elements of foreign policy … [An] increasing amount of aid is being directed to MICs where the UK would like to have a trade relationship'.*

Likewise, French interviewees pointed to the growing reliance on economic diplomacy as a form of persuasive power pursued as a reaction to the declining share of ODA in Africa by China. However, as one informant noted, 'the temptation that comes with the opportunities France obtains through economic diplomacy undercuts its ability to make more progress on some universal agendas – such as the green agenda'. They gave as an example French economic interests relating to fossil fuel extraction, which can take precedence over climate considerations. Another respondent suggested that the amounts available for economic diplomacy were not significant to give France meaningful influence on its own. They suggested the French authorities were trying to make up for this by 'pushing this agenda at the EU level, using the European Investment Bank as a channel'. **Economic cooperation in France and the UK has moved beyond cultivating gains from trade or leveraging private investment for improving living standards and further into the territory of geo-economic diplomacy.**

By contrast, Sweden has up until now taken a harder line on the primacy of poverty reduction as a normative goal within its economic cooperation efforts. Nevertheless, the new coalition government looks set to blur the line between aid and trade policy, with some advocates suggesting it reintroduces the prospects of tied aid into Swedish development cooperation. Currently, however, the geographic focus of its OOF flows strongly correspond with the same regions of ODA flows (in contrast to most of the other donors). While Sweden has also increasingly promoted expanding private sector collaboration with MICs and recipients transitioning away from ODA (NIRAS, 2019), interviewees perceived a zero-sum relationship between development values and other national interests:

> *'If you want to be influential in development and poverty reduction, stopping oppression [etc.], then you have to protect the space where development aid is about development … Do not mix things up … if it means objectives of aid are subordinate to foreign policy objectives, then it is a waste of money.'*

Germany has also sought to use economic cooperation and partnerships as levers of persuasive and moral power, not only with its designated middle-income ODA 'reform partners' but also to build economic relations and influence with authoritarian countries. The idea of '*Wandel durch Handel*' (*change through trade*) has been a central pillar of Germany's foreign policy since the détente period of the 1970s, and a key part of its economic engagement with countries such as Russia and China. Since the Ukraine war, this more circumscribed understanding of Germany's economic partnerships may be shifting. German informants were strongly critical of the country's somewhat 'naïve' approach regarding the geopolitical effects of its economic cooperation:

> *'Leveraging power for economic partnerships was the purpose of Germany, to create economic success and strong linkages. It was a shock to wake up on 24 February [the date of Russia's invasion of Ukraine] and see our policies of the last decades crumbling to pieces'.*

At the same time, Germany's recently released Africa strategy appears to keep attention focused on areas like a just climate transition, decent work and gender equality, with limited explicit discussion of economic diplomacy objectives on the continent (Pelz, 2023).

Overall, there do seem to be subtle differences in the degree to which donors instrumentalise their engagements with the private sector to serve narrow domestic commercial and geo-political interests and subvert the more expansive aims of growing investment frontiers for economic prosperity and stability overseas.

Table 3 Regional and income group distribution of OOFs and ODA as a percentage share of total, average (2019-2021)

		France		Germany		Sweden		UK		DAC donors	
		ODA	**OOF**	**ODA**	**OOF**	**ODA**	**OOF**	**ODA**	**OOF**	**ODA**	**OOF**
Regional allocation	Africa	39%	35%	25%	16%	35%	50%	27%	70%	28%	27%
	Americas	14%	21%	7%	23%	4%	0%	3%	0%	7%	19%
	Asia	19%	24%	30%	33%	18%	41%	21%	30%	29%	39%
	Developing countries, unspecified	24%	16%	33%	22%	38%	1%	48%	1%	32%	11%
	Europe	3%	3%	5%	6%	5%	0%	2%	0%	3%	4%
	Oceania	1%	0%	0%	0%	0%	8%	0%	0%	2%	1%
Total		*100%*	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*
Income group allocation	LDCs	17%	13%	13%	6%	32%	8%	23%	11%	24%	8%
	LMICs	32%	38%	25%	28%	11%	29%	13%	47%	24%	38%
	Other LICs	0%	0%	0%	0%	1%	0%	1%	0%	0%	0%
	Part I Unallocated by income	29%	24%	46%	35%	49%	62%	56%	34%	40%	27%
	Upper-middle-income countries	22%	25%	16%	32%	6%	1%	7%	9%	12%	26%
Total		*100%*	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*

Source: OECD Creditor Reporting System

5 Multilateral cooperation as a conduit for influence

5.1 Multilateral representation for influence

Multilateralism is a means to manage the interdependencies and interlinkages that tie states together (Chatterjee, 2021). Having a seat at the table is the first step for states to build their stores of influence.[30] **Representation in multilateral fora, whether resulting from historical legacy or financial investment, can grow allies, advance state credibility and reputation, promote collective norms and further state agendas.** After the UK's withdrawal from the EU, France is the only country among our four cases that participates in all the major contemporary multilateral institutions (Figure 9). This widespread membership, according to one respondent, offers France 'soft power well beyond [its] economic and military size'.

Nevertheless, both France and the UK benefit from permanent membership to what may be regarded as the most influential multilateral body, the UN Security Council (or 'P5'). As one UK official indicated, this enables the UK to 'punch above its weight'. Even temporary membership of the Security Council is viewed as a coup, meaning exceptional effort can be expended by states to obtain the required votes for these rotating positions (Reinsberg, 2019).[31] Sweden's sizable investment in the UN system was viewed as a key factor in its successful election (over Italy and the Netherlands) to a temporary Security Council seat in 2017–2018.[31]

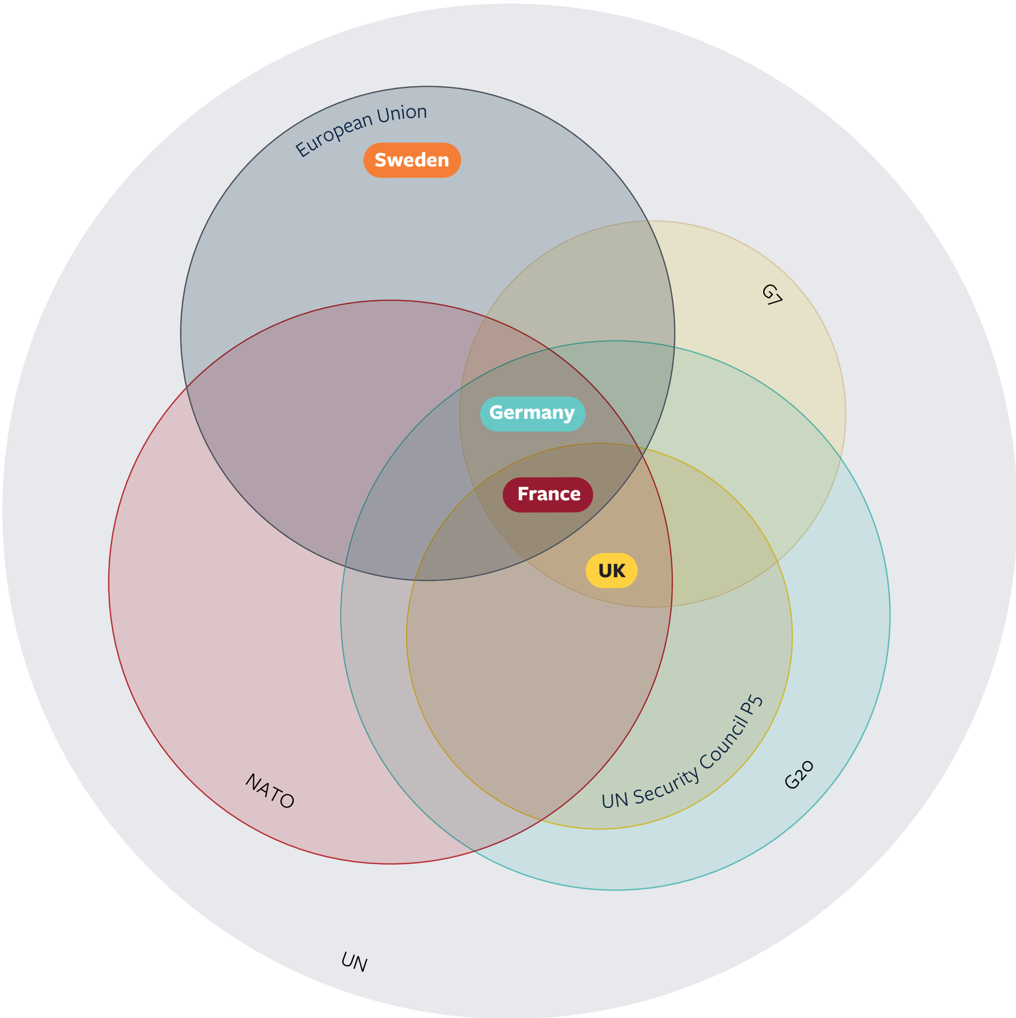
Opting into multilateral fora is also a way to bolster influence. For example, several respondents from the UK, France and Germany pointed to their membership of the AIIB as an example of their capacity to nudge this Chinese-initiated institution to consider global standards and clearly delineate the AIIB's mission from China's BRI. At the same time, the AIIB remains a space for cooperation with China, where European shareholders can play a brokerage role, even as the bilateral relationship between China and Europe deteriorates.

There are also strong normative arguments for multilateral representation and engagement. Respondents from Germany and Sweden emphasised participation in the 'rules-based order' as a GPG in its own right, with secondary spill-overs for their own advancement as, trade-dependent countries. Swedish informants

30 Beyond formal representation, high-level appointments and general staffing can also be a critical way for states to exert influence in multilateral settings (Baumann, Haug and Weinlich, 2022), though our interviewees did not raise this conduit for multilateral influence in their responses.

31 Temporary Security Council membership generates both more US aid and UN funding in a pattern consistent with US vote-buying (Kuziemko and Werker, 2006).

Figure 9 Overlapping memberships of four European donors



suggested multilateralism can serve as a platform for elevating and translating their values to deliver on core interests, while German respondents emphasised how 'high-profile multilateralisation' though the G7, G20, and the EU is a way to circumnavigate their reluctance to project national power in more unilateral ways.

A more subtle vision, perhaps, of the benefits of multilateral engagement comes out of the UK. In 2021, the UK Integrated Review took a 'deliberate shift away' from referencing the importance of a 'rules-based international system', which was widely interpreted as symbolic of the UK's withdrawal from multilateral fora.[32] Yet respondents did not interpret this as the wholesale abandonment of multilateralism, pointing to a pivot to a more tailored strategy for supporting strategic multilateral regimes:

32 A March 2023 refresh of the Integrated Review rolled this back a little by recognising the importance of Britain defending global rules and engaging in 'regulatory diplomacy' to shape global rules (Cabinet Office, 2023).

> *'It is more nuanced than that ... [we] felt that the rules-based international system had become a lazy trope, which reflected a lack of rigour. It was not sufficient to turn up to international meetings and say, "We are defending the rules-based order". Now we have an explosion of global governance ... and competition playing out in all these bodies ... across all these overlapping things ... this is a product of interactions between systems ... [e.g.] in digital technology, climate, the economic order, peace and security ... because we thought of the order as a monolith to defend, we are missing the status quo changing around us.'*

5.2 Strategic multilateral finance allocation strategies

For mid-sized donors, the allocation of multilateral finance is also an important lever for growing state influence. In particular, the level to which countries earmark their multilateral contributions to sectors, themes and geographies suggests divergent approaches to how their engagement is leveraged for influence (Figure 10).[33]

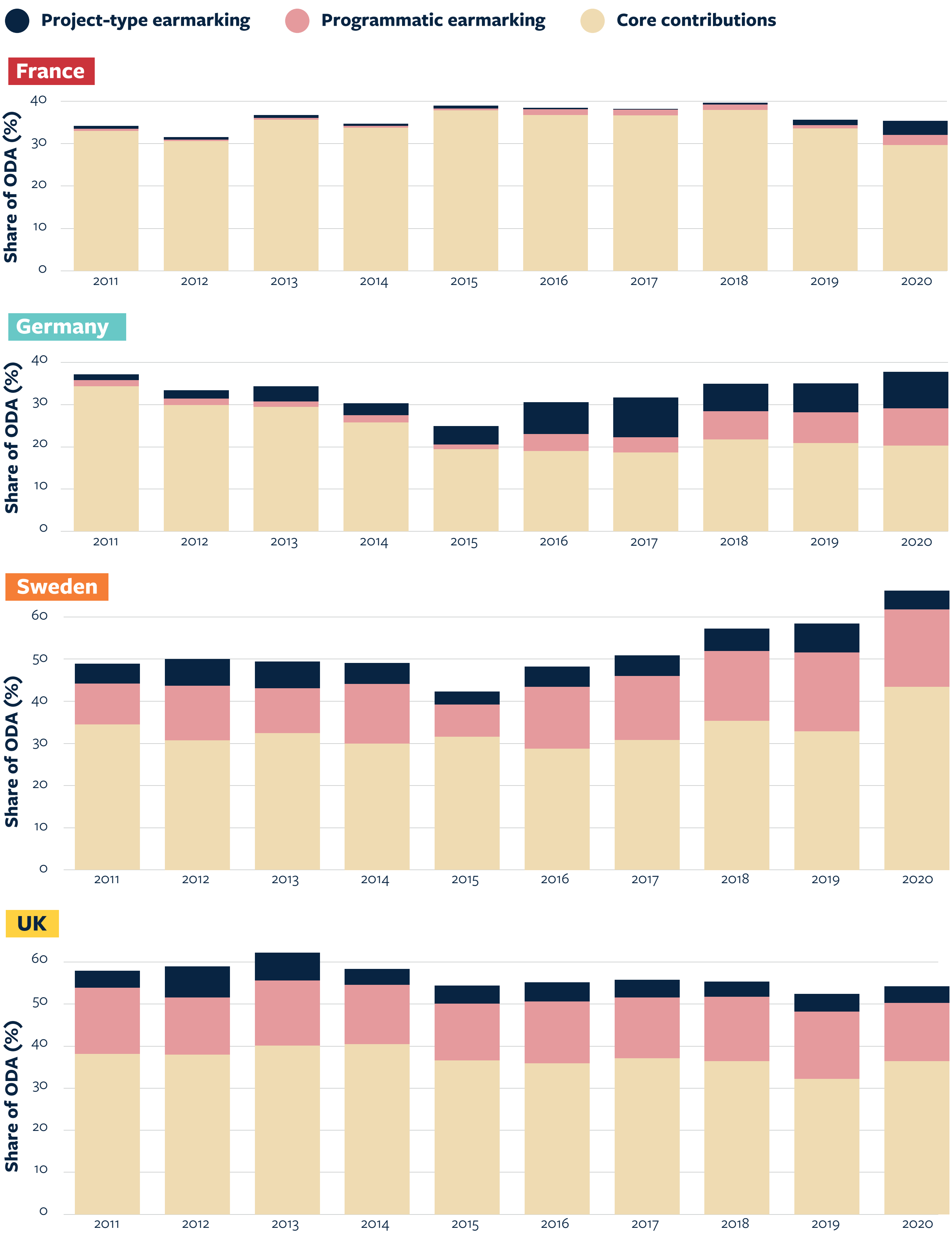
Of the four donors analysed, France consistently stands out as providing the highest share of ODA as core funding to multilateral organisations (only 6% of French multilateral ODA in 2020 was earmarked), while Sweden and the UK have the highest levels of earmarking (23% and 18% of their respective multilateral ODA in 2020); likewise, Germany's proportion of earmarked funding has been growing (17% in 2020, up from 6% five years earlier).

Earmarking is a source of strategic influence on institutional agendas and global geographic and thematic priorities, though with consequences for institutional efficiency and impact. Several French interviewees viewed their core contributions as a less influential modality than earmarked contributions, which can be more explicitly tied to bilateral priorities. Moreover, some noted the inefficiency of 'sprinkling' finance across multilateral funds, as 'each president creates a new large fund.' They noted that the French Treasury has pushed to 'rationalise this scattered financing' across multilateral bodies and the sectors they represent to achieve greater impact. On the other hand, some indicated France's deliberate choice to invest core funds into the multilateral system as reflecting a desire to 'work at the heart of the institutions'. They compared this normative commitment favourably to the UK's approach, which they perceived as the instrumentalisation of multilateral contributions, especially at the World Bank (which one interviewee called an 'Anglo-Saxon tool' for influence) where the UK had made a point of being the largest international development association contributor at recent replenishment rounds.

