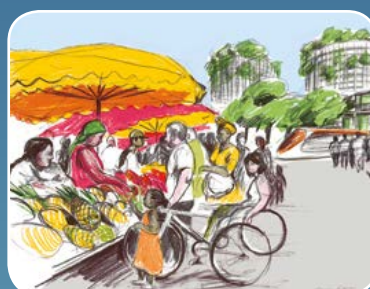




FORESIGHTING
for DEVELOPMENT

June | 2016



DEVELOPMENT AGENCIES,

steering through
future worlds

Afd2025

Disclaimer

Right from the outset, Afd2025 was intended to be a collective foresight exercise of a non-institutional nature, open to all Agency staff wishing to participate. The analyses and positions presented here naturally reflect a freedom of spirit characteristic of foresighting.

This document presents a synthesis of these analyses, formulated under the responsibility of its authors. They do not necessarily reflect the views of AFD or its partner institutions.

The many quotes cited here are taken from transcripts of interviews carried out within the framework of the Afd2025 exercise. They were not reviewed by their authors and do not therefore engage them personally, or their institution.

Coordination team: Cyrille Bellier, Alexis Bonnel, Anthony Caubin

Translation: Gill Gladstone

Designed and produced by: Ferrari / Corporate – Tel.: 33 1 42 96 05 50 – J. Rouy / Coquelicot

Illustrations (unless mentioned otherwise): Laure Fissore

“ Fragility will be the major theme for the future.”

“ Mobility has become the norm and not the exception.”

“ One of the crucial questions in the future will be to ask how far the most affluent will have to reduce their carbon footprint in order to offset the increase in the footprint of the middle classes.”

“ We must put a value on forms of capital that have so far been exploited free of cost: natural resources, climate, ecosystem services and biodiversity.”

“ In Africa, the services offered by mobile telephony will explode and lastingly transform societies.”

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Afd2025, why and how?

While long-run projection would seem vital for an actor such as a development agency, foresighting methods have been little used by donors in the past. The growing feeling that we are living in an increasingly complex and interrelated world has spurred the Agence Française de Développement to call on a creative and innovative method to imagine the challenges that will predominate in ten years' time and prepare for these as of now.

Creative, cross-cutting (not steered by a specific internal unit), collective, that is to say, open to all volunteers within the Group, both in France and its field offices worldwide, and with the full support of its top management, the AfD2025 foresight exercise provided an opportunity to explore in depth not only the Agency's history and values but also the main current and future themes structuring a donor's scope of action.

The foresight analysis made it possible to formulate four scenarios representing four contrasted pictures of how the world might have evolved by 2025/2030. These resulted from the methodological framework defined for the exercise, the chosen variables and the work of "creative storytelling". The scenarios do not forecast what is going to happen, and in no way do they express the preferences of AFD. Instead, they describe how the context within which the Agency is evolving could change. The choice of these four scenarios, from among many other possible ones, is intended to prompt long-run strategic questions that are relevant, plausible, new or uncommon.

Four scenarios

IMPASSE

Ecological tipping points have been reached sooner than expected, giving rise to a succession of crises across the world. The global demographic transition is still ongoing and urban development has become anarchic, leading to unsustainable pressure on resources. The benefits of the technological revolution are confined to a minority. Under the guise of ideologies, identitarian closure has been fueled by mounting inequality and poverty.



BABEL 3.0

The world is torn by severe political, economic, social and environmental tensions. It is a world of extremes, where prosperous regions exist alongside highly fragile zones. The world's population continues to grow dramatically, while urban development is poorly managed, and the energy transition is inadequate. Inequality explodes, notably in many emerging countries. A global middle class has emerged, putting greater pressure on resources.



Dominated by China, the United States and Europe, the world is divided into three main regional blocs. The major powers no longer operate within a governance framework that provides robust regulation. The role of the State remains important but it is jostled by digital globalization, which overlays the reality of national borders. Globalization implies both domestic and external challenges that are growing and hard to overcome.

GREENING WITHOUT STATES

The equation between the right to development for all and the limits of the physical world has still not been solved. However, driven by coalitions of mainly non-state actors, who take on board some shared or global challenges that they deem critical (especially environmental ones), there is a sea change in mindsets and new practices emerge.



Multinationals, local governments, large NGOs, and those actors accustomed to cooperating outside formal channels dominate a hyper-connected world where innovation, expertise, and resilience are the keys to action. The nation-state does not disappear, with a continuing presence notably on the social inclusiveness front, but its influence on issues of environmental transition is overshadowed by hybrid coalitions whose contours and interests fluctuate in line with the causes they are defending at a particular time. Pathways that are more viable, though less equitable and thus less sustainable, take shape.

ALIGNING ASPIRATIONS

Solutions to the equation between development for all and the limits of the physical world are being found. Recognition that the issues are interdependent and that managing them requires concerted global action pushes many States and local governments but also the private sector in both the Global North and Global South to radically reform their strategies and practices. New political partnerships, fostered by hyper-connectivity and innovation, successfully align the aspirations of the many stakeholders regarding environmental questions and the need for inclusive development. In a world increasingly aware of its natural limits and the need for integration, more sustainable pathways and new forms of prosperity emerge – even though they remain fragile – fostering broader access to a universal notion of dignity.



What do these scenarios tell us about the development agenda?

The collective exploration of possible futures and this scenario-building led us, among other things, to ask questions about the ingredients of the next development agenda paradigms, which will follow on from the Sustainable Development Goals (SDGs) in 2030. Beyond the many challenges already captured by these SDGs, the scenarios bring to light a number of other key themes that so far seem to have received little direct attention from the development finance community. This does not necessarily mean that these themes will be at the top of the agenda in ten to fifteen years

The combined effect of ever-increasing demand and environmental degradation means that access to natural resources is one of the main challenges facing humanity in the decades to come. The multiplication of crisis-inducing phenomena is a common denominator across all of the scenarios. As a result, the questions of crisis management, peace and stabilization and, more generally, questions of resilience will likely dominate the development agenda in the medium and long term.

Global public goods are increasing in number far beyond those already identified such as climate change. In a hyper-connected world, digital inclusion and access to the global network may also be considered as a new global challenge requiring specific forms of regulation, with the need to treat them as public goods, or even common goods.

On another front, globalization continues its advance in each of the scenarios. In this setting, the need for greater regulation of the phenomenon will certainly be crucial to ensure, for example, at least a minimal level of global (or at least regional) redistribution and to align the contributions of an ever-broader spectrum of actors to this end, or to attempt to manage the informal sector. Regulatory instruments such as taxation could for instance be more effectively integrated into the range of tools available to the development community.

Finally, the crafting of innovative processes and methods to conceive and implement concerted decisions, which involve increasingly fragmented loci of power as well as complex and uncertain contexts, is undoubtedly one of the greatest challenges of the 21st century.

What futures for AFD in 2025 and beyond?

AFD's current identity is evident in its name and signature phrase: it is at the same time an agency and a bank. It is French and its ambition is to contribute to "**shaping sustainable futures**". The various foresight scenarios and analysis of their possible consequences show that these cornerstones of its identity could be jostled and need to evolve.

By way of a summary, the figure below attempts to illustrate the multiple forms that AFD could assume in the future by setting out the impacts that each of the four foresight scenarios could have on the founding identity of the Agency.

The current situation and the relatively short-term outlook (from now until 2020) as to how the context surrounding AFD will evolve seem to confirm:

- ▀ its **banking side** (recent decisions to overcome the current constraints on its own funds and capital base);
- ▀ its role as a pivotal **French bilateral** operator (closer ties with the Caisse des Dépôts et Consignations (CDC), transfer of governance, additional budgetary efforts by the State);
- ▀ all of this in the framework of a pact for **sustainable development**, both at the national level (the French Government's announcements that AFD's activity will increase to fund sustainable development challenges as well as those set out by the COP21) and internationally (adoption of the UN Sustainable Development Goals and the Paris agreement on climate change).

Today, the trend that seems to be taking shape is one of an "**AFD+**" with enhanced resources and expanded geographic and thematic mandates. It continues to operate in line with traditional donor rationales, while at the same time working more with local governments, businesses, and civil society and endeavoring to give its influence a fresh impetus. However, the long-term foresight analysis underlines the apparent weakness, or at least the precarious balance, that characterizes this trend in virtually all of the scenarios.

