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The role of the G7 in mobilizing for a global recovery

Cynthia (Liang) Liao and Theo Beal
Foreword by Leslie Vinjamuri

Chatham House, the Royal Institute of International Affairs, is a world-leading policy institute based in London. Our mission is to help governments and societies build a sustainably secure, prosperous and just world.

Summary

- Build Back Better World (B3W) was announced at the G7 Leaders' Summit in June 2021 as an infrastructure-led strategic initiative by Western powers to support the recovery and build the resilience of developing countries facing a multitude of immediate and long-term challenges. These include, in particular, the COVID-19 recovery and China's growing economic and political influence in the developing world.
- This paper initially focuses on three development visions related to B3W – the US-led B3W initiative, the European Union's Global Gateway and the UK's restructured development policy – and assesses action and progress against promises and pledges made in June 2021.
- Prioritizing high-quality, sustainable human and physical infrastructure that incorporates green principles promises a viable alternative to China's Belt and Road Initiative (BRI) for recipient nations. However, the US, EU and UK strategies all remain underdeveloped and it is unclear how they will be delivered.
- Policymakers should consider where the benefits of cooperating with China outweigh the risks, and where the BRI approach can complement the values-driven approach of G7 initiatives. There is potential for major powers working together to increase the benefits to recipient nations.
- One year on from the B3W announcement, the evidence suggests limited progress has been made in delivering on initial commitments. Donor nations still have development strategies that are unfocused, fail to maximize the potential of global partnerships and under-engage with private sector partners.
- Russia's invasion of Ukraine in early 2022 and the uncertain economic recovery from COVID-19 threaten to undermine progress. Changing priorities among donor nations, driven by events in Ukraine, risk a further shift in development policy towards bilateralism and fragmentation within the G7 and with recipient nations. Improving multilateral partnerships can help to mitigate these risks, either via a reformed G7 structure or via existing global institutions.
- G7 countries must prioritize the urgent and escalating needs of the developing economies. Stability and prosperity in developing countries does, and will continue to, impact domestic politics, health, security and economic growth within the G7.
- A further challenge for G7 donor nations is to establish genuine and equitable partnerships with recipient nations, with the goal of co-designing policies that both complement recipients' existing national plans and prioritize their development goals. By focusing on the experience and knowledge of recipient countries, G7 countries can reinvigorate multilateralism.
- With a reduction in public funding for development likely, G7 policymakers must integrate private sector actors both at home and abroad into their strategies for international development. This can be achieved by facilitating innovative private finance initiatives, supporting higher-risk investments in developing countries and building a sustainable pipeline of investable projects.

Foreword

Historically, international crises have given new impetus to leaders to reimagine and reinvent world order. In response to the Great Depression of the late 1920s and the 1930s, however, states adopted protectionist measures designed to shield their economies and people. This had devastating, and now well-known, consequences for international relations. In the mid-20th century, the US and the UK drew on the lessons from the Great Depression and two world wars to build an international order that embraced multilateralism as a strategy for fostering democracy, security and economic growth in the West.

Today, leaders from G7 and G20 states are confronted by multiple crises that threaten to unravel this post-1945 order. The COVID-19 pandemic unleashed a global economic and health crisis, and many developing economies still lack adequate access to vaccines or the means to distribute them. Russia's invasion of Ukraine in February 2022 has compounded the pandemic-induced crisis and has now also created a crisis in energy and food markets that, if not managed carefully, could further undermine human security and political stability worldwide.

It is in this context that G7 leaders convene in Germany in June 2022 to consider their plans for international development assistance, and the US seeks to innovate a partnership for global infrastructure among the G7 countries. All this is unfolding in a world in which the two greatest economic and military powers – the US and China – remain deeply interdependent in economic terms while engaged in an intense competition for influence in the Indo-Pacific, in multilateral institutions and across the developing world.

2022 marks the 75th anniversary of the Marshall Plan, which serves as a reminder that international development assistance can have profound and transformative impacts. The challenge for development assistance today is complex. Across the G7, there is an acute awareness that the benefits of economic success have been unequally distributed, and a growing wariness about the future of US leadership. Meanwhile, the US faces internal division that is undermining its own democracy. The US and its European partners have failed to demonstrate a robust commitment to providing international assistance on the scale that is needed. Concerns about inflation threaten to dampen domestic enthusiasm for development assistance even further. And yet the imperative to act – and to act multilaterally – could not be stronger.

This paper is the first publication in a year-long initiative made possible by the financial assistance of The Rockefeller Foundation. It provides vital context for efforts being made across the G7 to assist governments and societies in the Global South as they confront long-term development challenges in the context of climate change and multiple international crises. The project is underpinned by a recognition that, alongside public leadership and strong partnerships, private capital is essential to mobilizing a global recovery.

Introduction

The Build Back Better World (B3W) partnership was launched at the June 2021 G7 Leaders' Summit, hosted by the UK at Carbis Bay in Cornwall. Under the leadership of US president Joe Biden, B3W reaffirmed the need to meet the estimated $15 trillion required to bridge the long-standing global infrastructure gap by 2040.[1] The initiative was to be based on core principles concerning transparency, sustainability, partnerships and mobilizing private capital.

B3W was proposed as the G7's strategic response to global challenges, in particular the global infrastructure gap; the COVID-19 recovery; and the perceived need to counter China's economic and political influence in the developing world.

The global context for the announcement of B3W was, and is still, turbulent. The COVID-19 pandemic brought widespread economic, social and political upheaval, with unequal impacts both globally and within the G7. Access to recovery stimulus – including vaccines and financial assistance – has been highly unequal. The need to address climate change has also become a major priority among G7 countries. Large challenges such as these call for global leadership and collective action.

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Instead, these dual global crises have been met with both inadequate international leadership – amid a pervasive nationalism marked by examples such as hoarding of vaccines and essential equipment by richer countries during the COVID-19 pandemic – and lacklustre action towards meeting a $100 billion commitment by developed countries to finance climate change adaptation and mitigation measures in developing economies. The accumulation of such failings has heightened awareness of global inequities and led to a fracturing of trust between governments and people.

Russia's invasion of Ukraine in February 2022 complicates global conditions further, underscoring the urgent need for coordination in addressing economic and social crises. Measures adopted in response to the war on Ukraine have inflicted considerable costs on Russia but have caused troubling disruption to global energy and food supplies, with multiple adverse effects especially for inflation, debt and food insecurity for the most vulnerable.

1 Global Infrastructure Hub (2022), 'Global Forecasts: Investment Estimates', https://outlook.gihub.org (accessed 20 Apr. 2022).

B3W also intends to compete with China's expanding global infrastructure development activities and rising influence in international affairs. Through the Belt and Road Initiative (BRI), established in 2013, China has created an alternative model of development across Africa, Asia and Latin America – one focused on investments and lending in critically needed infrastructure. Despite the previous reluctance of most Western donors and multilateral development banks (MDBs) to fund infrastructure development on the same scale as China, the latter's efforts have raised concern among Western actors.

