



THE FUTURE OF INTERNATIONAL DEVELOPMENT COOPERATION:

**Fragmentation, Adaptation and
Innovation in a Changing World.**



March 2021



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LIST OF ACRONYMS

AU	African Union
BMGF	Bill and Melinda Gates Foundation
Covid 19	Disease caused by the coronavirus SARS-CoV-2
CSO	Civil Society Organisation
CSR	Corporate Social Responsibility
DAC	Development Assistance Committee
DFAT	Australian Government Department of Foreign Affairs and Trade
DFI	Development Finance Institution
DfID	Department for International Development
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EFSD	European Fund for Sustainable Development
EIB	European Investment Bank
EIP	External Investment Plan
EU	European Union
FCDO	Foreign, Commonwealth & Development Office
FDI	Foreign Direct Investment
GPEDC	Global Partnership for Effective Development Cooperation
HIV/AIDS	Human Immunodeficiency Virus / Acquired Immunodeficiency Syndrome
JICA	Japanese International Cooperation Agency
MDG	Millennium Development Goals
MFF	Multiannual Financial Framework
NDICI	Neighbourhood, Development and International Cooperation Instrument
NGDO	Non-Governmental Development Organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development.
PALOP	Portuguese-speaking African Countries
PPONGD	Portuguese NGDO Platform
PSI	Private Sector Instruments
SDG	Sustainable Development Goals
SSC	South-South Cooperation
TOSSD	Total Official Support for Sustainable Development
UN	United Nations Organisation
UNCTAD	United Nations Conference on Trade and Development
USA	United States of America
USAID	United States Agency for International Development
WHO	World Health Organisation

INTRODUCTORY NOTE

This study stemmed from the need perceived by the Portuguese NGDO Platform (PPONGD) to produce knowledge that will help its members carry out a more informed analysis of the changes in International development cooperation (hereafter, development cooperation). Understanding the transformation underway and the challenges it presents is fundamental for the PPONGD and its members to jointly outline possible paths into the future, setting out the future direction of action, their priorities and their options.

The study was conducted with three goals in mind:

1 Tracing the progress of development cooperation over the past 20 years, while reflecting and discussing the ongoing changes in a multiplex world;

2 Addressing the challenges faced by key public and private development cooperation actors view of the ongoing change;

3 Contributing to the discussion on this new configuration of development cooperation by offering guidelines based on adaptation and innovation for thinking and acting in a complex, fragmented and fragile multiplex world.

This study sought to review the available academic and grey literature (reports from development cooperation organisations, blog posts, online discussions and interviews), and where possible, interviews with professionals from international organisations – both governmental and non-governmental – were used.

In the introduction of the study, we contextualise development cooperation in a changing world and describe the framework for discussion applied to each of the following sections: In Part I, changes in development cooperation and ODA are addressed, based on three issues that are crucial for the sectors: quantity, quality and legitimacy. Part II highlights the challenges faced by key public and private actors of development cooperation - either “traditional” or “new” ones. Finally, Part III outlines a few guidelines on complexity, fragmentation, and fragility, which can provide useful tools for analysis in the new context. To conclude, we offer civil society organisations some points for reflection.



INTRODUCTION:

The context of development cooperation in a changing world

Critical moments: Covid 19 and the acceleration of history

As with other pandemics and epidemics in the past, such as the black plague in Europe in the 14th century, the Spanish flu in 1918-20, and HIV/AIDS in Africa in the 1990s, the Covid-19 pandemic can be analysed as a critical juncture in the current international environment, in particular in international development cooperation, and in the concept of development itself (Green 2020; Leach et al. 2020). Health crises are extremely unpredictable and can result in substantial shifts in power systems that can either be positive (benefiting those who were on the weaker and more fragile side) or negative (reinforcing those who were already in a position of strength). Thus, pandemics can function as turning points that open several paths, various possible answers, which, when chosen, will have consequences that go far beyond public health.

However, it is fundamental to look at these critical moments as one-off events in the historical framework of which they are a part. On April 7, 2020, the Covid 19 pandemic was still in its early days, but already showing signs of the global health crisis it would become, and Richard Haas published an article in *Foreign Affairs* magazine called 'The pandemic will accelerate history rather than reshape it: not every crisis is a turning point'. In the article, contrary to the many convictions already expressed at the time about the capacity of the crisis to bring about profound changes to the problems facing our societies, the president of the Council on Foreign Relations¹ argued that the pandemic (and, in particular, countries' responses to the health crisis) would revive and reinforce the geopolitical trends of recent decades, rather than mark a turning point towards new paths (Haas 2020). Haas's thesis seems to be proving correct: in several fields we have observed not a sudden change or an unexpected shift, but what appears to be a reinforcement and

acceleration of trends that had been taking place and evolving for the past two decades. Development cooperation, as a foreign policy, whether guided by selfless motives and/or promoting different national interests, is no exception, and so it is important to understand the geopolitical and geo-economic challenges and dilemmas it faces and to contextualise them in the current historical moment.

The 21st century and the multiplex world

This study takes a basic argument as the starting point: the dominant paradigm on development cooperation and the role of Official Development Assistance (ODA), embedded in the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD), is undergoing a process of gradual reform, but its purpose is still being questioned. Consequently, its future shape is still uncertain. This questioning and uncertainty reflect the systemic changes taking place in the world that challenge the future of the international liberal order underlying the architecture of development cooperation and ODA defined in the OECD-DAC framework. Development cooperation is part of what has been called the international liberal order that emerged at the end of the Second World War and was strengthened by the fall of the Berlin Wall in 1989. The Covid 19 pandemic revealed several cracks in this order that were already opening up in the last two decades and that are connected to the pillars that have sustained this liberal international order led by the US and Europe:

¹ The Council on Foreign Relations is a leading think tank worldwide in the area of international and external policy studies (<https://www.cfr.org/>). Founded in 1921, it is also in charge of publishing the magazine *Foreign Affairs*.

- the set of organisations and multilateral provisions that established global governance rules, beginning in 1945;
- liberal democracy as a goal that is both desirable and attainable;
- liberal capitalism as the preferential system of social and economic organisation;
- the State as a lead actor for the design and implementation of public policies;
- civil society as an active and influential actor of public policy assessment and monitoring.

These pillars have come under growing pressure at various levels. The visible crisis of global governance, exemplified dramatically in 2020 by the US withdrawal from the World Health Organization², is one side of what international relations expert Amitav Acharya has called the multiplex world (Acharya 2017). International relations are no longer suited to a bipolar, unipolar or multipolar system of hegemonic powers – western ones, in particular –, where governments are the key players. Instead, we observe a growing multiplicity of actors in the global order (governments, international institutions, multinational companies, non-governmental organisations, individuals, transnational movements, and other non-state actors) and an also increasing complexity of global challenges that transcend borders. Such challenges are multidimensional issues, often unpredictable and impossible to resolve at the national scale. These are not necessarily new problems, but they have become more urgent and apparent: financial crises, pandemics, migration, climate change.

² This decision was made after the US withdrew from the Paris Agreement on climate change announced in November 2019 and effective November 4, 2020, one day after the US presidential election (See <https://www.climatechangenews.com/2019/11/04/trump-begins-formal-us-withdrawal-paris-agreement/>, 4 November 2019, accessed on 6 March 2021). One of the first decisions made by the Biden administration was to reverse the two decisions made by the Trump administration, to return to the Paris Agreement and resume WHO funding (See <https://apnews.com/article/us-who-support-006ed181e016afa55d4cea30af236227>, 22 January 2021, accessed on 6 March 2021)

NEW RULES OF THE GAME



MULTIPLEX WORLD LIBERAL DEMOCRACY CRISIS

"A multiplex world is like a multiplex cinema - one that gives its audience a choice of various movies, actors, directors, and plots all under the same roof. (...) It is not a singular global order, liberal or otherwise, but a complex of crosscutting, if not competing, international orders and globalisms."

Amitav Acharya, 2017

- MULTILATERALISM (1945)
- ⋮
- LIBERAL DEMOCRACY
- ⋮
- LIBERAL CAPITALISM
- ⋮
- ROLE OF THE STATE
- ⋮
- ROLE OF CIVIL SOCIETY

Consequently, the study addresses development cooperation in this new multiplex world that has abandoned the traditional divide between 'rich countries in the North' and 'poor countries in the South'. The multiplex world brings together a growing diversity of actors at all scales with increasingly complex relationships. To quote Amitav Acharya, 'A multiplex world is like a multiplex cinema – one that gives its audience a choice of various movies, actors, directors, and plots all under the same roof. [...] It is not a singular global order, liberal or otherwise, but a complex of crosscutting, if not competing, international orders and globalisms.' (Acharya 2017).

Development cooperation in the multiplex world

Multiplexity is of particular importance, because it allows the different development cooperation players to revisit recent history and reconstruct the international liberal order that structured its own architecture after World War II. As this order grows weaker, the development cooperation model itself is weakening. The break came in 2016: both the Brexit vote and Trump's election made it clear that something had changed. In this study, we argue that this change occurred on a planetary scale and has accelerated since the beginning of the 21st century.

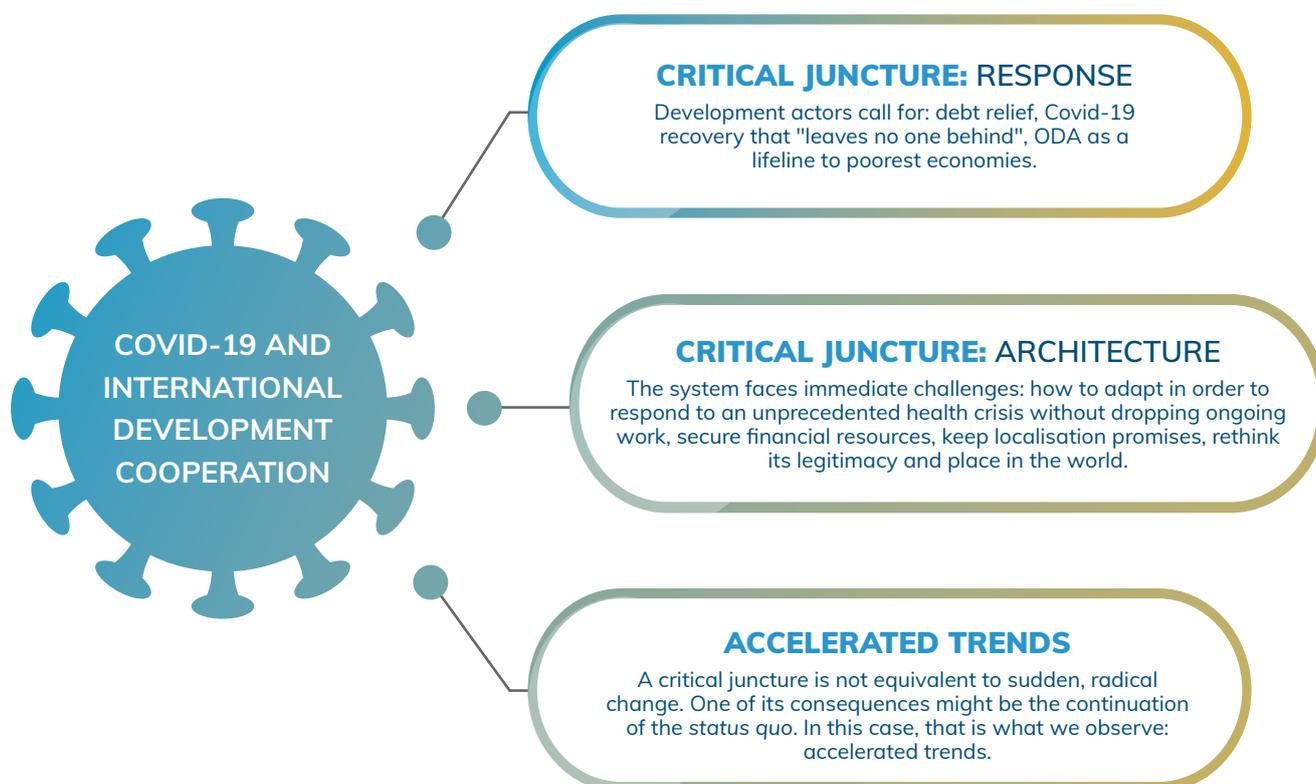
The economic (re)emergence of southern countries whose priorities were not in line with the dominant vision of liberal capitalism as the preferred system of social and economic organisation has challenged the economic leadership and hegemony of the North and its recipes for development based on its overvaluation of the role of the market, which have shaped its development cooperation in the OECD-DAC framework. China's economic re-emergence is a clear example, albeit not the only one: economic growth and development in East Asia were driven by the countries that guided the markets, with telling outcomes in the level of industrialisation and poverty reduction (Wade 1992; Yeung 2009). Because China was the world's leading economy up until 1870, its economic re-emergence is a good starting point for rethinking development cooperation modalities and mechanisms at

two levels: economic and political. In economic terms, while there is no consensus on the nature of the impact of China's presence in Africa (positive or negative), it is already the main (single) trading partner of the African continent and it has invested heavily and openly in infrastructure in the major economies. After creating its own development cooperation agency in 2018, China's new White Paper launched in 2021 highlights the willingness and importance that the world's second economic power, which has not endorsed the liberal order and is not a member of the OECD-DAC, attaches to this foreign policy, mainly in geo-economic terms.³ At the same time, the success of China's authoritarian state capitalism, where civil society has virtually no voice, may become an attractive model for less industrialised countries with poorly consolidated democratic political systems. In the multiplex world, this means that political and economic liberalisation are no longer hegemonic visions.