Notwithstanding Sweden's high level of earmarking, Swedish interviewees were critical of the practice for its inefficiency and donor-driven nature. Still, they acknowledged that, if others are earmarking, there are internal pressures to do the same in order to retain influence within a given multilateral institution. By contrast, they found it hard to translate core contributions into direct agenda-setting influence, which is also indicated in our correlation analysis presented in Section 2.2.2.

33 While this section focuses on the differential influence wielded by core and earmarked funding, there are also different levels of earmarking that are possible. Softly earmarked contributions are more core-like, while tightly earmarked funds have rigid geographic and thematic specifications (Weinlich et al., 2020).

Figure 10 Country contributions to multilateral organisations as share of total ODA

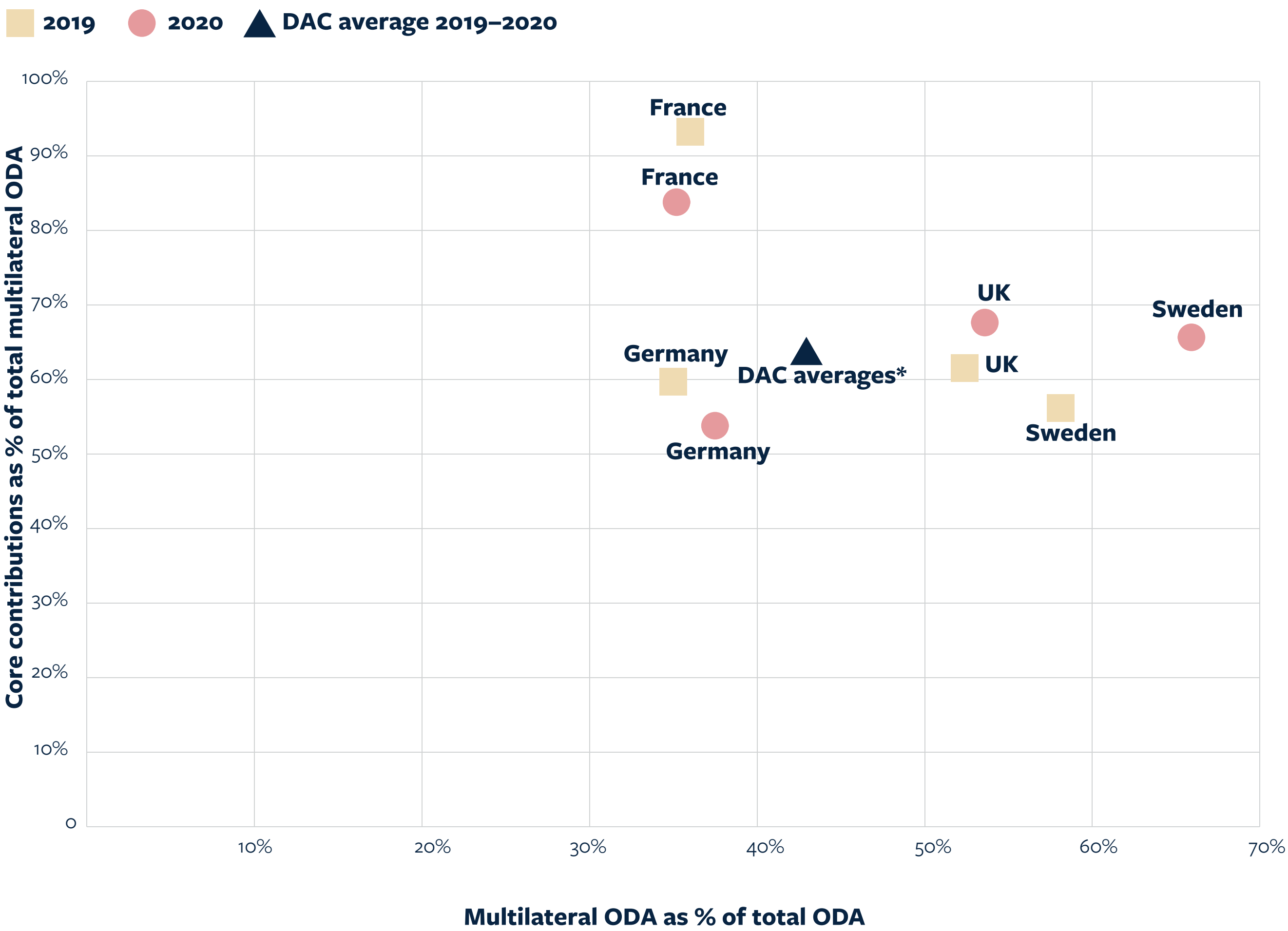


Source: OECD Development Cooperation Profiles (2022)

While multilateral investments can cultivate power for a donor, they are also especially vulnerable to political swings in public spending priorities. By 2025, the UK will rebalance its multilateral portfolio towards bilateral channels, with three-quarters of its 2021 Spending Review allocation going to country and bilateral programmes (FCDO, 2022b). Similarly, ODA cuts are hitting multilateral channels disproportionately in Sweden and Germany; in Germany, this is likely to reduce core contributions that are voluntarily pledged rather than annually assessed (Green, 2022).

Looking comparatively at investment patterns across donors (Figure 11), France's allocations patterns suggest a donor with a consistently high commitment to core funding of multilateral institutions, though like Germany, it has a preference for bilateral channels. Both Sweden and the UK channel a higher proportion of their ODA through multilateral channels; however, they also show a far greater tendency to earmark these funds. Germany, meanwhile, falls below the DAC average in its share of multilateral contributions, and in its percentage share commitment to core funding (Figure 11).

Figure 11 Multilateral ODA allocation patterns by donor



Source: OECD Development Cooperation profiles (2022)

*Note: DAC averages for 2019 and 2020 remained consistent and are represented by a single label.

5.3 Working through Europe for influence

Respondents suggested that development engagement through EU institutions can amplify the impact of domestic spending, steer global agendas like democracy promotion which are riskier for individual donors, and allow members to draw on the broad reach of the EU's external presence in regions where they would not otherwise engage on a bilateral basis. Working through the EU is thus a way to achieve scale and impact, and to share risks.

Nevertheless, larger powers in the EU like Germany are not perceived as seeking strong influence over the direction of EU development policy. German respondents characterised their country as a norm taker on development and foreign policy from Europe, rather than exploiting its platform for influence. As the largest economy in the EU, Germany is often perceived as an influential member state even as it has reduced its development and foreign policy engagement over the last decade. As one respondent put it: 'We do not want to lead just because we are big'. German influence at the EU level is not seen in solitary terms but always in coordination with others, and especially with France. Regarding Germany's role in supporting a new EU agenda, one informant commented:

> *'There is a certain potential now ... as long as you go together with France and overcome challenges from Eastern and Southern Europe.'*

By way of contrast, Swedish informants saw the EU as an important channel for advancing development norms, noting that the EU's approach had aligned with Swedish norms on gender, climate and human rights over the last 20 years. Interviewees pointed to the ways in which Swedish priorities were reflected in the recently created EU Neighbourhood, Development and International Cooperation Instrument (NDICI), a €79.5 billion financial instrument for joining up various funds for development cooperation under the 2021–2027 multi-annual financial frameworks (EC, 2022).

While the UK once exercised considerable influence over the trajectory of EU development policy, its departure in 2020 has removed this multilateral channel from its influencing arsenal. One German respondent compared the collapse of UK agenda-setting power in the EU to 'becoming a dwarf', while a Swedish interviewee described the loss of the UK as a key partner and ally as 'a tragedy'. A UK respondent explained that the only remaining engagement between the UK and the EU on development cooperation was in relation to legacy financial contributions dating from before Brexit, and thus politically controversial with some members of the government.

In 2020, the EU's fragmented international response to the Covid-19 pandemic prompted a renewed effort at regional coordination of bilateral and European cooperation under the brand identity of 'Team Europe' (Keijzer et al., 2021). Team Europe is a European Commission initiative to coordinate a coherent European offer, united by its geopolitical, economic and security interests, enabling its joint external action to become 'more than the sum of its parts' (EC, 2023). There are currently over 150 Team Europe Initiatives in operation, and they form the backbone of the new NDICI and the EU Global Gateway Strategy (Box 3). Within this web of bilateral, inter-governmental and EU mechanisms, the intention is to grow and project collective European development power.

Box 3 Team Europe and the EU Global Gateway

The Team Europe approach takes EU values and interests as a starting point for engagement with development partners by 'send[ing] a strong message of European partnership and solidarity to build back better, making sustainable recovery and the achievement of the Sustainable Development Goals a reality and showing that multilateralism works' (EU, n.d.). As one respondent said: 'Team Europe is an effort to show that in the long-term, the results are better if you work with our values'. Team Europe signals a coordinated strategy for concessional and non-concessional finance and a larger ambition for European international cooperation.

The EU Global Gateway strategy (announced in December 2021) sits alongside the Team Europe approach and is meant to mobilise €300 billion in smart and sustainable connections in the digital, energy and transport sectors by 2027, largely in Africa. This strategy is commonly viewed as the EU's competing offer to China's BRI (EESC, 2023; Ghiretti and Stec, 2022), though instead of the state-directed lending model embodied in the BRI, the EU intends to use public finance to mobilise other investors. At its heart is the European Fund for Sustainable Development Plus (EFSD+), intended to leverage private sector investments to meet this financing target. However, the rollout of concrete projects so far has been slow, and coordination is likely to remain an ongoing challenge.

6 Investing in global public goods for development power

6.1 The ancillary benefits of global public goods

There has long been excitement about the possibility that international public good provision can provide a more powerful rationale for aid spending (Jayaraman and Kanbur, 1999; Anand, 2004; Severino, 2010; Kaul, 2013). The recognition that many national problems derive from global challenges is now taken as a given in the face of visible, cross-border externalities induced by Covid-19, a warming planet and growing international crises and conflict.[34]

Estimating spending on GPG is not an exact science, with several approaches taken (Box 4). Some estimate donor contributions towards GPGs have stood at roughly 20% of ODA in the last decade, with climate and environment sectors the leading investment (72% in 2015–2020), followed by global health (15% in 2015–2020) (Hegertun, 2021). **A vexing concern remains whether investment in GPGs is additional to ODA.** This is especially critical if governments treat such expenditure as a fixed ceiling under which all international goals must be supported (Severino and Ray, 2009), which risks trading off GPG spending with country programmable assistance.

This **emphasis on tackling global challenges represents an evolution in the task of development cooperation providers**, with ODA budgets increasingly marshalled towards this purpose and development organisations looking at the adaptations required to provide them (Hegertun, 2021; World Bank, 2022a). According to several of our respondents, one important reason for donor interest in GPGs is that spending on climate mitigation or infectious disease control can generate positive externalities for all states, advancing donor enlightened self-interest.[35]

At the same time, **GPG investment can also bring important commercial and diplomatic returns**. Large-scale infrastructure investment targeting emerging markets can steer countries away from Chinese spheres of influence, produce commercial and investment opportunities, and ensure critical imports from allied trading partners. Thus, as MICs ramp up capital spending to accommodate growing economies and populations, DAC donors have increasingly sought to meet demand for infrastructure finance (Humphrey and Prizzon, 2022).

Such efforts are perhaps most obvious in the climate space, a prime area of focus for Germany and France (Figure 12). BMZ's 2030 Reform

34 For example, the DAC has now mainstreamed the goals of the 2005 Paris Agreement on Climate Change into the ODA agenda, even in areas where this spend does not have specific climate and environment objectives (DAC, 2021).

35 The 2006 International Task Force on GPGs recognised the possibility for such domestic returns, titling their report: 'International Cooperation in the National Interest: Meeting Global Challenges'.

Box 4 The challenge of measuring donors' engagement in global public goods

Addressing cross-border externalities like climate change or pandemic preparedness is likely to benefit a wider swathe of countries than ODA-eligible countries. This provides an incentive for donors to allocate ODA resources for GPG resolution, though such flows do not meet its strict criteria. There now seem to be three options for measuring spending on GPGs:

1) List of sectors where spending might contribute to GPG production. The lists of these codes are typically drawn from the DAC's Creditor Reporting System database, but the sector codes included can vary (Development Initiatives, 2016; Gavas et al., 2017; Hegertun, 2021; Kenny et al., 2018). Such efforts include estimations of both ODA and beyond ODA spending on GPGs. They exclude core multilateral funding to standalone vertical funds that are often defined by GPG provision, for example the Coalition for Epidemic Preparedness Innovations (CEPI) or the Green Climate Fund (GCF).

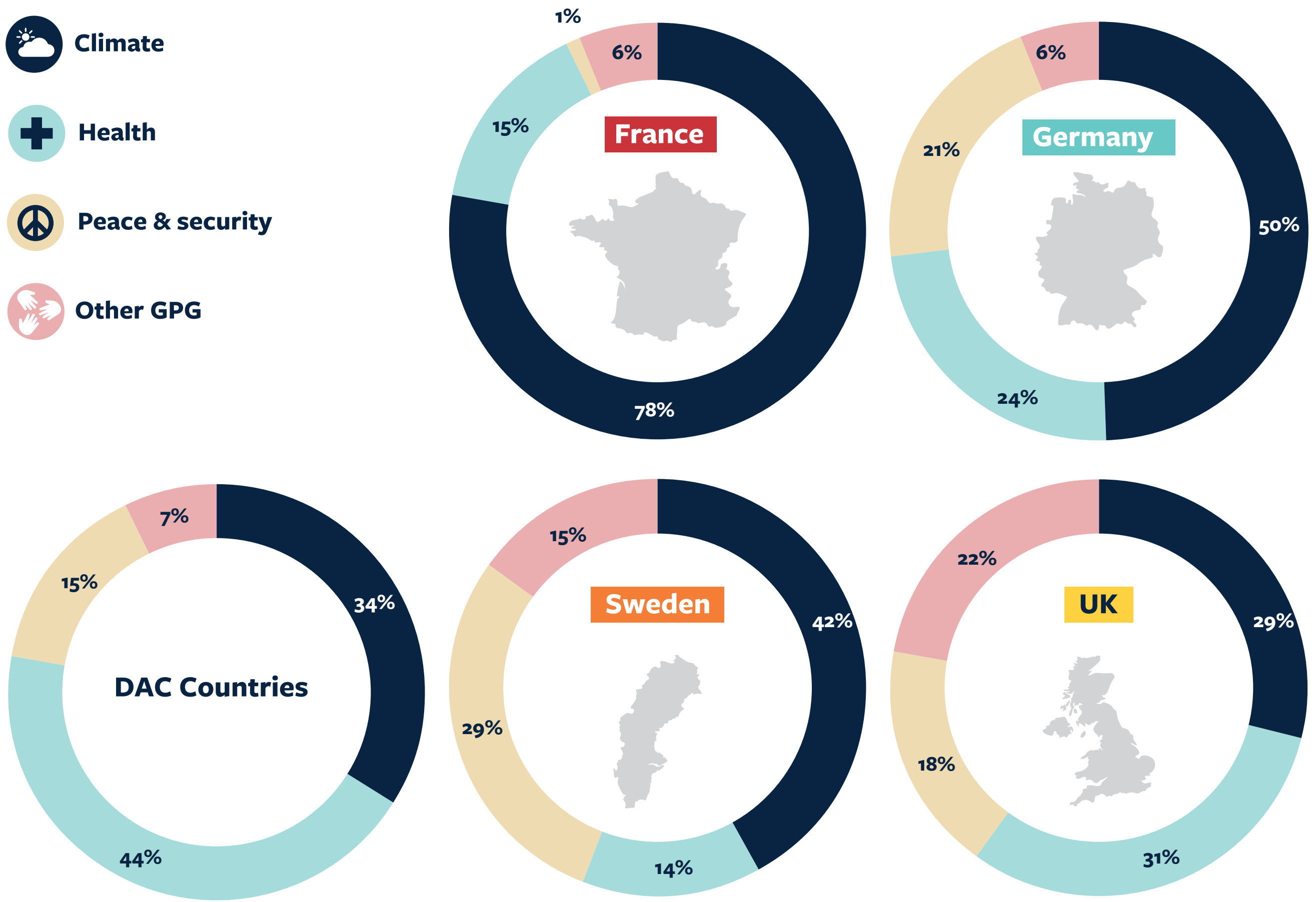
2) Clearly delineate 'ODA-eligible GPG financing' that includes spending in the most vulnerable countries to provide goods that deliver genuine public benefits of high impact (Kenny, 2020; Rogerson and Ritchie, 2020; Hegertun, 2021). This approach advocates for a clearer conceptual division between matters that come under aid for the eradication of poverty, and global investments based on shared common interests. Stricter criteria for what counts as ODA, can prevent donors from gaming its definition. A variation of this argument overhauls ODA by distinguishing concessional investment in support of low-income and fragile countries from non-concessional finance mobilised towards the climate transition of MICs (Melonio, Nauden and Rioux, 2022).