In this turbulent global context, this paper maps G7 development and investment initiatives under B3W, and explores both their progress to date and their broader implications for cooperation between G7 countries, recipient countries and the private sector. One year on from the B3W announcement, the paper measures action and progress against promises and pledges. It also looks ahead to what such initiatives mean for development, the global recovery from the COVID-19 crisis and G7 geopolitical priorities.

Understanding the G7 development initiatives

Towards a common strategy

Since the G7 summit in June 2021, there have been shifts in development policy from the US, the European Union (EU) and the UK. Though these initiatives are still under development, this section will examine each and assess their strategic direction, geographic focus, funding and progress to date.

At a group level, the COP26 UN climate summit in November 2021 provided a touchpoint for declarations of continued collaboration in maintaining global connectivity and closing infrastructure gaps. Such declarations built on pre-existing G7 and G20 partnerships,[2] and are being carried forward under Germany's presidency of the G7 in 2022. However, outside of the G7 structure, discussions on B3W themes have primarily taken place between bilateral partners or within exclusive groups like the Quadrilateral Security Dialogue (Quad), whose leaders agreed to strengthen their ongoing infrastructure initiatives in September 2021.[3]

The US

Build Back Better World (B3W) – since rebranded as a partnership for global infrastructure – was launched as a new initiative focused on infrastructure, and promotes values-driven, high-standard, transparent partnerships. However, only the US meaningfully used the term 'B3W' to describe its efforts, and the rebranding hopes to reinvigorate the promotion of partnerships. The initiative

2 G7 (2021), 'G7 Leaders Statement: Partnership For Infrastructure And Investment', press release, 3 December 2021, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1038225/ANNEX_TO_G7_LEADERS_STATEMENT_PARTNERSHIP_FOR_INFRASTRUCTURE_AND_INVESTMENT.pdf.
3 The White House (2022), 'Fact Sheet: Quad Leaders' Summit', press release, 24 September 2021, https://www.whitehouse.gov/briefing-room/statements-releases/2021/09/24/fact-sheet-quad-leaders-summit.

builds on the US's position as the leading global donor of official development assistance (ODA) in 2021 (US ODA totalled $40.7 billion in that year).[4] US development assistance is currently distributed primarily through bilateral channels.

The Biden administration has articulated clear links between its development strategy and its national security and domestic policy priorities. Strengthening partnerships and alliances and creating resilient supply chains are at the centre of this strategy. During visits to countries in Africa, the Indo-Pacific and Latin America, US officials promised investments in 'soft' infrastructure (i.e. institutions and services for human development), across priority areas including climate, digital technology, gender, health, security and transport.

In contrast to the years in which Biden's predecessor Donald Trump pulled the US back from leadership in multilateral and international arenas, B3W attempts to reassert that leadership, grounded in democratic values, as an attractive and competitive alternative to China's infrastructure investments. With a strong emphasis on governance and private sector leadership, B3W was viewed as a significant opportunity for the 'wealthiest like-minded countries to mobilize their collective capacity for spurring private investment where it is most needed'.[5]

The US hopes to use a wide array of state development finance partners in the delivery of B3W, primarily the US International Development Finance Corporation (DFC), the US Agency for International Development (USAID) and the Export–Import Bank of the United States.[6]

Since the G7 2021 announcement, US Secretary of State Antony Blinken has embarked on several tours to countries in Africa, the Indo-Pacific and Latin America. The US focus on Latin America, which far exceeds that of other G7 countries, reflects that region's political and economic significance to the US, as a source of migration and a partner in stemming the movement of people into the US, and in creating opportunities for 'near-shoring' of supply chains.

The US's B3W strategy has so far consisted of patchwork commitments, and no overarching monetary value has been committed to date. The US's core strategy assumes their ability to stimulate the rise of blended finance, where US budget funding seeds a much larger potential contribution from the private sector. For example, the flagship USAID programme 'Digital Invest' intends to leverage $3 million in government funding to mobilize a total of $335 million from private and blended finance partners. Yet the extent to which such partners are fully onboard is not known. Direct budgetary funding is not expected to come close to that of China's BRI. Select recent funding announcements include a $150 million commitment made by President Biden in May 2022 to assist Southeast Asian countries, to be focused on areas such as artificial intelligence,

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4 OECD (2022), 'Net ODA Dashboard: Million US Dollars > United States', https://data.oecd.org/oda/net-oda.htm (accessed 25 Apr. 2022).
5 Meeks, G. W. (2021), 'The Build Back Better World Partnership Could Finally Break the Belt and Road', *Foreign Policy*, 28 June 2021, https://foreignpolicy.com/2021/06/28/the-build-back-better-world-partnership-could-finally-break-the-belt-and-road.
6 The White House (2021), 'FACT SHEET: President Biden and G7 Leaders Launch Build Back Better World (B3W) Partnership', press release, 12 June 2021, https://www.whitehouse.gov/briefing-room/statements-releases/2021/06/12/fact-sheet-president-biden-and-g7-leaders-launch-build-back-better-world-b3w-partnership.

clean infrastructure, digitization, health and maritime security.[7] Similar commitments have been announced for Africa and Asia, including $3.5 million to bolster local production of vaccines via DFC, and $75 million in seven research hubs,[8] as well as a commitment to electrify 10,000 healthcare facilities over 10 years via USAID's Power Africa initiative.[9]

Many recipient countries, whose investment priorities often focus on 'hard' infrastructure, perceive the US offering as inadequate, vague and uncertain.

Since the US initially championed the B3W strategy, it has made limited progress on rollout and implementation. Many recipient countries, whose investment priorities often focus on 'hard' (i.e. physical) infrastructure, perceive the US offering as inadequate, vague and uncertain. There is ambiguity on which initiatives fall within or outside of B3W's scope, and on what specific responsibilities or targets various state agencies hold. As the domestic Build Back Better agenda stalled due to political opposition in Congress, the Biden administration sought to distance its international development assistance agenda from these domestic problems. Based on recent conversations between Chatham House researchers and members of the Biden administration, the US will rebrand the initiative as a partnership for global infrastructure, placing a heavier emphasis on collaboration and partnership with other G7 and recipient countries. But it remains to be seen whether renaming the initiative will be sufficient to achieve domestic political buy-in and to accelerate US leadership and progress in year two and beyond.