The global economic transformation in the dynamics of industrial production in recent decades has not only created ties of greater trade dependence between North and South, but it has also put the private sector, regardless of location, at the centre of global development. The production, distribution and marketing of goods and services began being carried out along complex chains involving companies in the North and South (Gereffi 2018). While these new dynamics have resulted in greater economic growth, industrialisation and the emergence of a strong private sector in southern economies (Yeung 2016), the traditional problems of dependent development associated with labour rights, inequalities, environmental justice, and gender equality still persist.

3 http://english.www.gov.cn/archive/whitepaper/202101/10/content_WS5ffa6bbbc6d0f72576943922.html
<https://www.odi.org/blogs/10624-china-s-new-development-agency-five-expert-views>

Critical juncture(s) of development cooperation: response to the pandemic and architectural changes



First, the pandemic is a critical juncture at the operational level, in terms of the capacity of development cooperation to respond to the health crisis and its consequences. Secondly, the immediate consequences of the pandemic at various levels bring additional challenges to the functioning and future of development cooperation and its architecture.

At the operational level, development cooperation actors (from bilateral and multilateral agencies to NGOs and private foundations) have argued from the outset that humanitarian aid and ODA systems can (and should) play a major role in responding to the health crisis in low- and middle income countries, as well as in addressing its devastating economic and social consequences. Existing mechanisms, such as debt forgiveness and ODA itself (more constant compared to private capital flows), should be used in the short to medium term to help release funds rapidly to respond to the anticipated economic and social consequences of the pandemic,

especially in low- and middle income countries (UNCTAD 2020; Concord 2020). Similarly, the traditional development cooperation actors (OECD DAC bilateral agencies, multilateral agencies of the UN system and/or NGOs) are in a privileged position to identify the areas where inequalities are exacerbated by the pandemic (DfID and Oxfam 2020) and thus respond quickly, effectively and efficiently to the needs of the most vulnerable countries and populations, leaving no one behind.

At the level of the development cooperation architecture, the Covid 19 pandemic highlights and accelerates trends and challenges that already exist in the functioning of the system itself. Not only do the traditional actors have to adapt their response to an unprecedented health crisis, without neglecting the work underway and their response to current multiple crises, there is a renewed urgency to:

- **Secure financial resources:** In a scenario where rich and donor countries are themselves facing an unprecedented crisis within their own borders and in the broader context of the loss of ODA relevance, a potential reduction in ODA flows is anticipated, even though we know that a global crisis such as this one requires a collective action response that also prioritises Low-income countries, where ODA is still of central importance (Concord 2020).
- **Fulfil long-standing promises to localise aid:** Due to international travel restrictions and health security procedures, facing the challenge of localisation becomes inevitable (Doane 2019). The unprecedented immediate repatriation that followed the closing of borders in many countries left many senior positions in local organisations vacant and forced ongoing work to be interrupted, thus reigniting the debate about the localisation of aid and the decolonisation of the sector itself (#ShiftThePower 2020).
- **Show innovation capacity:** The system and its traditional actors feel increasingly compelled to innovate their practices, ideas, and organisational models, by (finally) adapting them also to the overlapping reality of climate emergency and the collapse of biodiversity, the transformation of human mobility into a security issue, emerging technologies, widening inequalities between and within countries, and types of authoritarianism on a global scale (ICVA 2020).

The need that development cooperation faces to rethink its legitimacy and place in the world cuts across all of these urgent challenges and is intrinsically linked to changes in the rules of the game in a multiplex world. Development cooperation and its traditional actors can no longer ignore the legitimate claims for greater participation by countries and organisations that historically have not had access to traditional decision-making centres: OECD DAC donors are increasingly abandoning the donor-recipient relationship, NGOs in the Global North rethink their relationships with their partners in the South, the private sector sees its place as a development actor strengthened. At the same time, development cooperation, as a space for action previously dominated by bilateral cooperation agencies, multilateral and civil society organisations (CSOs, including non-governmental development organisations - NGOs), is witnessing an increase in the diversity of public and private organisations that also claim legitimacy to act – development banks and financial institutions, transnational companies with development focused missions and partnerships, philanthropic foundations, grassroots and social movements – and that question business as usual (Ritchey and Ponte 2014). And such organisational diversity is no longer North centred (Horner e Hulme 2017).

The future of global development: complexity, fragmentation, fragility, adaptation and innovation

In short, the shape of development cooperation in the time ahead will be a function of the geopolitical and geo economic changes that are taking place, driven by the impact of multiple crises caused by the Covid 19 pandemic. Such changes help us understand that development, as a project and paradigm, is shifting from the international to the global arena: it is no longer a paradigm centred on inter State relations and problems off in the South, where ODA is the key tool; global development must consider a multitude of processes, actors and epistemologies, focusing on collective and shared issues, transversal to all countries, northern and southern (Oldekop et al. 2020). Some signs of the transition are already visible, specifically the erosion of the traditional centres of legitimacy and proliferation of actors that

compete at different levels in the power structure of the current development cooperation field. But the future of development cooperation will also be a function of the actors' response: will they be willing to use new resources, generate new ideas and consider new strategies? If the multiplex world is multiple and complex, but also fragmented and fragile, development cooperation actors face risks (e.g. the measurable consequences of the climate emergency) and uncertainties (e.g. the emergence of new actors and thorny problems⁴). Adaptation and innovation constitute answers to the complexity, fragmentation, and fragility.

The current study is divided into three parts: The first covers issues of quantity, quality and legitimacy in the current discussion on development cooperation and ODA, and seeks to look briefly at how European and Portuguese cooperation have addressed these challenges. In the light of development cooperation underway, the second part analyses the challenges that the main public and private actors of development cooperation face. The third part looks into the complexity, fragmentation and fragility of the multiplex world and proposes guidelines based on adaptation and innovation for addressing development cooperation in this uncertain context. Finally, the conclusion proposes avenues of thought for civil society organised in development cooperation in the multiplex world.

[...] the shape of development cooperation in the time ahead will be a function of the geopolitical and geo-economic changes that are taking place, driven by the impact of multiple crises caused by the Covid-19 pandemic. Such changes help us understand that development, as a project and paradigm, is shifting from the international to the global arena: it is no longer a paradigm centred on inter-State relations and problems of/in the South, where ODA is the key tool; global development must consider a multitude of processes, actors and epistemologies, focusing on collective and shared issues, transversal to all countries, northern and southern (Oldekop et al. 2020).



⁴ By thorny issue we mean an economic, social, cultural or political problem that, due to its undetermined connection to other problems, is hard to define and on which there is no agreement between people and communities. Furthermore, a thorny issue does not have a replicable 'turnkey' solution (Rittel 1973).

In this new context of fragmentation of actors and practices in development cooperation, accompanied by a debate on the uncertain future of the quantity and quality of ODA as evaluation measures set by the main group of donor countries in the OECD-DAC framework, the traditional multilateral and bilateral organisations, which have been leading and setting the rules of the game in the sector, have been rethinking and readjusting their role and future trajectories.



PART I: CURRENT CHALLENGES FOR DEVELOPMENT COOPERATION

Rethinking quantity, quality, and legitimacy

In this new context of political and economic change at the global level, the role of ODA and of the traditional development cooperation actors has been challenged in three dimensions: quantity, quality, and legitimacy.



QUANTITY

ODA is no longer the most important financial flow between rich countries and poor countries.



QUALITY

Ongoing scrutiny of ODA regarding its effectiveness in eradicating poverty and fostering development: the Asian success is not linked to ODA and the outcome of aid effectiveness reforms, from Paris to Busan, remains unclear.



LEGITIMACY

The multiplex world, the liberal democracy crisis, and new actors asserting themselves in the new arena are some of the drivers challenging the traditional place of OECD-DAC donors.

1.1 On the quantity and quality of ODA

ODA, the main official aid instrument offered by traditional OECD DAC donors since the 1960s together with debt forgiveness and technical assistance, has been losing relevance as a source of development finance for most developing countries. The diversity of instruments available in development finance has increased substantially since the beginning of the 21st century, as Figure 1 indicates.

FIGURE 1:
Development financing in the 21st century



Source: UNDP (2014).

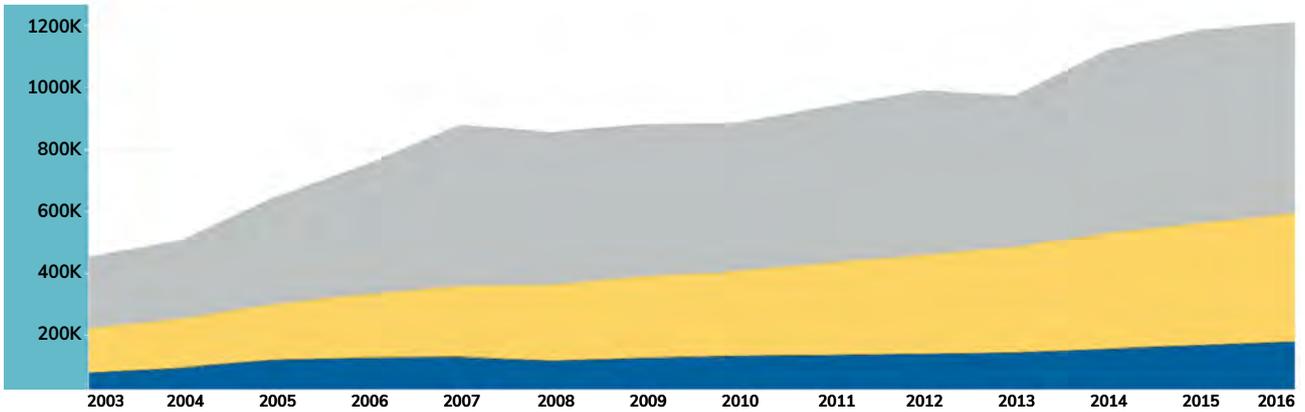
The exception to this new reality of development financing is still Low-income countries or countries that are faced with severe institutional, political, social and economic crises, whose budgets remain dependent on ODA (Chart 2). Private financial flows, such as foreign direct investment (FDI), emigrant remittances or philanthropy, are increasingly important, as Charts 1 to 4 highlight. Although ODA remains a stable flow, it did not increase significantly from 2003 to 2016, contrary to what happens in the trajectory of non ODA flows (which include FDI) and emigrant remittances, as we can see in Chart 1: non ODA flows show a particularly sharp increase

in the periods 2004-2007 and 2013-2016, stabilising during the 2008-2009 financial crisis (and in the post-crisis period). As countries' income levels (low, lower middle, upper middle) increase, the relative importance of ODA as a development finance flow decreases (Charts 2, 3 and 4) – in the case of upper middle income countries, the other non ODA flows are now by far the most important source of development financing.