3) Efforts to measure spending on GPGs (funded through ODA and beyond ODA flows) through new DAC accounting measures like Total Official Support for Sustainable Development (TOSSD). The number of countries reporting against TOSSD remains limited (Germany does not yet report, for instance) (Elgar et al, 2023).

The approach we use below relies on the CRS sector codes relating to climate, health, peace and security, used in Gavas et al. (2017), while updating with Covid-19-related spending. We recognise there are limitations to this approach, particularly in relation to the use of the CRS to proxy climate finance allocations. (See Getzel et al, 2023 for a fuller discussion and Appendix 3 for a full list of CRS codes used to calculate GPG shares). The resulting GPG investment from our four donors is delineated in Figure 13.

Strategy is explicit in its desire to tackle climate change among a wealthier set of 'global partners'.[36] France too spends a notable proportion on climate causes and shows a strong concentration in wealthier emerging markets (Figure 12). Notably, interviewees noted a strong desire to turn France into a 'green power', though recognised that this effort was sometimes undercut by economic diplomacy objectives. For France, there is a greater use of non-concessional finance for climate spending than in any of the other cases (Figure 14). The UK and Sweden have had a more balanced portfolio of GPG investment, largely funding their climate work via concessional flows with a strong focus on lower-income countries. This allocative pattern likely derives from the challenge of bringing together concessional and non-concessional windows of finance in both countries, which limits their use of debt instruments in large green infrastructure projects (see Table 2). However, changes are afoot to expand GPG engagement in service of commercial and geo-strategic aims (Box 5).

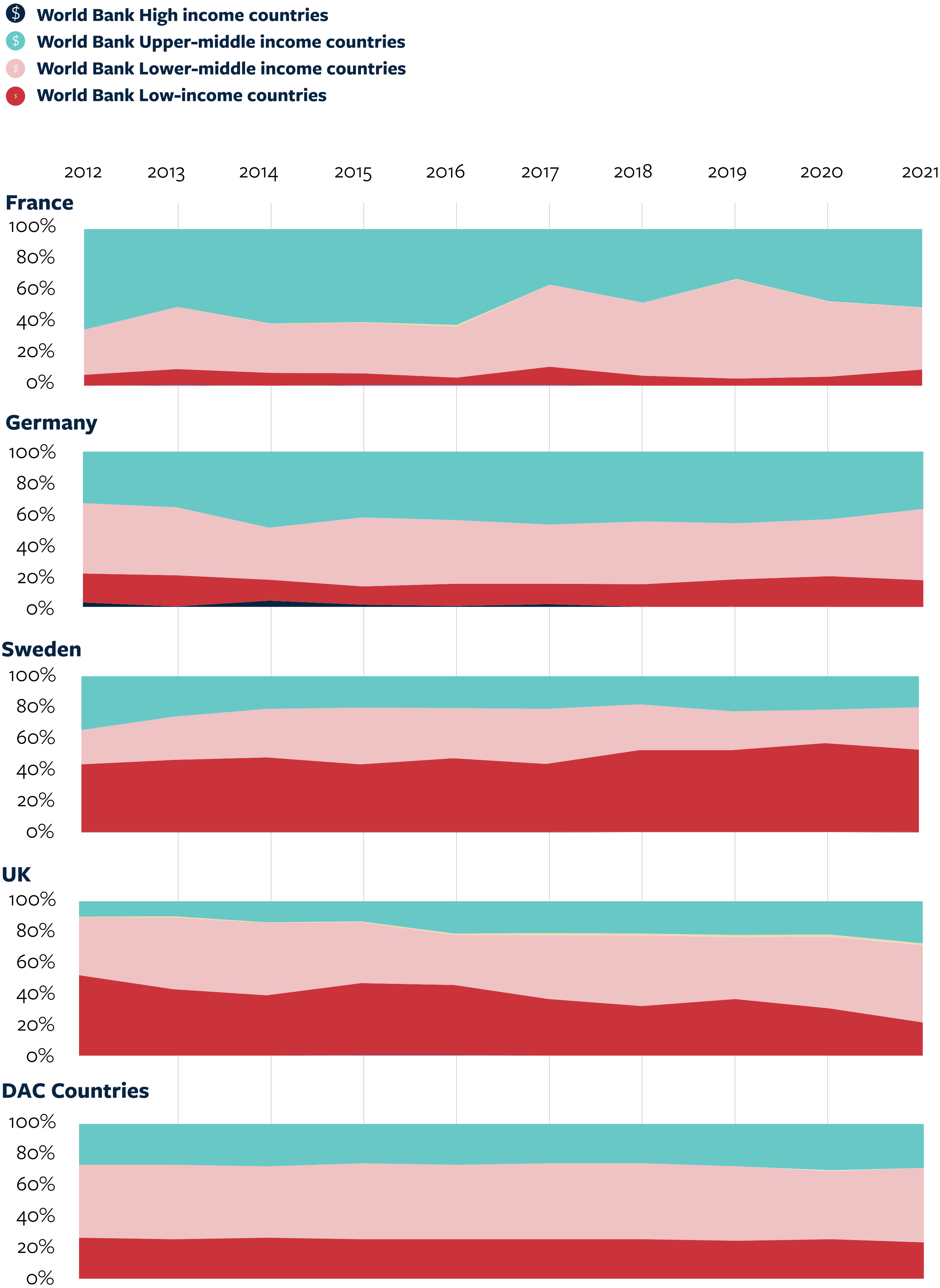
Figure 12 Sectoral disaggregation of donors' spending on global public goods (2019–2021 total)



Source: CRS Database (2019–2021)
Note: See Appendix 4 for CRS sector codes used

36 These countries are: Brazil, China, India, Indonesia, Mexico, Peru, South Africa and Vietnam.

Figure 13 Total global public good investment by income group, 2012–2021



Box 5 From poverty reduction to global public goods: the UK's climate diplomacy

The UK Integrated Review (both its original formulation in 2022 and its refresh in 2023) the Development Strategy (2022) have placed transnational public goods – such as climate and biodiversity, health security, migration, science and technology, and cybersecurity – at its heart, which some suggest has downgraded poverty reduction as an objective (Usman and Glennie, 2022).

British Investment Partnerships (BIPs) is intended to bring together several British institutions and instruments to unlock 8 billion pounds in financing a year by 2025 finance for green growth. BIP is the investment framework for delivering on the government's Clean Green Initiative (CGI), an effort framed as the UK's chance to lead a global 'green industrial revolution' (Scull and Healy, 2022). Responsibility for BIP lies with the Director General of the Indo-Pacific region, suggesting a strategic orientation in the allocation of its portfolio (Worley, 2022e).

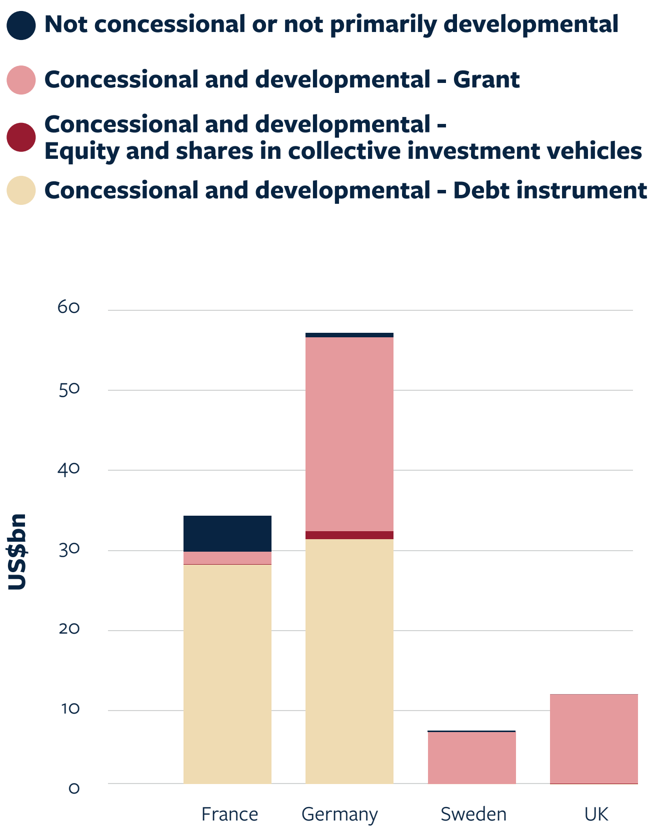
Under the initiative, the UK's DFI (BII) will target 30% of its new commitments over the next five years towards climate-related projects. The government also intends to expand guarantees from FCDO's balance sheet and issue green bonds to incentivise private investment in climate infrastructure projects at scale (FCDO, 2022b).

The CGI is the channel for support to Just Energy Transition Partnerships (JETPs), a country-led mechanism that is meant to marshal and coordinate public and private investment from multiple sources to decarbonise MICs while supporting a domestic agenda for growth (Hadley, 2022; Hadley et al., 2022). The CGI is listed as a UK contribution within the G7 Partnership for Global Infrastructure and Investment (PGII), an inter-governmental mechanism intended to coordinate overseas green and digital infrastructure engagement, and to rival China's BRI (Moses and Zhu, 2022; Scull and Healy, 2022).

6.2 Global public good championship for persuasion

The climate space has provided a rich terrain for growing national reputations in inter-governmental engagement and multilateral fora. We have seen varying degrees of success among the COP presidencies, but when big advances are made there are reputational benefits to host nations. For example, France has leveraged the issue of climate to exert significant moral and agenda-setting power, most prominently through hosting COP21 and overseeing the signing of the Paris Agreement, as well as hosting the Green Climate Fund's first replenishment conference in 2019. AFD's former Director General Jean Michel Severino (2001–2010) pushed the organisation in the direction of climate early relative to donor peers. This legacy has enabled AFD to mobilise public finance institutions for climate agendas through the International Development Finance Club and the Finance in Common summits.

Figure 14 Instruments of climate finance, 2010–2019



Source: OECD climate-related development finance data

GPG engagement, stewardship and financial commitment can endow donors with moral influence as champions of critical global agendas, even if thorny questions of delivery and financial responsibility, both for them and for others, remain unresolved. In Germany, former Chancellor Angela Merkel burnished her credentials as a 'climate chancellor' by strongly advocating for international commitments to emissions reductions, even as she made domestic concessions to powerful interest groups, most notably automakers (Wilkes and Dezem, 2021). Some of our respondents suggested Merkel squandered her moral leadership by pushing the international climate agenda forward by relying on bilateral channels, targeting funding to MICs in which Germany had significant commercial and trade interests, as well as tolerating a high dependence on Russian gas imports.

More recently, in December 2021 the newly-elected German government made the decision to shift responsibility for international climate policy from BMZ to an economic and climate 'super-ministry' and created a special envoy on international climate policy as a new position within the diplomatic service, suggesting further elevation of the climate agenda. Soon afterwards, however, Russia's invasion of Ukraine pushed Germany into talks with Senegal on helping the West African nation exploit its offshore natural gas resources in order to export to Europe, despite a commitment not to finance fossil fuel exploration overseas at COP26 (Gold, 2022).

Engagement on GPGs at a global scale can endow countries with influence, helping to set international agendas. However, this can also deflect attention away from implementation challenges and commitments, both at home and overseas. For example, the British President for COP26 Alok Sharma enhanced the country's credibility on the world stage by concluding a moderately successful summit in Glasgow that elevated climate adaptation by increasing funding levels and pressing high-income countries to double commitments by 2025 (Hill and Babin, 2021; UNEP, 2021). However, after pressuring countries to consign coal as yesterday's fuel at COP26, Sharma's own Conservative government cleared the way to re-open a coal mine in Wales the following year.

Constant, high-level political steering is usually needed for countries to engage meaningfully in the GPG agenda and derive power from it. While GPG efforts tend to get an initial boost when a major global crisis emerges (e.g. the Covid-19 pandemic, extreme weather events), they can also fall down the list of priorities as newer, more pressing concerns arise. Mirroring the trends we saw with ODA in Section 5.3, any power that derives from GPG engagement can also quickly wither as domestic political priorities alter.

6.3 Delivery through multilateral channels: agenda-setting with costs

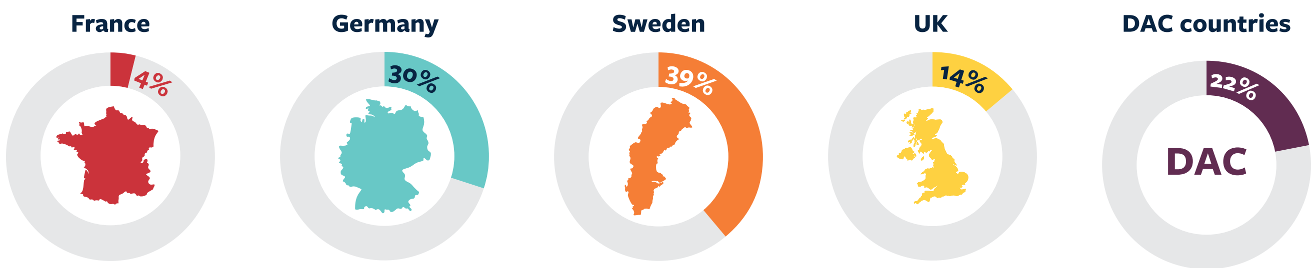
The imperative of GPG production reinvigorates the case for investment in multilateral bodies as channels for global collective action. International institutions are not only channels for GPG production; they are also, in and of themselves, a fundamental GPG providing global coordination, high-quality expertise, information sharing, problem solving and accountability (Martens, 2005; Kaul, 2013; Milner and Tingley, 2013; Reid-Henry, 2022; Gulrajani, 2016).

As Section 5.2 highlighted, earmarking is a way for donors to steer multilateral agendas, but it comes with some costs. **Multilateral investments in GPGs have accelerated the trend towards 'à la carte multilateralism'**, incentivising earmarking to shift multilateral priorities because of 'a perception that the design and capacities of existing institutions do not sufficiently address global challenges' (OECD, 2022a). For example, more than 35% of Sweden's GPG finance is channelled through earmarked multilateral funds (Figure 15).

What is more, **heightened interest in GPGs and regional public goods has contributed to global governance complexity**. Between 2019 and 2020, the largest increase in multilateral contributions was experienced by standalone vertical funds, whose contributions collectively rose by 56.9% from $6 billion to $9.5 billion (OECD, 2022b). Meanwhile, at the height of the Covid-19 pandemic, with the World Health Organization's core budget languishing at less than 25% of its total operating costs, several new global financing windows were created that further grew the share of multilateral contributions earmarked at the global or regional level (i.e. not for a specific country) (World Bank, 2022b). While funds and institutions may be set up on the initiative of a few champions to address new challenges, they risk compromising broad-based multilateral consensus and incentivising global governance incoherence.

Given these costs, there is growing discussion of reform and the retooling of multilateral institutions to better accommodate GPGs. For example, in May 2021 member states agreed to double World Health Organization core contributions despite perennial under-funding – a reflection of the vital technical and convening power it displayed at the height of the pandemic (ODI, 2022). One can also understand recent efforts to repurpose MDBs to invest more in GPGs in this light (World Bank, 2022a). Further institutional reform will likely be required to avoid duplication, enhance coordination and ensure that donor enthusiasm for tackling global challenges does not undermine the GPG of multilateralism itself.