Progress has been made in pursuit of the US goal of investing in global standard-setting for high-quality infrastructure. In early 2022, the OECD released its proposal for global certification framework for quality infrastructure investment to operationalize the Blue Dot Network, co-founded by the US and its Quad partners Australia and Japan. The Blue Dot Network is intended to incentivize investments into 'market-driven, transparent and sustainable infrastructure projects'.[10]

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7 Hunnicutt, T. (2022), 'With China in focus, Biden makes $150 million commitment to ASEAN leaders', Reuters, 13 May 2022, https://www.reuters.com/world/asia-pacific/with-china-focus-biden-plans-150-million-commitment-asean-leaders-2022-05-12.
8 National Institutes of Health (2021), 'NIH awards nearly $75M to catalyze data science research in Africa', press release, 26 October 2021, https://www.nih.gov/news-events/news-releases/nih-awards-nearly-75m-catalyze-data-science-research-africa.
9 USAID (2022), 'USAID's Power Africa Launches Partnership To Electrify Health Facilities Across Sub-Saharan Africa As Part Of President Biden's Global Infrastructure Initiative', press release, 28 April 2022, https://www.usaid.gov/news-information/press-releases/apr-28-2022-usaid-power-africa-launches-partnership-electrify-health.
10 OECD (2022), *The Blue Dot Network: A proposal for a global certification framework for quality infrastructure investment*, https://www.oecd.org/daf/blue-dot-network-proposal-certification.pdf.

The EU

The EU's Global Gateway is underpinned by a values-based approach promoting democratic values, high standards, strong governance and transparency. The initiative prioritizes the improvement of connectivity, via both digital and physical infrastructure, clean energy, global health security and increased education capacity.

Global Gateway attempts to move away from the traditional development finance 'donor–recipient' relationship towards increasing investments aimed at building partnerships rather than embedding dependency in target countries. The European Commission intends to achieve this by using a series of new financial tools like the Neighbourhood Development and International Cooperation Instrument (NDICI), which streamlines a group of previously fragmented financing initiatives.[11]

While distinct from other G7 initiatives, European Commission president Ursula von der Leyen's comments make clear the intent for like-minded partners to demonstrate that 'mainly democracy, value-driven investments can deliver [infrastructure] on the ground'.[12]

At least one-half of Global Gateway funding is targeted towards Africa, with a €150 billion investment package announced at the EU–Africa summit in February 2022. A headline Global Gateway project is the designing of 'Strategic Corridors' – connectivity systems that leverage and build on regional infrastructure masterplans and development corridors led by regional economic communities in Africa. These corridors intend to facilitate sustainable, secure and safe mobility and trade, both within Africa and between Africa and Europe. However, events in Ukraine may prompt a shift in the geographic focus of planned EU funding.

In Asia, the EU had courted India as its main regional partner before the B3W announcement and, in May 2021, launched the EU-India Connectivity Partnership. This treats India simultaneously as a recipient and as a co-investor, collaborating with the EU on projects both in India and in third countries.[13]

The headline figure for Global Gateway was an investment of up to €300 billion with €145 billion of 'planned investment volumes by European financial and development finance institutions'. Via the European Fund for Sustainable Development Plus (EFSD+), guarantees and other de-risking mechanisms will be provided to enable private investment. It appears that blended finance institutions and EU funders are open to developing financial instruments to fit this purpose. However, it is unclear to what extent the various institutions have committed to unlocking investment under this strategy; €79.5 billion

11 European Commission (2021), 'Neighbourhood, Development and International Cooperation Instrument – Global Europe (NDICI – Global Europe)', https://ec.europa.eu/neighbourhood-enlargement/funding-and-technical-assistance/neighbourhood-development-and-international-cooperation-instrument-global-europe-ndici-global-europe_en.
12 European Commission (2021), 'Statement by President von der Leyen on the Global Gateway', statement, 1 December 2021, https://ec.europa.eu/commission/presscorner/detail/en/statement_21_6522.
13 European Council (2021), 'EU-India Connectivity Partnership, 8 May 2021', press release, 8 May 2021, https://www.consilium.europa.eu/en/press/press-releases/2021/05/08/eu-india-connectivity-partnership-8-may-2021.

of funding has been approved in the EU development budget for the period from 2021 to 2027.[14]

Global Gateway is thus far the most comprehensive and developed of all the initiatives discussed in this paper. Benefiting from the multilateral 'Team Europe' approach, it has gone beyond headline promises into action plans and initial investment announcements. It offers a promising model of multilateral coordination, but it is unclear whether it can match the scale and impact of China's BRI.

In consultation with the African Union (AU) and with national development strategies, the 'Team Europe' institutions are building a credible pipeline of high-quality infrastructure projects, with regional commitments such as the March 2022 pledge of €8.4 billion over the next seven years to support 'job creation, sustainable agriculture and renewable energy' in Morocco.[15]

The UK

The last two years have brought unprecedented change to the UK's development strategy. Political and economic pressure led to the merger of UK government departments concerned with foreign policy and international development into the Foreign, Commonwealth & Development Office, and ultimately to a dramatic cut in UK ODA commitments by £4.6 billion between 2020 and 2021.[16] These cuts attracted widespread criticism for their immediacy and damaged the UK's reputation as a reliable development donor.[17]

This restructure, aimed at creating an integrated approach to global challenges that combined development and foreign policy priorities, culminated in the release of a new UK development strategy in May 2022. This included the announcement of a 'rebalancing' of development spending from multilateral to bilateral channels[18] and confirmed the deepening role of the private sector in development finance. The strategy takes a more country-specific approach underpinned by British Investment Partnerships, a packaging of mostly pre-existing financing instruments.

The strategic themes of the UK's development finance institution (DFI) substantively predate the B3W announcement but align to a degree with the development visions of both the US and the EU. They address core pillars of climate finance (including green infrastructure), digital infrastructure transformation, and gender and diversity finance.[19]

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14 European Commission (2021), 'Global Gateway: up to €300 billion for the European Union's strategy to boost sustainable links around the world', press release, 1 December 2021, https://ec.europa.eu/commission/presscorner/detail/en/ip_21_6433.
15 Reuters (2022), 'EU targets 8.4 bln euros in Morocco investments over next 7 years -official', 10 March 2022, https://www.reuters.com/article/morocco-eu-investment-idAFL2N2VD39N.
16 Rumford, H. (2022), 'What do the latest UK aid provisional statistics tell us?', Bond, https://www.bond.org.uk/news/2022/04/what-do-the-latest-uk-aid-provisional-statistics-tell-us.
17 Niblett, R. (2022), *Global Britain in a divided world: Testing the ambitions of the Integrated Review*, Research Paper, London: Royal Institute of International Affairs, https://doi.org/10.55317/9781784135195.
18 Foreign, Commonwealth & Development Office (2022), *The UK Government's Strategy for International Development*, May 2022, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1075328/uk-governments-strategy-international-development.pdf.
19 CDC (2021), *2022-2026 Strategy*, https://assets.cdcgroup.com/wp-content/uploads/2021/11/25085000/CDC-Strategy-Summary-2022-2026.pdf.

A tilt towards the Indo-Pacific region (while still maintaining a presence in Africa) is an example of the UK's ongoing integration of development and foreign policy goals. The UK is looking to strengthen economic and security ties in the Indo-Pacific as demonstrated by its application for membership of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, Roadmap 2030 for boosting relations with India and the AUKUS security partnership with Australia and the US.