CHART 1

Flows of funds to low- and middle-income countries, 2002-2017

Big picture of total resource receipts, 2002-2017
 USD million, 2016 prices



ODA in this chart includes bilateral ODA and multilateral concessional outflows. Other non-ODA flows include Other Official Flows (OOF) and multilateral non-concessional outflows, officially-supported export credits, private grants, Foreign Direct Investment (FDI) and portfolio investment. Official flows, officially-supported export credits and private grants are adjusted gross disbursements. Personal remittances, FDI and portfolio investments are net flows. All flows are in 2016 prices. Sources: Official flows, officially-supported export credits and private grants, DAC statistics. Personal remittances, FDI and portfolio investment, WB and IMF. <http://www.oecd.org/development/beyond-oda.htm>

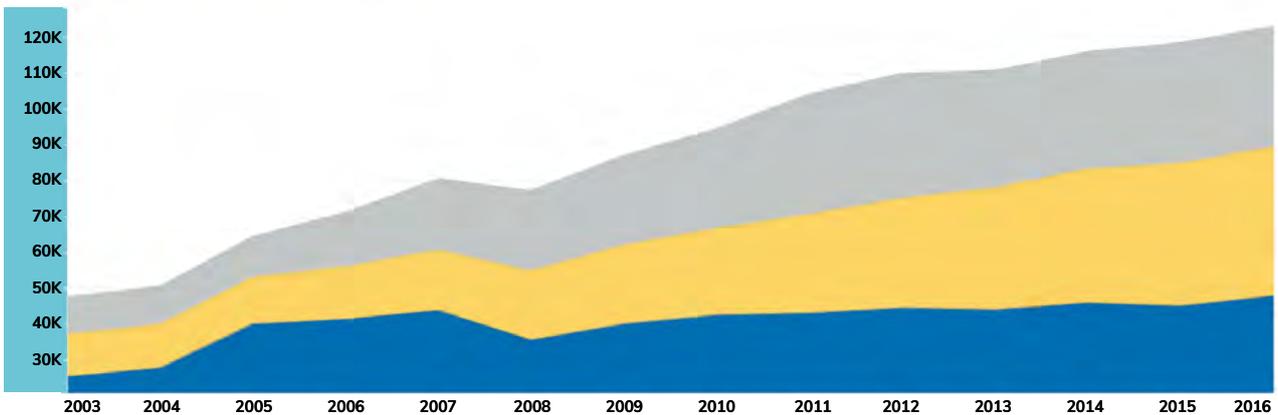
Source: OECD (2021)⁵

Title: ■ ODA ■ Emigrant remittances ■ Other non-ODA flows (include Foreign Direct Investment)

CHART 2

Flows of funds to low-income countries, 2002-2017

Big picture of total resource receipts, 2002-2017
 USD million, 2016 prices



ODA in this chart includes bilateral ODA and multilateral concessional outflows. Other non-ODA flows include Other Official Flows (OOF) and multilateral non-concessional outflows, officially-supported export credits, private grants, Foreign Direct Investment (FDI) and portfolio investment. Official flows, officially-supported export credits and private grants are adjusted gross disbursements. Personal remittances, FDI and portfolio investments are net flows. All flows are in 2016 prices. Sources: Official flows, officially-supported export credits and private grants, DAC statistics. Personal remittances, FDI and portfolio investment, WB and IMF. <http://www.oecd.org/development/beyond-oda.htm>

Source: OECD (2021)⁶

Title: ■ ODA ■ Emigrant remittances ■ Other non-ODA flows (include Foreign Direct Investment)

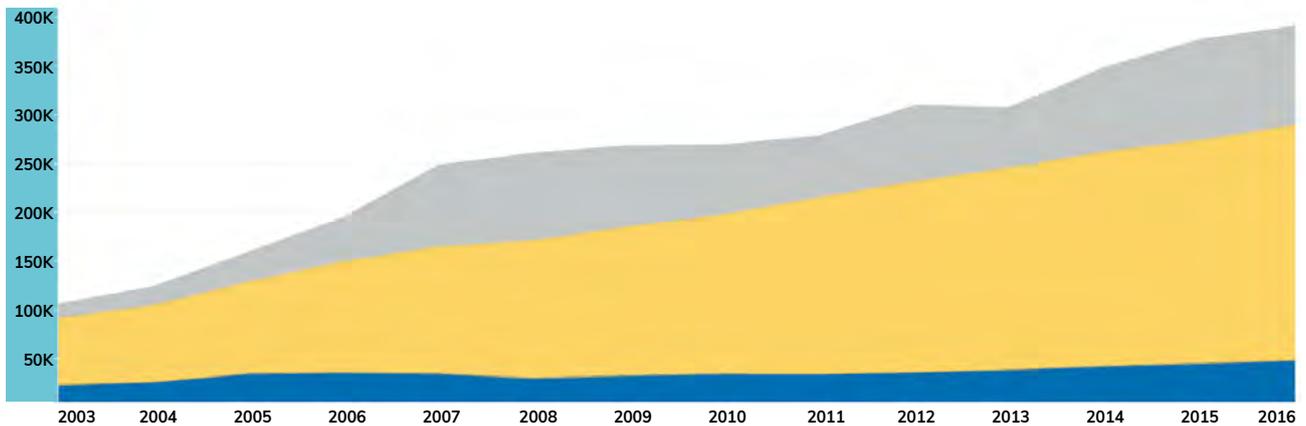
⁵ <http://www.oecd.org/development/beyond-oda.htm>

⁶ <http://www.oecd.org/development/beyond-oda.htm>

CHART 3

Flows of funds to low-middle income countries, 2002-2017

Big picture of total resource receipts, 2002-2017
 USD million, 2016 prices



ODA in this chart includes bilateral ODA and multilateral concessional outflows. Other non-ODA flows include Other Official Flows (OOF) and multilateral non-concessional outflows, officially-supported export credits, private grants, Foreign Direct Investment (FDI) and portfolio investment. Official flows, officially-supported export credits and private grants are adjusted gross disbursements. Personal remittances, FDI and portfolio investments are net flows. All flows are in 2016 prices. Sources: Official flows, officially-supported export credits and private grants, DAC statistics. Personal remittances, FDI and portfolio investment, WB and IMF. <http://www.oecd.org/development/beyond-oda.htm>

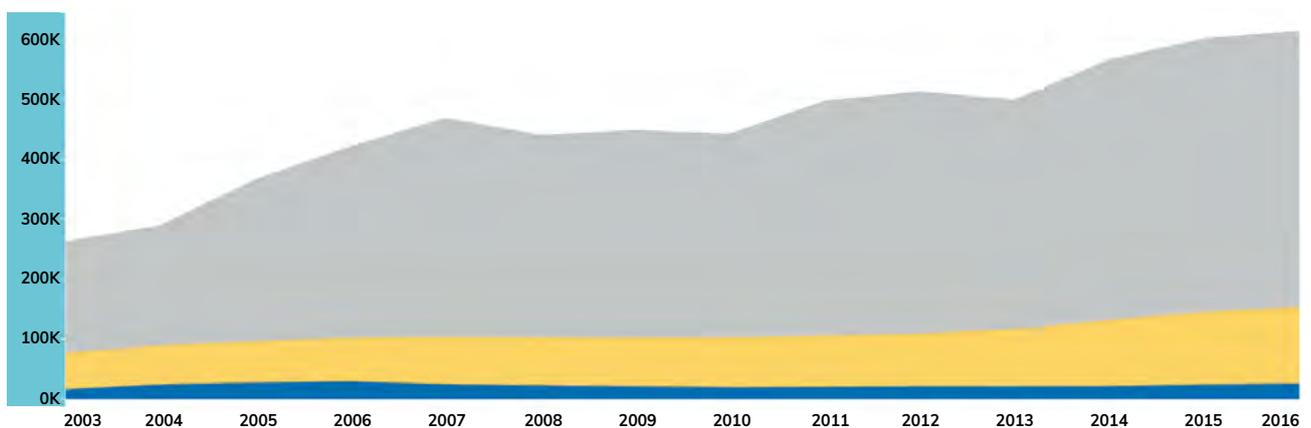
Source: OECD (2021)⁷

Title: ■ ODA ■ Emigrant remittances ■ Other non-ODA flows (include Foreign Direct Investment)

CHART 4

Flows of funds to upper-middle income countries, 2002-2017

Big picture of total resource receipts, 2002-2017
 USD million, 2016 prices



ODA in this chart includes bilateral ODA and multilateral concessional outflows. Other non-ODA flows include Other Official Flows (OOF) and multilateral non-concessional outflows, officially-supported export credits, private grants, Foreign Direct Investment (FDI) and portfolio investment. Official flows, officially-supported export credits and private grants are adjusted gross disbursements. Personal remittances, FDI and portfolio investments are net flows. All flows are in 2016 prices. Sources: Official flows, officially-supported export credits and private grants, DAC statistics. Personal remittances, FDI and portfolio investment, WB and IMF. <http://www.oecd.org/development/beyond-oda.htm>

Source: OECD (2021)⁸

Title: ■ ODA ■ Emigrant remittances ■ Other non-ODA flows (include Foreign Direct Investment)

⁷ <http://www.oecd.org/development/beyond-oda.htm>

⁸ <http://www.oecd.org/development/beyond-oda.htm>

The adoption of the Agenda 2030 reinforced the progressive loss of importance of ODA as a financial instrument for development. According to UNCTAD (2014), 2.5 billion dollars are needed every year to achieve the SDG. However, such needs are unevenly distributed between countries and sectors (Gaspar et al. 2019). From the beginning of the Agenda 2030, it has been recognised that ODA alone will not be sufficient to meet financing needs. This view ultimately helps to raise awareness of the idea that only through the private (corporate) sector will it be possible to fill in the global development financing gap. DAC members quickly embraced this idea (GPEDC 2017). In this context, not only is the participation of the private sector as an actor in and of development cooperation no longer questioned, but its materialisation eventually impacted the ‘modernisation’ of ODA within the OECD-DAC and began to accelerate after the HighLevel Meeting on Aid Effectiveness in Busan (South Korea) in 2011.

On the other hand, the discussion on the quality of ODA or, in other words, on the impact and efficacy of ODA, has been around for at least as long as ODA itself (Bernardo 2019). We find views on this issue in literature that are positive (Sachs 2005; Burnside e Dollar 1997), negative (Easterly 2014; Ferguson 1994; Moyo 2009) and ambivalent (Yanguas 2018; Riddell 2008; Chambers 2017). Assessing the impact and effectiveness of ODA depends on many factors: the starting point, the context, what is meant by success. It is not a story that is straightforward or easy to analyse or communicate. However, the difficulty in proving the impact of ODA, which was made clear in the outcomes of the Millennium Development Goals (underperforming, except for China's success), contributed to the erosion of public confidence in the sector and was also an impetus for the aid effectiveness agenda, adopted at the High-Level Meetings on Aid Effectiveness in Rome (2003), Paris (2005), Accra (2008) and Busan (2011).

For decades, the OCDE-DAC has been in charge of assessing its members’ ODA quantitatively and qualitatively, based on a grants or concessional loan-focused framework (below market value). However, since 2019, the OECD-DAC has come to accept the inclusion of financial instruments that support private sector investment in developing countries (known as PSIs or Private Sector Instruments) in ODA accounting.⁹ A key actor for managing these PSIs is the Development Finance Institution (DFI). DFIs are financial institutions – entirely or partially State-owned – that pursue public interests, whose main function is to support private sector investment in developing countries.

The ‘modernisation’ of ODA accounting has included designing and implementing a new statistical measure of quantifying development cooperation, in a process led by the OECD-DAC with the international community: Total Official Support for Sustainable Development (TOSSD). The OECD-DAC defines TOSSD as ‘all officially supported resource flows to promote sustainable development in developing countries, to support development enablers and to address global challenges at regional or global levels’ (OECD 2016). Nevertheless, it is not clear how the impact of TOSSD is assessed compared to traditional ODA. ODA will continue to be applied only to OCDE-DAC members and other countries that follow the rules set by the organisation (OECD 2017). In addition to these changes, the 2008 financial crisis affected the main donor countries more directly and forced them to rethink their ODA strategies, by fostering the discussion described above around their relevance and effectiveness and the reassessment of their international commitments.

⁹ The PSIs can support ODA in two ways: institutionally and instrumentally. Institutionally, all public financing inputs to DFIs may be included as ODA. Instrumentally, DFI guarantees or shareholdings in private companies in developing countries can be counted as ODA.

1.2 On the legitimacy of development cooperation

Through TOSSD¹⁰, the OECD-DAC seeks to align its statistical system with the more diverse arena of development financing beyond ODA. This is being shaped, not only by the economic and geopolitical impact of the 'emergence of the South' (OECD 2010; UNDP 2013; Hackenesh and Janus 2013; Pietersen 2018), guided by growing South-South cooperation (SSC) led by new Asian donors, such as China or Middle Eastern donors (e.g. Turkey, Qatar, UAE or Saudi Arabia), but also by a growing number of non-state actors acting globally (like foundations or non-governmental organisations) and with alternative models of intervention. Most new donors from the 'South' seem less concerned about normative discourse (upholding human rights or good governance) or transparency or accountability of the ODA delivered, which have dominated the agenda of traditional donors. They are more focused on achieving economic gains, primarily commercial or geopolitical, through development cooperation (Chin and Quadir 2012; Mawdsley 2018; Mawdsley, Kim, and Marcondes 2017; Puppim de Oliveira and Jing 2020; Tapscott, Jing, and Oliveira 2019). This difference in the way development cooperation is put into practice has fostered an increasing analysis of the vision, mission and practice of development cooperation, particularly by traditional bilateral donors, who have started to value the principle of 'mutual benefit', in political, economic and commercial terms (Gulrajani and Faure 2019).