Figure 15 Share of global public good spending via earmarked multilateral channels, 2019–2021



Source: OECD CRS data

7 Emergent strategies for development power

Cooperation for global development occurs against the backdrop of contested multipolarity, dense and fragile interdependencies, and existential transnational challenges. Russia's invasion of Ukraine has exacerbated many of these trends. Notably, it has thrown momentum behind the view that we are on the cusp of a grave ideological conflict between liberal democracies and illiberal, authoritarian states, with the US and China as two poles.

As advanced democracies seek to build critical supply chains through each other's economies, deepen trade links, distance themselves from autocracies, and defend each other from despotic governments, China and its BRI is both the justification for instrumentalising development and a powerful template (Parkinson, 2022). This is especially the case in strategically important regions like Asia and Africa, in sectors like cyber, critical minerals and energy, and in sensitive planetary arenas like maritime and outerspace. Having a sense of the emergent strategies that European donors are adopting to cultivate development power can help us understand how likely a neo-Cold War will be fought on a development frontline, and whether instrumentalisation may come at the expense of development impact.

Our discussion in Sections 3–6 points to significant variation in the ways development policy elites are responding to a context in which the Western allies are considering where their supporters, their geo-economic interests and their global development goals intersect.[37] Choices about ODA use, economic partnerships, multilateral engagements and GPG production suggest different pathways of influence through instrumentalisation. This section collates these choices into a framework that helps us understand the emerging contours of each donor's respective strategies for cultivating development power. In a world of radical uncertainty and geopolitical rupturing, we identify four distinct adaptation strategies being pursued by these European middle powers.

7.1 From development superpower to development powers

The main conclusion we draw from our cases is that there is **no singular understanding of what a development superpower looks like today**, even if there is consensus that development power no longer derives exclusively from aid volumes. While aid generosity still endows reputational advantages, as France and Germany recognise, nationalist and socially conservative leadership, the costs of the war in Ukraine, and the Chinese template of strategic development

37 For example, see the G7 (2022) Leaders' Communique: 'At a time when the world is threatened by division, we will jointly assume our responsibility and work with partners around the world to find solutions to pressing global challenges such as tackling climate change, and securing a just transition as well as addressing the current and future pandemics and achieving gender equality' (http://www.g7.utoronto.ca/summit/2022elmau/220628-communique.html).

have made divergence from aid targets politically acceptable among traditional development powerhouses like Sweden and the UK.

Moreover, the concept of a development superpower had limited resonance among the bulk of our interviewees, and where it did it seemed limited to our UK informants. Indeed, for several interviewees **the idea that there exists a single ‘development superpower’ suggested a certain amount of unhelpful, post-imperial hubris** given that the Global South is demanding greater respect, control and agency from their Northern partners – demands that are more likely to be met by chief rival China than by any Western nation.

Nevertheless, European middle powers are cultivating influence using development levers in distinct ways. How such capabilities are crafted without resorting to force or economic might is the art of a development power.

There are two axes against which these emergent strategies for cultivating development power can be understood. Along the first, we can see **variation in terms of the explicitness in the goal of development power**. For example, our UK interviewees could link specific choices to the objective of cultivating influence and had an easier time mapping the linkages between specific levers, national objectives and geopolitical effects. By contrast, German interviewees were more unsure about their pathway, while still recognising the possibility of instrumentalisation and its potential risks.

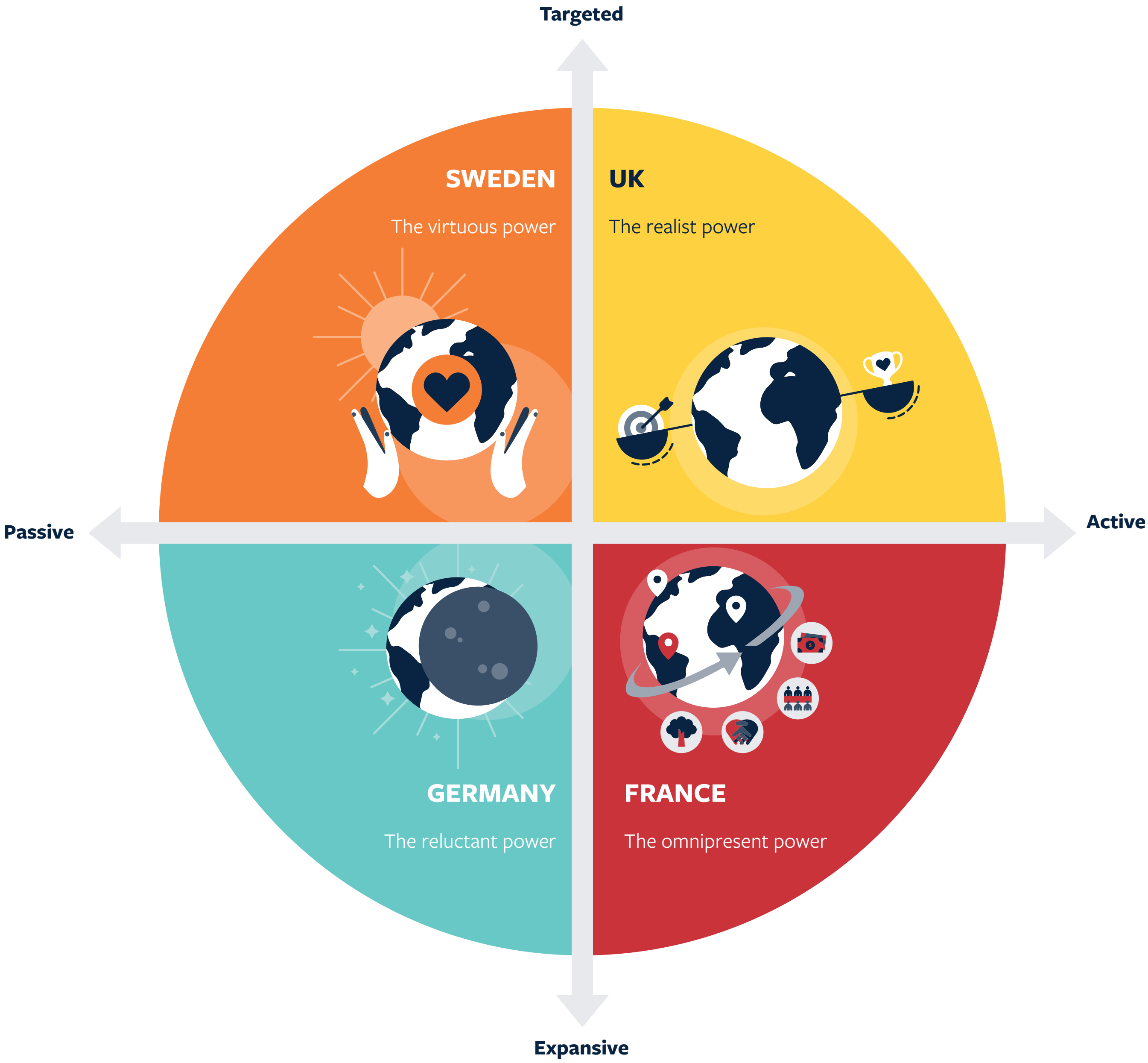
On the second axis, we see **variation in terms of the scope of the emerging strategy**. For example, France seemed to draw on several development levers, and within these exhibit significant breadth in its sectoral, institutional and geographic presence, which also points to some incoherence. By contrast, Sweden has tended to foster a stronger identity as a humanitarian power which has, until recently, informed the choice and manner in which its development instruments have been put to use. From these two axes, the emergent strategies of these four European donors can be classified in terms of the following matrix (Figure 16).

7.2 France: the omnipresent development power

Under President Macron, France has ambitions of transforming itself into a steward for development cooperation, a close partner of the African continent, and a strong proponent of European sovereignty. Macron has sought to grow trade and investment relations on the continent, establish France as a green power and address political instability in the Sahel (Faure, 2021).

Seeking greater visibility on the world stage, France has actively engaged in development cooperation, balancing new initiatives and partners while aiming to maintain old partners, allies or long-standing commitments. This has contributed to an expanding geographic, sectoral and institutional footprint. For example, Macron has put into law an effort to focus on LICs while still seeking to engage heavily on green energy in MICs. A commitment to African solidarity is married to a strong interest in furthering economic diplomacy through the heavy use of loan instruments. France’s use of non-concessional finance reflects a wider geographic interest compared to the other cases. Of our four donors, France has the highest proportion of core multilateral commitments, and along with its contributions to vertical funds, this has given it a broad presence. The overall impression is one of a provider that is actively seeking to use development instruments to cultivate national influence, but is doing so in multiple arenas where the direction of travel can appear inconsistent and scattered.

Figure 16 Emergent strategies of development power



7.3 Germany: the reluctant development power

Unlike France, Germany does not have a clear strategy for elevating the influence of its development cooperation. While its resource envelope, financial levers and institutional structures give it the greatest capacity for instrumentalisation among our four donors, Germany has continued to underplay the development power that it has at its disposal. Such reticence to assume development leadership has deep historical and cultural roots and will not be easily dislodged. Chancellor Olaf Scholz's *Zeitenwende* speech in March 2022 in response to Russia's aggression in Ukraine triggered a growing assertion of German military strength, but there remains a prudence that suggests a preference to work with allies rather than lead them (Serhan, 2023).

Germany seems to view sustainable development as intrinsically valuable, and avoids framing it as a vehicle for national influence, status or economic diplomacy (Gulrajani, 2021). But its engagements cover a wide swathe of issues and geographies. While there has been a general preference for allocations through bilateral channels, higher-profile multilateral engagement is now sought, though investments remain heavily earmarked. The embrace of a feminist foreign policy sits alongside a strong focus on economic cooperation and trade in MICs, strong climate commitments and a more strategic tilt towards the use of aid to curb migration. Germany's recent Africa strategy preserves a commitment to economic transformation through job creation, just transition and gender equality, with limited reference to its geo-economic ambitions. Its geographic span stretches to 60 countries; while this represents a reduction compared to its previous geographic footprint (86 countries), it is still vast and suggests an expansive strategy.

7.4 Sweden: a virtuous development power in transition

Sweden has traditionally held outsized influence as a development actor through its strong commitment to poverty reduction and humanitarianism. It has stridently adhered to global human rights, gender equality, democratic values and sustainability. Swedish parliamentarians adopted a 1% of GNI target for development aid and have stayed at, or close to, this target since the mid-1970s (a dip to 0.7% occurred during the 1990s (Hansen and Gjefsen, 2015) Sweden. It has strongly championed policy coherence since the 1970s, and in 2003 made a formal commitment to mainstream sustainable and equitable development throughout all public policies (not just development cooperation) (Regeringskansliet, 2003). Swedish and (more generally) Scandinavian foreign policy tends to cast engagement in world affairs as a moral obligation to share some of the wealth, expertise and knowledge that have contributed to these countries' affluence. Sweden's reputation is informed by this 'humanitarian brand' (Puyvalle and Bjorkdahl, 2021). Prior to the election of Prime Minister Ulf Kristersson and his centre-right government in 2022, the cultivation of this brand has been explicit and deliberate.

Sweden has also been reliable and consistent in leveraging this brand. It has long framed its development cooperation through its feminist orientation, setting up guardrails around its efforts to tackle global poverty, and stabilising countries in conflict to avoid co-optation by commercial and military priorities. Even as it has expanded the use of its DFI and private-sector instruments such as guarantees, it has concentrated its economic cooperation (through OOFs) in regions where its ODA is already engaged. Sweden has also strategically used its multilateral contributions and EU membership to gain support for its progressive agendas on climate, gender and democracy.

Clearly, changes are afoot in Sweden after the November 2022 election of the Moderate Party coalition government. Examples of such changes include the end to Sweden's feminist foreign policy, aid that is conditional on the readmission of failed asylum claimants, cuts to multilateral spending, the integration of development and trade portfolios, and a 2023 fiscal framework that fixes ODA levels for the next three years and decouples it from GNI. Swedish foreign policy is charting a more instrumental course as it pursues 'Swedish interests and Swedish values' and rejects an identity it has long cultivated as an exceptional moral power (Modernaterna, 2020).

7.5 UK: the realist development power

Dramatic aid cuts and the merger between DFID and FCO have given the term ‘development superpower’ a nostalgic currency for many in the UK. ‘We were a development superpower, and we chose to give it away,’ said Labour Party Member of Parliament Sarah Champion, Chair of the UK Parliament International Development Select Committee (Champion, 2022b). Nevertheless, the instrumentalisation of aid to cultivate development power cannot be viewed as the product of a single policy decision to merge or cut the aid budget. Rather, it has been an effort many years in the making, starting with a gradual reduction in DFID’s autonomy, the downgrading of technical expertise and decision-making, a ring-fenced and legislated commitment to ODA that appeared to come at the expense of FCO’s diplomatic capabilities, and a development strategy in 2015 explicitly framed as servicing the UK national interest.

The UK has adopted a relatively targeted approach to assimilating development into its wider foreign policy objectives by bringing down the walls between international and domestic orientations and enabling a cross-governmental approach to cultivating national resilience and security. This shift has replaced poverty reduction as a singular focus for development cooperation with an Integrated Review that has pressed development into the service of diplomatic and defence ambitions, which aims to turn the UK into a ‘force for good’ and a ‘soft-power superpower’, notably through the mechanism of international climate finance. In the recent development strategy, there is an emphasis on the creation of economic partnerships that can generate jobs and investment opportunities within the UK, with a targeted focus on wealthier, strategic countries in the Indo-Pacific region. ODA to LICs is no longer central in the new strategy. Instead, ODA is bundled under a broader package that emphasises British expertise and scientific innovation, non-concessional finance and private investment to create open, free and transparent societies. The overall impression is of a targeted effort to create a counteroffer for allies residing in China’s sphere of influence.

Andrew Mitchell, the current UK Minister of State for Development and Africa in FCDO, is now seeking to regain Britain’s lost ‘superpower status’ (Mitchell, 2022; Worley, 2022d). While there is an important recognition of the need to restructure FCDO and mitigate the effects of aid cuts, political leaders remain comfortable treating any remaining ODA budget as a static pot from which both pre-existing and emerging foreign policy priorities can also be tackled. The opposition Labour Party, meanwhile, offers a vision that also seeks to regain lost ground on UK devleopment: placing poverty reduction at the heart of UK aid policy and equipping the foreign service for new challenges, but without wholly re-committing to 0.7% ODA/GNI or recreating DFID.

Ultimately, the search for power appears and manifests itself differently across each of these donors, reflecting (at least partially) the different ways they see themselves in a fragile world where the objectives of the development project are hotly contested. In such an environment, no strategy can serve as a template of best practice for cultivating development power. Nevertheless, within each approach there are opportunities to consider the choices that donors are making. As we suggest in the last section, notwithstanding this diversity of approach between our donor cases, the search for development power should always aim to be smart.

8 Making development power work for all

Section 7 indicated the contours of the emerging strategies of four European middle powers to cultivating development power. Variations in scope and degrees of explicitness distinguish these four strategies. But what are the likely effects of these different approaches to instrumentalisation in terms of addressing the disparate vulnerabilities and insecurities of the current 'polycrisis'?

In this concluding section, we suggest that European donors should be wary of emulating China's pathway for cultivating influence via their development engagements. Instead, deploying development power to advance shared interests can further Western middle-power influence in a polarised geopolitical environment. Our findings point to the unique sources of development influence that can be marshalled by European middle powers.

8.1 Building development power intelligently

Instrumentalising development levers risks jeopardising their impact and effectiveness.[38] This may be explained by the fact that the pursuit of power can divert donor time and effort away from the productive activities that are more likely to spur development (Collier, 2016).[39] The degree and speed of the transformation of British development policy over the last three years has been a visible demonstration of this fact. The strengthening of the Western security alliance and active efforts at friend-shoring are percolating into the development endeavour in a bid to grow 'green power' through climate and digital infrastructure packages rivalling China's BRI. Such trade-offs may be politically acceptable, but should at least invite analysis of expected power gains to see if they are worth the costs in lost development (Girod, 2019).