The UK's shift in development strategy demonstrates an emphasis on investment over aid and a preference for DFI delivery via increased private sector participation.

Blended finance delivery (i.e. concessional development funding that mobilizes additional private capital) via the revamped UK DFI, British International Investment (BII), is particularly prominent in the UK government's development plans to mobilize up to £8bn a year of public and private sector investment.[20] There is a commitment to scale-up investment to around £9 billion between 2022 and 2026,[21] representing a 46 per cent increase on the investments of BII's predecessor, CDC, between 2015 and 2020.[22] However, the announcement of the new UK development strategy did not feature detailed budget allocations and total funding arrangements remain unclear.

The UK's shift in development strategy is too recent for this paper to assess policy impact. What has been released demonstrates an emphasis on investment over aid and a preference for DFI delivery via increased private sector participation. Indeed, the term 'aid' was noticeable by its absence in UK foreign secretary Liz Truss's speech at Chatham House in December 2021.[23] The UK vision embodies historic aims of 'mutual prosperity' in UK aid programming, criticized for potentially undermining 'its contribution to the reduction of poverty'.[24] It represents one more step from the UK towards adopting 'tied aid' principles – i.e. conditional development finance spent on businesses from the donor country – that have been the hallmark of development initiatives by, for example, Germany, Japan, South Korea and the US.[25] Finally, the UK's bilateral shift raises questions about its ability to affect the development landscape and whether the vision of exclusive partnership with 'like-minded' allies is realistic.

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20 Foreign, Commonwealth & Development Office and the Rt Hon Elizabeth Truss MP (2021), 'Truss revamps British development finance institution to deliver jobs and clean growth', press release, 24 November 2021, https://www.gov.uk/government/news/truss-revamps-british-development-finance-institution-to-deliver-jobs-and-clean-growth.
21 British International Investment (2022), *Productive, Sustainable and Inclusive Investment: 2022-26 Technical Strategy*, https://assets.bii.co.uk/wp-content/uploads/2022/01/06170001/2022-2026-technical-strategy-2.pdf.
22 CDC Group plc (2021), *Rising to the challenge: Annual Accounts 2020*, p.10, https://assets.cdcgroup.com/wp-content/uploads/2021/07/06071447/CDC-Annual-Accounts-2020.pdf.
23 Foreign, Commonwealth & Development Office and the Rt Hon Elizabeth Truss MP (2021), 'Building the Network of Liberty: Foreign Secretary's speech', 8 December 2021, https://www.gov.uk/government/speeches/foreign-secretary-liz-truss-building-the-network-of-liberty.
24 Independent Commission for Aid Impact (2019), 'Report: The use of UK aid to enhance mutual prosperity', information note, 23 October 2019, https://icai.independent.gov.uk/html-version/mutual-prosperity.
25 Chadwick, V. (2020), 'Japan leads surge in tied aid', devex, 14 February 2020, https://www.devex.com/news/japan-leads-surge-in-tied-aid-96535.

Following the blueprint of Germany and Japan

Fellow G7 members Germany and Japan have long-deployed similar strategies offering a blueprint for these 'relaunches'.

Germany is recognized as a 'leader in sustainable development and climate change',[26] and has historically placed climate sustainability at the forefront of its development policy, as demonstrated in 2021 by the alignment of German development policy to the 2030 UN Sustainable Development Goals (SDGs).[27] It is ranked the highest of any G7 nation for its progress towards achieving all SDGs.[28] Germany has also prioritized the promotion of private investment in this area,[29] for example with its 2021 Green Infrastructure Initiative[30] in collaboration with Indonesia. This initiative was allocated a value of up to €2.5 billion to finance green infrastructure projects and has started pre-feasibility studies for 15 projects requiring significant private sector involvement.[31]

The aims of Germany's 2022 G7 presidency remain consistent with their development principles. '[A] sustainable planet' is the first policy priority towards a vision of more equitable global development.[32] It is also notable that B3W themes are prominent in the German G7 agenda – particularly investment in, and promotion of, sustainable infrastructure. However, in 2020, Germany preceded the trend of other G7 members in shifting their overall approach by reducing the number of bilateral partnerships with recipient nations[33] in favour of an approach of fostering self-sufficiency in those countries. It remains to be seen how likely reductions in bilateral funding impact the trajectory of Germany's sustainable policy delivery.

Japan deploys a model of infrastructure-focused, private sector-led, bilateral and loan-based development which underpins its 2016 Free and Open Indo-Pacific (FOIP) vision and provides a blueprint for the three newest G7 initiatives. Japan is an emerging force in global development and is now the world leader in total official and private development flows ($32.4 billion)[34] among OECD Development Assistance Committee members.

26 OECD (2021), 'Germany', in *Development Co-operation Profiles*, 14 June 2021, https://doi.org/10.1787/0079f636-en.
27 Federal Government of Germany (2021), 'A compass for the future: New version of the Sustainable Development Strategy', https://www.bundesregierung.de/breg-en/news/sustainable-development-strategy-2021-1875228.
28 Sustainable Development Report (2022), 'Rankings: The overall performance of all 193 UN Member States', https://dashboards.sdgindex.org/rankings.
29 Federal Ministry for Economic Cooperation and Development (2020), 'BMZ 2030 reform strategy: New thinking – new direction', https://www.bmz.de/resource/blob/29026/a73123a6094263264e921881d6b76f90/Materialie520_BMZ%202030%20reform%20strategy.
30 Green Infrastructure Initiative (2021), 'Green Infrastructure Initiative', https://gii.maritim.go.id/tentang-kami/green-infrastructure-initiative.
31 German–Indonesian Chamber of Industry and Commerce (2022), 'Germany, Indonesia starts pre-feasibility studies for 15 green infrastructure projects', 21 February 2022, https://indonesien.ahk.de/en/infocenter/news/news-details/germany-indonesia-starts-pre-feasibility-studies-for-15-green-infrastructure-projects.
32 G7 Germany (2022), *Policy Priorities for Germany's G7 Presidency in 2022*, January 2022, https://www.g7germany.de/resource/blob/998352/2000328/6cb78b73c9f000183e69738c255d9cc9/2022-01-21-g7-programm-en-data.pdf?download=1.
33 Federal Ministry for Economic Cooperation and Development (2020), 'BMZ 2030 reform strategy', p.3.
34 OECD (2022), 'Total official and private flows (indicator)', https://doi.org/10.1787/52c1b6b4-en (accessed 19 Apr. 2022).

Critically, FOIP centres on quality infrastructure development to strengthen connectivity in Asia,[35] where Japan delivers 62 per cent of its bilateral ODA, with over one-half of its global bilateral ODA focused on the economic infrastructure and services sector.[36] This strategy is also replicated in other regions, with economic diplomacy to assist COVID-19 recovery in Africa focusing on projects in urban infrastructure and transportation.[37] Japan endeavours to uphold the six voluntary G20 Principles for Quality Infrastructure Investment:[38] sustainable growth and development; raising economic efficiency; environmental considerations; resilience; social considerations; and appropriate infrastructure governance. The country's continued commitment to enact and uphold international infrastructure standards was demonstrated further by its co-founding of the Blue Dot Network.