The High-Level Forum on Aid Effectiveness, held in Busan (South Korea) in 2011 soon after the financial crisis in Europe (two years earlier), signals a transition stage in the development cooperation arena – the recognition of these new donors that are not members of the OECD-DAC – and a clear weakening of the leadership capacity of traditional donors, such as the EU, in comparison with their role in the previous two forums in Paris (2005) and Accra (2008). The Busan Declaration incorporates this new logic under five fundamental points.

First, the discourse on ODA is replaced by the focus on cooperation and real development. 'Aid' is dropped and is replaced by 'cooperation'. The Global Partnership for Effective Development Cooperation stems from the new centrality of effectiveness and has been the subject of relevant debate (Blampied 2016; Klingebiel and Li 2016). The policy implications are only beginning to see the light of day a decade after it was established (Taggart 2020), and it is recognised that the discourse on effectiveness has not produced the expected effects (Klingebiel et al. 2020). Brown (2020) argues that OECD-DAC donors, when faced with legitimacy issues and the changes to the development cooperation arena, were reluctant to adopt the Paris Agenda and made no effort to convince emerging donors to adhere to the ODA effectiveness rule.

Secondly, 'developing countries' were recognised as actual partners, thereby declaring the mutual benefits of the partnership. Under the terms of the emerging discourse on partnerships, which refers to more horizontal and less hierarchical relationships, Busan brought innovation by recognising other donors outside the OECD-DAC framework, such as China (the most obvious case), Russia, Turkey, Saudi Arabia or the United Arab Emirates (Lauria and Fumagalli 2019).

Third, the activities that involve adaptation and monitoring of rules on the field are no longer led by the OECD-DAC and are decentralised to other organisations that are not 'donor forums', e.g. the Global Partnership for Effective Development Cooperation.

Fourth, the private sector emerges as the ideal partner for development cooperation (Mawdsley 2015).

Finally, in fifth and last place, flexibility and cooperation action is fostered in order to accept the involvement of new donors in the system that do not agree with or are not interested in adopting the rules developed under the OECD-DAC.

In this new context of fragmentation of actors and practices in development cooperation, accompanied by a debate on the uncertain future of the quantity and quality of ODA as evaluation measures set by the main group of donor countries in the OECD-DAC framework, the traditional multilateral (such as the World Bank, International Monetary Fund or European Union) and bilateral organisations (such as the cooperation agencies of the OECD-DAC member countries), which have been leading and setting the rules of the game in the sector, have been rethinking and readjusting their role and future trajectories. Some trends are increasingly gaining ground: (1) They begin to make room in their priorities for economic growth, job creation and infrastructure construction, in addition to the traditional social sectors, such as education or health; (2) ODA is now used as a catalyst for private investment through new forms of financing, e.g. blended finance (3) The private sector is now regarded and promoted as an ideal partner for development cooperation; and (4) The mediation of effectiveness seems to be no longer subject to the principles defined in the 2005 Paris Agreement – ownership, alignment (predictability and decoupling), harmonisation, result-based management (impact assessment and monitoring), and mutual accountability.

Instead, the effectiveness of development cooperation now appears to be subject to the dilemmas and tensions that emerge from the desire to defend national interests, while responding to global welfare needs (Gulrajani 2017). A good example is the recent importance of ODA/ development cooperation securitisation, particularly after the crisis of the Common European Asylum System from 2015 to 2018. The securitisation of ODA/ development cooperation reveals how geopolitical and geo-economic interests, although varying from one EU country to another, are key to determining what is effective (Brown and Gravingholt 2016).



#TeamEurope: The geopolitics of European cooperation

The new European Commission (EC) presided over by Ursula von der Leyen, who took office in September 2019, has categorically assumed the vision of the 'Geopolitical Commission', engaged in sustainable policies and the relations with the African continent. The new EC President's first trip outside Europe was to the African Union (AU), in Addis Ababa. The African continent emerges as a 'key partner' for the EU due to the challenges concerning peace and security, climate change, migration, and economic growth. In March 2020, the EU launched its new strategy for Africa in search of a partnership between equals based on pragmatism, values, and common principles. The appointment of Jutta Urpilainen as Commissioner for 'International Partnerships' (replacing 'International Cooperation and Development') also hints at von der Leyen's vision for European development cooperation: more political and strategic (Teevan and Sheriff, 2019, p.4). In her mission letter to the new Commissioner, von der Leyen emphasises the need to ensure a 'cost-effective European development model that contributes to our broader policy priorities'.¹¹ Poverty reduction, and possibly eradication, which is enshrined in the 2009 Lisbon Treaty as the main objective of the European development cooperation, is not mentioned in the letter. The fact is European development cooperation has been changing since the Agenda for Change was launched by the EC in 2011. [This is] a change that has not only differentiated the countries that can still receive European ODA, but it has also prioritised private sector partnership as a way to achieve economic growth and job creation in partner

countries. This partnership is founded on the development of new financial instruments (blended finance), combining official ODA and other private and/or public financial resources, such as loans, guarantees or venture capital. Meanwhile, the new financial instruments provided the opportunity to reassess the architecture of European financing of development cooperation. In 2017, the EC published the External Investment Plan (EIP) of the EU, which includes a European Fund for Sustainable Development (EFSD), worth more than 4 billion euro and aimed at leveraging over 44 billion euro of investments by 2020. Under the new Multiannual Financial Framework (MFF 2021-2027), European financing for development cooperation (which already includes the EDF, European Development Fund) is available on a single platform: the Neighbourhood, Development and International Cooperation Instrument (NDICI), with around 79.4 billion. Through the NDICI, the EU will also support sustainable investment worldwide under the European Fund for Sustainable Development Plus (EFSD+). This will be done by leveraging private capital that is added to EU ID grants. The EFSD+ will be backed by a €53.4 billion External Action Guarantee. Finally, in October 2019, the high-level Committee of Wise Men, created by the European Union Council to rethink the future of the European Union's design of development for financing, suggested that an EU Climate and Sustainable Development Bank be created, by combining the financial resources of the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD), and the EC.

¹¹ https://ec.europa.eu/commission/commissioners/sites/comm-cwt2019/files/commissioner_mission_letters/mission-letter-urpilainen-2019-2024_en.pdf

Portuguese development cooperation: The challenge of the private sector for development

In recent years, the Portuguese government has shown an increasing interest in involving the private sector in its development cooperation. Its Strategic Concept for Development cooperation 2014-2020 emphasises the will to support private sector development in partner countries, either by fostering an enabling environment for business or through partnerships. The Portuguese private sector will be key to these partnerships and the Concept highlights further the importance of promoting partnerships between NGOs and Portuguese companies. Concerning the financing of private sector development cooperation initiatives, the Concept grants SOFID, the

Portuguese financial institution for development, a lead role. Around 70 to 80% of the Portuguese financing flows to development, either ODA or non-ODA, targeting Portuguese-speaking countries in Africa (PALOP). The latest economic and financial crisis impacted Portuguese cooperation significantly, by weakening its human and financial resources and, therefore, its response to the changes taking place in development cooperation globally. In PALOP countries particularly, where South-South Cooperation, involving new non-DAC donors, in particular, is growing considerably.

The practical transformation of several public development actors (bilateral donor agencies of the OECD-DAC, multilateral and development finance institutions) and private (business sector, philanthropic sector and NGOs), some more proactively and others more reactively, in response to the new development cooperation in the world multiplex, forces them to rethink their role and legitimacy in the sector, at the same time that it presents them new challenges.



PART II: THE NEW CHALLENGES FACING PUBLIC AND PRIVATE DEVELOPMENT COOPERATION ACTORS

2.1 'Public' actors

Institutionalised ODA developed in the 1950s and was regarded as an important instrument for achieving international agreed goals (Williams 2014). In the beginning, ODA was mostly bilateral, i.e. a donor country would set its own ODA policy and engaged directly with the recipient country. As bilateral ODA became standard practice, multilateral institutions such as the World Bank (WB) and other UN agencies created during the same period began to receive ODA from their members. Since then, development cooperation has centred on two types of public players: development cooperation agencies and multilateral institutions in charge of managing bilateral and multilateral ODA, respectively. In the last decade, another public player (often with private equity, depending on the country) has been gaining ground with the rise of the private sector as a key partner in development cooperation and the emergence of ODA backed financial instruments to catalyse its investment: development finance institutions (DFIs). In this section, we look at these three players – bilateral development cooperation agencies, multilateral institutions, and development finance institutions – which we classify as 'public' (despite the growing influence of 'private' players, such as the business sector or NGOs in their common activities in a multiplex world), the challenges they face in the current context, and the implications thereof for the future of development cooperation.

2.1.1 Bilateral cooperation agencies

Between the end of the Cold War and the approval of the Millennium Development Goals (MDGs), the dominant and guiding narrative of development cooperation had a strong altruistic and international solidarity component. In recent years, however, the discourse has changed and the 'era of national interests' is upon us (Gulrajani 2017). Cooperation agencies these days navigate between responding to the needs of communities abroad, geopolitical priorities and domestic interests (Gulrajani e Calleja 2021). And they must deal with these dilemmas within government structures whose mission is precisely to defend national interests. Gulrajani and Calleja (2017) highlight several trends that explain the change in the narrative.

First, in domestic terms, fiscal austerity as a financial and political principle, together with the political will to use ODA as a diplomatic (political/trade) tool or to control migratory flows, has put pressure on the agencies' own budgets and on their core mission since the Millennium Declaration in 2000, i.e. fighting global poverty.

Secondly, since the second half of the 21st century, we have seen wealth shift from North to South (OECD 2010), along with a significant improvement in human development (UNDP 2013): "It is no longer enough to divide the world simply between North and South, developed and developing countries" (OCDE 2010). Emerging economies and a growing middle class in the South are now regarded by donors as potential markets for investment and trade. Such trends already seem to have influenced the fact that the Sustainable Development Goals (SDGs) agreed upon in 2015, unlike the MDGs, are not just for 'developing

countries', but for all countries. Or the WB decision in April 2016 to drop the distinction between developed and developing countries in their annual World Development Indicators report¹². Or the growing focus and discussion on the distribution of poverty and inequality in countries in the North and the South. The highest levels of poverty are currently found in middle-income countries and not in countries with a lower income. The World Bank indicates that 75% of the World population and 62% of the poor in the world live in middle-income countries. Simultaneously, these countries account for 1/3 of the global GDP and they are considered the drivers of growth in the world¹³. This fresh look at the South is likely to have implications for ODA and the development cooperation agencies' mission.

Third, in this new global economic landscape, the growing South-South cooperation, based on principles of partnership among equals and on values such as solidarity and reciprocity, challenges and questions the vision of charity that was built up over decades of a relationship between a generous 'donor' in the North and a poor 'recipient' in the South (Fukuda-Parr and Shiga, 2016). Consequently, the traditional donors, in particular under the OECD-DAC, have been abandoning the altruistic motivations in favour of the principle of 'mutual benefit', in political, economic and commercial terms (Gulrajani and Faure 2019; Keijzer and Lundsgaarde 2018; Kharas and Rogerson 2017). Finally, the observation that a number of factors with a strong impact on development – such as illegal financial flows, tax havens, refugee movements, pandemics, climate change, or terrorism – are less confined to national borders and require global concertation. All of these trends and pressures are shaping the narrative of development cooperation and the mission of the development cooperation agencies, forcing them to find a balance between the enhanced promotion of national interests and the altruistic guidelines that they have followed in the last decades.

2.1.2 Multilateral institutions

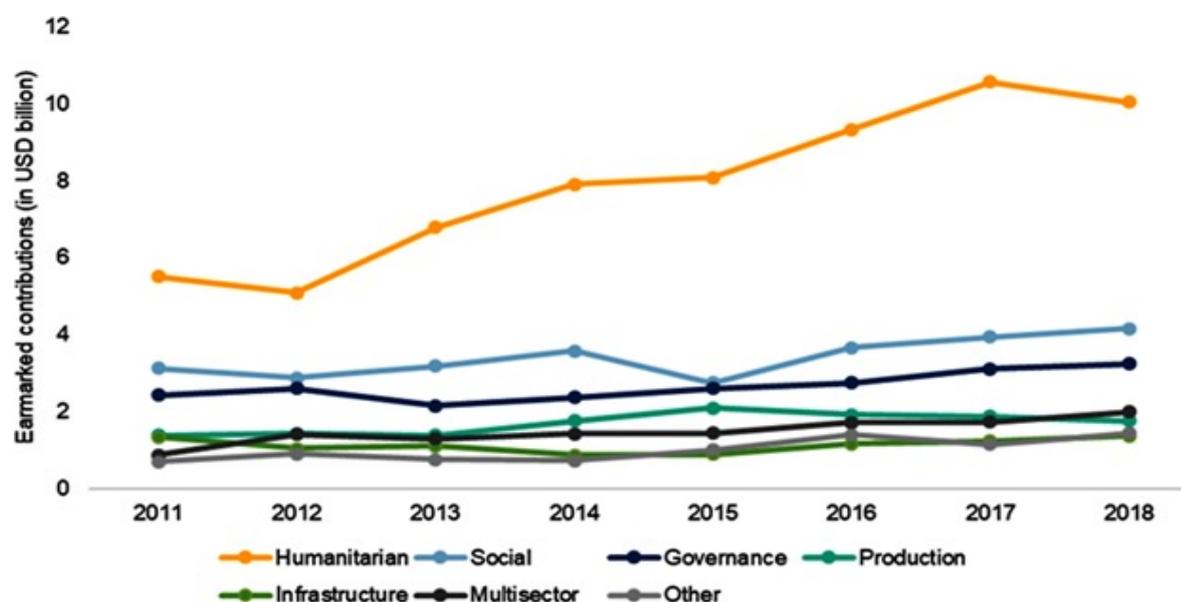
Since the Second World War, multilateral institutions have performed a key role in development cooperation and ODA. Although there is no consensus about the reasons (international solidarity, domestic or geopolitical interests) for Member States of multilateral institutions to grant them ODA, what the studies do show is that development cooperation from multilateral institutions tends to be more transparent (Aid Transparency Index)¹⁴ and that the advantages of multilateral ODA lie in 'their ability to collectively organise, pool and advance common global causes' (Gulrajani 2016).