Such an analysis would consider that delivering development outcomes lies in the providing nation's interest more than ever before. Globalisation has unleashed the unparalleled integration of nations through trade, travel and telecommunications. At the same time, disinformation, pathogens and climate emissions do not respect borders in an interlinked global commons. Cross-border connections, spillovers and inter-dependencies mean sustainability, stability and prosperity overseas are now firmly within the domestic interests of all states (Bermeo, 2018). Leveraging development power to tangibly improve lives and livelihoods elsewhere is in the interests of all states in a way it never was during the Cold War. Development power can work towards securing the 'national interests of mankind' (Wolfers, 1952). Such instrumentalisation can be understood as **smart development power**.

38 To illustrate, aid created nine times more growth after the end of the Cold War than before as recipient leaders improved governance, delivered better basic services, protected property rights, and strengthened macroeconomic and regulatory environments (Bearce and Tirone, 2010).

39 For example, the need to pander to unscrupulous allies during the Cold War limited the effectiveness of aid conditionalities and reduced possibilities for democratic reform (Dunning, 2004).

8.2 The importance of smart development power

More than ever, states need to be incentivised to cultivate smart development power. Doing so can craft common cause with Global South leaders, many of whom remain suspicious of Western motives in Ukraine and where resentments linger over the West's record on sharing Covid-19 vaccines and honouring their climate finance promises (Chazan and Pitel, 2023). A growing number of 'in-between' countries are seeking non-alignment between China and the US, fearful of taking sides in a new great power competition but also revealing growing contempt for the West.[40]

The refusal of many of the world's most populous countries – including Bangladesh, Brazil, China, India, Indonesia, Pakistan and even NATO member state Türkiye – to place economic sanctions on Russia has put Western powers on the defensive and undermined trust on all sides (Adler, 2022). LICs view Western preoccupation with Ukraine as detracting from pressing development needs, including food price shocks in Africa and the Middle East, droughts in Ethiopia, Kenya and Somalia, and long-standing conflicts in Syria and Yemen.[41] As Western development cooperation risks becoming an inducement for countries to pick their side, we can thus no longer take for granted global development as a safe space for collaboration.

In such a context, solidarity can be a powerful narrative with growing legitimacy and credibility among activists and governments alike. This is best evidenced by Barbadian Prime Minister Mia Mottley's Bridgetown Initiative, which prompted President Macron to organise a 'New Global Financial Pact Summit' in June 2023. Smart development power works across the boundaries of solidaristic, supranational and nationalist narratives in such a way that it draws synergies between values and interests (Gulrajani, 2022).

Western middle powers have a choice. They can consider development through the lens of friend-shoring, knowing it risks alienating many Southern nations and creating 'us and them' divisions.[42] Alternatively, they can seek a less polarising

---

40 The EU's High Representative for Foreign Affairs and Security Policy Josep Borrell recently described the situation of these countries in the following way: 'And in the middle of that, we have the Global South. These people do not want to be forced to take sides in this geopolitical competition. More [importantly], they feel that the global system does not deliver, and they are not receiving their part. They are not receiving enough recognition. They do not have the role they should have according to their population and their economic weight. And when facing these multiple crises – these multipolar crises, financial, food and energy crises – it is clear that they are not there following us because they blame us, rightly or not.' Available at: https://www.eeas.europa.eu/eeas/eu-ambassadors-annual-conference-2022-opening-speech-high-representative-josep-borrell_en (accessed November 2022).

41 The diversion of aid to help Ukraine and Ukrainian refugees and to look to European needs is already resulting in shortfalls in ODA destined for the poorest countries. See https://www.eurodad.org/oecd_aid_statistics_april_2023

42 As Chrystia Freeland, Deputy Prime Minister of Canada, said in a speech at the Brookings Institution in October 2022, 'friend-shoring can't be for a closed club – be it the G7 or NATO or the Five Eyes. It cannot be only for rich countries or only for historic partners. [...] It is not unreasonable for countries of the Global South to doubt our commitment to a values-based partnership. They cannot be blamed for believing that, as in the 19th and 20th centuries, their most prudent path might be to seek to play the great powers off each other, and to chart a careful course between them. History shows that the West is not innocent of imperialism or transactional deals. But neither are the world's dictators today. We must keep the door wide open and not doubt the long-term appeal of our principles. And remember, the rules-based order we are seeking to strengthen is most valuable to the smaller, poorer countries who are most susceptible to coercion by larger and more hostile economies'.

framework to move potential allies away from Chinese spheres of influence. Just as the South seeks non-alignment while great powers tussle, Northern middle powers could aim to place guardrails around development policy. This could ensure development policy remains a neutral, pragmatic space where critical global challenges are tackled with the care, speed and concern that expands rather than shrinks mutual trust and creates a safer world for all.

8.3 China should not be a model for the West

The growing competitive and geopolitical pressures presented by China are catalysing a more active search by donors for development power. An important question to ask is: can the desire to cultivate strategic influence through development instruments be met in a smarter way?

China's ability to coordinate public and private credit enables the deployment of a mix of concessional, non-concessional and commercial finance in support of their own domestic economic and strategic political interests (Dreher et al., 2022). If China's model of development cooperation is undercutting OECD norms of good development practice, it is also providing a powerful template for how Western donors think about instrumentalising their own development efforts.

As Section 7 showed, this template has taken different forms across European donors but also shares some common characteristics. Since 2019, the EU's outlook on China has characterised the relationship in three aspects: as a *partner* for cooperation and negotiation, an *economic competitor*, and a *systemic rival* ('EU-China Relations', 2022). Initiatives such as the JETP energy transition programmes, the G7 Partnership for Infrastructure and Investment, and the EU Global Gateway all promote home-grown 'green' technologies and standards that challenge those of China's BRI, even as such efforts meet high-quality human and physical infrastructure needs that incorporate green principles in the emerging South. Increased efforts to coordinate donors through these mechanisms retain a strong focus on bilateral financing, heavy reliance on PSIs and blended finance, and a political narrative framed by competition and the imperative of Western allyship.

At the national level, donors have also reacted to China's growing commercial presence in developing countries by shifting attention to specific sectors and geographies. Germany and France have sought to cultivate a green GPG agenda as a conduit for persuasive and moral power. In the UK and France, PSIs are serving as vehicles for advancing both economic and climate diplomacy objectives. In the case of the UK's BII, for example, its restructuring is shifting the UK's development finance into middle-income markets of the Indo-Pacific region where green-growth prospects and private sector participation are greater. The signals now being sent by the new centre-right government in Sweden is that economic diplomacy will be at the heart of its development policy (Regeringskansliet, 2023).

Across our cases, at both regional and bilateral levels, development cooperation policy and priorities are increasingly shaped by strategic concerns and competition in such a way that appears to notionally ape China's development model. In some cases, this aping is more imagined than real as donors retain an inward bias that leaves little room for recipient inputs and retains a strong domestic bias (Opalo, 2023). Or else, it takes a policy direction that is neither obviously feasible nor desirable. For example, in green infrastructure initiatives, European official finance cannot match the scale that Chinese policy banks achieved at their peak in the last decade (Box

1). Neither can European finance coordinate or compel European companies to 'go out' in the way that Chinese state-owned enterprises can be incentivised or impelled to do. Given the large trust deficit in relations with recipient countries and the positioning of China as a country that stands shoulder-to-shoulder with the South, it is also unclear that donors will win support on the demand side for their green investments. China's willingness to embrace high project costs that border on 'unbankable' may also be irreplicable in European democracies, and its footprint in infrastructure makes it unlikely that any European effort will be able to fully decouple from Chinese development (Liao and Beall, 2022). Thus, the geopolitical motivations that are now driving Western donors to pursue a model of development cooperation in the image of China run a high risk of being unmet, denting their credibility.

They also jeopardise the integrity of the overall Western development effort itself as multilateral finance is increasingly earmarked, GPG investments displace ODA, international climate commitments to phase out fossil fuels are deliberately undermined by domestic energy security needs, economic cooperation objectives are subsumed by strategic diplomatic concerns, and real aid efforts decline. The West's ability to cultivate influence and secure the development power it seeks is weakened by the lack of consistency between the values development cooperation seeks to uphold and the donor interests pursued. A smarter approach is needed.

8.4 Crafting smart development power

Rather than aping China's template, DAC donors need to work smarter to secure their development power. There are likely to be several elements involved in crafting smarter development power.

First, our cases suggest that China's development cooperation template underlines the importance of the **consistency and reliability** of a donor; China's longer-term horizon, however, is far more difficult to achieve in the volatile landscape of European electoral politics. This requires some degree of policy stability – change that is dramatic and disruptive can cause longer-term damage to a donor's ability to influence. Donor consistency and reliability with partners is a key strength in building bilateral influence: credibility comes not only from the financial and technical capacity of donors, but also from their ability to keep promises.

Yet changes in domestic political configuration have developed into dramatic, and damaging, shifts in development policy in the UK and, lately, in Sweden. Sweeping policy changes, messy mergers and budget cuts all damage the consistency and reliability that confer credibility and influence. Likewise, big promises made by the EU and G7 in the form of infrastructure initiatives are vulnerable to policy and political shifts, risking greater damage to donors and the EU's broader image.

European donors will never be development superpowers from the scale of their financial firepower. But our analysis shows that **more aid does not generate more influence with recipients. Instead, the reputation of aid agencies, their clarity of focus, and adherence to universal norms and values play a greater role in instilling credibility** and moral power with other states. At the same time, the 0.7% target has been shown to be a fragile source of moral power. While it builds credibility with donor peers, it holds less meaning for recipient countries. By contrast, fiscal cutbacks and dramatic shifts in donor priorities can lead to changes to allocations that damage relations with recipients.

Another set of important ingredients for development power is in the **capacity,**

institutional competency and high standards in development institutions and agencies. Formal independence (as in the case of Germany's BMZ) or de facto autonomy (in the case of Sida) are important factors in building technical expertise and enforcing strong standards. The merging and restructuring of development agencies, as in the UK, risks the dilution and loss of such technical capacity, as well as the norms and 'mission' of the institution itself.

For small- and middle-sized powers, **multilateral engagement and agenda-setting power** can be critical channels for influence. Team Europe and other collaborative partnerships such as the G7 are powerful platforms that allow donors to pool their resources and punch above their weight. Yet for too many, bilateral assistance is viewed as the more strategic investment, even if flying the national flag with smaller, bilateral amounts is not an effective strategy for small- and mid-sized donors. There is a need for greater support from the middle powers of the multilateral system, particularly in the provision of core funding for the UN or paid-in capital for the MDBs. Greater investment must go hand-in-hand with reforms to ensure these institutions are legitimate and representative of all global stakeholders. Multilateral cooperation remains essential in achieving common interests and delivering key GPGs, including climate finance and loss and damage, and are valuable platforms for engagement, even at a time of bitter geopolitical rivalry.

Development done well is still a clear source of power *and* good geopolitics. Instead of trying to compete (somewhat ineffectively) with China through bilateral financing or trying to match its economic diplomacy, donors should provide a **positive offer** that responds to recipient demands and needs. The instrumentalisation of aid and development cooperation to achieve supposed influence as a 'development superpower' is not an effective route to actual influence, and risks undercutting the potential developmental impact that donor interventions could have. There is a clear source of moral and agenda-setting power that comes from doing development *well*, by building credibility with peers and partners, collaborating with them, and robustly expressing solidarity with the South.

In conclusion, development cooperation can provide a respectable, if only ever partial, antidote for the conditions of 'polycrisis'. It can be a platform from which all states can contribute solutions and enhance their relative power. Under conditions of global interdependency, achieving real progress on development is in the interests of all states as much as cultivating diplomatic allies or economic benefits are. The search for

Box 6 Development power for good: a checklist for smart development power

- 1. Cultivate consistency and reliability to display solidarity with the Global South
- 2. Focus on aid delivery, not aid quantity
- 3. Ensure institutional coherence and competency
- 4. Do not underestimate the importance of multilateralism
- 5. Work towards impact first, influence second

development power cannot be separated from the imperative of addressing vulnerabilities, needs and fragilities in other parts of the world and building common cause with the Global South. Smart development power represents an opportunity to capitalise on shared interdependencies, while avoiding repeating the mistakes of development instrumentalism of the past.

References

Anand, P. (2004) 'Financing the Provision of Global Public Goods', *World Economy*, 27(2), pp. 215–237.

Bachrach, P. and Baratz, M.S. (1962) 'Two Faces of Power', *The American Political Science Review*, 56(4), pp. 947–952. Available at: https://doi.org/10.2307/1952796.

Baumann, M., Haug, S. and Weinlich, S. (2022) *China's expanding engagement with UN development work*.

Bermeo, S.B. (2018) *Targeted Development: Industrialized Country Strategy in A Globalising World*. Oxford University Press.

Blair, R.A., Marty, R. and Roessler, P. (2022) 'Foreign Aid and Soft Power: Great Power Competition in Africa in the Early Twenty-first Century', *British Journal of Political Science*, 52(3), pp. 1355–1376. Available at: https://doi.org/10.1017/S0007123421000193.

BMZ (2021) *Shaping the future together – strategic cooperation with global partners*. 3. Federal Ministry for Economic Cooperation and Development. Available at: https://www.bmz.de/resource/blob/99794/31a9e8ca939cc1ea45e68886f74acdd0/bmz214-positionspapier-globale-partner-gb-211116-v04web-002--data.pdf (Accessed: 22 April 2023).

BMZ (2023) *Shaping the future with Africa: The Africa Strategy of the BMZ*. Federal Ministry for Economic Cooperation and Development. Available at: https://www.bmz.de/resource/blob/137602/bmz-afrika-strategie-en.pdf (Accessed: 22 April 2023).

Brown, M. (2011) 'Minister Andrew Mitchell: Britain will be a foreign aid "superpower"', *Express.co.uk*, 7 June. Available at: https://www.express.co.uk/news/uk/251221/Minister-Andrew-Mitchell-Britain-will-be-a-foreign-aid-superpower (Accessed: 21 April 2023).

Cabinet Office (2021) *Global Britain in a Competitive Age: the Integrated Review of Security, Defence, Development and Foreign Policy*. CP 403. gov.uk. Available at: https://www.gov.uk/government/publications/global-britain-in-a-competitive-age-the-integrated-review-of-security-defence-development-and-foreign-policy (Accessed: 22 April 2023).

Cabinet Office (2023) *Integrated Review Refresh 2023: Responding to a more Contested and Volatile World*. CP 811. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1145586/11857435_NS_IR_Refresh_2023_Supply_AllPages_Revision_7_WEB_PDF.pdf (Accessed: 2 June 2023).

Caio, C. and Craviotto, N. (2021) *Time for action: How private sector instruments are undermining aid budgets*. Eurodad. Available at: https://d3n8a8pro7vhmx.cloudfront.net/eurodad/pages/2008/attachments/original/1614167045/time-for-action-draft-FINAL.pdf?1614167045 (Accessed: 3 March 2021).

Capacity4dev (no date) *Dashboard | Team Europe Initiative and Joint Programming tracker, European Union*. Available at: https://europa.eu/capacity4dev/tei-jp-tracker/dashboard (Accessed: 22 April 2023).

Chadwick, V. (2022a) 'Sweden pulls $1B in foreign aid for Ukrainian refugees at home', *Devex*, 5 May. Available at: https://www.devex.com/news/sponsored/sweden-pulls-1b-in-foreign-aid-for-ukrainian-refugees-at-home-103164 (Accessed: 22 April 2023).

Chadwick, V. (2022b) 'UN, EU push back as Sweden drops 1 percent aid target', *Devex*, 17 October. Available at: https://www.devex.com/news/sponsored/un-eu-push-back-as-sweden-drops-1-percent-aid-target-104228 (Accessed: 22 April 2023).

Champion, S. (2022a) 'Cutting foreign aid shrinks our global influence', *Chatham House – International Affairs Think Tank*, 2 December. Available at: https://www.chathamhouse.org/publications/the-world-today/2022-12/cutting-foreign-aid-shrinks-our-global-influence (Accessed: 22 April 2023).

Champion, S. (2022b) 'The FCDO: is the reunification of foreign and development policy working?', 19 May. Available at: https://www.instituteforgovernment.org.uk/event/online-event/fcdo-reunification-foreign-and-development-policy-working (Accessed: 22 April 2023).