One year on

One year on from the Carbis Bay summit, the G7 development initiatives announced there have made some progress in terms of policy and funding, although they remain some distance from the grand promise of 'building back a better world'. Notably, G7 government representatives interviewed for this project stated that they thought B3W was launched too early and that a lack of sufficient operational detail had hampered progress.

The US, EU and UK initiatives detailed above share similarities in their Western-values-first approach, as well as in their intent to offer a compelling alternative to Chinese finance. Their key priorities (climate, digital technology, gender, security and transport) and their overall approach (i.e. calling on the private sector and focusing on high-quality, sustainable projects) also appear to be aligned. Where G7 initiatives have diverged is in the progress made towards delivery, the extent to which ambitions have been raised and the success of political leaders in convincing their respective electorates of the link with domestic priorities.

B3W has formed part of a concerted effort by G7 nations to provide global stewardship, cooperation and leadership – primarily through multilateral institutions. This represents a welcome respite from the decline of multilateral cooperation during the early stages of the COVID-19 pandemic. For example, the G7 countries have committed 76.7 per cent of global public donor funding to the WHO's Access to COVID-19 Tools Accelerator (ACT-A).[39] Alternative health funding approaches to unsustainable aid financing[40] are also being

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35 Ministry of Foreign Affairs Japan (2022), 'Free and Open Indo-Pacific Basic Thinking Material', https://www.mofa.go.jp/policy/page25e_000278.html.
36 OECD (2021), 'Japan', in *Development Co-operation Profiles*, 14 January 2021, https://doi.org/10.1787/2dcf1367-en.
37 Pajon, C. (2022), 'Japan steps up its Africa engagement', East Asia Forum, 18 May 2022, https://www.eastasiaforum.org/2022/05/18/japan-steps-up-its-africa-engagement.
38 Ministry of Foreign Affairs Japan (2019), *G20 Principles for Quality Infrastructure Investment*, https://www.mof.go.jp/english/policy/international_policy/convention/g20/annex6_1.pdf.
39 World Health Organization (2022), 'Access to Covid-19 tools funding commitment tracker', https://www.who.int/publications/m/item/access-to-covid-19-tools-tracker.
40 Usher, A. D. (2021), 'ACT Accelerator strains donors' aid budgets', *The Lancet,* 397(10290), p.2137, https://doi.org/10.1016/S0140-6736(21)01284-8.

utilized, such as increased capital markets funding raised by Gavi in the International Finance Facility for Immunisation (IFFIm)[41] and the World Bank Debt Service Suspension Initiative to support low-income countries during the COVID-19 pandemic.[42]

However, it remains unclear whether the G7 nations fully recognize that sustainable development in developing countries is not just an act of altruism but is critical to the health, wealth and stability of their own nations. What remains to be seen is which new forms of global partnership and collaboration will emerge from the momentum of announcements and pledges, and whether multilateral cooperation and partnership will truly be reinvigorated by G7 initiatives. G7 countries have great aspirations to mobilize private capital but it is important also to interrogate both the evolving role of donor states and where public sector leadership will be most critical.

The rebranding of G7 development initiatives does not yet appear to have affected China's strengthening of bilateral relations with developing countries. Recent Chinese peacebuilding activities in the Horn of Africa[43] and diplomatic alliance-building in the Pacific Islands and among Islamic states,[44] for example, demonstrate China's increased willingness to engage in diplomacy with both new and existing partners, as well as recipient countries' continued openness to working with China.

Box 1. China: Towards convergence and cooperation?

In January 2022, Chinese foreign minister Wang Yi called on the US to collaborate on development and on increasing provision of public goods to the developing world. The US has so far declined to take up China's offer. While G7 development initiatives are largely perceived as competitors to China's BRI, in practice they are unlikely to fully decouple from BRI at the project level, owing to China's significant existing activities in recipient countries and its strengths in infrastructure development gained over the last few decades both in China and abroad.

Over the past year, the Chinese and Western approaches to international development appear to have converged. As G7 countries expand their strategies on 'soft' infrastructure and 'hard' infrastructure investment, China has begun slowing down its external spending as domestic economic recovery and healthcare take priority amid renewed COVID-19 lockdown measures. Meanwhile, the Chinese stance on multilateralism in development seems to be evolving. In January 2022, it announced the Global Development Initiative (GDI), which aims to accelerate the attainment

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41 Gavi (2021), 'International Finance Facility for Immunisation', https://www.gavi.org/investing-gavi/innovative-financing/iffim.
42 World Bank (2022), 'Debt Service Suspension Initiative', brief, 10 March 2022, https://www.worldbank.org/en/topic/debt/brief/covid-19-debt-service-suspension-initiative.
43 Reuters (2022), 'China appoints new special envoy for turbulent Horn of Africa region', 22 February 2022, https://www.reuters.com/world/china-appoints-new-special-envoy-turbulent-horn-africa-region-2022-02-22.
44 van Staden, C. (2022), 'Wang Yi Makes First-Ever Appearance by a Chinese FM at Meeting of World's Largest Islamic Body', China Global South Project, 23 March 2022, https://chinaglobalsouth.com/analysis/wang-yi-makes-first-ever-appearance-by-a-chinese-fm-at-meeting-of-worlds-largest-islamic-body.

of both the SDGs and the UN 2030 Agenda for Sustainable Development. GDI was announced at the UN headquarters in New York,[45] with 100 countries and organizations expressing support.

While B3W has attempted to distinguish itself from the BRI by prioritizing climate and 'green' investments, China has also made progress towards climate-friendly investing. In 2018, it launched the Green Investment Principles of the BRI and, at COP26, China pledged to halt the building of coal-fired power plants abroad.[46] Also promising is the pause in lending from major Chinese policy banks to BRI energy projects in 2021, as such funds have traditionally been focused on oil and gas extraction.[47]

However, weak transparency and accountability in Chinese projects makes it difficult to accurately assess their implementation in recipient countries, and whether they are achieving the desired impact.[48] Reservations remain as to whether the green investment principles will be carried through in practice or at sufficient pace. For example, despite the curb on investment in coal plants abroad, one legacy of BRI investments is to open new markets for Chinese coal exports.[49]

Relegating China to the role of opponent, rather than viewing it as a potential partner, squanders the opportunity to learn from China's experiences and to influence China's standards and development practices. Strengthening standards will assist in efforts to hold Chinese actors accountable abroad. If the goal of B3W is to incentivize high-quality infrastructure, the G7 would benefit from taking an inclusive leadership approach by co-developing global standards with, and ensuring buy-in from, non-Western development partners such as China and other emerging actors like Qatar and Turkey. If balancing against China is the primary goal, that will prove harder to achieve. The latter approach is already causing a backlash and suspicion among recipient countries,[50] making offers from outside the G7 more, rather than less, attractive. Such an approach may ultimately inhibit the G7's ability to improve infrastructure quality and global standards – one of its main stated development objectives.