The latest OECD report on multilateral development financing (2020) reveals that multilateral ODA has been growing since 2012 and totalled USD71.9 billion in 2018, accounting for 38% of all ODA. The report highlights that OECD-DAC members are still the main shareholders and lenders of multilateral institutions. Their contributions accounted for ¾ of all funding of the UN development system. However, the increase in multilateral contributions is related to the growth of earmarked flows that are to be used for specific programmes only. This is seen as potentially undermining the advantages of multilateral ODA by making it 'bilateralised', i.e. potentially subject to donor control and interests, while benefiting from the multilateral 'brand'. Increasing the volume of flows of this sort is justified by the growing number of humanitarian interventions in the last decade (OECD 2020), as can be seen from Figure 2.

¹² <https://blogs.worldbank.org/opendata/2016-edition-world-development-indicators-out-three-features-you-won-t-want-miss>

¹³ <https://www.worldbank.org/en/country/mic/overview>

¹⁴ <https://www.publishwhatyoufund.org/the-index/2020/>

FIGURE 2 Multilateral contributions by sector, 2011–2018

Source: OECD (2020)¹⁵

If the growth in earmarked funds continues, while funding for multilateral structures declines, it can ultimately have the effect of negatively influencing the strategic priorities and capacities of multilateral institutions and create what the report calls an ‘à la carte’ multilateral system. This trend may result from differences between the views that key donors of the OECD-DAC have of the roles, priorities and operations of multilateral institutions. Since the funding of multilateral institutions relies ultimately on a small number of countries out of the 195 members (36% of all funding in 2018 was provided by the US, UK and Germany), they can easily become vulnerable to the influence of individual donors. Currently, the greatest challenge of multilateral institutions is possibly how to maintain their independence and serve common global causes in a multiplex world.

2.1.3. Development finance institutions (DFI)

The enhanced role of the private sector in development cooperation and the development of blended finance instruments aimed at attracting and fostering investment have had the effect of giving greater public visibility to DFIs. The emergence of DFIs is directly linked with blended finance, because the role of these public institutions (although it is not uncommon for them to have private shareholders) is to stimulate private sector investment in ‘developing countries’ through a range of financial tools, such as loans, equity or guarantees. From 2005 to 2017, European DFIs increased their investments almost fourfold, from 10.9 billion euro at the end of 2005 to 46 billion euro at the end of 2019¹⁶. While, until recently, the weak monitoring of DFIs allowed them to focus primarily on the financial return on their investments, their increasing visibility is forcing them to also respond to the requirements of impact on sustainable development in the countries receiving support from private investment. Finally, traditional donors, specially under the OECD-DAC, tend to value political, economic or commercial ‘mutual benefit’, which has benefitted DFIs since they are endowed with larger amounts of public capital. The opportunity that ODA modernisation offers

¹⁵ https://www.oecd-ilibrary.org/sites/e61fdf00-en/1/3/3/index.html?itemId=/content/publication/e61fdf00-en&csp_=98c28c694791ac73ca7c1f-7fc3c9a7d9&itemGO=oe&itemContentType=book#section-d1e4367

¹⁶ <https://www.edfi.eu/members/facts-figures/>

to incorporate PSI under the OECD-DAC further strengthens the future role of DFIs in development cooperation. However, greater visibility and importance is attached to the challenge of enhanced scrutiny by civil society, which requires more transparency of its activities and investments and impact assessment.

2.2 'Private' actors

In the previous design of development cooperation, prior to the Busan Partnership (2011), where ODA accounted for the largest amount of financing flows to poorer countries, NGOs were the most significant 'private' players. In the 1990s and 2000s, international civil society organisations, mostly the ones based in northern countries, participated actively both in actions on the ground in southern countries and in awareness-raising and advocacy campaigns in rich countries, such as the Jubilee 2000 campaign, which called for the cancellation of debt of the poorest countries and the Stand Up Against Poverty campaign. Designed and implemented in a multiplex world, different from the one that saw the birth of the Millennium Agenda, the 2030 Agenda brought another 'private' actor to the centre of the debate: companies, whose position and role as development cooperation actor is transformed by the new global agenda for sustainable development. Since the beginning of the 21st century, the philanthropic sector (large private foundations) is also asserting itself as an actor that is becoming ever more important and interested in bringing not only its media and financial power to the development cooperation arena, but also its pro-market and pro-private sector vision, helping to fragment the system (Banks and Hulme 2014; Bishop and Green 2009; McGoey 2015). The OECD-DAC already has a working area dedicated to philanthropy and has in recent years established a network that allows it to gather and consolidate data on the financial flows mobilised by 143 foundations, including 33 of the largest foundations working in the development cooperation sector (OECD 2018). This chapter discusses these three actors – the private (corporate) sector, the philanthropic sector and

NGDOs¹⁷ - which we classify as 'private' (although we know that the differences are increasingly unclear in the multiplex world), the challenges they face in the current context and their implications for the future of development cooperation.

2.2.1 Private sector (corporate)

Since the Meeting in Busan in 2011 the private sector has become a formal player within and of development cooperation. Not only will the private sector bring financial capacity to meet the 2030 Agenda, but it will deliver the capacity to drive innovation-based economies of scale and impact, which is key (Steiner 2018; Young and Woods 2019). The private sector has always been of crucial significance in the context of development cooperation, as mentioned by Bracking (2009), Kindornay and Reilly-King (2013), Lucci (2012) or Mawdsley (2014). The globalisation of production networks and value chains from the 1970s to the 1990s (Gereffi 2018) reinforced the centrality of these organisations in economic operations with concrete impact on global development. In the 2030 Agenda, the role of the private sector is more central than its role in the MDGs (Scheyvens, Banks, e Hughes 2016). This centrality also increases the number of roles that companies can play for development. Table 1 suggests a typology, adapted by Kindornay (2016: 42), as suggested by Vaes and Huysse (2015, 27–28). Private sector participation in development cooperation is regarded as the necessary lever for an intervention of scale and impact of national cooperation agencies, narrowing gaps in the quantity and also the quality of ODA. Nowadays, the private sector's biggest challenges include regulatory requirements with impact on operations, such as the reporting of the actual (or material) impact of companies (GRI 2016: 10–11; 2018a) or economic, social and environmental outturn accounts (GRI 2018b) – supporting their role as actors in development cooperation in the framework of the 2030 Agenda.

¹⁷ We are using the definition of NGDO proposed by Fowler (2011): the sub-group of NGOs (volunteer, not-for-profit, non-governmental organisations) that operate in the context of X. The author notes that NGDOs are, in general: a) separate in terms of legitimacy and governance from government institutions; b) they support and use the pillars of ODA as the basis for their existence; c) they obtain public support, either directly or through taxes, in part because they do not aim to generate wealth for their members; d) they operate at any or all levels of social and political organisation, from the local level of the individual, families, households and others to the transnational levels and they express concerns, presence and relationships at the global level; and e) they are not affiliated with any party.

TABLE 1**The Role of the Private Sector in development cooperation**

BENEFICIARY	Projects or initiatives with development goals.
IMPLEMENTER	New business models with purposeful and specific impact on development.
REFORMER	Adaptation of existing business models to development goals.
SOURCE OF RESOURCES	Private resource allocation to external projects.
PARTICIPANT	Engagement in initiatives.
TARGET	Lobbying target to change practices.

Source: Kindornay (2016), adapted by Bernardo (2019)

2.2.2 Philanthropic sector

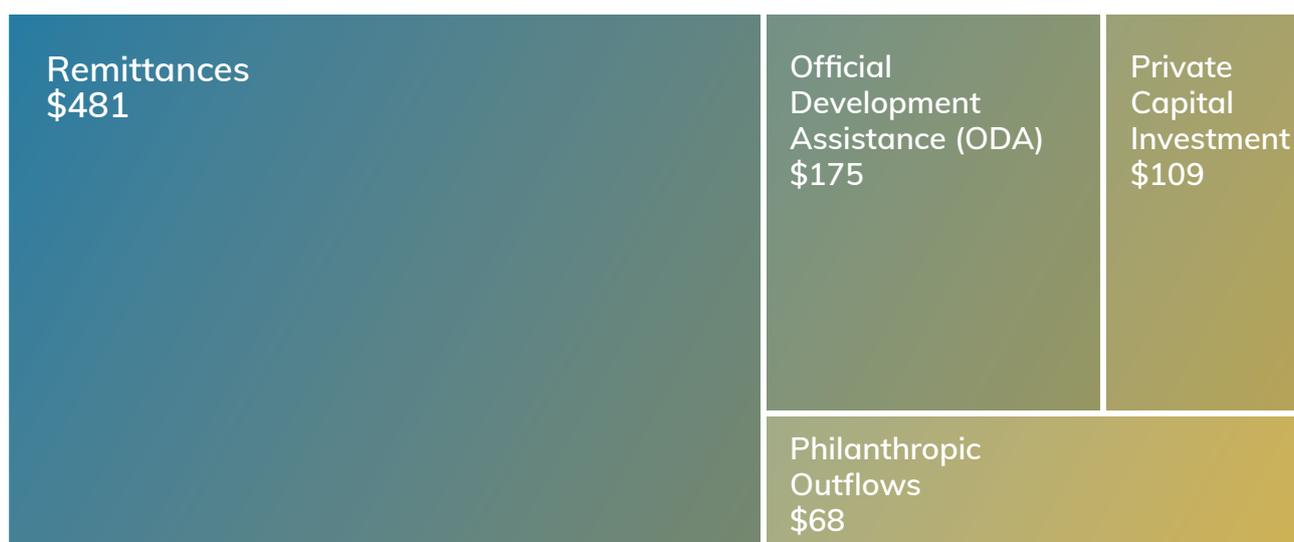
The increasing weight of philanthropic funds is one of the most evident trends in development cooperation. Data from 2018 on 47 countries (26 OECD-DAC members and a selection of middle-income countries with available data, including India, China, South Africa and Turkey), included in the Global Philanthropy Tracker 2020, show that philanthropic flows now account for 8% of all development financial flows to low- and middle-income countries. Although it is the smallest flow of the four analysed, as shown in Figure 3, the analysis of developments from 1991 to 2018 in the same paper shows a steady and substantial increase in philanthropic flows, especially since 2004, and the decline in the relative importance of ODA compared to the other flows, as already mentioned in Part I of this study (Indiana University Lilly Family School of Philanthropy 2020).¹⁸

The new philanthropy is the result of the profoundly unequal development of modern capitalism and perpetuates power asymmetries in development aid, further reinforcing the idea that the richest people on the planet have the legitimacy to impose their views and can more easily influence policies than democratically elected governments (McGoey 2015).

¹⁸ However, the Global Philanthropy Tracker highlights that the data available is not always the same throughout the period analysed, 1991-2018.