In the "**Impasse**" scenario, for example, AFD's capacity to continue operating on a banking model could be undermined by financial crises, making it difficult to access market finance and/or impossible to find solvent borrowers. In the "**Babel 3.0**" scenario, where blocs of countries would be competing on different development models, the survival of a global sustainable development pact would no longer be guaranteed. In a world of "**Greening without States**", the role of States would be partly wiped off the sustainable development agenda. This could lead AFD to approach non-state actors in order to marshal and use resources. It could even lead the Agency to modify its governance system by opening it up to private actors. AFD's traditional intervention model, which relies heavily on territorial logics, could also be called into question given that territorial entities would no longer necessarily be the only melting pot for collective action in this scenario, characterized by hyper-connectivity. Even in the more optimistic scenario, "**Aligning Aspirations**",

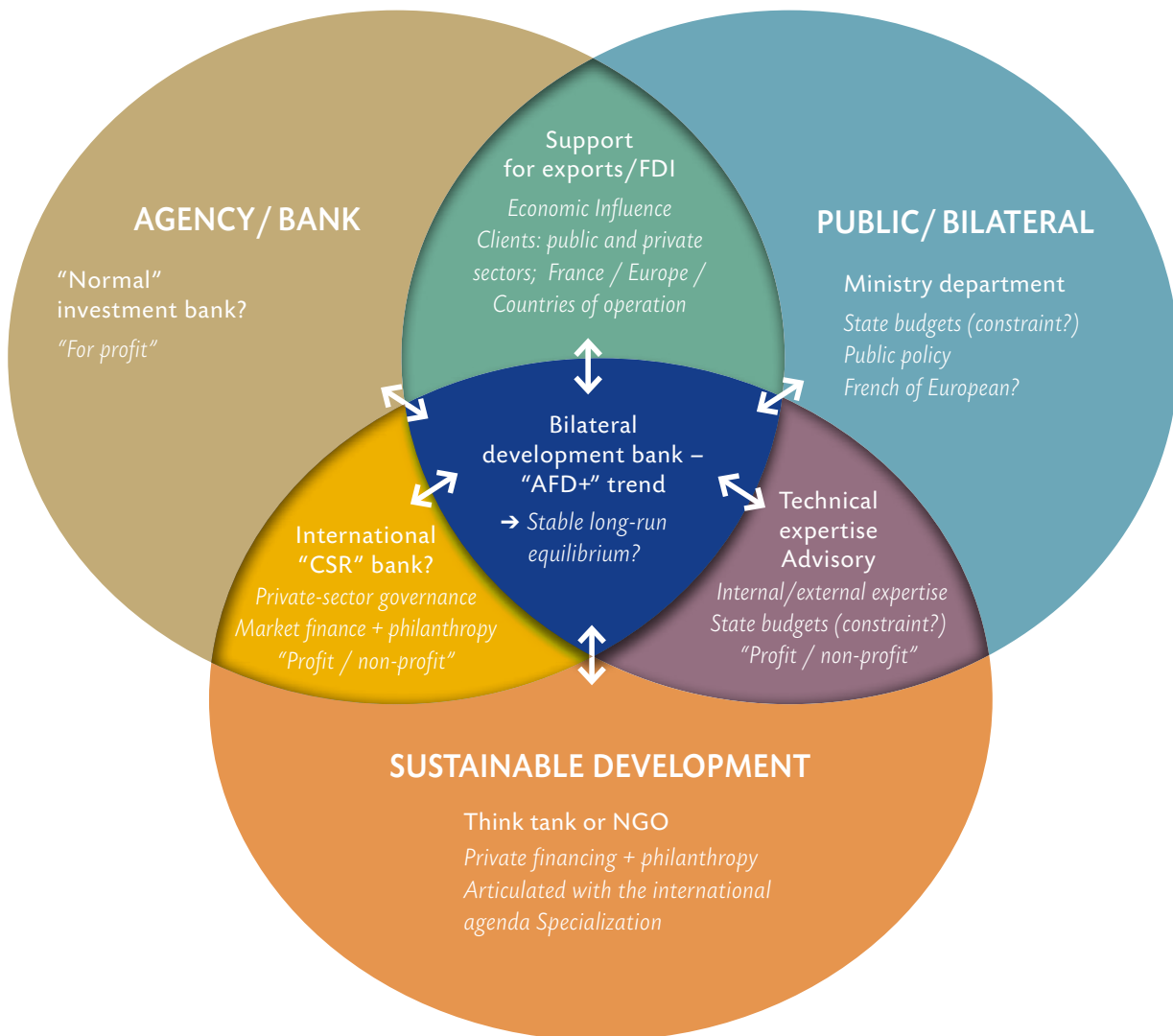
the shift towards more participatory modes of governance, coupled with the fact that power and decision-making centers are fragmented among a large number of actors could lead to substantial reforms. For example, AFD's governance might well open up to include a broader-based panel of actors. The Agency's professional competencies could evolve to integrate increasingly multidisciplinary approaches. These would be necessary in order to support the complex socio-economic phenomena that promote more sustainable development paths, and would stretch beyond today's prevailing engineering sciences and economic disciplines.

Yet, in the face of these multiple and uncertain futures, AFD still has some margin of maneuver. It has the means to act in order to bolster its sustainability, resilience, but also relevance, and to tailor these to changing contexts. This requires that the Agency show itself to be open and proactive vis-à-vis activities, partnerships and work methods that are not currently embedded in its core practices, but which capitalize on other strategies and ways of thinking and working. AFD would then be well positioned to anticipate changes and take action for futures that are chosen rather than imposed (cf. "Meta-AFD" shown at the bottom of the figure below).

The long history of AFD has shown the Agency's ability to adapt and transform, despite the many unanticipated developments of the past. AFD in 2015 has very little in common with the Caisse Centrale de la France Libre of 1941. Thanks to its constantly upheld values of resistance both in the face of yesterday's occupying forces and the poverty, crises and disorders of today's globalized world, AFD has always managed to make the necessary changes.

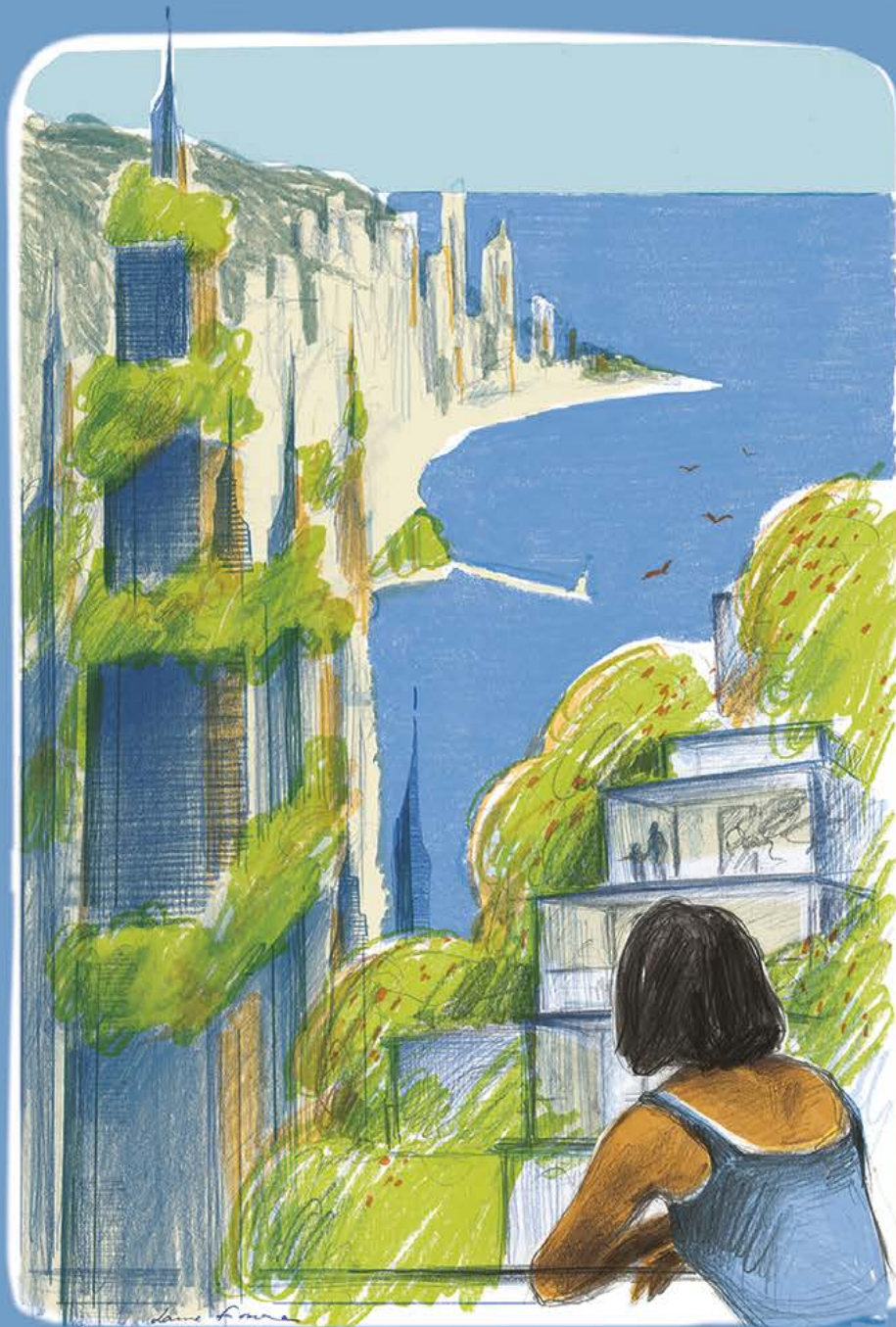
These values of resistance, coupled with openness (to others, to elsewhere, to the long term), with the ability to take a step back and question, combined with a relentless forward-looking attitude that is ever watchful of possible futures, seem to be decisive. All of these are assets that can make AFD resilient and flexible in the face of undesirable changes and proactive to desirable ones, in support of sustainable futures around the world.