45 United Nations (2022), 'Deputy Secretary-General's video message at the launch of the Group of Friends of the Global Development Initiative', transcript, 20 January 2022, https://www.un.org/sg/en/content/dsg/statement/2022-01-20/deputy-secretary-generals-video-message-the-launch-of-the-group-of-friends-of-the-global-development-initiative.
46 Roberts, L., Littlecott, C. and Senlen, O. (2021), ''No new coal by 2021' turbocharged as China to end overseas finance', E3G blog, 22 September 2021, https://www.e3g.org/news/no-new-coal-2021-turbocharged-china-end-overseas-finance-cop26.
47 Springer, C. (2022), 'Going green? Chinese policy banks' changing role in global energy development', China Dialogue, 27 April 2022, https://chinadialogue.net/en/energy/going-green-chinese-policy-banks-changing-role-global-energy-development.
48 Politi, A. (2021), *How Green is China's Belt and Road Initiative?*, IAI Commentaries 21 | 22, April 2021, https://www.iai.it/sites/default/files/iaicom2122.pdf.
49 Hillman, J. and Tippett, A. (2021), 'The Climate Challenge and China's Belt and Road Initiative', Council on Foreign Relations, 31 March 2021, https://www.cfr.org/blog/climate-challenge-and-chinas-belt-and-road-initiative.
50 London School of Economics and Political Science (2022), 'BRI vs B3W: Competing Visions for African Development', event, 8 March 2022, https://www.lse.ac.uk/africa/events/Public-Events/BRI-vs-B3W.

Ongoing challenges for the G7 development initiatives

There are currently four challenges that could prevent successful delivery of the G7 development visions and initiatives towards global recovery.

Changing priorities amid the Russia–Ukraine conflict

Russia's invasion of Ukraine has diverted global attention towards assisting Ukraine and deterring the threat of war from spreading across the European continent into neighbouring countries. In the short to medium term, funding of development initiatives is likely to be deprioritized in favour of more urgent needs in European defence, humanitarian aid for Ukraine and of addressing the war's impact on global supply chains. This was demonstrated by Congressional approval for US funding of nearly $53 billion towards Ukrainian war effort in early 2022.[51]

The unstable economic outlook carries key risks for successful delivery of development strategies, as inflationary pressures and interest-rate fluctuations will potentially reduce funding for development finance even further.

Beyond defence, impacts on food and energy security threaten cost of living increases and rising inflation globally, but particularly in vulnerable economies. Increased prices and shortage of supplies are triggering cascading risks such as political instability and upheaval of systems of governance, as well as conflicts that destabilize the arena for development.[52] The unstable economic outlook also carries risks for donor countries' successful delivery of development strategies, as inflationary pressures and interest-rate fluctuations will potentially reduce funding for development finance even further. Recipient countries must also prioritize immediate humanitarian concerns – such as food, fuel, livelihoods, peace and security – leaving little government capacity to engage in long-term development projects.

Commitment to funding

Even without the war in Ukraine and the ensuing geopolitical uncertainty, funding pledges in development finance are traditionally hard to fulfil, and it is important to acknowledge the historic disparity between commitments and disbursements.

51 Edmondson, C. and Cochrane, S. (2022), 'House Passes $40 Billion More in Ukraine Aid, With Few Questions Asked', *New York Times*, 10 May 2022, https://www.nytimes.com/2022/05/10/us/politics/congress-ukraine-aid-questions.html.
52 Benton, T. G., Froggatt, A. and Wellesley, L. (2022), *The Ukraine war and threats to food and energy security: Cascading risks from rising prices and supply disruptions,* Research Paper, London: Royal Institute of International Affairs, https://doi.org/10.55317/9781784135225.

Between 2002 and 2019, G7 members bilateral ODA disbursements were nine per cent below the amount initially committed. Over the same period, EU institutions disbursed 24 per cent less development finance than they had initially committed – a shortfall of over $84 billion.[53]

For infrastructure-related development funding, there is an even starker disparity between commitment and disbursement. The OECD and WTO-led Aid for Trade (AfT) initiative (where 55 per cent of disbursements in 2017 were categorized as being for 'economic infrastructure')[54] shows that, between 2009 and 2019, G7 nations disbursed on average 19 per cent less AfT ODA funds than had been committed, with Japan disbursing 32 per cent less than it had committed over the same period[55] – a shortfall of over $33 billion. While noting that in the infrastructure sector it can take several years for initial commitments to be met, it remains unlikely that all commitments will be fully disbursed.

Fragmentation

Despite its collective announcement in June 2021, the G7 has so far failed to create an overarching framework for the governance of development initiatives broadly associated with the B3W agenda. As a 'quintessential informal governance group',[56] the G7 has not historically operated as a vehicle for delivering policy, and has lacked the kind of institutional architecture enjoyed by international multilateral organizations. Rather, it has acted as a body that engages intermittently with international organizations or that shapes the bilateral programmes of individual G7 members. Tellingly, experts from G7 governments, DFI and academic researchers who gave confidential interviews to inform this project had little understanding of the policy strategy or delivery mechanisms for B3W and other related initiatives.

There is a significant opportunity for donor agencies to collaborate on specific projects or programmes, leveraging the skills and funding of each partner. The existence of parallel initiatives by G7 members in the same sectors heightens the risk of inefficient channelling of limited funds. A clearer division of labour among G7 members, based on preferential geographies, might prove to be more efficient. Such a shift has been signalled by initiatives mentioned in this paper – for example, the US and Latin America and the EU's Global Gateway and Africa. That being said, competition could benefit recipient countries, offering choice between partners and potentially driving-up quality through competitive bidding.

The Blue Dot Network has helped to coordinate progress at a global level towards increased standards for infrastructure investment. However, much more needs to be done to operationalize activities around the world, including gaining

53 Aid Atlas (2022), 'Detailed Profile for: EU Institutions (excl. EIB) > All Recipients > All sectors & objectives > 2002 – 2019 > Committed/Disbursed', https://aid-atlas.org/profile/all/all/all/2002-2019?usdType=usd_commitment (accessed 20 Apr. 2022).
54 OECD/WTO (2019), 'Aid for Trade at a Glance 2019: Economic Diversification and Empowerment', Paris: OECD Publishing, https://doi.org/10.1787/18ea27d8-en.
55 Ibid.
56 Naylor, T. (2022), 'The spread of informal governance practices in G-summitry', *International Politics,* https://doi.org/10.1057/s41311-022-00379-8.

the support of developing countries. Most recently, the US pledged in February 2022 to design an Indo-Pacific economic framework that focused on partnership with like-minded Quad and Association of Southeast Asian Nations (ASEAN) members in digital transformation and on the energy and climate transition.[57] Such partnerships are critical when continued economic sanctions in a fractious geopolitical environment will naturally drive countries away from multilateral development delivery to pursuing a bilateral agenda – as the UK's recently launched development policy has signalled.