FIGURE 3**Total Financial Flows for Development (2018) (millions of dollars adjusted to inflation)**

Total Amount: USD \$834 Billion

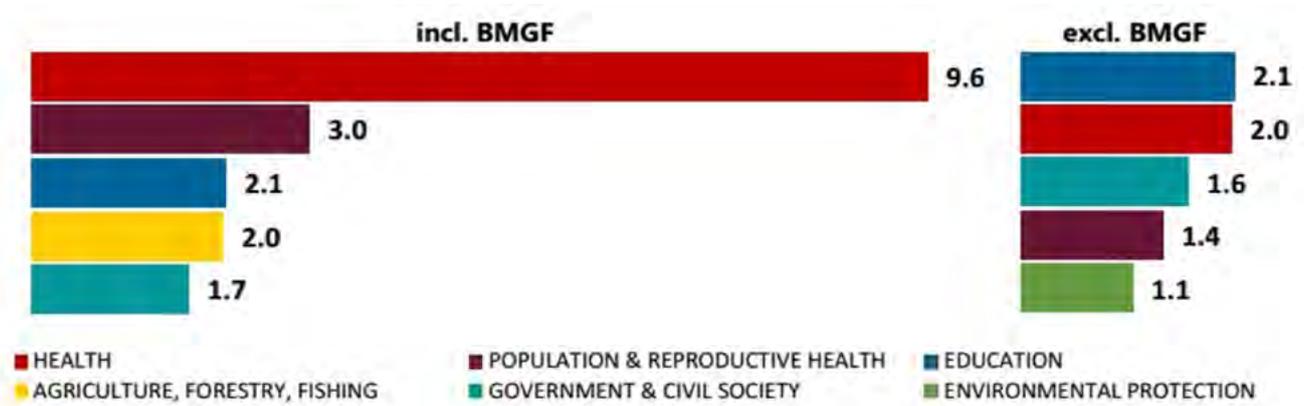


Source: Global Philanthropy Tracker, Indiana University Lilly Family School of Philanthropy (2020)

The 2016 *Global Philanthropy Index* report (Hudson Institute 2016) estimated that philanthropy in OECD-DAC countries amounted to 45% of total ODA in those countries and data in the 2020 report show that OECD-DAC members are responsible for 99% of philanthropic flows originating in high-income countries.¹⁹ These flows account for more than 0.10% of the GNI of 9 countries analysed, led by the US (0.23%), Denmark (0.21%) and the UK (0.18%). In absolute terms, the USA is still by far the largest source of philanthropic funds and the only country where philanthropic flows are greater than ODA. Portugal is still part of the group of countries where these flows are not significant, amounting to USD10 million of philanthropic funds in 2018, which represents 0.004% of the GNI. The weight of philanthropy by sector of activity is high in the global health sector (OECD 2018), where the Bill and Melinda Gates Foundation (BMGF) has become a key actor, as illustrated in Figure 4.

Education and support for civil society (and issues of democratic participation and governance) are other important areas of philanthropic activity, and environmental issues (combating the climate emergency) are gaining ground (OECD 2017).

¹⁹ Australia, Austria, Belgium, Canada, Chile, Croatia, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Israel, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Qatar, Slovakia, Spain, Sweden, Saudi Arabia, South Korea, Switzerland, United Arab Emirates, United Kingdom, United States of America. 32 countries, of which 26 are members of DAC.

FIGURE 4**Top 5 sectors benefitting from philanthropic funds, 2013-2015
(in billion dollars)**

Source: OECD (2017)

Like the non-DAC donors or the private corporate sector, other 'new actors' as they are called, the participation of philanthropic foundations in ICD is not a new phenomenon, but it has become more evident and more relevant over the past decades, and not only thanks to their increased financial importance (Banks and Hulme 2014; OECD 2018; ODI 2016). Today's philanthropists differ in many ways from the 19th and early 20th century American philanthropists, industrialists such as Henry Ford, John D. Rockefeller and Andrew Carnegie. Although they were influenced by calls for the wealthiest people to actively contribute and participate in social protection systems, such as those made by Andrew Carnegie, today's billionaires, like Bill Gates and Warren Buffet, go far beyond this vision of welfarism and supplementing State aid (Giridharadas 2018; McGoey 2015). They believe that they can, on the one hand, use the knowledge and skills they deployed to build their successful companies to solve the world's problems and, on the other hand, that they will be able at the same time to revolutionise the philanthropic and development cooperation sector in general, which they consider to be inefficient and unable to solve global problems (Bishop e Green 2009). This new way of doing philanthropy, which is intrinsically linked to the development of capitalism and is characterized by the use of methods traditionally employed by the business sector in the non-profit sector is called philanthrocapitalism (Giridharadas 2018; McGoey 2015). More than a moral

duty, philanthropy becomes an investment, the use of business jargon in the sector grows, and concepts such as *venture philanthropy* appear (an appropriation of the venture capital concept). Market economy is not regarded as a problem or as a cause of social problems or inequalities, but as part of the solution (Kumar 2019) and as another opportunity to obtain return on investments.

Although it contributes towards a greater diversity of sources of financing that governments of low- and middle-income countries can have access to, philanthrocapitalism must, nevertheless, justify its legitimacy in the development cooperation arena. The new philanthropy is the result of the profoundly unequal development of modern capitalism and perpetuates power asymmetries in development aid, further reinforcing the idea that the richest people on the planet have the legitimacy to impose their views and can more easily influence policies than democratically elected governments (McGoey 2015). Opening up the development cooperation space – either in the context of multilateralism, direct relations with governments or civil society groups – and the public debate space itself to philanthrocapitalists could overshadow the fact that many of them have made their fortunes due in part to tax breaks and the fact that many foundations are also used as ways to avoid paying higher taxes (Oxfam 2019; 2020), in addition to raising questions linked to the democratic legitimacy of these actors

(Banks and Hulme 2014). The example of the World Health Organization (WHO) and its relationship with BMGF, which became public when the US suspended payments to the WHO in April 2020, in the early days of the pandemic, was a major blow to the multilateral system's global crisis management capacity and the result of a multiplexed geopolitical system and an increasingly fragmented development cooperation (Fejerskov 2015; The Guardian 2020; Politico 2017).

2.2.3 NGOs

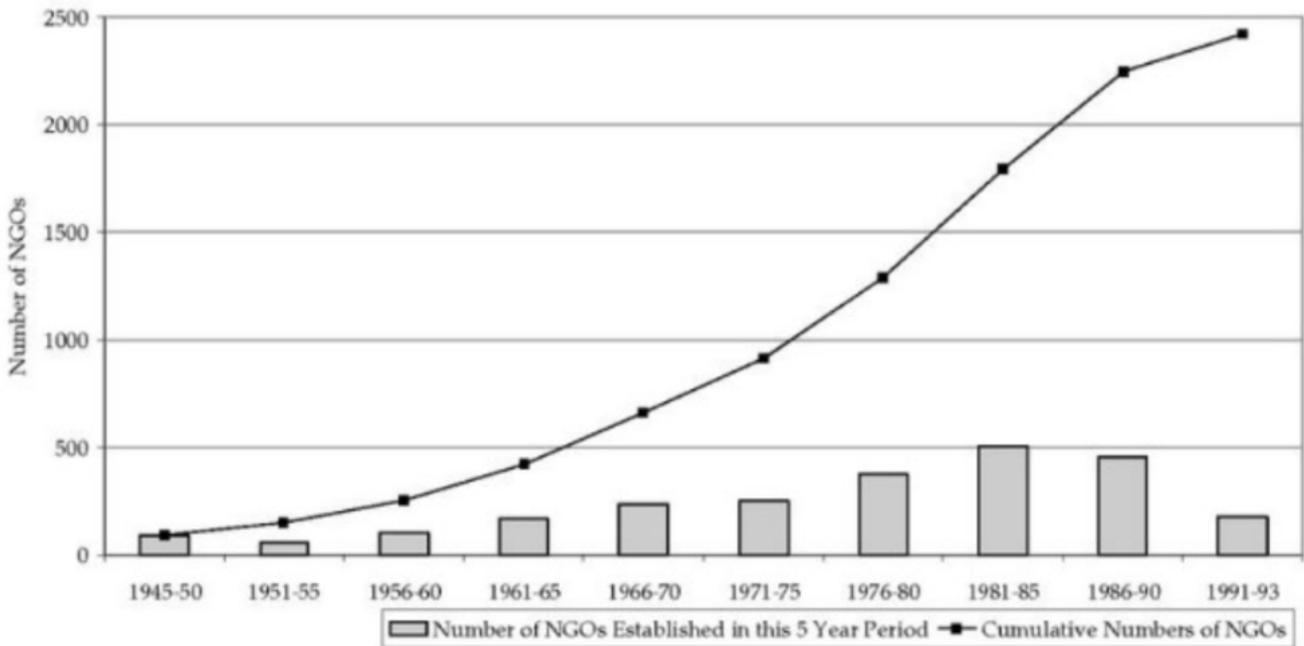
Heirs to 19th century transnational activism, such as the abolitionism and the Red Cross movement, NGOs as we know them today originated from the international solidarity movements of the 1960s and 1970s, linked to the struggle for decolonisation and opposition to the localised and proxy conflicts of the Cold War (Davies 2014; Fowler 2011). The legacy of this origin is still very present in the narrative of many NGOs, which define themselves as international and today present themselves as the voice of (global) civil society against the injustices of the development process. The importance of NGOs as influential actors in the global arena was fostered by the United Nations system in the 1980s and 1990s that provided NGOs from the South and the North the necessary institutional space to participate in international fora on issues such as human rights, population, discrimination against women, and the environment (Kamat 2004; Wright 2012). However, the growth and affirmation of NGOs as development cooperation actors is not linked only to the United Nations' call for participatory democracy.

Developments in the sector cannot be separated from the progress of the market economy and the neoliberal agenda, supported by the defence of liberal democracy. The liberalisation agenda of the so-called Washington Consensus in the 1980s paved the way for the withdrawal of the State, the privatisation of social services in developing countries, specifically those in Africa, and transformed many NGOs into social service providers, in areas such as education and health (Fisher 1997; Thorbecke 2005), leading to the growth of the sector, as Figure 5 illustrates. After the fall of the Berlin Wall, the democratisation and good governance agenda,

sponsored by OECD-DAC donors and multilateral agencies, regarded organised civil society (in Tocqueville's classic view) as one of the pillars of liberal democracy (Fowler 2011; Kamat 2004).

In the face of the crisis of liberal democracy, civil society is warning about the narrowing civic space or, in other words, the public space that is traditionally the sphere of action of civil society in democracy. Furthermore, recent years have been the scene of repression in the public space and uprisings at the global level, with multiple episodes of demonstrations and resistance against the status quo (Di Cesare 2020), in which citizens and social movements are the lead actors.

FIGURE 5
Development of European NGOs, 1945-1993



Source: OECD Development Centre.

Source: Development Centre OECD (Woods 2000)

This development is evidenced by a continuous increase of funds, ODA funds specifically, to support organised civil society all around the world, contributing to the exponential growth of the sector (Fowler 2011; Kamat 2004; Reinmann 2006; Wright 2012). The OECD-DAC estimates that, in 2018, DAC donors channelled approximately USD21 billion of ODA to and through organised civil society organisations, an amount equal to 15% of bilateral ODA (OECD 2020) – 13% channelled through projects and only 2% directed to the organisations themselves for basic organisational support. These figures

have remained relatively stable over the past eight years. Approximately one half of these funds were intended for social services and infrastructures and around a third for humanitarian aid. Overall, although the percentage values remain stable, we see a slight increase in the total volume of funds channelled to and through these organisations: from USD18.5 billion in 2010 to USD20.5 billion in 2018 (OECD 2020) (see Figure 6). These funds are allocated almost entirely to international organisations or organisations based in the donor countries; only 7% is channelled to organisations in the partner countries.

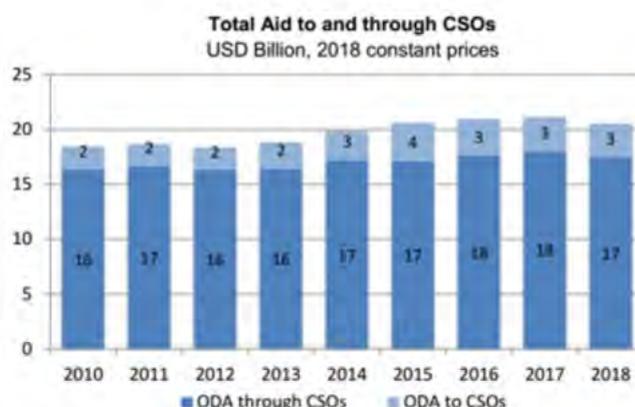
FIGURE 6

ODA Channelled to and through CSOs, 2010-2018 (billion dollars)

*All figures in constant 2018 USD billion

	2017	2018
Total to CSOs	3	3
Total through CSOs	18	17
Total to and through CSOs	21	21
Total bilateral aid	144	139
Percentage of bilateral Aid to CSOs	2	2
Percentage of bilateral Aid through CSOs	12	13
Percentage of bilateral aid to and through CSOs	15	15
<i>Memo : aid by CSO</i>	<i>44</i>	<i>44</i>

Source: OECD (2020)



In addition to these funds there are the resources that the organisations collect from multilateral agencies and private actors (foundations and companies), and individual donations from citizens. Due to the lack of a regulatory or aggregating international body, it is impossible to know how many NGOs operate in the world or to have reliable disaggregated data on the total financial resources they deploy, especially those from private sources (Lewis and Kanji 2009; Wright 2012; Yanacopulos 2015; Development Initiatives 2016). Still, some studies conducted in the past ten years show that private financing, mainly from citizens' donations, accounts for an important part of the funds deployed by European NGOs, constituting a growing trend in the first decade of the 21st century (Hénon et al. 2014; Development Initiatives 2016).