Chatterjee, M.M. (2021) *Why Nations Rise: Narratives and the Path to Great Power*. Oxford University Press.

Chazan, G. and Pitel, L. (2023) 'Western pleas over Ukraine fail to sway African and South American leaders', *Financial Times*, 19 February. Available at: https://www.ft.com/content/f41949bb-0812-4b43-8ced-e10ca24d2e91 (Accessed: 22 April 2023).

Chen, Y. (2022) 'Old wine in new bottles? China, the G7 and the new infrastructure geopolitics', *ODI: Think change*, 30 November. Available at: https://odi.org/en/insights/old-wine-in-new-bottles-china-the-g7-and-the-new-infrastructure-geopolitics/ (Accessed: 4 March 2023).

Clemens, M. and Moss, T. (2005) *Ghost of 0.7%: Origins and Relevance of the International Aid Target, Working Paper No. 65*. Center for Global Development.

Cohen, C. (2022) *Will France's Africa Policy Hold Up?* Carnegie Endowment for International Peace. Available at: https://carnegieendowment.org/files/Cohen_FranceAfrica_Policy_v4.pdf (Accessed: 22 April 2023).

Collier, P. (2016) *The ethical foundations of aid : Two duties of rescue*. Blavatnik School of Government.

Custer, S. *et al.* (2015) 'Listening to Leaders: Which Development Partners do They Prefer and Why?'

Custer, S. *et al.* (2018) 'Listening to Leaders 2018 Is development cooperation tuned-in or tone-deaf?', (May). Available at: http://docs.aiddata.org/ad4/pdfs/Listening_To_Leaders_2018.pdf.

Custer, S. *et al.* (2021) 'Listening to leaders 2021 : a report card for development partners in an era of contested cooperation', (June). Available at: https://docs.aiddata.org/ad4/pdfs/Listening_to_Leaders_2021.pdf.

DAC (2021) 'OECD DAC Declaration on a new approach to align development co-operation with the goals of the Paris Agreement on Climate Change', pp. 1–6.

Dahl, R. (1957) 'The Concept of Power', *Behavioural Science*, pp. 201–215. Available at: https://doi.org/10.4324/9781315515014-2.

Delfs, A. (2022) *Germany to Boost Aid for African Deals in Move Against China, Yahoo News.* Available at: https://news.yahoo.com/germany-boost-aid-african-deals-110815908.html (Accessed: 22 April 2023).

Development Initiatives (2016) *Measuring aid to global public goods (GPGs): An approach to estimating funding for GPGs from providers of official development assistance*. Discussion Paper. Development Initiatives, pp. 1–34. Available at: https://devinit.org/wp-content/uploads/2016/07/Measuring-aid-to-global-public-goods-GPGs-Discussion-paper-July-2016.pdf.

Development Sweden (2023) 'Welcome to the first edition of Development Sweden', *Development Sweden*, 23 February. Available at: https://developmentsweden.substack.com/p/welcome-to-the-first-edition-of-development?utm_medium=email (Accessed: 22 April 2023).

Dietrich, S., Mahmud, M. and Winters, M.S. (2018) 'Foreign aid, foreign policy, and domestic government legitimacy: Experimental evidence from Bangladesh', *Journal of Politics*, 80(1), pp. 133–148. Available at: https://doi.org/10.1086/694235.

Dissanayake, R. (2021) 'Turning the UK from a Development Superpower to a Development Minnow in Six Easy Steps', *Center For Global Development | Ideas to Action,* 27 September. Available at: https://www.cgdev.org/blog/turning-uk-development-superpower-development-minnow-six-easy-steps (Accessed: 21 April 2023).

Dreher, A. *et al.* (2022) *Banking on Beijing: the aims and impacts of China's overseas development program*. Cambridge ; New York, NY: Cambridge University Press.

Dreher, A., Nunnenkamp, P. and Thiele, R. (2008) 'Does US aid buy UN general assembly votes? A disaggregated analysis', *Public Choice*, 136(1–2), pp. 139–164.

EC (2022) *Global Europe: Neighbourhood, Development and International Cooperation Instrument, European Commission.* Available at: https://international-partnerships.ec.europa.eu/funding-and-technical-assistance/funding-instruments/global-europe-neighbourhood-development-and-international-cooperation-instrument_en (Accessed: 22 April 2023).

EC (2023) *Team Europe Initiatives.* Available at: https://international-partnerships.ec.europa.eu/policies/team-europe-initiatives_en (Accessed: 22 April 2023).

EEAS (2022) *Europe in the Interregnum: our geopolitical awakening after Ukraine | EEAS*. Available at: https://www.eeas.europa.eu/eeas/europe-interregnum-our-geopolitical-awakening-after-ukraine_en (Accessed: 21 April 2023).

EESC (2023) *Global battle of offers – from the Chinese Road and Belt initiative to the EU Global Gateway: the vision of European organised civil society, European Economic and Social Committee*. Available at: https://www.eesc.europa.eu/en/our-work/opinions-information-reports/opinions/global-battle-offers-chinese-road-and-belt-initiative-eu-global-gateway-vision-european-organised-civil-society (Accessed: 12 April 2023).

Eichenauer, V., Fuchs, A. and Brueckner, L. (2018) *The Effects of Trade, Aid, and Investment on China's Image in Developing Countries.* Working Paper 0646. University of Heidelberg, Department of Economics. Available at: https://econpapers.repec.org/paper/awiwpaper/0646.htm (Accessed: 21 April 2023).

Eichengreen, B. (2010) *Lessons from the Marshall Plan.* World Development Report 2011: background case note. The World Bank. Available at: http://web.worldbank.org/archive/website01306/web/pdf/wdr_2011_case_study_marshall_plan_1.pdf.

Elgar, K, Ahmad, Y, Bejmaraoi, A, Carey, E, Choudhury, M and De Paepe, G. (2023) Development Cooperation and the Provision of Global Public Goods. OECD Development Cooperation Working Paper 111.

ETTG (2022) *Enhancing coordination between European donors , development agencies and DFIs / PDBs: Insights and Recommendations.* European Think Tanks Group.

EU (no date) *Working Better Together | Capacity4dev, European Union.* Available at: https://europa.eu/capacity4dev/working-better-together (Accessed: 22 April 2023).

Faure, R. (2021) 'Is France the new development leader on the European block?', *ODI: Think change*, 20 October. Available at: https://odi.org/en/insights/is-france-the-new-development-leader-on-the-european-block/ (Accessed: 22 April 2023).

FCDO (2022a) 'Indo-Pacific tilt: Foreign Secretary's speech, September 2022', 29 September. Available at: https://www.gov.uk/government/speeches/foreign-secretary-james-cleverlys-speech-on-the-indo-pacific-tilt-september-2022 (Accessed: 22 April 2023).

FCDO (2022b) 'The UK Government's Strategy for International Development'. UK Government. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1075328/uk-governments-strategy-international-development.pdf (Accessed: 22 April 2023).

Fleck, R.K. and Kilby, C. (2010) 'Changing aid regimes ? U . S . foreign aid from the Cold War to the War on Terror', *Journal of Development Economics*, 91(2), pp. 185–197. Available at: https://doi.org/10.1016/j.jdeveco.2009.09.011.

Foa, R. *et al.* (2022) *A world divided: Russia, China and the West.* Cambridge, United Kingdom: Centre for the Future of Democracy. Available at: https://doi.org/10.1016/s0262-4079(17)32473-9.

Focus 2030 (2021) *The French international solidarity policy, Focus 2030.* Available at: https://focus2030.org/The-French-international-solidarity-policy (Accessed: 22 April 2023).

Fukuda-Parr, S. and Shiga, H. (2016) *Normative Framing of Development Cooperation: Japanese Bilateral Aid between the DAC and Southern Donors.* Working Paper 130. JICA Research Institute.

Gallagher, K.P. and Ray, R. (2020) S*cope and Findings: China's Overseas Development Finance Database | Global Development Policy Center, BU Global development Policy Center.* Available at: https://www.bu.edu/gdp/2020/12/13/scope-and-findings-chinas-overseas-development-finance-database/ (Accessed: 28 April 2021).

Gavas, M. *et al.* (2017) *Donor resilience index, ODI: Think change.* Available at: https://odi.org/en/publications/multimedia/donor-resilience-index/ (Accessed: 22 April 2023).

Gavas, M., Gulrajani, N. and Hart, T. (2015) *Designing the development agency of the future.* Framing Paper. ODI.

Getzel, B, Prizzon, A, Cao, Y, Colebrander, S, Hart, T, McKechnie, A and Watson, C. (2023) 'Method Note. More than Meets the Eye? Assessing MDB›s contributions to tackling global challenges.' ODI Working Paper.

Ghiretti, F. and Stec, G. (2022) 'Global Gateway: playing "catch-up" with China or a chance for change?', 10 January. Available at: https://merics.org/en/opinion/global-gateway-playing-catch-china-or-chance-change (Accessed: 12 April 2023).

Girod, D. (2019) 'How to Win Friends and Influence Development: Optimising US Foreign Assistance', *Survival*, 61(6), pp. 99–114. Available at: https://doi.org/10.1080/00396338.2019.1688572.

Gold, S. (2022) 'Europe blamed for "hypocrisy" in offshoring climate policy to Africa', *Devex*, 31 August. Available at: https://www.devex.com/news/sponsored/europe-blamed-for-hypocrisy-in-offshoring-climate-policy-to-africa-103496 (Accessed: 22 April 2023).

Goldsmith, B.E., Horiuchi, Y. and Wood, T. (2014) *Doing Well by Doing Good: The Impact of Foreign Aid on Foreign Public Opinion*. SSRN Scholarly Paper ID 2361691. Rochester, NY: Social Science Research Network. Available at: https://doi.org/10.2139/ssrn.2361691.

Government Offices of Sweden (2016) 'Policy framework for Swedish development cooperation and humanitarian assistance'. Government of Sweden. Available at: https://www.government.se/contentassets/43972c7f81c34d51a82e6a7502860895/skr-60-engelsk-version_web.pdf (Accessed: 22 April 2023).

Green, A. (2022) 'German development budget drops, but could still fulfill targets', *Devex*, 25 November. Available at: https://www.devex.com/news/sponsored/german-development-budget-drops-but-could-still-fulfill-targets-104529 (Accessed: 22 April 2023).

Gulrajani, N. (2015) 'Dilemmas in Donor Design: Organisational Reform and the Future of Foreign Aid Agencies', *Public Administration and Development*, 35(2), pp. 152–164. Available at: https://doi.org/10.1002/pad.1713.

Gulrajani, N. (2016) *Bilateral versus multilateral aid channels: Strategic choices for donors*. Report. ODI. Available at: https://cdn.odi.org/media/documents/10492.pdf.

Gulrajani, N. (2021) 'To merge or not to merge? Lessons for Germany from Global Britain', *ODI: Think change*, 23 November. Available at: https://odi.org/en/insights/to-merge-or-not-to-merge-lessons-for-germany-from-global-britain/ (Accessed: 22 April 2023).

Gulrajani, N. (2022) 'Development narratives in a post-aid era: Reflections on implications for the global effectiveness agenda', *WIDER Working Paper Series* [Preprint]. Available at: https://ideas.repec.org//p/unu/wpaper/wp-2022-149.html (Accessed: 22 April 2023).

Gulrajani, N. and Calleja, R. (2019a) *The Principled Aid Index*. Policy Briefing. ODI. Available at: https://cdn.odi.org/media/documents/12635.pdf (Accessed: 22 April 2023).

Gulrajani, N. and Calleja, R. (2019b) *Understanding donor motivations: Developing the Principled Aid Index, ODI Working PAper 548*. London: ODI. Available at: https://doi.org/10.1080/09647775.2017.1329025.

Gulrajani, N., Mawdsley, E. and Roychoudhury, S. (2020) 'The new development diplomacy in middle-income countries. The changing role of traditional donors in India', (February). Available at: https://www.odi.org/publications/16604-new-development-diplomacy-middle-income-countries-changing-role-traditional-donors-india.

Gulrajani, N. and Silcock, E. (2020) 'Principled aid in divided times: three worrying trends for global development'. Available at: https://odi.org/en/insights/principled-aid-in-divided-times-three-worrying-trends-for-global-development/.

Hadley, S. *et al.* (2022) 'Country platforms for climate action: something borrowed, something new?', *ODI: Think change*, 24 June. Available at: https://odi.org/en/publications/country-platforms-for-climate-action-something-borrowed-something-new/ (Accessed: 2 June 2023).

Hadley, S. (2022) 'What's the state of play on Just Energy Transition Partnerships?', *ODI: Think change*, 16 November. Available at: https://odi.org/en/insights/whats-the-state-of-play-on-just-energy-transition-partnerships/ (Accessed: 22 April 2023).

Hansen, M.E. and Gjefsen, T. (2015) *The end of Nordic exceptionalism?* Norwegian Church Aid, Finn Church Aid, DanChurchAid and Church of Sweden. Available at: https://www.kirkensnodhjelp.no/globalassets/utviklingskonf-2015/end-of-nordic-exceptionalism.pdf (Accessed: 22 April 2023).

Hanson, J.K. and Sigman, R. (2021) 'Leviathan's latent dimensions: Measuring state capacity for comparative political research', *Journal of Politics,* 83(4), pp. 1495–1510. Available at: https://doi.org/10.1086/715066.

Hattle, A. and Nordbo, J. (2022) *That's Not New Money: Assessing how much public climate finance has been 'new and additional' to support for development.* CARE Denmark. Available at: https://www.care-international.org/sites/default/files/2022-06/That%27s%20Not%20New%20Money_FULL_16.6.22.pdf (Accessed: 22 April 2023).

Hegertun, N. (2021) *Development Cooperation and Global Investments : What's Next for Development Cooperation?* NORAD.

Hill, A. and Babin, M. (2021) 'What COP26 Did and Didn't Accomplish', *Council on Foreign Relations,* 15 November. Available at: https://www.cfr.org/in-brief/cop26-climate-outcomes-successes-failures-glasgow (Accessed: 22 April 2023).

Horner, R. (2020) 'Towards a new paradigm of global development? Beyond the limits of international development', *Progress in Human Geography*, 44(3), pp. 415–436. Available at: https://doi.org/10.1177/0309132519836158.

Horner, R. and Hulme, D. (2017) 'From International to Global Development: New Geographies of 21st Century Development', *Development and Change*, 50(2), pp. 347–378. Available at: https://doi.org/10.1111/dech.12379.

Humphrey, C. and Prizzon, A. (2022) 'Why and how multilateral development banks should operate in middle-income countries', *ODI: Think change*, 21 September. Available at: https://odi.org/en/insights/why-and-how-multilateral-development-banks-should-operate-in-middle-income-countries/?utm_content=buffer00e82&utm_medium=social&utm_source=linkedin.com&utm_campaign=buffer (Accessed: 22 April 2023).

Janus, H., Klingebiel, S. and Paulo, S. (2014) *"Beyond Aid" and the future of development cooperation.* Briefing Paper 6/2014. Bonn: German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE). Available at: https://www.idos-research.de/en/briefing-paper/article/beyond-aid-and-the-future-of-development-cooperation/.

Jayaraman, R. and Kanbur, R. (1999) 'International Public Goods and the Case for Foreign Aid', in I. Kaul, I. Grunberg, and M. Stern (eds) *Global Public Goods.* 1st edn. Oxford University PressNew York, pp. 418–435. Available at: https://doi.org/10.1093/0195130529.003.0021.

Kassenova, N. (2022) *How China's Foreign Aid Fosters Social Bonds With Central Asian Ruling Elites.* Washington, D.C.: Carnegie Endowment for International Peace. Available at: https://carnegieendowment.org/2022/12/07/how-china-s-foreign-aid-fosters-social-bonds-with-central-asian-ruling-elites-pub-88579.

Kaul, I. (2013) 'The Rise of the Global South: Implications for the Provisioning of Global Public Goods', *UNDP-HDRO Occasional Papers,* 2013/08. Available at: https://papers.ssrn.com/abstract=2344483 (Accessed: 2 June 2023).

Kaul, I. (2017) *Providing global public goods: What role for the multilateral development banks?* Report. ODI.