Figure 1 Some of AFD's possible futures



THE PROFILE OF A META-AFD?

Capacity to intervene in response to sophisticated/long-term demand AND emergencies
 → Multi-governance and multi-mandate, resilient, adaptive and innovative



2 Genesis

Foresight:

(noun) anticipation intended to clarify present action in the light of possible and desirable futures.⁽¹⁾

Currently, exercises in foresighting abound, driven by a whole range of actors (central and local government bodies, NGOs, major corporates, etc.). However, within the development finance community (development agencies and banks, and more commonly “donors”), this trend represents an innovation. This type of approach would nonetheless seem logical, if not vital, for institutions with extensive mandates and scopes of action, and activities geared towards the long term.

AFD’s history has been marked by profound evolutions stemming from multiple roots, since its creation during World War II, when it took on the role of central bank. The AFD of 2016 has little in common with its precursors, as shown by the successive changes of name in line with its mandates: the Caisse Centrale de la France Libre, Caisse Centrale de la France d’Outre-Mer, Caisse Centrale de Coopération Économique, Caisse Française de Développement, and then the Agence Française de Développement, the “shaper of sustainable futures”.

Resilience or chance? An exploration of AFD’s past reveals not only its capacity to adapt, but also some resistance to change. Strategic orientations and the adoption of new practices have often taken a long time to materialize, before taking root, as illustrated by some recent examples.

- (i) The first signs of taking up the fight against climate change date back to 2002, when the Agency participated in the Johannesburg Summit on Sustainable Development and other initiatives. In this area, the Agency was a forerunner within the donor community, but this activity only reached maturity in 2014 (over 53% of its portfolio dedicated to this objective) and much remains to be done.
- (ii) Ten years ago (2004), a system for monitoring social and environmental due diligence was introduced. Is this belated measured against the yardstick of development history? The question is difficult to answer, but it certainly took time for the structure to adopt and disseminate this system.
- (iii) The notions of “fragile State” and “post-crisis” emerged back in 2005 with the thinking on the security-development nexus. Ten years later, the debate is still intense as to what responses are appropriate and what role AFD can play in this area.

1 / The classic definition given by the French School of Prospective and kindly provided by Mr Philippe Durance.

 *"The poet remembers the future."* Jean Cocteau

In this complex, uncertain and shifting world, imagining what challenges will be at the forefront in ten or more years requires a vision and operational adaptability that need to be prepared as of today. As a modest and innovative tool for long-term strategic thinking, Afd2025 is part of this approach, which is crucial in the current environment where the State and the different French institutions in charge of international cooperation are expressing the need to rethink the future.⁽²⁾

The construction of contextual scenarios and the exploration of the forms that AFD could take in each of them give rise to a host of questions that this document aims to address:

- ▀ *On a practical level, how can the many sustainable development agendas be best articulated with crisis management?*
- ▀ *Which common goods should be preserved or developed?*
- ▀ *Who are the key partners for the 2025 horizon and how can AFD build a privileged relationship with them?*
- ▀ *Should the governance of an agency such as AFD adapt to the changes of a shifting environment, and how?*
- ▀ *To what extent do AFD's current legal status and economic model allow it to engage in change, diversification and the enhancement of its activities?*
- ▀ *Faced with global challenges, what is its potential geographical reach?*

2 / Moreover, the announcement of closer ties between AFD and the CDC (Caisse des dépôts et des consignations) in September 2015 has reinforced the relevance of a foresighting approach in fast-changing contexts.



3

Methodology

With the full support of its top management, AFD embarked on this foresighting initiative in late summer 2014. Its mission was to explore the possible long-term changes across the world (2025 and beyond) that would impact development finance institutions.

To broaden the scope of analysis and leverage all its internal talents, competencies, shades of opinion and viewpoints, Afd2025 was designed as a crosscutting (not steered by a specific internal unit) and collective exercise, i.e. open to any volunteers within the AFD group, both in France and its field offices worldwide. A key contribution came from the external viewpoints gathered in interviews with dozens of experts outside the group, who are developing original visions and analyses of what tomorrow's world might look like. During the study phase, we met professionals in the development and other fields, researchers, academics, bankers and civil society representatives, who all provided crucial input for the work of the Afd2025 teams.

The exercise was structured using ad-hoc tools, developed with support from Philippe Durance, who holds the Prospective and Sustainable Development Chair at the CNAM,⁽³⁾ and from Régine Monti, professor at the CNAM. The process was conducted as follows:

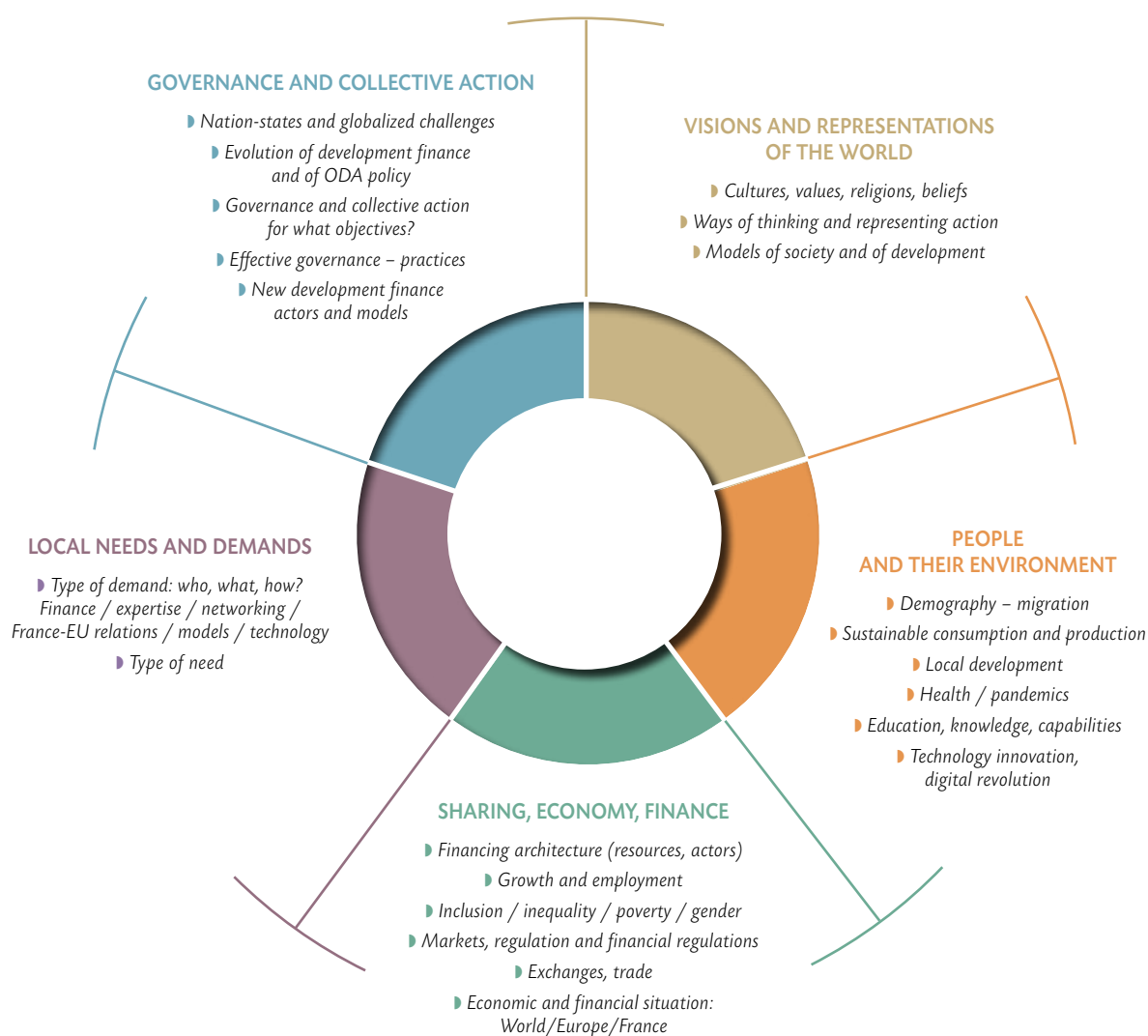
- ▶ The initial period of reflection spanned the final months of 2014. This first phase, mainly organized around short, fun-spirited workshops for a total of nearly 500 attendees, involved identifying the drivers of change and AFD's key challenges for 2025 and beyond.
- ▶ All of these drivers (several hundred) were analyzed to construct a "**foresighting system**", organized into 5 major fields and, within these, a total of 22 themes to structure the analysis.
- ▶ Theme-based work groups of volunteers were then set up and tasked with reviewing historical developments and analyzing in depth not only the stakeholders involved and the major trends, but also the uncertainties and possible upheavals, along with the related less perceptible signals. This analysis produced a set of foresight files and assumptions on future changes for each of the themes.
- ▶ From June 2015, a smaller group worked on ensuring the consistency of these assumptions (about 80) in order to construct partial, then comprehensive scenarios, with different global outlooks and trajectories. Four scenarios were selected, not for their predictive qualities but for the different questions they raise and their potential impacts on donors' activities.
- ▶ Lastly, Afd2025 queried what the practical consequences might be for AFD in the event of each scenario.