The financial crisis in 2008-2009 and the economic instability of the following decade, probably combined with the scepticism of the general public in regard to the impact of the work carried out by NGOs, have given rise to fewer donations pledged by private citizens in the past years (Edwards 2018); the latest Eurobarometer shows that 22% of respondents say they give money to an organisation that works in international development, 5% less compared to the Eurobarometer in 2016 (DG DEVCO 2018). Since the beginning of the pandemic, several platforms of civil society organisations have sounded the alert about the impact of the crisis on the shortfall in resources, at a time marked by a real increase in needs on the ground (Bond 2021; Civicus 2020a; Le Mouvement Associatif 2020). Civil society organisations have responded very

significantly around the world, bridging state gaps and using their strong presence on the ground to reach out to the most vulnerable (Civicus 2020a; 2020b). According to a survey conducted in June 2020 by Civicus Alliance involving 127 of its members in 50 countries, almost 90% of respondents said that their financial resources had been negatively affected by the pandemic: 50% had experienced lower financial inputs, but they were able to continue working, and 40% found themselves in dire financial straits that would soon lead to the cancellation of activities (Civicus 2020a).

Like other private actors, NGOs will also face the challenges in the coming period related to the changes in development cooperation in the multiplex world that we have emphasised in this study. We highlight six key challenges here: financing, impact evaluation, localisation of aid, the relationship with the private (business) sector, innovation, and the changing civic space.

First, as the governments of many OECD-DAC donors are grappling with an immense crisis in their own countries, ODA channelled to and through CSO by these countries will most likely decrease or stagnate, as was the case after the financial crisis a decade ago. The same can be expected of private funding from citizen donations, which was already declining, as we have seen. This is a very likely, but also expected consequence in light of the transformations in the cooperation agendas of these donors, of the transition from ODA to TOSSD (see Part I and Part II, Chapter 1). The interviews conducted during this study with CSO platforms staff hint

at a stronger impact of this reality on organisations of the global South than on the organisations of the global North, since very little ODA is channelled to and through the former. Another point highlighted by the interviews is the need to rethink the management structures and mechanisms of NGOs so that they can adapt to new partners and funders, against the backdrop of changes in financial flows to developing countries.

Secondly, as is demanded of ODA, NGOs are required to provide proof of the impact of their work (Lingán et al. 2009), in addition to the traditional data that quantifies the services rendered and the goods delivered (output). This is a difficult exercise in itself, because social change is complex and is influenced by many factors, and it is also difficult to communicate with audiences as diverse as partner governments, citizens and donors.

Thirdly, an old problem, but one the pandemic crisis unveiled was the asymmetric power between NGOs of the North and the South (Cornish 2019; Vielajus and Bonis-Charancle 2020; Currión 2020). When many countries declared states of emergency and closed their borders, between March and April 2020, many expatriate NGO staff returned to their home countries, leaving local staff operating on their own, often rudderless, as most senior management positions are still held by expatriates. This event – which was most evident in humanitarian aid organisations and has since returned to normalcy in some places, while continuing to this day in others – has shown very clearly that pledges to localise aid, reiterated over the past decades in both the humanitarian and development sectors, are far from materialising. Moreover, the process of change itself still reflects a great asymmetry of power, which reinforces the idea that people in northern countries are more capable than people in the South. This debate relates to sensitive issues in the sector, such as accusations of neo-colonialism, racism, and legitimacy, which are at the core of the discussion on reforming the system. Furthermore, in today's multiplex world of globalised capitalism, local problems often have a common thread that connects them to problems elsewhere on the globe, North and South (Di Cesare 2020; Edwards 2020).

Fourth, the private sector is no longer regarded in the 2030 Agenda as a mere donor, but as a full-fledged actor of and for development. Consequently, the social sector is being invaded by foundations, start-ups and private companies that propose to transform, and even revolutionise, the way development cooperation is carried out (Kumar 2019; Chang 2019). Despite the trend of increasing NGO and private company partnerships in the last decade – partnerships that have also become more complex due to changes in the role of the private sector – NGOs have had trouble recognising such complexity and the fact that the private sector no longer presents itself as just a funder (Molina-Gallart 2014).

Fifthly, innovation is not an easy path for NGOs. Despite cultivating a narrative of social innovators seeking alternatives to the dominant system (a vision with historical roots, as we have seen), the sector's development as a service provider and implementer of short- and medium-term projects, and its connection to ODA (which is traditionally unwilling to take risks), does not foster a culture of innovation (Edwards 1997; Peach & Inventium 2016; Whitehead 2016).

Finally, in the face of the crisis of liberal democracy, civil society is warning about the narrowing civic space or, in other words, the public space that is traditionally the sphere of action of civil society in democracy. The latest Civicus Monitor reports (Civicus 2020c) underscore ongoing limitation of freedom of speech and a continued narrowing of civic space in countries in all regions, which the measures to restrict freedoms implemented in the name of public health in 2020 have made worse. Furthermore, recent years have been the scene of repression in the public space and uprisings at the global level, with multiple episodes of demonstrations and resistance against the status quo (Di Cesare 2020), in which citizens and social movements are the lead actors, as in the case of the feminist movements in Argentina and Poland, the Black Lives Matter movement, and the Fridays4Future movement, led by the notable young activist, Greta Thunberg.

To look at development cooperation through the prism of complexity also means that, in addition to development cooperation localisation being a legitimate aspiration, it is a challenge with the potential to transform that goes beyond the results that are readily observable. If, in their own contexts, the individuals, communities and NGOs tend to have a better understanding of their priorities, that understanding is the driver of adaptive change in the sector.



PART III: REFLECTING ON DEVELOPMENT COOPERATION IN A COMPLEX, FRAGMENTED AND FRAGILE WORLD

Thinking of the World as multiplex, marked by uncertainty and global development problems that are increasingly thorny (cf. Introduction), implies reflecting about its **complexity**. ODA, as it is still overall implemented, is a complicated and linear solution to wicked problems (Bernardo and Silva 2019; Ramalingam, Laric, and Primrose 2014; Rittel and Webber 1973). By adopting the complexity perspective, it is possible to focus, not on ODA, but rather on the emerging, unforeseeable, and unpredictable dimension of global development. Furthermore, the growing diversity of (private and public) actor universes with different shapes, but similar approaches to the complexity, where proliferation and atomisation subsist, forces us to focus on **fragmentation** (see Part I and Part II). Finally, it is important to address **fragility**; it is a wicked issue that has undergone major developments as we learn more about its dimensions and an example of how a complicated problem is turned into a complex problem.

Table 2 compares the current idea of development cooperation and how it should be regarded in the future: from thinking centred on the linear and complicated approach to complexity-centred thinking. The two differ fundamentally in the way we view the systems and interactions. Whilst in the current development cooperation, systems and problems are viewed as being closed, static and linear, future development cooperation will regard systems as open, dynamic and complex. For example, in today's development cooperation, policies are thought out and designed based on the view that interactions occur among rational individuals who seek to maximise their individual interests, whose behaviour and actions can be specified from the top (top-down), allowing future outcomes to be anticipated. In future development cooperation, by contrast, interactions are viewed differently: they occur between individuals who mix different ways of thinking and acting, and who are therefore subject to bias or making mistakes. This new vision requires a more focused stance on the will to learn, adapt, organise oneself and co-evolve.

TABLE 2
How to think out development cooperation?

	Current development cooperation	Future development cooperation
SYSTEMS AND PROBLEMS	Systems and problems are closed, static and linear; Reductionist – the components reveal the whole	Systems are open, dynamic, non-linear. Macro standards result from interactions and micro behaviour
HUMAN AGENCY	Individuals are rational and deductive; behaviour and action can be established from the top; it is possible to have perfect knowledge of future outcomes	Individuals and groups mix ways of thinking and acting, they are subject to error and bias, they learn, adapt, organise themselves, and co-evolve over time
SOCIAL STRUCTURE	Formal inter-actor relations are most important; social relations do not have history and they may be designed; actors can be treated as independent/individual	Relations and interactions are important (culture, belonging to a community, beliefs, values); institutions and relations bear the burden of history and depend on its trajectory
CHANGE	Linear relationship between cause and effect; change is an additional, direct and measurable effect of actions or interventions	Complex relationship between cause and effect; qualitative change is more important; involves uncertainty and improbability

Source: Ramalingam (2013: 142).

Despite differences and sometimes conflicts, most public and private actors in development cooperation still adopt a linear approach in a multiplex world, operating on the world from a mechanical engineering perspective. A good example is the insistence on using the logical framework to design, implement and fund applications and proposals despite the difficulties in incorporating the complex dynamics of the multiplex world (Krause 2014).

The difference between what is *complicated* and *complex* has occupied a growing number of analysts (Alter and Meunier 2009; Alter and Raustiala 2018; Ashoff and Klingebiel 2014; Orsini et al. 2020) and organisations. Understanding a system or problem as complicated suggests that it is possible to break it down and analyse each component separately (Ramalingam 2013): a complicated system is composed of multiple parts that interact in predictable ways and produce an expected outcome. On the other hand, a complex system may be composed of few parts, but they all interact in predictable and unpredictable ways, producing unforeseeable outcomes. In the former, a watch or a car are complicated. But the mechanics of a watch are easily removed, analysed and replaced if one has the necessary technical knowledge. In the latter, a human being or an economy are complex. Analysing a leg or an arm and how it mechanically interacts with the brain does not help us understand our consciousness, just as looking at a monetary system does not help us understand why some countries develop and others do not.

In the first part of the report, we described a set of changes that implicitly recognise the complexity of the multiplex world, but they still involve solutions that exclude the relationships between multiple systems. For example, the Busan declaration acknowledges the complexity of the architecture and the actors, which suggests that it is an advancement vis-à-vis the Paris and Accra declarations. However, it suggests that development cooperation ‘plays a catalytic and indispensable role’ in the search for solutions, without recognising that such solutions operate beyond the ‘interdependence and coherence of

all public policies’ and act upon themselves – in essence, the policy coherence agenda reduces the complexity of interactions in a multiplex world and assumes a certain linearity between policies and outcomes, often forgetting that the configuration of these policies results from relationships of power between different political, economic and social actors.

To look at development cooperation through the prism of complexity also means that, in addition to development cooperation localisation being a legitimate aspiration, it is a challenge with the potential to transform that goes beyond the results that are readily observable. If, in their own contexts, the individuals, communities and NGOs tend to have a better understanding of their priorities, that understanding is the driver of adaptive change in the sector. Owen Barder suggests that the potential complexity approach can deliver seven ‘lessons’ to development actors (2012b). Table 3 lays out the seven lessons of complexity in addressing development and provides examples of ongoing transformation in several fields and led by various actors, which fit into each lesson.

[...] the Policy Coherence agenda reduces the complexity of interactions in a multiplex world and assumes a certain linearity between policies and outcomes, often forgetting that the configuration of these policies results from relationships of power between different political, economic and social actors.