Keijzer, N. *et al.* (2021) 'The rise of the Team Europe approach in EU development cooperation: Assessing a moving target', *IDOS Discussion Papers* [Preprint]. Available at: https://ideas.repec.org//p/zbw/diedps/222021.html (Accessed: 2 June 2023).

Keijzer, N. and Lundsgaarde, E. (2018) 'When "unintended effects" reveal hidden intentions: Implications of "mutual benefit" discourses for evaluating development cooperation', *Evaluation and Program Planning*, 68(September 2017), pp. 210–217. Available at: https://doi.org/10.1016/j.evalprogplan.2017.09.003.

Kenny, C., Snyder, M. and Patel, D. (2018) *Measures of Global Public Goods and International Spillovers.* CGD Working Paper 474. Washington, D.C.: Center for Global Development. Available at: https://www.ssrn.com/abstract=3125111 (Accessed: 2 June 2023).

Kenny, C. and Yang, G. (2021) 'The Enduring Struggle Against Aid Instrumentalism | Center For Global Development | Ideas to Action', *Center for Global Development*, 13 July. Available at: https://www.cgdev.org/blog/enduring-struggle-against-aid-instrumentalism (Accessed: 21 April 2023).

Kumar, R. (2023) 'From the editor-in-chief: 3 ways 2023 may define a new development era', *Devex,* 5 January. Available at: https://www.devex.com/news/sponsored/from-the-editor-in-chief-3-ways-2023-may-define-a-new-development-era-104723 (Accessed: 21 April 2023).

Kuziemko, I. and Werker, E. (2006) 'How much is a seat on the Security Council worth? Foreign aid and bribery at the United Nations', *Journal of Political Economy*, 114(5), pp. 905–930. Available at: https://doi.org/10.1086/507155.

Lancaster, C. (2006) *Foreign Aid: Diplomacy, Development, Domestic Politics.* Chicago, IL: University of Chicago Press. Available at: https://press.uchicago.edu/ucp/books/book/chicago/F/bo4134278.html (Accessed: 21 April 2023).

Liao, C. and Beal, T. (2022) *The role of the G7 in mobilizing for a global recovery.* London: Royal Institute of International Affairs. Available at: https://doi.org/10.55317/9781784135355.

Little, D. (2010) 'Understanding Society: Lukes on power', *Understanding Society,* 14 October. Available at: https://understandingsociety.blogspot.com/2010/10/lukes-on-power.html (Accessed: 21 April 2023).

Loehr, W., Price, D. and Riachur, S. (1976) *A Comparison of US and Multilateral Aid Recipients in Latin America 1957-1971.* Sage Publications.

Loft, P. (2022) *British International Investment: Aid and trade.* Research Briefing 9560. House of Commons Library. Available at: https://researchbriefings.files.parliament.uk/documents/CBP-9560/CBP-9560.pdf (Accessed: 22 April 2023).

Lukes, S. (1974) *Power: a radical view.* London: Macmillan (Studies in sociology (Macmillan Press)). Available at: http://catdir.loc.gov/catdir/toc/hol052/75309742.html (Accessed: 21 April 2023).

Martens, B. (2005) 'Why Do Aid Agencies Exist?', *Development Policy Review,* 23(6), pp. 643–663.

Mawdsley, E. *et al.* (2018) 'Exporting stimulus and "shared prosperity": Reinventing foreign aid for a retroliberal era', *Development Policy Review*, 36, pp. O25–O43. Available at: https://doi.org/10.1111/dpr.12282.

Mawdsley, E. (2018a) '"From billions to trillions": Financing the SDGs in a world "beyond aid"', *Dialogues in Human Geography*, 8(2), pp. 191–195. Available at: https://doi.org/10.1177/2043820618780789.

Mawdsley, E. (2018b) 'The "Southernisation" of development?', *Asia Pacific Viewpoint,* 59(2), pp. 173–185. Available at: https://doi.org/10.1111/apv.12192.

Mawdsley, E. and Taggart, J. (2022) 'Rethinking d/Development', *Progress in Human Geography*, 46(1), pp. 3–20. Available at: https://doi.org/10.1177/03091325211053115.

Melonio, T., Nauden, J.-D. and Rioux, R. (2022) *Official Development Assistance at the Age of Consequences.* AFD Policy Paper. AFD.

Milner, H.V. and Tingley, D. (2013) 'The choice for multilateralism: Foreign aid and American foreign policy', *The Review of International Organizations*, 8(3), pp. 313–341. Available at: https://doi.org/10.1007/s11558-012-9153-x.

Mitchell, A. (2022) 'Less money – but targeted at those who need it most', *Chatham House – International Affairs Think Tank,* 2 December. Available at: https://www.chathamhouse.org/publications/the-world-today/2022-12/less-money-targeted-those-who-need-it-most (Accessed: 22 April 2023).

Mitchell, I. (2023) 'The @OECD published its stats on aid - Official Development Assistance (ODA) today. It's up-front about refugees driving the record levels, but it also shows that lower income countries saw falls in support 1/5', *Twitter*. Available at: https://twitter.com/EconMitch/status/1646202569792929793 (Accessed: 22 April 2023).

Mitchell, I., Ritchie, E. and Tahmasebi, A. (2021) 'Is Climate Finance Towards $100 Billion "New and Additional"?', *Center For Global Development | Ideas to Action*, 15 March. Available at: https://www.cgdev.org/publication/climate-finance-towards-100-billion-new-and-additional (Accessed: 22 April 2023).

Modernaterna (2020) *Ett lärande samhälle – Idéperspektiv på några av 2020-talets stora samhällsfrågor* (*'A learning society - Idea perspectives on some of the major social issues of the 2020s'*). the Moderate Party of Sweden. Available at: https://moderaterna.se/app/uploads/2020/11/ideskrift_7november_2020_lowres.pdf (Accessed: 22 April 2023).

Morgenthau, H. (1962) 'A Political Theory of Foreign Aid', *American Political Science Review*, 56(2), pp. 301–309.

Moses, O.T. and Zhu, K. (2022) *The Belt and Road Initiative and the Partnership for Global Infrastructure and Investment Global Infrastructure Initiatives in Comparison.* GCI Working Paper 026. Boston, Massachusetts: Global Development Policy Center.

Noel, A. (2006) 'The New Global Politics of Poverty', *Global Social Policy*, 6(3), pp. 304–333.

ODI (2022) *ODI Bites – Financing the future of multilateralism: lessons from the WHO for reforming the UN, ODI: Think change.* Available at: https://odi.org/en/events/odi-bites-financing-the-future-of-multilateralism-lessons-from-the-who-for-reforming-the-un/ (Accessed: 22 April 2023).

OECD (2022) *Multilateral Development Finance 2022.* Paris: OECD Publishing. Available at: https://doi org/10.1787/e61fdf00-en.

Olivié, I. (2022) 'How is aid used to exert power? Gender equality promotion and migration control in Senegal', *Journal of International Development*, 34(8), pp. 1509–1526. Available at: https://doi.org/10.1002/jid.3650.

Olivié, I. and Santillán O'Shea, M. (2023) *Development aid, influence and governance : a road map*. ARI 24/2023. Madrid: Real Instituto Elcano, pp. 1–13. Available at: https://media.realinstitutoelcano.org/wp-content/uploads/2023/03/development-aid-influence-and-governance-a-road-map-elcano-royal-institute.pdf.

Olivié, I. and Pérez, A. (2021) 'Whose and what aid securitisation? An analysis of EU aid narratives and flows', *Third World Quarterly*, 42(8), pp. 1903–1922. Available at: https://doi.org/10.1080/01436597.2021.1939006

Opalo, K. (2023) 'On America's structural inability to effectively compete with China in Africa', *An Africanist Perspective,* 27 March. Available at: https://kenopalo.substack.com/p/on-americas-structural-inability (Accessed: 22 April 2023).

Packenham, R.A. (1966) 'Political-Development Doctrines in the American Foreign Aid Program', *World Politics* [Preprint]. Available at: https://doi.org/10.2307/2009696.

Pamment, J. (2016) *British Public Diplomacy and Soft Power.* Cham: Springer International Publishing. Available at: https://doi.org/10.1007/978-3-319-43240-3.

Parkinson (2022) 'Opinion: Chrystia Freeland has laid out a bold vision for a new global economic path, but it won't be easy', *The Globe and Mail*, 13 October. Available at: https://www.theglobeandmail.com/business/commentary/article-chrystia-freeland-canada-economy/ (Accessed: 22 April 2023).

Payne, A. (2006) 'Blair, Brown and the Gleneagles Agenda: making poverty history, or confronting the global politics of unequal development', *International Affairs*, 82(5), pp. 917–935.

Pelz, D. (2023) 'How good is Germany's new development strategy for Africa?', *dw.com,* 25 January. Available at: https://www.dw.com/en/how-effective-will-germanys-new-development-strategy-for-africa-be/a-64512151 (Accessed: 22 April 2023).

Puyvallée, A.D.B. and Bjørkdahl, K. (eds) (2021) *Do-Gooders at the End of Aid: Scandinavian Humanitarianism in the Twenty-First Century.* 1st edn. Cambridge University Press. Available at: https://doi.org/10.1017/9781108772129.

Regeringskansliet (2003) *Gemensamt ansvar: Sveriges politik för global utveckling, Regeringskansliet. Regeringen och Regeringskansliet.* Available at: https://www.regeringen.se/rattsliga-dokument/proposition/2003/05/prop-200203122-/ (Accessed: 22 April 2023).

Regeringskansliet (2023) *Statement of Foreign Policy 2023, Regeringskansliet.* Regeringen och Regeringskansliet. Available at: https://www.government.se/speeches/2023/02/statement-of-foreign-policy-2023/ (Accessed: 22 April 2023).

Reid-Henry, S. (2019) 'Global Public Investment: Redesigning International Public Finance for Social Cohesion—A Preliminary Sketch', *Revue d'économie du développement*, 27(2), pp. 169–201. Available at: https://doi.org/10.3917/edd.332.0169.

Reid-Henry, S. (2022) 'Framing Paper Global Financial Architecture as a Global Public Good'. High Level Advisory Board on Effective Multilateralism. Available at: https://highleveladvisoryboard.org/download/global-financial-architecture-as-a-global-public-good/. (Accessed March 31, 2023)

Reinsberg, B. (2019) 'Do countries use foreign aid to buy geopolitical influence? Evidence from donor campaigns for temporary un security council seats', *Politics and Governance,* 7(2), pp. 127–154. Available at: https://doi.org/10.17645/pag.v7i2.1837.

Ricketts, P. (2022) 'The merger of the Foreign Office and DFID has damaged Britain's soft power. It's time to reverse it', *Prospect*, 26 July. Available at: https://dlv.prospect.gcpp.io/politics/38871/the-merger-of-the-foreign-office-and-dfid-has-damaged-britains-soft-power.-its-time-to-reverse-it (Accessed: 22 April 2023).

Rogerson, A. and Ritchie, E. (2020) *Definitions and Targets Will Pandemic Age , and What Might Be Done About It.* CGD Policy Paper 198. Center for Global Development.

Roy, R. (2021) 'Whose net zero future?', *ODI: Think change*, 19 November. Available at: https://odi.org/en/insights/whose-net-zero-future/ (Accessed: 21 April 2023).

Scull, D. and Healy, C. (2022) 'One Vision in Three Plans: Build Back Better World & The G7 Global Infrastructure Initiatives', (February), pp. 1–15.

Serhan, Y. (2023) 'Why Germany Agonized Over Sending Leopard 2 Tanks to Ukraine', *Time*, 24 January. Available at: https://time.com/6249710/germany-leopard-2-tanks-ukraine/ (Accessed: 22 April 2023).

Severino, J.-M. and Ray, O. (2009) *The End of ODA: Death and Rebirth of a Global Public Policy.* Working Paper 167. Washington, D.C.: Center for Global Development. Available at: http://www.ssrn.com/abstract=1392460 (Accessed: 2 June 2023).

Severino, J.-M. and Ray, O. (2010) *The End of ODA (II): The Birth of Hypercollective Action.* Working Paper 218. Washington, D.C.: Center for Global Development. Available at: http://www.ssrn.com/abstract=1646605 (Accessed: 2 June 2023).

Standfast, S. and Sriskandarajah, D. (2022) 'Opinion: It's not too late for Sweden and UK to reclaim aid reputation', *Devex*, 7 December. Available at: https://www.devex.com/news/sponsored/opinion-it-s-not-too-late-for-sweden-and-uk-to-reclaim-aid-reputation-104558 (Accessed: 22 April 2023).

Truman, H. (1949) 'Historic Speeches: Truman's Inaugural Address', *Truman Library Institute,* 20 January. Available at: https://www.trumanlibraryinstitute.org/historic-speeches-trumans-inaugural-address/ (Accessed: 21 April 2023).

UK Government (2022) *The UK government's strategy for international development.* Policy Paper. Foreign, Commonwealth & Development Office. Available at: https://www.gov.uk/government/publications/uk-governments-strategy-for-international-development/the-uk-governments-strategy-for-international-development (Accessed: 2 June 2023).

UNDP (2022) *Human Development Report 2021/2022.* New York: UNDP.

UNEP (2021) 'What does COP26 mean for adaptation?', *UNEP*, 17 November. Available at: http://www.unep.org/news-and-stories/story/what-does-cop26-mean-adaptation (Accessed: 22 April 2023).

Usman, Z. and Glennie, J. (2022) *Sign of the Times: How the United Kingdom's Integrated Review Affects Relations with Africa.* Washington, D.C.: Carnegie Endowment for International Peace. Available at: https://carnegieendowment.org/2022/02/22/sign-of-times-how-united-kingdom-s-integrated-review-affects-relations-with-africa-pub-86484.

Van Der Veen, A.M. (2011) *Ideas, Interests and Foreign Aid.* 1st edn. Cambridge: Cambridge University Press. Available at: https://doi.org/10.1017/CBO9780511842177.

Walker, C. and Ludwig, J. (2021) *The Vulnerabilities and Strengths of Open Societies.* National Endowment for Democracy. Available at: https://www.ned.org/wp-content/uploads/2021/06/A-Full-Spectrum-Response-to-Sharp-Power-The-Vulnerabilities-and-Strengths-of-Open-Societies-Walker-Ludwig-June-2021.pdf.

Weinlich, S. *et al.* (2020) *Earmarking in the Multilateral Development System: Many Shades of Grey.* German Development Institute.

Wellner, L. *et al.* (2022) *Can Aid Buy Foreign Public Support? Evidence from Chinese Development Finance.* Working Paper 117. AidData. Available at: https://www.ssrn.com/abstract=4070236 (Accessed: 21 April 2023).

Wilkes, W. and Dezem, V. (2021) '"Climate Chancellor" Merkel Leaves Germans Flooded and Frustrated', *Bloomberg.com*, 23 July. Available at: https://www.bloomberg.com/news/features/2021-07-23/angela-merkel-leaves-a-mixed-climate-legacy-in-germany (Accessed: 22 April 2023).

Wolfers, A. (1952) '"National Security" as an Ambiguous Symbol', *Academy of Political Science*, 67(4), pp. 481–502.

Woods, N. (2008) 'Whose aid? Whose influence? China, emerging donors and the silent revolution in development assistance', *International Affairs*, 84(6), pp. 1205–1221. Available at: https://doi.org/10.1111/j.1468-2346.2008.00765.x.

World Bank (2022) *Evolving the World Bank Group's Mission, Operations and Resources : A Roadmap.* Washington, D.C.: The World Bank.

World Bank (2022b) U*nderstanding Trends in Proliferation and Fragmentation for Aid Effectiveness During Crises*.

Worley, W. (2021) 'Exclusive: Over 200 ex-DFID staffers have left UK's FCDO since merger', *Devex*, 2 September. Available at: https://www.devex.com/news/sponsored/exclusive-over-200-ex-dfid-staffers-have-left-uk-s-fcdo-since-merger-100686 (Accessed: 22 April 2023).

Worley, W. (2022a) 'After a decade, Andrew Mitchell is back to leading UK development aid', *Devex*, 26 October. Available at: https://www.devex.com/news/sponsored/after-a-decade-andrew-mitchell-is-back-to-leading-uk-development-aid-104314 (Accessed: 22 April 2023).