At each step of the way, group presentations were given to gather comments and suggestions. The scenarios and their impacts on AFD were also the focus of some Management Committee and Executive Committee meetings. The work was presented to AFD's Board of Governors, which led to the integration of new elements. Finally, an online questionnaire on the chosen assumptions was sent to AFD staff to obtain feedback on the perceived likelihood of the assumptions worked on by Afd2025 teams happening.

Throughout the process, all interim and final results of the exercise were published for consultation by AFD colleagues and regular communications were sent out.

Figure 2

*AfD2025 foresight exercise:
five major fields and twenty-two themes*



Box 1

The Afd2025 foresighting system

The foresighting system comprises all the themes that could see changes with a potential impact on the environment and on AFD's futures by 2025/2030. These themes were collectively identified in brainstorming workshops attended by some 500 AFD staff members. The foresighting system comprises a total of 22 themes divided into 5 major fields.

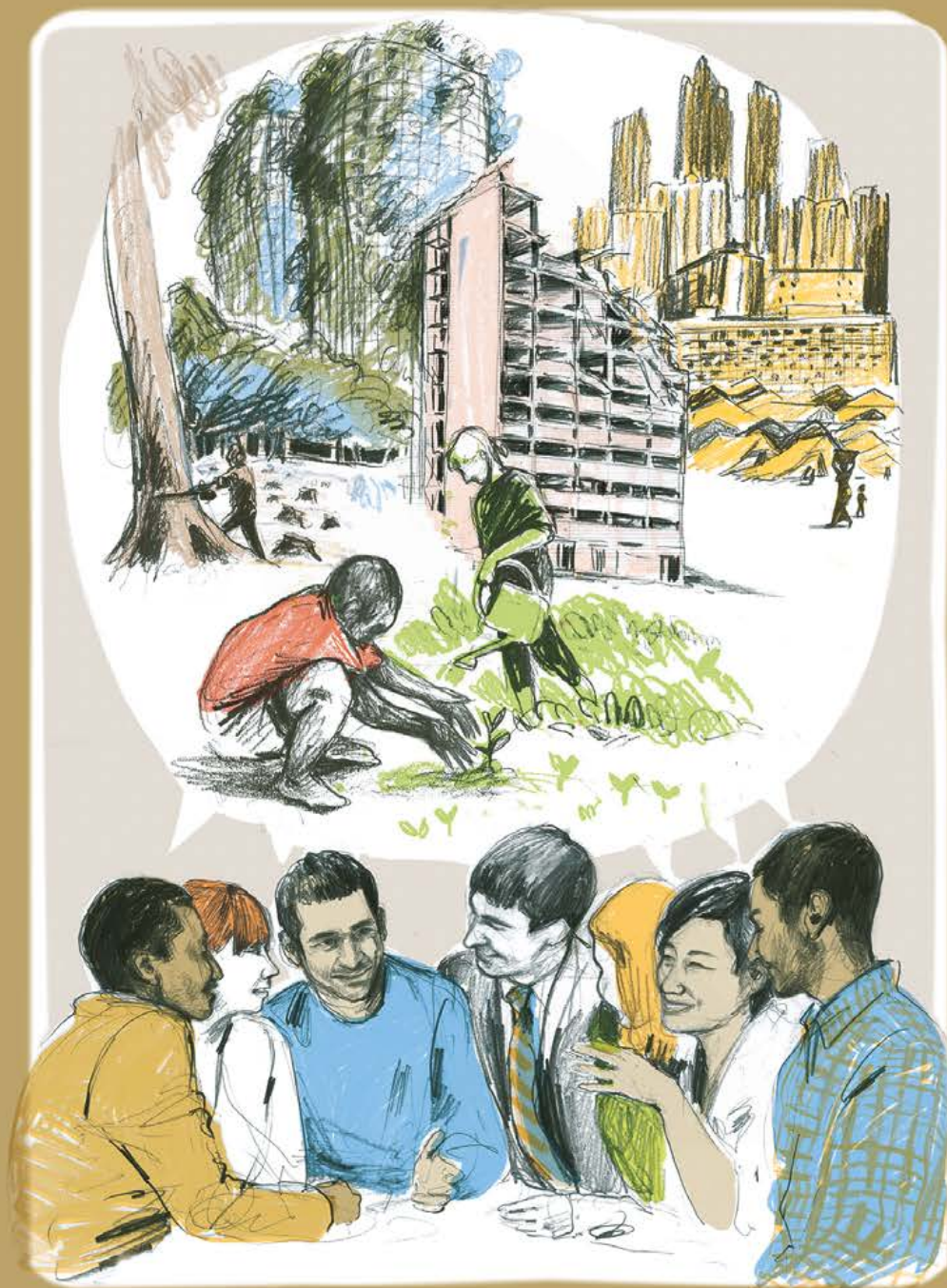
The first field, "Visions and representations of the world," reflects Afd2025's wish to broaden its scope of reflection as far as possible, by incorporating potential changes in mindsets, value systems and the place of religions.

The second field groups together analyses of how "People and their environment" evolve. The chosen line of inquiry is the environmental sustainability of food, energy and water production and consumption, as well as migratory patterns, the importance of technology and the changing modes of land-use planning. How will humans interact and exploit the natural, technical and social resources they have in order to build their future?

The third major field of the Afd2025 foresighting system, "Sharing, economy, finance," focuses on key economic and financial questions, as well as on the issues of poverty, inequality and social inclusiveness, the aim being to explore possible developments in the distribution of wealth and the organization of world trade in 2025 and beyond.

The fourth field, "Local needs and demands," involves the donors' counterparties and integrates two observations: firstly, at local level – be it sub-national, country or regional level – the dynamics of change are highly diverse as they depend on specific contexts influenced more or less markedly by regional or global phenomena. The second observation is that development assistance sometimes focuses more on supply than demand. This field thus questions what proportion of a donor's activities effectively, partially or marginally meets a given demand, as well as how this evolves over the long term.

The fifth and final field, "Governance and collective action," explores the ways in which these could both be designed and organized. Clearly, changes in modes of governance and collective action have substantial impacts on the mandates, strategies and work methods of a development agency like AFD. The policy framework, practices and solutions adopted to respond to such changes will lastingly transform its profession(s) and its mission(s).



4

The Afd2025 scenarios

Using the methodology outlined earlier, this foresighting approach resulted in the formulation of **four scenarios** representing four contrasted pictures of how the world and the context within which AFD evolves might change by 2025/2030. Their aim is not to forecast what is going to happen but to prompt strategic questions that are relevant, new or seldom raised.

IMPASSE

Ecological tipping points have been reached sooner than expected, giving rise to a succession of crises across the world. The global demographic transition is still ongoing and urban development has become anarchic, leading to unsustainable pressure on resources. The benefits of the technological revolution are confined to a minority. Under the guise of ideologies, identitarian closure has been fueled by mounting inequality and poverty. With an America that has adopted a more self-reliant posture and lost its world leadership, and a fragmented Europe, globalization goes into reverse, taking an anarchic turn in a disordered and non-cooperative multi-polar world where the most powerful countries impose their own interests. But for how long?



Irreversible tipping points, or widespread stagnation...


The planet's population growth continues its strong upward trend, pointing to 11.5 billion human beings by 2050, more than 40% of whom have continued along an energy-intensive development path dependent on massive consumption and exploitation of natural resources. The world of 2025 has seen an overall rise in poverty due to the knock-on effect of proliferating economic crises and the general trend towards an unprecedented shrinking of the State's role, which leaves little room for anything more than the exercise of its sovereign functions. The adverse effects are quickly felt, be it the disorderly urban spread that is now the norm in many regions, or the impact on education and healthcare systems.

