



● European Power

## Multilateral development: How Europeans can get real with the global south

Traditional forms of development multilateralism are losing credibility in the global south – but the EU and its member states can help turn this around

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Countries in the global south are facing an avalanche of problems. In the wake of the covid-19 pandemic and Russia's war on Ukraine, the world is grappling with a food security crisis that has left 193 million people in urgent need of assistance. Climate change is increasing the prevalence of weather-related disasters, which intensifies demand for humanitarian aid and propensity to conflict, as well as threatening livelihoods and infrastructure. One in five of the world's population lives in a country that is in, or at risk of, debt distress.

The European Union's major strategic priorities – migration, security, climate change, and trade – are directly affected by the ability of countries in Africa and the rest of the global south to manage the difficulties they face. Many European efforts to contribute to these countries' development, for both strategic and humanitarian reasons, hinge on traditional multilateral cooperation.

But development multilateralism is not immune to today's weaponisation of, well, practically everything. China and Russia have made a concerted effort to build influence in the global south, which – combined with perceptions of Western hypocrisy on climate, Ukraine, and a host of other issues – has contributed to a dynamic whereby European and US-led institutions are no longer the partners of choice for many countries.

European countries – and the EU in particular – are well placed to resist this weaponisation, in part by helping to update the multilateral system. But, to take full advantage of the current appetite for reform, the EU and its member states need to reimagine what they want from

multilateral institutions. They also need to build their credibility with countries in the global south through sustainable partnerships that go beyond traditional aid and lending programmes.

## Underdeveloped multilateralism

Many of the current forms of multilateralism were established in the aftermath of the second world war. This means they are often ill-prepared for the speed, complexity, and interconnectedness of today's challenges. The Indian minister for external affairs, Subrahmanyam Jaishankar, has described the United Nations Security Council as "anachronistic and ineffective". Moreover, leaders in the global south are increasingly vocal about their lack of representation at the UN, the G20, and international financial institutions.

The slow-moving bureaucracy of the World Bank and the IMF means their effectiveness has also eroded from within. Over the past five years, World Bank projects have taken an average of 456 days to move from proposal to disbursement. As one African head of state remarked in private recently: "If I ask China to build a road, I'll be driving down it in the time it takes the World Bank to approve the loan." Environmental projects that require due diligence (such as helping manage the Niger basin's dwindling water resources) take, on average, 7.4 years to move from proposal to completion – or longer than the projected 7 years remaining to limit global heating to 1.5°C above pre-industrial levels.

"If I ask China to build driving down it in the t World Bank to approve

The United States has spearheaded an initiative to reform the World Bank. This "evolution roadmap" aims to update the bank's mandate and operations to respond to transnational threats such as climate change and pandemics, as well as invest in global public goods. However, insiders say that China is pushing for more influence at the World Bank through a new capital increase. This would allow it to invest more money and potentially displace Japan as the second largest shareholder after the US.

But the EU retains a central role in the IMF and the World Bank: the eurozone holds the largest vote share of any regional bloc in the IMF (21 per cent), and European countries hold 33.2 per cent of the vote share at the World Bank's International Bank for Reconstruction and Development (compared to Africa's 7.3 per cent). Europeans could use their disproportionate vote share to ensure that the institutions accelerate their lending in response to today's threats. Importantly, this could also help them better respond to the needs and demands of

countries in the global south. If they do not, the World Bank and IMF could become irrelevant as southern states choose to partner with other, China-dominated institutions.

## Multilateralism and the growing influence of systemic rivals

In an increasingly multipolar world, countries in the global south have options. China is a clear leader on infrastructure – due to the speed and efficiency of its lending, but also its effectiveness in completing projects. (Chinese contractors are more competitive than others, even in implementing World Bank projects.) China committed about \$160 billion to infrastructure financing in Africa between 2000 and 2020, compared with \$153.4 billion in bilateral official development assistance from the US. In January 2023, the Chinese Ministry of Foreign Affairs released a statement setting out the debt relief it had offered to African countries, announced a restructuring of some African countries' debts amid concerns about their sustainability, and agreed to co-chair Zambia's creditor committee to address that restructuring. Russia is also gaining a foothold in several global south countries. It is, for example, the largest supplier of weapons to Africa, providing 44 per cent of major arms to the continent between 2017-2021.

This is shaping public opinion in African countries and across the global south. International confidence in the US as a reliable partner dropped significantly during the Trump presidency and has not fully recovered under Joe Biden. The 6.4 billion people who live in developing countries now have marginally more favourable attitudes towards China (62 per cent) and Russia (64 per cent) than towards the US (61 per cent). This is especially true among the 4.6 billion people who live in countries supported by Beijing's Belt and Road infrastructure initiative, amongst whom almost two-thirds hold a positive view of China.

China could leverage its increasing credibility with global south partners and its institutional positioning to increase the effectiveness of the IMF and World Bank. But it could also use them to exploit fractures in the existing system and try to reshape multilateralism in its image. Either way, the shifting status quo represents an opportunity for the EU to assert its leadership and bring balance, standards, and effectiveness to the fore.

## A way forward for Europe

The EU needs an integrated strategy of its own to reshape multilateralism in the interests of both European countries and those of the global south.

It will be crucial for the EU and member states to address the democratic deficit in traditional multilateral forums. In 2022, the African Union mounted a concerted campaign for an AU seat at the G20, garnering support from China, France, the United Kingdom, the US, and Japan. But Europeans have not yet elaborated a unified position – and they now need to do so. Similarly, European countries should champion efforts to reform the World Bank – not only to respond to today’s and future threats, but also to respond to the needs of low- and middle-income countries as they weather numerous crises.

Critically, the EU needs to help resolve the “cost of capital” issue that locks countries in the global south, and those in Africa especially, out of long-term investments. That means brokering a deal on debt sustainability issues, including fixing the G20’s common framework and backing much-needed multilateral development bank reforms. It also means Europeans need to find innovative ways to use their market power and monetary policy to reduce currency risk and the cost of capital for renewable projects in Africa – which are perhaps the principal barriers to the energy transition.

The EU should complement these efforts through bilateral development cooperation with states in the global south. This cooperation should be distinct from the roles of other leaders, like China – which has a comparative advantage in infrastructure; and the US – which has a comparative advantage in technology. The EU and member states should identify their own comparative advantage (likely their experience in building a common market), and approach partners in such a way that leaders in the global south perceive it as supporting their needs rather than ‘preaching’ on values which Europeans themselves fail to uphold.

Europeans should also partner with global south countries in ways that create value addition. To these ends, the EU could fully leverage its Global Gateway initiative – a €300 billion programme designed to counter China’s Belt and Road initiative, but that some analysts have criticised for a lack of detail and limited progress since its announcement. If the EU and its member states viewed the energy transition through a lens of economic transformation, they could work with southern countries in ways that both protect the planet and boost prosperity. The EU should increase private investment under the Global Gateway to maximise the economic benefits of Africa’s substantial green energy resources: solar, wind, carbon capture and storage, and the minerals required for the energy transition. In doing so, the EU and member states could become partners of choice over China, which tends to pursue an extractive approach.

The EU and member states can thus build allies and trust, restore their credibility in the global south, and further common interests and values. But this will require working on several levels: from maximising the impact of EU-wide programmes such as the Global Gateway, to leveraging Europeans’ role in the IMF and World Bank, to working bilaterally

with private sector partners. Only then can Europe's partnerships in the global south add up to more than the sum of their parts.

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