Establishing genuine and equitable partnerships with recipient countries

The G7 has stated its desire to empower countries through developing equal partnerships and shifting away from traditional donor–recipient power relationships, or by offering an alternative to allegedly unsustainable debt practices from China. But it remains unclear to what extent G7 countries are ready to embrace new practices that are acceptable to, and desired by, recipient countries.

There is large deficit of trust in relations with recipient countries, who are fully aware that the G7's primary motivation to reinvigorate development initiatives is to counter China's geopolitical influence. By making countries feel like a pawn in a global power competition, donor countries will fail to win support. The G7 must first work to rebuild trust by centring the needs, strategies and agency of these countries and committing to form truly equal partnerships. To achieve this, G7 development initiatives must invite those countries and regional organizations to lead the co-development of plans and projects. G7 countries must refrain from focusing on 'supply-side' strategic development that prioritizes their own economic and geopolitical interests.

It is important that B3W actors take account of the factors that have made China's offering attractive to would-be partners, as well as its subsequent pitfalls. The BRI has been willing to engage on a myriad of projects that Western development institutions have rejected – whether due to their high cost, their perceived risk as being 'unbankable' or their lack of alignment with geopolitical interests. It must be noted that some of these projects have later fallen into financial or operational distress.[58]

G7 development initiatives offer an opportunity for funders to expand criteria and creativity to fit local needs. However, G7 countries must avoid approving or designing further unsustainable projects. Another key pillar is respecting and upholding existing development planning. China's approach centres values such as sovereignty and non-intervention, which have enabled recipient countries to craft development partnerships that prioritize their own agency and ideas. For example, the AU's Vision 2063 is the primary roadmap for development on the

57 The White House (2022), *Indo-Pacific Strategy of the United States*, February 2022, https://www.whitehouse.gov/wp-content/uploads/2022/02/U.S.-Indo-Pacific-Strategy.pdf.
58 London School of Economics and Political Science (2022), 'BRI vs B3W'.

African continent, complemented by national and regional development visions. While promoting Western values may be viewed as a key differentiator by those proposing G7 initiatives, recipient countries remain sceptical as to whether these values translate to interventionism. Many recipient countries have a complex colonial history with Western states, and sensitivities remain around actions perceived to distort domestic governance and national priorities.

Although G7 development initiatives have ambitions to raise infrastructure quality by improving standards, a core tension exists over certain essential projects that are perceived to be high-risk due to poor governance, corruption or other similar issues. In practice, by upholding strict standards without allowing for nuance, G7 initiatives may not be able to effectively address the infrastructure gap on the African continent, leaving high-risk projects to partners such as China that are perceived to be more accommodating.

Finally, greater channelling of funds through DFIs in a time of geopolitical shocks exacerbates the risk of unequal geographic distribution and the widening of the development gap between low- and middle- income countries. For example, in the early months of the COVID-19 pandemic, between March and October 2020, it was found that 'only two per cent of total investment with a national scope [made by DFIs] is in low-income countries'.[59]

Integrating the private sector

B3W initiatives all promote mobilization and partnership with the private sector to achieve both funding goals and implementation objectives. Less clear, though, is how conditions for private investment in developing economy contexts will be different under these new regimes, and to what extent private institutions are factoring these initiatives into their medium- to long-term strategies.

Risk management and lack of 'bankable' projects are commonly cited as obstacles to activating private sector funding from North American and European financial institutions. However, venture capital funds working in developing contexts, such as in Africa, express frustration that investors from developed countries expect to apply the same investment strategies to developing country contexts, despite different needs. It begs the question of whether there is a shortage of bankable projects or are the investment solutions not fit for purpose?

Historically, MDBs, DFIs and other agencies have fallen short in both the ambition and action needed by the market to provide guarantees for critical but difficult projects. In practice, such agencies often seek deals that allow for market returns, take less risk and offer few concessions, which runs counter to mandates to unlock and support providers of private capital. Such practices do not inspire participation and risk-taking from private sector actors. DFI representatives interviewed for this project stressed that private sector institutions should not be seen as unilateral 'solvers' of development problems, and that public sector institutions and states

59 Van de Poel, J. (2020), 'Development Finance Institutions and Covid-19: Time to reset', European Network on Debt and Development, p.3, 5 November 2020, https://www.eurodad.org/development_finance_institutions_and_covid_19_time_to_reset.

still need to lead, whether that be through funding or facilitating a healthy, enabling environment.

DFIs and the multilateral financing system are becoming aware of the need for urgent reforms. Key informants of this project from G7 governments have acknowledged the need to transform the incentive structure for multilateral financing bodies, taking on more risk to incentivize greater return on investment and connected development outcomes. At the 2022 IMF annual spring meeting, development finance leaders convened a Strategic Dialogue on Development Finance Innovation, calling for comprehensive reform of the multilateral development finance system to mobilize financing to developing countries in the face of multiple global crises.[60] Innovative financing instruments, activating private funding and reallocating special drawing rights are highlighted as possible ways forward. Opportunities exist for DFIs to lead in this area by structuring various capital sources to deploy and unlock financing more efficiently in developing countries, in both increased pace of delivery and overcoming regulatory barriers. However, they need to be supported by a reimagining of institutional reforms and further increased ambition.

There has been no better time in recent history to engage and direct private funding towards sustainable development objectives. However, B3W appears so far to be failing to provide the leadership, budget mobilization and action-oriented attitude necessary to address current challenges.

Meanwhile, the private sector has been stepping up development commitments to an unprecedented level – particularly on climate change. Climate finance from government and private sector sources offers new momentum and models for clean infrastructure development. At COP26, over 450 companies across 45 countries committed a total of $130 trillion in capital via the Glasgow Financial Alliance for Net Zero.[61] The adoption of environmental, social and governance (ESG) metrics in investing is at an all-time high, as major funds divest from fossil fuels and as clients, investors and retailers alike vote with their dollars. Although this shift is still in its early stages — and is under increasing scrutiny amid accusations of 'greenwashing' – the trend is building momentum and is becoming impossible for the private sector to ignore. There has been no better time in recent history than now to engage and direct private funding towards sustainable development objectives. However, B3W appears so far to be failing to provide the public sector leadership, budget mobilization and more urgent and action-oriented attitude necessary to address current challenges.

60 The Rockefeller Foundation (2022), 'Strategic Dialogue on Development Finance Innovation in a Capital-Constrained World', press release, 20 April 2022, https://www.rockefellerfoundation.org/news/call-for-a-strategic-dialogue-on-development-finance-innovation-in-a-capital-constrained-world.
61 GFANZ Glasgow Financial Alliance for Net Zero (2021), 'Amount of finance committed to achieving 1.5°C now at scale needed to deliver the transition', press release, 3 November 2021, https://www.gfanzero.com/press/amount-of-finance-committed-to-achieving-1-5c-now-at-scale-needed-to-deliver-the-transition.