Box 2

Freshwater, a now rare essential resource

In this scenario, characterized by demographic pressure and the mismanagement of resources, the number of people living in water-stressed areas will double, rising from 2.4 billion in 2010 to 4.8 billion in 2050 – i.e. nearly half of the world's population. Low-income countries in particular will suffer from water scarcity, with this issue placing an increasing burden on their economic growth and food production. But it will also plague the emerging and industrialized countries (the situation in California in 2015 being a prime example). The impact will be especially severe for China, India and the large emerging countries, where water scarcity could directly affect 2.7 billion people by 2050 compared to 1.4 billion today. Container-supplied water and rationing for tens of millions of people in São Paulo or Los Angeles, desertification in Iran, and wars fought over sharing the waters of the Nile and the Himalayas are but a few examples of how the consequences of this water scarcity will materialize.

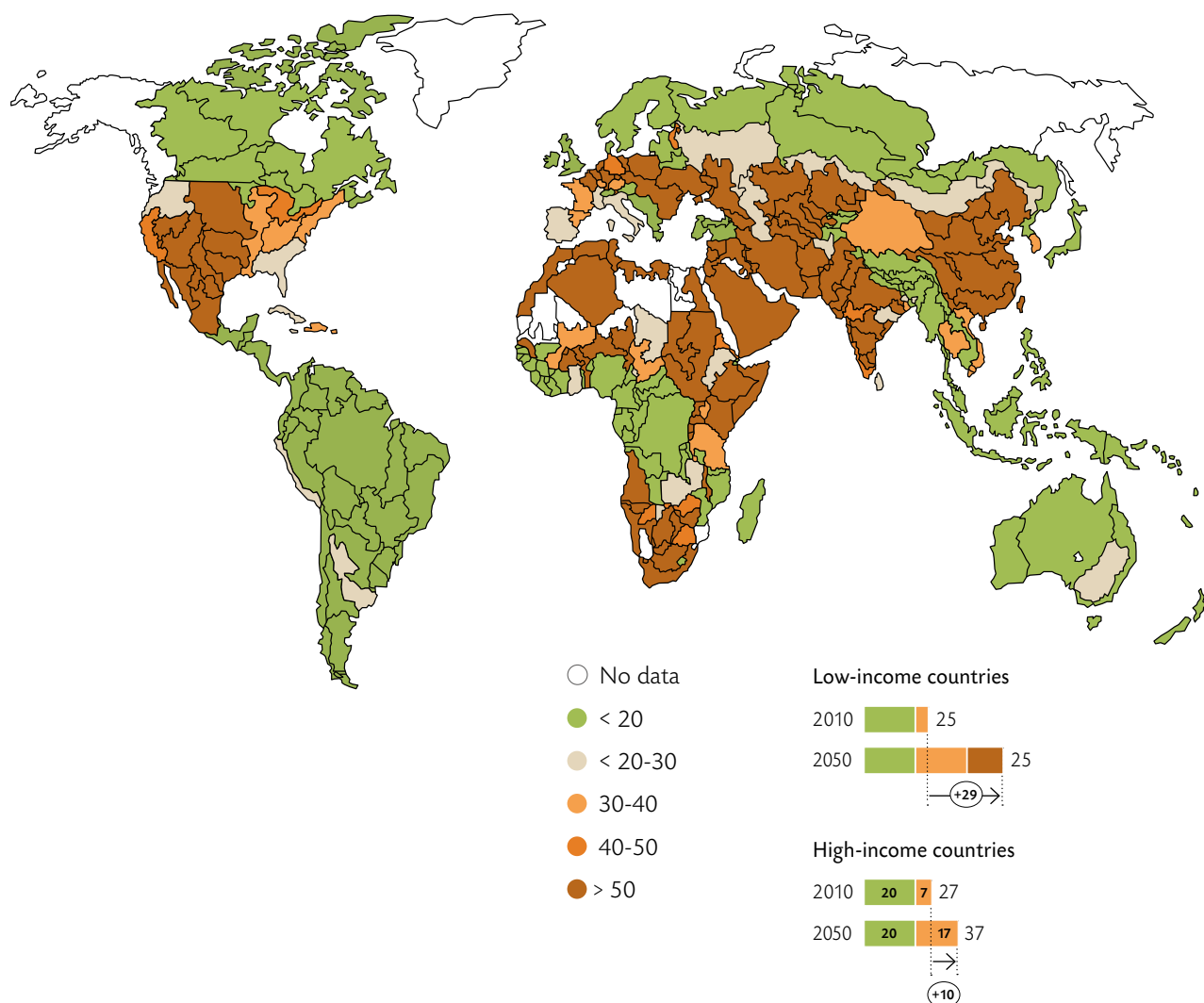
Tipping points have been reached for climate and biodiversity, giving rise to the uncontrolled acceleration of tensions over resources that no longer fulfill their regulatory functions. The socio-economic system has tried its best to adapt but the decisions made are overly short-termist and lack the coordination needed to tackle the growing number of crises, especially those involving violence in the major cities of the Global South, where water and electricity services have failed.

 *"In India, there is a growing trend of massive outmigration of rural populations, when their wellbeing and living space is no longer seen as sufficient. This causes massive and uncontrolled urbanization that could lead to the rapid collapse of whole megacities such as Bangalore by 2030, if nothing changes. People will not return to their rural areas for lack of economic opportunities, but will move to secondary cities, where the same types of phenomena are likely to be reproduced."* Manish Bapna, World Resources Institute

With no international or local regulation, deforestation has increased – mainly in Africa, where a fast-growing rural population, unable to find employment in the cities, has cleared land and opened new deforestation fronts. Extreme climate episodes are more frequent, resulting in severe food insecurity for some regions. By 2050, 30% of the planet's land areas have seen their crop yields increase thanks to global warming, but 70% have seen their yields decline owing to declining soil fertility. In 50% of such cases, the decrease in yields is 10–50%.

After oil, water has become one of the main causes of conflict, thus heightening the likelihood of interstate disputes in all corners of the planet. The quality of surface water has deteriorated given the various inputs of agricultural origin and the lack of adequate wastewater treatment. The rates of access to safe water sources have plummeted in Africa, as have the rates of access to sanitation. Coastal areas are subject to increasingly deadly flooding episodes. "Environmental migration" has become the main reason for displacement. In many regions of the world, groundwater is abstracted at a rate that does not allow for aquifer replenishment and is increasingly polluted.

Figure 3 Percentage of renewable water resources under stress in 2050⁽⁴⁾



“At local level, a large number of regions will face increasing tensions over the resource, mainly due to competing uses.” Olcay Unver (Deputy director, Land and Water Department, FAO)

4 / Source: “Sustaining growth via water productivity: 2030/2050 scenarios”, 2011, Veolia/IFPRI.

A major part of the planet – now in dire economic, social and environmental straits – finds itself face to face with other regions that are managing as best as they can, despite a waning dynamic, to preserve their achievements and their development and societal models. Living on borrowed time, these regions (Europe, Latin America, Japan...) exist alongside territories and countries stuck in the rut of a carbon-intensive growth path, tolerating high levels of inequality (China, Mongolia, the Gulf States, Nigeria) and/or a heavy dependence on fossil fuel, water and land resources. In addition, increasingly vast areas of land are being deserted by the State, which gradually leaves the field open to “warrior societies” organized around predatory mafia groups that neutralize each other. The use of violence as a response (i.e. conventional military force) has a boomerang effect, fuelling and even legitimizing these warrior movements. The divide between the richest and poorest countries is widening, exacerbated by the opportunity and increasing economic cost of such military interventions, along with the erosion of the economic and political model and the mounting hostility of populations anxious to safeguard their interests. Cooperation policies have gradually been abandoned for want of resources, and the world is becoming more and more compartmentalized.

A disorderly world or globalization in reverse...

A crippled Europe that has broken ranks

Faced with an aging population, internal rifts and more than a decade of stalled economic growth, Europe’s project to build a united whole is floundering. Greece’s exit from the euro zone at the turn of the 2020s has ruled out any negotiation of a new economic pact for Europe. Hit by vast internal political strife, France has overwhelmingly voted by referendum against the idea of a new EU treaty, which deals a sharp blow to those government parties supporting it. In Germany, the elites have also pressed for exit from the European Union, which for over twenty years has been regarded as a political and financial straightjacket. As for the United Kingdom, the breakaway from European institutions had already come before 2020.


The demise of the euro has called into question the very idea of building a political Europe, which also implies widespread impoverishment and a return to protectionism, both monetary (brutal devaluations and a massive rise in inflation) and direct (mainly trade restrictions). Now sporting more nationalist leanings, most European governments have helped shape a world in which only a handful of free trade zones have survived.

Box 3

Warrior Societies, by Bertrand Badie

The particularly pathological “Warrior Society” reflects the total failure of development policies pursued since independence...it shows that when civil society and the State are unable to assume their functions, many actors rely on war to satisfy their basic social needs and to create the minimal social fabric that they lack....Combatants, like child soldiers, stand to gain socially by enlisting in militias, where they are “employed”, fed, clothed, housed and even... respected, or, horror of horrors, greatly valued....This is a boon for entrepreneurs in violence (Al-Qaida, Aqim, Boko Haram, and Daesh) and all kinds of mafia-style networks (drug traffickers, smugglers, human traffickers) who have a direct interest in conniving with the former...