TABLE 3

Seven lessons of complexity in addressing development

Seven “lessons” of complexity for development actors	Examples of ongoing transformation in new development cooperation
<p>1. Help avoid isomorphic mimicry, i.e. avoid applying institutional models or public policies that donors regard as ideal or best practices</p>	<p>The World Development Report 2017²⁰ of the World Bank acknowledges that the discourse of best practices can easily fail, because it ignores complex historical, political, and social realities.</p>
<p>2. Resist fatalism, i.e. recognise that the complexity of the multiplex world creates uncertainty about outcomes, but does not determine them.</p>	<p>The NEAR (Network for Empowered Aid Response)²¹ is a movement of local and national CSOs of the Global South that share the common goal of promoting fair, equitable and dignified partnerships in the framework of today's development cooperation.</p>
<p>3. Promote innovation, i.e. support the idea of innovation as a public good in a context where complexity eliminates the determinism of development.</p>	<p>The Transformative Innovation Policy Consortium (TIPC)²² seeks to promote a new public policy framework for innovation aligned with the need to solve social and environmental issues. According to this new framework, the North-South divide no longer applies, paving the way for knowledge-sharing and iterative learning.</p>
<p>4. Embrace creative destruction, i. e. recognise that, despite the negative connotation, ‘creative destruction’ describes a selection process and this process depends on concrete choices and preferences.</p>	<p>The focus on cash transfers in the humanitarian aid sector, which have been used in substantially higher volumes in recent years, is transforming the way many UN organisations and agencies work, with a bearing on social protection system discussions²³. During the pandemic, Oxfam International unveiled a restructuring plan²⁴ that involves closing down operations in 18 countries and laying off 1,500 employees. There are several reasons for the decision, but the official narrative describes the will to create a global, horizontal alliance of organisations working for social justice²⁵.</p>

²⁰ <https://www.worldbank.org/en/publication/wdr2017>

²¹ <https://www.near.ngo/who-we-are-copied>

²² <https://www.tipconsortium.net/>

²³ <https://reliefweb.int/report/world/state-world-s-cash-report-cash-transfer-programming-humanitarian-aid>

²⁴ <https://www.devex.com/news/exclusive-oxfam-to-lay-off-1-450-staff-and-withdraw-from-18-countries-97286>

²⁵ <https://www.devex.com/news/opinion-in-the-face-of-covid-19-a-new-direction-for-oxfam-97287>

<p>5. Shape development, i.e. The complexity of the multiplex world shows us that it is possible to shape development without being tempted to plan it, recognising that there are different actors with different needs, values, and priorities.</p>	<p>The Developmental Leadership Program (DLP)²⁶ funded by the Australian Cooperation and Asia Foundation has revealed, through several case studies, how change is, above all, the result of building 'coalitions for change'. Tools such as the Theory of Change²⁷, Adaptive Management²⁸, and Problem Driven Iterative Adaptation (PDIA)²⁹ allow you to approach development in a non-linear way that is not as tightly bound to a predefined plan.</p>
<p>6. Embrace experimentation, i.e. the multiplex world is an experimental world that recognises the ongoing and iterative interaction between various actors.</p>	<p>There are several examples of how multilateral and bilateral agencies, alone or in partnership with other organisations, are focusing on experimentation to solve global development problems: Global Innovation Fund³⁰, USAID Global Development Lab³¹, the fund for innovation to be created soon by the AFD and which will be chaired by Nobel prize-winner in economics, Esther Duflo³², innovation labs in the United Nations agencies (such as UNICEF, the UNDP and the FAO)³³.</p>
<p>7. Start with what is close by, i.e. identify pressure points, in countries with greater economic and political muscle, on which public and private actors can act to promote a development cooperation architecture more in line with their preferences.</p>	<p>Typically, there are more pressure points in democracies than autocracies; civil society plays an important role in increasing pressure and multiplying the points on which it can be applied. Campaigns for tax justice³⁴ and ethical fashion³⁵, for example, present opportunities for advocacy with obvious implications at the local level (where they identify pressure points) and important repercussions for global development.</p>

Source: Barder (2012b) and own wording.

²⁶ <https://www.dlprog.org/>

²⁷ <https://oficinaglobal.org/2020/12/30/teoria-da-mudanca-nos-workshops-da-oficina-global/>

²⁸ <https://oxfamblogs.org/wp2p/adaptive-rigour-bridging-the-art-and-science-of-adaptive-management/>

²⁹ <https://bsc.cid.harvard.edu/PDIAtoolkit>

³⁰ <https://www.globalinnovation.fund/>

³¹ <https://www.usaid.gov/news-information/fact-sheets/us-global-development-lab>

³² <https://www.devex.com/news/exclusive-france-to-launch-development-innovation-fund-chaired-by-esther-duflo-98806>

³³ <https://acceleratorlabs.undp.org/>

³⁴ <https://www.globaltaxjustice.org/>

³⁵ <https://ethicalfashioninitiative.org/> ; <https://cleanclothes.org/>

The actors of development cooperation tend to disregard unforeseen impacts and unexpected interactions as part of the function of development cooperation applied in the concrete environments. At the programming level, the focus on the 0.7% target is a good example of how linearity, easier to turn into a claim, can promote the narrowing of options and strategies. But how does 0.7% fit into a context where new public and private actors are participating in development cooperation, with this participation being transformative of the architecture itself?

The complexity alerts development cooperation actors to the problems of linear thinking, but it also improves their capacity to identify features of the current system that have consequences seen as negative, and helps actors to look for ways to resolve, mitigate, or use them to produce new opportunities. One of the consequences of such complexity is possibly fragmentation. The entry (or recognition) of 'new actors' is resulting in the enhanced bargaining power of traditional recipients (Fejerskov, Lundsgaarde, and Cold-Ravnkilde 2017; Greenhill, Prizzon, and Rogerson 2016; Hernandez 2015), who have more donors to choose from. On the other hand, the case of China has been explored in some detail (Jepson 2019; Swedlund 2017) and shows how fragmentation produces contradictory effects: actors who are not governed by democratic principles or respect for human rights seek international legitimacy through development cooperation and ODA (Gulrajani 2017; Gulrajani and Faure 2019; Gulrajani and Swiss 2019), thereby increasing the political space (bargaining power) of traditional ODA recipients.

While the entry of new actors seems to balance the distribution of power in the multiplex world, apparently it does not solve a particularly thorny problem: **fragility**. The OECD defines fragility as 'the combination of exposure to risks and an insufficient capacity from States, systems and/or communities to manage, absorb or mitigate such risks' (OECD 2020). The story behind this concept is problematic (Brinkerhoff 2019; Grimm, Lemay-Hébert, and Nay 2014), but it takes us again to the issues of complexity and fragmentation. If fragmentation, as we suggest, increases the negotiation power of the receiving countries, it also increases the risk of being left an 'orphan' (Davies and Klasen 2019; Ellison 2016; Pietschmann 2016). Complexity entails emerging risks: more fragile states are more subject to the

consequences of climate emergency, protracted conflict, or transnational tax fraud. As far as public actors are concerned, the problematic origin of the concept of fragility in the notion of 'failed State' continues to push the discussion on development into the realm of security (Brown and Grävingholt 2016). However, the 2020 edition of the report *States of Fragility* opens up the discussion to the promotion of peace. By doing so it suggests that complex thinking – although it can 'be frightening for professionals in fragile contexts' (Desai and Forsberg 2020: 26) and 'can wear down professionals who fight against the reality of working in fragile contexts, particularly when their *log-frames* demand concrete outcomes and products' (id, *ibid*: 24) – helps question the discourse on good or best practices. Since there are no "silver bullets" (Brooks et al. 2009), it is preferable to experiment and change. Recent developments in fragility mitigation policies, mostly focused on systemic resilience and less on the conflict prevention, suggest that this is the way to go and one that we should not lose sight of (Cramer, Goodhand, and Morris 2016; Forsberg 2020; Lemay-Hébert 2019).

One of the most important conclusions of this debate is that development cooperation and ODA are still and will continue to be critical for fragile contexts, far outweighing foreign direct investment or remittances. Renewed emphasis on private flows and models could have unintended consequences of enhanced indices of fragility. Such a possibility has been researched in past years (D'Alelio and Rose 2018); in spite of the exhortations (IFC 2019; Signé 2020), the outcomes are not always compatible with the promises heralded (World Bank 2019).



CONCLUSION

This study describes developments in development cooperation over the last twenty years and addresses the transformations underway, the various actors and how they are responding to change, and the challenges these same actors face in the new development cooperation arena.

In the Introduction, we argue that the current context of international relations differs substantially from the post-World War II context that saw the rise of the liberal international order and the institutions it created (United Nations, World Bank, International Monetary Fund, OECD, bilateral cooperation agencies), which underpin the ICD itself. We live today in a *multiplex* world, in the words of Amitav Acharya (2017), a world with an ever-increasing multiplicity of actors in the global order (States, international institutions, multinational companies, non-governmental organisations, individuals, transnational movements, and other non-State actors) who face increasingly complex, multidimensional, unpredictable global challenges that transcend borders and cannot be solved at the national level. These are not necessarily new problems, but they have become more urgent and apparent: financial crises, pandemics, migration, climate change. In the current setting we must analyse the impact of the Covid-19 pandemic: like other pandemics in the past, Covid-19 is a critical moment that is acting as a trend accelerator.

In Part I, we show that, in this new context of political and economic change at the global level, the role of ODA and of the traditional development cooperation actors has been challenged in three dimensions, which are already visible in the Busan Declaration of 2011: quantity, quality and legitimacy. In quantitative terms, ODA has become increasingly irrelevant as a source of development financing for most developing countries. Private financial flows, such as foreign direct investment (FDI), emigrant remittances or philanthropy, are increasingly important, with the exception of low-income countries where ODA is still valuable. In qualitative terms, the already difficult debate on the impact and effectiveness of ODA is increasingly opaque in the framework of the transition from ODA to TOSSD, with the inclusion of financial instruments in ODA accounting that support private sector investment in developing countries. Finally, the affirmation of South-South cooperation has traditional OECD-DAC donors rethinking not only their strategies, but also the legitimacy of a system that became shackled to the idea of the donor-recipient relationship and a vision of a world divided between 'rich countries of the North' and 'poor countries of the South'.

In Part II we analyse changes in the practices of several public development actors (bilateral and multilateral agencies of OCDE-DAC donors, and development financing institutions) and private actors (corporate private sector corporate, philanthropic sector and NGOs). We note that all of these actors are changing, some more proactively and others more reactively, in response to the new ICD in the multiplex world, which is forcing them to rethink their role and legitimacy in the sector, while also presenting them with new challenges.

Finally, Part III outlines a few ideas on complexity, fragmentation and fragility, which are useful for development cooperation actors in the current new context. We do not have the answers, but we do believe that these lenses can help the 'traditional' development cooperation actors, such as Portuguese NGOs, rethink their role and help build useful new analysis tools for their activities in the multiplex world. Above all, we hope the present study will help NGOs ask the right questions about the challenges raised by new development cooperation, for example:

- Against a backdrop of declining ODA and OECD-DAC centrality, what new avenues should be explored to diversify the sources of financing and what are the implications of such diversification at the level of the operational freedom of organisations?** A good example is (re) thinking the role of the private sector in this scenario: can NGOs rule out the private sector as a partner for ICD when development also depends on private initiative? How can we address the private sector not only as a donor, but also as an development
- cooperation actor in its own right? On the one hand, we have noted the increasing number of partnerships between NGOs and private companies, with some highly publicised examples, such as the partnerships between Oxfam and Unilever and between Save the Children and GSK pharmaceuticals, two large multinational companies. On the other hand, we also see many organisations using their influence and advocacy skills to campaign for a private sector that is more aware of its impact on the planet and human rights, demanding transparency and stricter legal frameworks. There are several possible paths, with different implications, and organisations must think about them in the light of the multiplex world and of complexity.
- On the other hand**, given that the decades-old 0.7% target is only met by a limited number of countries (even smaller now that the UK has retreated), does it still make sense to engage in the political battle around this goal? And, if so, how to fight such a battle in a multiplex world where the role of ODA as a financial instrument for development is increasingly diminished? Should the focus shift to the new instruments of development finance that rely on the allocation of public and private funds, but that are not very transparent in their guiding principles, objectives and results due to private sector participation?

- **The focus of the discussion on aid localisation, reinforced by the pandemic, but stemming from a long debate related to the imbalance of a sector that still takes refuge in an idea of northern superiority, is also a consequence of the questioning of the legitimacy of development cooperation actors in the multiplex world of globalised capitalism.** The process of change itself still reflects a significant asymmetry of power, which reinforces the idea that people in northern countries are more capable than people in southern countries. What is the stance of northern NGDOS and southern NGDOs? What is their position and what kind of relationship do they wish to establish amongst themselves? Here too there are several ways forward: there are organisations from the North that act increasingly as advocacy organisations in their own countries and less as service providers in southern countries; there are others that are betting on the idea of complementarity of skills of organisations from the North and the South; there are yet others that are betting on working in global networks that are increasingly horizontal.
- **Finally, we can highlight the issue of innovation, which will stand out more and more in this new context and this is not an easy path for NGDOs, since their connection to ODA (which is traditionally not willing to take risks) does not foster a culture of innovation.** Is this new development cooperation an opportunity for NGDOs to regain their initial role as social innovators, seeking alternatives to the dominant system? Will they be capable of

or interested in developing skills for experimenting, learning iteratively, and above all, acknowledging the failure that is inevitable in the innovation process? Can they adapt their operational models, trapped in the logical framework required by donors, using other tools better suited to complex systems, such as the theory of change or adaptive management? Will there be room for more donors to bet on financing mechanisms fostering experimentation? Portugal, for example, has stood out in the area of social innovation (its Social Innovation Fund is one of a-kind in Europe) and has invested in diversifying the innovation ecosystem, namely in the context of circular economy and start-ups. However, in the field of development cooperation there is still no investment in innovation for development.

These questions are closely linked to the seven lessons on complexity identified by Owen Barder (2012b), which we mentioned in Part III of this study, in which innovation and experimentation have a prominent place, and civil society is seen as an important actor due to its ability to mobilise collective action and its proximity to people. We hope they will serve as a good start.

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Datasheet

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