Worley, W. (2022b) 'Aid should challenge "malign actors," says UK foreign secretary | Devex', *Devex*, 29 June. Available at: https://www.devex.com/news/aid-should-challenge-malign-actors-says-uk-foreign-secretary-103520 (Accessed: 22 April 2023).

Worley, W. (2022c) 'Dispute erupts at UK Labour Party conference over restoring DFID', *Devex*, 27 September. Available at: https://www.devex.com/news/sponsored/dispute-erupts-at-uk-labour-party-conference-over-restoring-dfid-104082 (Accessed: 22 April 2023).

Worley, W. (2022d) 'Mitchell: UK must restructure FCDO to regain aid "superpower" status', *Devex*, 7 December. Available at: https://www.devex.com/news/sponsored/mitchell-uk-must-restructure-fcdo-to-regain-aid-superpower-status-104575 (Accessed: 21 April 2023).

Worley, W. (2022e) 'What will FCDO's British Investment Partnerships do for development?', *Devex*, 27 June. Available at: https://www.devex.com/news/sponsored/what-will-fcdo-s-british-investment-partnerships-do-for-development-103270 (Accessed: 22 April 2023).

Worley, W. (2023) 'Sweden cutting peace-building budget by 40%', *Devex*, 19 January. Available at: https://www.devex.com/news/sponsored/sweden-cutting-peace-building-budget-by-40-104784 (Accessed: 22 April 2023).

Worley, W. (no date) 'Tracking the UK's controversial aid cuts', Devex. Available at: https://www.devex.com/news/sponsored/tracking-the-uk-s-controversial-aid-cuts-99883 (Accessed: 22 April 2023).

Yellen, J. (2022) 'Transcript: US Treasury Secretary Janet Yellen on the next steps for Russia sanctions and "friend-shoring" supply chains'. Atlantic Council, 13 April. Available at: https://www.atlanticcouncil.org/news/transcripts/transcript-us-treasury-secretary-janet-yellen-on-the-next-steps-for-russia-sanctions-and-friend-shoring-supply-chains/ (Accessed: 22 April 2023).

Zielińska, K. (2016) 'Development Diplomacy. Development Aid as a Part of Public Diplomacy in the Pursuit of Foreign Policy Aims: Theoretical and Practical Considerations', *Historia i Polityka*, (16 (23)), p. 9. Available at: https://doi.org/10.12775/HiP.2016.009.

Indices

CGD, Commitment to Development Index (https://www.cgdev.org/cdi#/)
Global Power Index (https://brandirectory.com/softpower/)
Lowy Asia Power Index 2021 Edition (https://power.lowyinstitute.org/)
Soft Power Index (https://softpower30.com/)

Appendix 1. Correlation analysis

As indicated in Section 2.6, we undertook a correlation analysis of four development instruments and four power dimensions across all 29 DAC donors. The goal is to assess the possibility of any significant association between specific development levers and national power capabilities. Below, we present our methods and results.

Indicator proxies

Selected indicators had to meet two tests. First, we had to be able to articulate a close conceptual relationship between the information captured by the indicator and the overall concept of the dimension it was meant to represent. Thus, we drew on existing literature in the choice of our indicators. Second, we needed publicly available, high-quality and sufficiently detailed data across DAC countries between 2015 and 2020.

Table A1 lists indicators for our four development variables, including ODA disbursements as a share of GNI, economic goals financed as OOF investments in earmarked and core multilateral institutions, and climate finance as a proxy of GPG engagement.

Table A1 Indicators of development finance

Categories of development instruments	Indicator	Data source	Limitations
Aid	ODA as a share of GNI (disbursements, percentage of GNI)	OECD CRS	
Economic investment	OOFs to economic and productive sectors as a percentage of total official flows	OECD CRS	There is historical under-reporting of OOFs in the OECD CRS, thus missing observations are assigned a value of 0.
Global public goods	Climate finance as a percentage of GDP (2020, USD thousands)	OECD Development Finance Statistics (provider perspective), IMF World Economic Outlook	
Multilateral institutions	Core multilateral contributions as a percentage of ODA	OECD CRS	
	Earmarked multilateral contributions as a percentage of ODA	OECD CRS	

We selected four indicators of power as proxies for the four capabilities of interest (Table A2). These indicators emerged from a review of literatures and empirical studies exploring national power. As we are interested in the impact of development levers on power, and do not expect changes in development and power to occur simultaneously, we lag development indicator by one year. Doing so allows us to consider how development engagement in year t-1 may influence power outcomes in year t. Thus, we took time series data spanning 2014–2019 for our development indicators, and 2015–2020 time series data for our power indicators. A total of 174 observations were gathered across all of our indicators.

Table A2 Indicators of power capabilities

	Indicator	Data source	Limitations
Coercive	Annual national military spending as share of GDP	Stockholm Military Expenditure database	Missing data for Iceland as it has no standing military
Persuasive	Average percentage of UN voting alignment between a donor and 2020 World Bank list of LICs and LMICs	United Nations General Assembly Voting Data, Harvard Dataverse, World Bank Country and Lending Groups	
Agenda-setting	Number of destinations a donor country's passport holder can access without a visa	Henley Passport Index	
Moral	Share of leaders in LICs and MICs who said a development partner was quite or very influential in shaping domestic policy priorities	Listening to Leaders Survey, Aid Data	Six DAC countries excluded from all three years the survey was run. Missing data not included in correlation. A total of 113 observations over three surveys (2014, 2017 and 2020) were used for the correlation analysis

Methods and approach

To begin, a thorough exploration of the raw data was performed. Scatterplots of each pair of development and power indicators were created using the raw data to inspect the presence of a linear association. Where there was no clear presence of a linear association, the raw data for each individual indicator was visually inspected to determine if any transformations might be necessary. More specifically, we looked at the density for each indicator to assess normality.

The skewness present in some densities alongside the lack of apparent linear associations in the scatterplots led us to transform a number of indicators. A few potential transformations were considered for each indicator depending on skewness. Further data visualisation allowed for an investigation into the effect of these potential transformations on the linear associations of interest. Where an appropriate transformation to one of the indicators improved normality and notably improved the linear association between the pair of indicators, it was applied.

On the power side, it was determined that only the military expenditure indicator required a transformation. Since the data was positively skewed, a log transformation with an offset was applied. Thorough checks of the data led to the conclusion that all five of the development indicators required transformations. These all had positively-skewed densities, so a log transformation was applied to each. The climate finance data, OOF data and earmarked multilateral contributions data required the addition of an offset.

Once the appropriate transformations were applied, the development indicators were lagged by one year. A Pearson's correlation test was performed for each pair of power and development indicators, and corresponding p-values were considered to assess statistical significance at various thresholds (0.05, 0.01, and 0.001). These results are summarised in Table A3.

Results

Table A3 presents our correlation results. All statistically significant correlations ($p<0.001$) are positive, suggesting that the relationship between development instruments and national power pull in the same direction. Most of the negatively statistically significant correlations relate to **coercive power**, lending some evidence to the claim that development instruments are not conduits for 'hard' sources of power like military might, and may actually reduce spending on more coercive instruments like defence. Similarly, the positive and significant relationship with OOFs may derive from the fact that both military and non-concessional public expenditure are domestically oriented and therefore unlikely to be traded off against one another.

Meanwhile, bilateral ODA, GPG and core multilateral levers are significantly associated with **persuasive power**, with a positive and significant correlation with GPGs ($p<0.01$). ODA and core multilateral finance are also positively, correlated, albeit with less significance ($p<0.05$). **Agenda-setting power** is positively and statistically significantly ($p<0.01$), correlating with all development indicators except core multilateral finance. This can perhaps be explained by the fact that core finance gives donors little scope for setting agendas in multilateral institutions, as such funds are invested directly into regular budgets. Earmarked finance, by contrast, is associated with higher agenda-setting power. Finally, **moral power** is the most weakly associated to our four development indicators, with the exception of a strongly positive association with core multilateral budgets. Given that respondents perceived multilateral bodies as highly influential in the underlying survey data, one would expect a correlation with higher levels of core multilateral funding. The weakly negative correlation between ODA and moral power suggests that reputational perceptions may not derive from ODA volumes.

Table A3 Correlations between power and development, 2015–2020

		Coercive Military spending as % of GDP	Persuasive Average % of UN voting alignment	Agenda-setting Number of destinations accesible without visas	Moral Southern public opinion of donors' "influence"
ODA		-0.239	0.164	0.249	-0.244
OOF		0.319	-0.121	0.362	-0.046
Multilateral	Core	0.07	0.162	-0.155	0.483
Multilateral	Eamarked	-0.215	-0.033	0.22	-0.155
GPG		-0.217	0.209	0.312	-0.179

p-value

<0.001

< 0.01

< 0.05

0.4 0.3 02 0.1 0 -0.1 -0.2

Appendix 2. Methods

Country case study selection

Four country cases were chosen to explore the different ways in which countries use development levers to craft national power: France, Germany, Sweden and the UK. They are all middle powers with long-standing and significant track records in development spending (i.e. all attained ODA/GNI ratios above 0.44 since 2019). At the same time, they represent a diversity of development policy approaches and ambitions in Europe.

General approach

In identifying interviewees from the four countries, we sought to bring officials from a range of government departments (including ministries for development cooperation, foreign affairs and finance), whose mandates touched upon the development mission to varying degrees, as well as observers from academia and civil society. We thus undertook a snowball sampling approach, relying on references and our own professional networks to identify informants. A full list of those interviewed is provided below. These interviews were supplemented by a review of official policy and legislative documents and an analysis of publicly available data to contextualise the information they provided.[49]

Interviews

Twenty-two exploratory interviews were undertaken between March and July 2022 (Box A1). This timing was notable as it coincided with emerging domestic political narratives and policy responses to Russia's invasion of Ukraine. It also predates elections in Sweden in October 2022, including the sweeping changes to Swedish development policy introduced by a coalition government relying on the support of the far-right Swedish Democrats.[50]

Admittedly, interviewees often struggled to concretely identify the kinds of power capabilities generated even if they were clear on their geopolitical efforts. This is not surprising given the interlinked and embodied nature of these capabilities (see Section 2.2.1 for discussion). We do not worry about unpacking the kinds of power generated. Where interviewees are capable of identifying the specific power capabilities cultivated, or where this is obvious from their remarks, these are mentioned.

---

49 Interviewees were selected across each country's development institutions, including ministries for development cooperation, foreign affairs and finance, and experts and development practitioners from academia and civil society. These were identified through online searches and existing personal networks through references and introductions (i.e. a snowball sampling technique).

50 This included abolishing the home-grown 0.1% ODA/GNI target that has long been met in Sweden.

Box A1 List of interviewees

Hervé Beauvillard, Head of Unit, Bureau du financement multilatéral du développement et du climat
Albert Breyer, Multilaterale Entwicklungsbanken/AIIB; Umschuldungen/ Pariser Club, German Federal Ministry of Finance
Debt restructuring/ Paris Club, Federal Ministry of Finance
Melinda Bohannon, Strategy Director, FCDO
Matthieu Boussichas, Programme Manager, FERDI
Dr Benedikt Erforth, Senior Researcher, Inter- and transnational cooperation Programme, IDOS
Prof. Dr Jorg Faust, Director, German Institute for Development Evaluation (DEval)
Sophie Guelff, Deputy Director, Strategic Advantage Cell, Strategy Unit, National Security Secretariat, Cabinet Office
Dr Christine Hackenesch, Senior Researcher, Inter- and transnational cooperation Programme, IDOS
Dr Frank Hofmann, Head of Division, Policy Issues of Cooperation, BMZ
Goran Holmqvist, Scientific Advisory Board, Sida
Martin Mossberg, Chancellery council and group manager, Ministry of Foreign Affairs
Hubert de Milly, Policy Advisor, Strategy Department, AFD
Andrew Mitchell, Member of Parliament and former DFID Secretary of State
Emma Makey, Committee specialist, International Development Committee, House of Commons
Andy Mackowski, Joint-Head of International Development & CGI Team, International Economic Unit, Cabinet Office
Ulrika Möller, Associate Professor in Political Science University of Gothenburg
Emma Nilsson, Head of Policy Unit, Department for International Development Co-operation, Ministry of Foreign Affairs
Robert Plachta, Multilaterale Entwicklungsbanken/AIIB; Umschuldungen/ Pariser Club, German Federal Ministry of Finance
Arjoun Raj, DG Trésor, France
Tancrède Voituriez, Senior Research Fellow, IDDRI
Will Worley, UK Correspondent, Devex
Raimund Zühr, Project Manager, SEEK Development

From these semi-structured interviews (Box A2), we distilled a series of narrative statements for each lever and supplemented with secondary source material where relevant. We identified and deliberately looked for differences across dynamics and choices in the four donors. For example, while some officials readily embraced the instrumentalisation of their development engagements, others did not strongly articulate development cooperation as an explicit or targeted auxiliary to national power, even as its possibility was recognised. We tease out some of these differences when we attempt to characterise the emerging approaches to instrumentalisation among these four middle powers.

Box A2 Sample interview template

Opening questions
Is your country a 'development superpower'?
Which country would you call the foremost 'development superpower'? Why?
What do countries gain from being a development power?

On bilateral aid
How important is aid in development cooperation?
Is aid quantity a source of power for your country?
How else are aid trends motivated by the desire for influence?

On GPGs
How important are GPGs in your country's development cooperation? And which GPGs in particular?
How does spending on GPGs further your country's influence?
How does climate engagement advance national power?

On multilateral engagement
How important is multilateral engagement in serving your country's global development goals?
How does multilateral investment augment or support your country's influence as a global power?
Is there a difference between core/earmarked/pledged finance?
How does your country use the EU to advance its global development goals and power? How does working through the EU give more power?
What does your country take into account when deciding what development engagement will be done bilaterally and what will be done via the EU?
Are there any tensions between the EU's development operations and goals and those of your country?

On economic partnerships
How important are economic partnerships in your country's development cooperation? Through what modalities?
Does your country build trade and investment relationships for the sake of advancing power capabilities? How is this done?
How do development and trade/finance bureaucracies coordinate their strategic agendas and goals?
Is there an overlap between the geographic priorities of development cooperation and national trade and investment interests?

On China

How has the rise of China influenced the evolution of your country's development strategy and areas of focus?

Does China provide a model in terms of how it has used its development cooperation to cultivate its power?

Does your development cooperation seek to compete with or present alternatives to China?

Implications for the future

How will the crisis in Ukraine shift development policy?

How do you expect security and strategy concerns to shape your development policy in the future?

What do recent/upcoming elections portend for the course of development policy?

Appendix 3. Proxing Global Public Goods Expenditures

Below is the list of CRS codes used to establish donors' allocations on GPG spending.

Table A4 CRS codes used to calculate global public good expenditures

Climate

14015 Water resources protection
14040 River development
23030 Power generation/renewable sources
23064 Nuclear power plants
23065 Hydroelectric power plants
23066 Geothermal energy
23067 Solar energy
23068 Wind power
23069 Ocean power
23070 Biomass
23081 Energy education/training
23082 Energy research
31165 Agricultural alternative development
31182 Agricultural research
31282 Forestry research
31382 Fishery research
41010 Environmental policy and administrative management
41020 Biosphere protection
41030 Biodiversity
41040 Site preservation
41081 Environmental education/training
41082 Environmental research
43050 Non-agricultural alternative development

Health

12182 Medical research
12250 Infectious disease control
12262 Malaria control
12263 Tuberculosis control
12264 Covid-19 control
13040 Sexually transmitted disease control including HIV/AIDS Tackling climate change

Peace and Security

15113 Anti-corruption organisations and institutions
15210 Security system management and reform
15220 Civilian peace building, conflict prevention and resolution
15230 Post-conflict peace building (UN)
15240 Reintegration and small arms control
15250 Landmine clearance
15261 Child soldiers (prevention and demobilisation)
16063 Narcotics control

Other GPGs

11182 Educational research
16062 Statistical capacity building
32182 Technological research and development
33110 Trade policy and administrative management
33120 Trade facilitation
33130 Regional trade agreements
33140 Multilateral trade negotiations
33150 Trade-related adjustment
33181 Trade education/training
43082 Research/scientific institutions