As political interests are increasingly guided by the States’ ability to manage economic interests, this new confrontation has been far from friendly. Tensions between former co-tenants of the erstwhile European edifice have but intensified the unrest, shaping new areas of regional influence: a Mitteleuropa in northern Europe centered on Germany and its closest partners has set up a new currency union in line with Robert Mundell’s criteria for an optimum currency area (strong currency, stable prices). In southern Europe, a less homogenous and more heavily indebted bloc, notably France, Italy and Spain, has fallen back on domestic policies relying on inflation/devaluation to clear its debts. Eastern European democracies have been the chief victims of this breakup, caught in the middle of the clash between a powerful Germany and an increasingly nationalist Russia.

 *“I fear that the political authorities in large countries will not make much of an effort to regulate finance until there has been another major crash; this could kick in before 2020.”* Gaël Giraud

When it disappeared, the euro left nearly 30% of international trade-related contracts in limbo, causing the biggest legal dilemma in history and paving the way for competition between the US dollar and the Chinese yuan.

Box 4

What happens to Russia in the Impasse scenario?

Russia could be a destabilizing factor for the global or at least regional order if it were to continue to wield its military power in efforts to dominate and intimidate its closest neighbors. Faced with the population's growing discontent over an increasingly gloomy economic and social outlook, the country's leaders are seeking to rally nationalist sentiments by a growing assertiveness over their immediate environment. Among the key challenges that Russia will have to tackle are its aging population and smaller active workforce, an economy mostly dependent on commodity markets, ethnic and religious tensions and changes in the composition of its population. What place this country of 120 million inhabitants will have on the international and European stage is contingent on whether these issues are resolved.

A more prudent United States

In the United States, the mounting disorders of traditional allies have strengthened the proponents of disengagement. Their postulate has gradually been gaining ground ever since the country became fully energy independent in early 2020. As a determining factor for the American economy, this three-pronged energy revolution (i.e., increased use of unconventional hydrocarbons; development of renewable energies; and improved energy efficiency and consumption management) has revitalized the country's economic activity, boosted its industrial competitiveness, and even driven the re-industrialization of sectors such as petrochemicals and fertilizers. This conjuncture, coupled with the loss of influence of its allies, has encouraged the United States to gradually turn away from the world's geostrategic affairs, without forsaking them completely. Thanks to its traditional Saudi and Israeli allies and the strategic vying between Europe and Asia, which are more and more dependent on the Middle East's energy resources, America has in fact retained a small number of levers in its competitive struggle with China. The balance of power between these two colossi has been restored in what is now a profoundly heterogeneous world.

A hard landing for the large emerging countries

While the major emerging countries have enjoyed more sustained growth overall, their landing was a tough one. Their impressive demographics place them de facto center field in the game for a new world order, but annual growth rates for China and India dropped from almost 10% in the 2010s to 3% in 2020, and 2% in 2030. In fact, these countries have proved incapable of lifting themselves out of the middle-income "trap" and overcoming the huge challenges facing them.

To begin with, the cycle of political and economic reform has remained at a standstill: while growth in China and other emerging Asian economies for many years signaled the mobilization of their available resources (building on foreign technology to use it with low-cost labor and an abundance of cheap capital thanks to high domestic savings rates), the overall rise in living standards and incomes has gradually encouraged a new growth model, driven by innovation, technological progress and productivity gains. This new model however is struggling to take a firm hold. Reaping the benefits of investment in R&D requires a gradual transition towards a more open, more democratic political system, more inclined to self-criticism, and towards a judicial system offering robust protection of intellectual property. In this scenario, the transition has not come this about.

At the same time, income redistribution has not been sufficiently substantial, fast or equitable: India's and China's rising Gini coefficients are a sign of mounting inequalities. In China, serious social unrest breaks out on a large scale in connection with the stalling economic growth. This leads to instability and a return to heavy-handed political control (with foreign countries or minorities being blamed for domestic problems). The still ruling Chinese Communist Party is more frequently targeted by popular criticism for its poor management of state affairs. This hardening of domestic policy is not unrelated to the fact that the West, increasingly mired down by its own constraints, has eased its political pressures. The United States' gradual withdrawal from the South China Sea has also enabled Beijing to strengthen its domination of a Southeast Asian rim now in direct competition with an India that is trying to protect its interests in Central Asia. But hobbled by a heavy bureaucratic federalism, India has also seen a slowdown in growth, while multiple social tensions are emerging, as well as environmental disasters that are increasingly difficult to manage.

The social contract in crisis

Multilateralism in jeopardy

The multilateralism of another age, frozen in its 1945 contours, has been put to sleep. This has led to blockages, not least because the ailing powers have sought to maintain a status quo. The reform of the Security Council with admission of new members was never carried through, nor was the restructuring of the UN's Economic and Social Council as a platform for promoting multi-stakeholder governance. Constantly excluded and unrecognized as decision-making partners, many stakeholders have retreated into attitudes that are more tribunician than co-responsible. Some have even turned their reserves vis-à-vis the traditionally dominant institutions of global governance into a principled position, which cripples the channels for discussion and global regulation a little more.

The multilateral governance framework has greatly suffered from the geopolitical reconfigurations of recent years. It has gradually splintered, caught between the United States' "wait-and-see" stance and severing of ties with old Europe, on the one hand, and the escalating tensions among emerging powers that are unwilling to take on a leadership role, on the other. Against the backdrop of a global economic downturn, the poorest

countries have been the first to suffer. Poor harvests regularly follow one another and many countries are forced to introduce export barriers, which further exacerbates food shortages and prices. The loss of a clearly identifiable global leadership, coupled with an ailing multilateral framework, hampers the regulation of trade and markets as well as the creation of governance frameworks to tackle major global issues, even though these are more than pressing. This state of affairs intensifies the perverse effects of global stagnation: on the one hand, a retreat into to a state-centric sphere and, on the other, a disintegration of the State.

A social contract that no longer works

Humans no longer control their environment and act over-hastily, which impairs their capacity to foresee and anticipate. The less thoughtful and less coordinated their action, the more they are prey to its adverse effects. The frequency and severity of environmental and economic crises have spurred individualized responses. In some cases, the widespread feeling of “losing control” and a “fear of the future” in the face of the perceived failure of globalization exacerbated by repeated crises and deepening national inequalities have even led to a rejection of the sustainable development model. This is seen as a model imported from the West, now obsolete and even responsible for the current state of the world.

The so-called universal values formerly enshrined by the UN are now almost inaudible. Yet no alternative solutions for governing planetary problems are emerging. The trust in institutions has gradually crumbled, ruling out any possibility of sharing sustainable development goals at a global level.

Box 5 *A weak signal, a global virus*

No one can predict what the next pathogenic agent to spread globally will be, or when it is likely to appear. But an easily transmissible respiratory virus that could cause death or irreversible disability for over one percent of those infected is one of the major risks currently facing a globalized and increasingly connected humanity. Like the Spanish Flu pandemic that infected nearly 20% of the world's population from 1918 to 1919, this kind of contagious episode and the inability to coordinate at a global scale to contain it will lead to millions of victims all over the planet in the space of a few months.

In the face of weakening public authority, of the difficulty of managing scarcity and the multiplication of extreme natural phenomena, religion (which serves human needs and affects) is confined to a more individualistic framework than normal. In a geopolitically unstable world, the force of religious practice exacerbates interfaith tensions and intolerant individual behaviors in all regions. In Asia, serious interfaith conflicts erupt (Hindus-Muslims-Christians) over the control of natural resources. Clashes between Sunnites and Shiites, and with Christians, intensify both in Africa and the Arabian Peninsula, putting the region's economic and social development a little further into jeopardy.

The construction of social cohesion, deemed vital to all collective action, no longer finds a springboard in either the rich countries or the poorest. This situation contributes to the absence or non-renewal of social contracts and generates violence, social disintegration and the erosion of human relations.

In this scenario, the international actions of States, particularly France, are limited not only to their financial and political capacities, but also to the short-term political issues of the day, such as poverty reduction in a handful of fragile states within their area of influence, security- or defense-related actions, or post-crisis interventions linked to natural or man-made disasters.

BABEL 3.0

The world is torn by severe political, economic, social and environmental tensions. It is a world of extremes, where prosperous regions exist alongside highly fragile zones. The world's population continues to grow dramatically, while urban development is poorly managed, and the energy transition is inadequate. Inequality explodes, notably in many emerging countries. A global middle class has emerged, putting greater pressure on resources. Dominated by China, the United States and Europe, the world is divided into three main regional blocs. The major powers no longer operate within a governance framework that provides robust regulation. The role of the State remains important but it is jostled by digital globalization, which overlays the reality of national borders. Globalization implies both domestic and external challenges that are growing and hard to overcome.