The various G7 development visions also lack a complete strategy for engaging with private sector actors in recipient countries. Enabling private funders in recipient countries allows for local capital markets to assess contextual risk. It acknowledges agency and builds capability for local actors to develop solutions to local problems. Some promising homegrown solutions, supported by donor agencies, offer models to be further expanded. For example, USAID supported the activation of local pension funds in Kenya and South Africa to invest in local services and long-term infrastructure projects via its Prosper Africa initiative.[62] In 2022, the UN Economic Commission for Africa (UNECA) launched 'Team-Energy Africa' to mobilize African private sector participation and investment in clean energy investments,[63] while in 2021, UNECA supported PIMCO to launch a major green bond in South Africa valued at ZAR 3 billion – it is significant to note that this bond was denominated in local currency.[64] There is a need to prioritize, seed and grow similar initiatives that unlock sustainable financing and enabling local capital markets to shape the direction of investments.

Conclusion and policy recommendations

The world urgently needs leadership and action to assist developing economies in overcoming multiple global challenges, thereby ensuring a more secure, peaceful and sustainable world for all. With the B3W initiative, G7 countries have laid out an ambitious and compelling vision for building a 'better world'. But much work remains to be done to achieve the reality, especially in the context of regular dynamic shocks in geopolitics and economics.

The private sector in both donor and recipient countries will be fundamental to delivering the development visions. State leadership remains key. Experts at a roundtable discussion supporting this project expressed the view that appropriate incentives from both Western governments and multilateral institutions are critical to unlocking private capital for development, not least because direct public funding is likely to remain at low levels amid a challenging post-COVID-19 economic environment. Appealing to domestic capital markets and developing manufacturing capacity in recipient countries are therefore central to such private sector incentivization. This would enable infrastructure projects to be achieved in line with G7 goals, and to be delivered locally and quickly.

This outcome requires not just a greater appetite for financial risk, but also a sharing of the burden between those who impact the institutional investment environment and the private institutions themselves. G7 and like-minded nations must also cooperate in information-sharing, with the aim of learning from the strengths of more established development initiatives – such as Japan's focus on rules-based order and delivery of quality infrastructure, and Germany's mainstreaming of green and sustainability principles.

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62 USAID (2022), 'Prosper Africa', https://www.usaid.gov/prosperafrica.
63 United Nations Economic Commission for Africa (UNECA) (2022), 'Launch of Team-Energy Africa', https://www.uneca.org/node/4816.
64 Burkhardt, P. (2021), 'Pimco Kickstarts UN-Backed African Green Energy Drive', Bloomberg, 12 October 2021, https://www.bloomberg.com/news/articles/2021-10-12/pimco-south-africa-agree-to-210-million-un-green-energy-deal.

Finally, there is a critical need to look beyond nation states and G7 boundaries to assess the suitability of the IMF and the World Bank, as well as other Bretton Woods institutions, to the current international development context.

If the goals outlined in June 2021 are to be achieved, several policy priorities must be addressed as these development initiatives enter their second year. This paper offers the following policy recommendations to the G7 countries and the EU:

- **Reimagine international development partnerships and financing institutions to fit the needs of global recovery and resilience. Focus on partnership, inclusivity and action.** Currently, the G7's institutional architecture is not fit to deliver on development objectives at a global scale. Existing multilateral frameworks also lack the efficiency, efficacy and funding mobilization to address development needs with urgency. The US, other G7 nations and the EU must redesign development partnerships with third countries – whether through existing or new mechanisms, via bilateral or multilateral channels. DFI cooperation and reform must take higher priority, and financial instruments that urge and incentivize investment deployed.
- **Implement with urgency and coordination.** G7 members need to move on from rhetoric to taking coordinated, thoughtful action with urgency and financial backing. There is a need for greater specificity of budgets and spending commitments. Clarity is required on the leadership role that donor countries intend to take, as well as on how various initiatives will fit together. Such clarity will enable recipient countries and their private sector actors to build momentum, provide direction and encourage partners to scale and accelerate impact.
- **Engage meaningfully and equitably with recipient countries.** Next-generation development initiatives must prioritize equitable partnerships with recipient countries by engaging them in meaningful co-development of strategies and project pipelines. The G7 countries must rebuild trust by prioritizing partner-country needs over their own national security and domestic priorities. They must also recognize that recipient countries have an increased range of options, and that prioritizing donor-side objectives is likely to be counterproductive.
- **Simplify private sector participation in development initiatives.** G7 powers must work with the private sector, other G7 initiatives and recipient countries to streamline participation channels, thereby reducing costs and other burdens on firms that are interested in activating funding. G7 initiatives must broaden the range of private sector partners to include recipient-country financial institutions and enact demonstration projects that test creative financial instruments that are deemed fit for purpose. They must also leverage the strengths and participation of both the public and private sectors, including institutions from donor and recipient countries.
- **Look beyond zero-sum competition with China towards the long-term, collaborative global leadership needed to address the challenges of the next century.** G7 countries must recognize that to truly 'build back better', stability and prosperity in developing countries are critical to the G7's own

peace, security and economic growth. Cooperation with China and other non-Western development partners is necessary for success. Development initiatives need to be considered separately from other areas of geopolitical tension and conflict between Western countries and China. The G7 will need to explore opportunities to bring China into global standard-raising processes. Collaboration on project funding or implementation can leverage the strengths of individual partners, while acting in the best interest of recipient countries.

About the authors

Cynthia (Liang) Liao is the Schwarzman academy fellow in the Africa Programme at Chatham House. Her research examines how sustainable development approaches across Africa are evolving in the context of COVID-19 and climate change, and opportunities for the continent to increase agency and scale development. Cynthia has research expertise on China–Africa engagements and the impact of China's Belt and Road Initiative from her time as a Schwarzman scholar at Tsinghua University. Cynthia is also an experienced global health practitioner with the Clinton Health Access Initiative, where she implemented projects with government, multilateral and private sector partners to improve healthcare access across Africa and Asia. Cynthia was previously a clean energy investor at General Electric in New York.

Theo Beal is the Richard and Susan Hayden academy fellow at the Queen Elizabeth II Academy for Leadership in International Affairs and the Asia-Pacific Programme at Chatham House. His research with the Asia-Pacific Programme examines issues of aid and development in that region, and their interconnection with foreign policy ambitions. Before joining Chatham House, Theo worked at the UK Department for International Trade in commercial roles focusing on Brexit, official development assistance and government-to-government agreements.

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Cover image: A team of workers install brackets for solar panels on the roof of a house in Cape Town, South Africa.
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CHATHAM HOUSE

The Royal Institute of International Affairs
Chatham House
10 St James's Square, London SW1Y 4LE
T +44 (0)20 7957 5700
contact@chathamhouse.org | chathamhouse.org

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