A world of otherness

In 2025, globalization continues to be propelled by a hyper-mobility of goods and persons.⁽⁵⁾ It is organized around continental blocs more or less culturally homogenous and more or less economically and politically integrated.

The Western model has been eroded in a world where tensions are rife and confidence in traditional institutions has waned. The propensity towards individualism is heightened by the prevalence of a market economy, to the detriment of culture and citizenship. Moreover, the main mission of education is no longer to promote civilization but rather to respond to the rationale of training experts able to interact in a heterogeneous and hyper-technical world. However, new global causes advocating alternative development paths are transcending borders and gathering together very diverse actors. Different ways of thinking on how to manage key societal challenges exist side by side as best they can, and new frontiers appear that are not just geographical but also virtual. Digital technology and hyper-connectivity have spread massively across the planet, reinforcing the idea of coexisting multifaceted spaces and cultures dominated by the principle of otherness rather than inclusiveness. This reign of otherness is characterized by extremely varied reactions to the challenges of globalization and the world's increasing complexity.

Technology, however, has not helped find answers to the energy equation or to the asymmetry between the mounting tensions over natural resources and the ongoing pursuit of the capitalist development model. Temperatures continue their inexorable rise. Too few territories have managed to implement more sustainable patterns of consumption and production. Nonetheless, several countries and regions in both the Global North and Global South are endeavoring to move onto a sustainable, inclusive and collaborative growth pathway, grounded in better-informed consumption patterns. These new models manage to coexist but, in the countries implementing them, they are accompanied by tensions over the role of technology and its mastery, and over the place that should be reserved for humans. This generates new power relations and sometimes fragile balances between the State, the private sector and civil society.

 *"Technology will be the future X factor. More than all other human factors, its spread, appropriation, and innovation will be the main game changers of the 2025 horizon."*
Homi Kharas

 *"Globalization is not an economic concept, but above all a technological one. It relates to three systemic points: inclusiveness, interdependence, mobility."* Bertrand Badie

5/ The combination of modes of transport and digital technologies allowing the massive movement of goods and persons, the dissemination of knowledge, and information flows that defy borders.

Box 6

Collaborative economy or new fragilities?

Connectivity has created a global digital marketplace on which labor is bought and sold. When artificial intelligence proves unable to perform a task, then worker 2.0 takes over and deals with it. Connected to businesses via platforms such as Amazon's Mechanical Turk, hundreds of thousands of workers compete for tiny repetitive jobs offering no pay at all or a few euros at most. This virtual, assembly-line type of work also skimps on notions such as minimum wage and participation in any kind of social protection. And the tasks involved are those that computers still cannot handle: pinpointing the ambiguous or ironic tone of a text, advanced image recognition, transcribing an audio file... What's more, the tasks are intended to help improve and train the algorithms (machine learning), so that the computer will be able to perform the task itself some time in the future and eventually further whittle away the need for human intervention.

Crowdsourcing has also appeared as a solution to one of the biggest problems of the 21st century, i.e. categorizing and organizing the massive amounts of information generated by the Internet. Some experts and advocates of crowdsourcing also acclaim the efficiency of the new generation of crowd-work platforms, be it for their capacity to distribute work to people from all geographic horizons or the possibility they offer to those wishing to top up their income. Without supervision or regulation, these new methods for organizing work will likely be factors that aggravate social exclusion and inequality in the near future, rather than being of use to society.

Responsible for the accelerating number of natural disasters and health crises, climate change does not impact societies to the same extent in different parts of the world. The more fragile regions are the most affected, but science and ongoing adaptation programs headed by the wealthiest countries have enabled significant headway in the fight to deal with the effects. Nonetheless, the phenomenon of migration and climate refugees has been on the rise over the past fifteen years and population displacements are intensifying at all scales. This situation leads to increasingly severe tensions in the less vulnerable countries and/or those spared by climate change (mainly northern Europe), and reinforces the tendency towards protectionism.

A world richer overall but still deeply unequal

In this scenario, global economic growth is highly uneven across regions. It is a tri-polar world dominated by China (23% of world GDP in 2025, vs. 16% in 2015), which outstrips the United States (14% vs. 16%) and the EU (17% vs. 13%). Overall, growth is well below that in the most optimistic scenario, “Aligning Aspirations,” but by no means as weak as in the “Impasse” scenario.

While global poverty has slightly declined since the 2010s, the question of inequality both within and between territories has become central. The explosion of the middle classes, massive urbanization and the inadequacy of redistributive and social protection policies mean that the main variable for political stability is the population’s degree of acceptance of inequality. Persistent economic crises have not prevented Asia from dominating a global economy that is now regulated within powerful regional blocs inside of which most of the world’s trade is transacted.

As for the European Union, this exhibits a sluggish growth regime and high structural unemployment, relegating it to the rank of the world’s third regional bloc in terms of growth, behind China and the United States.⁶ A collective Europe was on a long fuse and diversity is overtaking uniformity. The euro crisis in the late 2010s has proved devastating for the aspirations to a united political entity with a dynamic role in the international arena. With over ten years of instability on the continent’s doorsteps, the European idea of an open, prosperous space that champions fundamental human rights and freedoms has been eroded. The process of transferring Member States’ sovereignty to the European level in view of building a unified and coherent polity has not weathered the growing economic and ideological disparities. The countries forming the core of the euro zone have managed to engage in the necessary reforms and have fared better than the others, some of whom have been forced to leave the common economic space.

⁶/ OECD member countries, in particular, see their growth lastingly stall at between 0.5% (Japan, EU) and 1.5% (United States).

Box 7

2025: A new Springtime of Peoples?

As in 1848 or 2010, many conditions are ripe for an outbreak of new popular revolutions. As contagion phenomena fueled by hyper-connectivity, the tensions between the rural and the urban worlds and the “haves” and “have-nots” erupt across the globe, pushing it a little further into instability. The impact of these uprisings is magnified due to the means available to insurgents: drones, cyber attacks and biological weapons become weapons of choice for such movements. The Western powers, fearing that technology might give excessive power to unconventional groups or individuals, could conceivably join China, Russia and others in restricting individual freedoms, especially on the Internet, thus deepening the divide between citizens and institutions.

The United States is no longer the world’s leading economic power. Yet, with an economy bolstered by an energy revolution and technological innovation, by a prudent fiscal policy and the relative weakness of potential competitors (chiefly the large energy-producing countries), the American model has proved resilient. The United States has held its leadership in terms of political influence, but has relinquished its role of “global policeman” – without however totally disengaging from all world regions. Echoing the pattern of the post-1945 years, the direct interventions of the 2000s have been replaced by alliances with often authoritarian regimes, which are seen as bulwarks against growing non-state threats.

China, the world’s leading economy, is nonetheless struggling to maintain high growth as the rifts between urban and rural populations widen. The coastal cities continue to thrive, becoming the nerve center of the world economy. But the regime has gradually lost its legitimacy and a hardline Maoist revival has emerged to control the social discontent. Under the duress of a hypertrophic policy, numerous protest movements break out. However, in a society where the market and political power occupy most of the available space, a real conscientized middle class has not yet emerged or become emancipated.

China should not however obscure the other large emerging countries that are carving out a prime share of the global economy for themselves. At the top of the list come India and Brazil, but there are other emerging regional players such as Colombia, Indonesia, Nigeria, South Africa, Mexico and Turkey. Developing countries, however, are facing their own challenges, the key issue being whether (or not) they will be able to pursue their rapid growth dynamic and maintain stability. For instance, Brazil’s efforts to tackle internal inequalities have paid off and the country is now more stable than at the end of the 2020s. On the other hand, due the handling of the Kurd and Syrian issues, Turkey’s stability suffered a severe setback for several years. More broadly, the health of the global economy is increasingly tied to how the developing world, rather than the traditional Western world, is behaving.

Box 8

What trajectories for Africa?

In Africa, several different trajectories could materialize. The more authoritarian but also more “developmentalist” regimes could enjoy impressive stability and growth on the surface. But this has no lasting roots or in-depth societal effects, much like the Rwandan model of the mid-2010s, or the former Tunisian model. The rest of the continent would be lastingly plunged into an inchoate and fluctuating mass of small local dictatorships, terrorist actions and armed struggles. Neither the international community, nor any of the “P3” partners (France, United States, United Kingdom), would be able to put an end to these interlocking cyclical crises.

A dual model could thus fall into place, illustrating the difficulty of finding a compromise between integrating international standards and respecting national particularities. In fact, the compromise sought is insufficiently inclusive be it horizontally (in terms of ethnic or religious identities) or vertically (with respect to generations or social groups). The different forces evolve in opposite directions: a more developed and institutionally orderly “center” finds it increasingly difficult to control unstable “peripheries” subject to a system of “heterarchies” with no ties other than temporary alliances. An Africa that is relatively integrated into the outside world and less locked-in (thus more maritime) would contrast with vast lawless zones stretching from the Sahara through to Central Africa and the Horn, where the crucial issue would no longer be the gradual reduction of poverty but sheer day-to-day survival.

A lack of cohesion reflected in international governance bodies

The challenge of governance lies in striking a balance between the legitimacy and effectiveness of institutions, the aim being to ensure that as many people as possible are represented while at the same time facilitating decision-making. Multipolarity renders global governance by a small number of large countries problematic. But it is also difficult to put in place an adequately representative and structured form of governance given the highly disparate contexts and the growing influence of non-state actors or subnational stakeholders, such as megacities, that have varying degrees of legitimacy. Just as national representatives are being held to greater accountability under pressure from better-informed and more connected citizens, these non-state actors must also prove themselves if they are to acquire credible legitimacy in a globally connected world.

The world is torn between a certain lucidity regarding the diagnoses and the incapacity of the traditional governance system to address the challenge of driving convergence in living standards and of environmental transition. As a result, most citizens are losing confidence in their governments, and the traditional world governance institutions such

as the United Nations or Bretton Woods institutions are also suffering a loss of credibility. These continue as the official arena for major negotiations but they no longer constitute a locus of real power.

The result is a hybrid governance architecture. The multilateral cooperation structures persist but they reflect the new distribution of economic and political clout. States are losing their global influence, which now shifts to continental/regional blocs dominated by the richest countries, particularly the large emerging economies. The economic heft of these blocs is not however accompanied by the will to disseminate a new ideological paradigm or assert their global political leadership.

Nonetheless, Brazil and India have joined China to become two more emerging countries with a right of veto on the United Nations Security Council. New more or less formal institutions appear, driven by charismatic and visionary leaders, to respond to the onset of crises in various parts of the globe.

The United Nations system seems to have reached its limits, notably in the combat against climate change. The track record of the past fifteen years is very mixed, as the UN agencies have failed to translate the awareness of the stakes – the SDG pact or the Paris COP21 climate agreement – into concrete, decisive, universal and effective action to keep the world on a sustainable trajectory. Despite the ever ritual discourse on our planet's limits, States (mainly OECD countries) have failed to build together a pathway enabling the world to limit temperature rise to 2°C. The faith of globalized elites in the market's capacity to solve this issue through innovation is still very much alive (albeit dwindling), and many individual initiatives now have more effect and resonance than coordinated actions.

 *"The challenge is to ensure that security and development exist together. When this is achieved, you have a potentially virtuous cycle: security helps attract investment and the ensuing economic development reduces the security risk."* Paul Collier

In 2025, we are thus in a world whose center of gravity has shifted to Asia, and which is basically split into large regional blocs (China/Asia, Europe, United States). Each defends development models that are more or less inegalitarian, and more or less low-carbon. The blocs form the basis for economic and financial interactions. Each has its zone of influence in the poor or emerging countries (Latin America for the United States, Africa and the Mediterranean for Europe, Asia and Oceania for China). Highly fragile zones persist (Sub-Saharan Africa, the Central Asian rim). The newly emerging countries (Ethiopia, Colombia, Bolivia...) move from one zone of influence to another depending on their alliances. The Middle Eastern countries are also a pole of attraction, in function of their fossil energy resources and financial power. Russia, on the other hand, has seen its influence decline steeply.

Official development assistance: a vital need but with physical constraints

The position of the traditional Development Assistance Committee (DAC) of the OECD is now weaker as the amount of ODA has scarcely risen over the period. Only two countries (United Kingdom and Germany) still wield a strong influence thanks to their purposeful choices, which are sustained over time despite a difficult budgetary context. Although the European Union is still a key ODA player, its internal difficulties have left it unable to craft a common foreign policy or pool its members' ODA under a single banner.

This fragmented leadership – compounded by the relative failure to implement proactive development policies, by the low amounts actually invested and by the States' inability to take action – has led ODA players to implicitly set a common agenda more focused on two global public goods: climate change and societal stability/security. Powerful non-government actors are also able to impose diverse causes on the global agenda, but this happens erratically and reflects the opinions trending at a particular moment.

Box 9

The key development actors in 2025

With an enfeebled European Union and a United States in retreat, country aid and international assistance for the most vulnerable populations are more difficult to deliver. This is affecting the stability and wealth of many regions and States. In the space of fifteen years, the Asian Infrastructure Investment Bank (AIIB) has become an actor whose operations are on par with the World Bank's. Not only is it predominant in Asia, but it has also become an influential player in Africa. Its activity, highly focused on major transport infrastructure and energy networks, is implicitly grounded in the belief that technology holds the key to resolving climate issues, without the need for lifestyle changes. The AIIB also intervenes in investments to curb industrial pollution (chiefly air pollution) given the criticality of this issue. The BRICS Development Bank (now the New Development Bank – NDB) has not taken off due to the opposing trajectories of its founding members. The World Bank is still a respected influential player but it has lost its financial leadership and the capacity to set the development agenda, notably because its intellectual output is waning, up against competition in many fields and from many actors including local ones (national development banks in developing countries).

...

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Instruments such as the Green Climate Fund have been created and operationalized, but these have failed to mobilize engagement on a large enough scale for economies to implement the environmental transition. In fact, the Fund has never managed to ramp up the scale of public and especially private financing. The funds marshaled range from USD10–25 billion per year – moreover, this includes private investments that produce mixed results. These figures are to be compared to the thousands of billions of dollars needing to be redirected into “green” investments. Under pressure from many developing countries and the increasing frequency of natural disasters, many of its actions are actually funneled into climate change adaptation initiatives rather than the reduction of greenhouse gas emissions.

Many world regions overstretched by security problems (e.g., the Sahelian belt, Middle East, Indian rim...) exist alongside regions with more linear development trajectories, which means that needs are still highly differentiated. Public project owners now usually “shop around” the different bilateral and multilateral donors, but also NGOs and foundations. In this highly competitive setting, megacities and some large cities are only too ready to approach not only development financiers, but also commercial banks and financial markets, independently of their government, to obtain funding for their sustainable development (prioritarily, the development of public transport, energy efficiency, smart grids, short chains...).

Philanthropic foundations have continued to expand their activities, which in 2025 represent more than half of total ODA. Due to the dilution of conventional public resources for health and education, these foundations have largely concentrated on these two sectors, relying more on local civil society (associations, businesses) to identify needs and appointing NGOs as their operators. In addition, substantial migrant remittances, coupled with a now mature Fintech^{7/} sector offering comprehensive banking and insurance services, have fostered the emergence of development projects, mainly in Africa, that are implemented without traditional donor support. In many respects, innovation – be it developmental (local projects with high environmental impacts, CSR, ESS) or financial – is mainly spearheaded by these actors, who are competing with the major international development banks and Bretton Woods institutions. From day to day, they are putting into action a raft of solutions to which the traditional players pay no more than lip service.

7/ Company in the financial services sector whose business model is based on digital platforms (mobile banking, crowd-funding...)

GREENING
WITHOUT STATES

The equation between the right to development for all and the limits of the physical world has still not been solved. However, driven by coalitions of mainly non-state actors, who take on board some common or global challenges that they deem critical (especially environmental ones), there is a sea change in mindsets and new practices emerge. Multinationals, local governments, large NGOs, and those actors accustomed to cooperating outside formal channels dominate a hyper-connected world where innovation, expertise, and resilience are the keys to action. The nation-state does not disappear, with a continuing presence notably on the social inclusiveness front, but its influence on issues of environmental transition is overshadowed by hybrid coalitions whose contours and interests fluctuate in line with the causes they are defending at a particular time. Pathways that are more viable, though less equitable and thus less sustainable, take shape.



Crises with no structural solution, and widespread awareness

An enlightened alarmism characterizes the 2015–2025 decade

On a planetary, regional and national scale, populations are advancing towards the brink of disaster (environmental and societal crises) fully aware of the dangers. Yet, this awareness fails to translate into action at either state or multilateral level. Each new crisis is followed by short-lived or ineffective bursts of action, but no radical structural solutions are implemented.

At local level, on the other hand, there is a growing awareness of the need for more sustainable development. The generational shift, the emerging middle classes that are increasingly sensitized to such issues, and better-informed education and communication are in stark contrast with the recurrent crises and the public authorities' inability to tackle them.

These multifaceted crises, be they economic, social or environmental, are often unprecedented in many parts of the world, and break out because the systems in place are unable to anticipate or avoid them. They often lead to constraints targeting greater sobriety, and raise the awareness of citizens and opinion leaders.


The reforms required to regulate finance in the wake of the 2008 crisis have proved inadequate. Coordination has not been forthcoming and the deregulated financial model lingers on. Confidence in international governance has been corroded by the recurrent financial crises. Weak growth coupled with a demographic transition that is still far from complete in Africa and many South Asian countries generates persistently high levels of unemployment and debt across the world.

Another major financial crisis erupts before 2020 with a fourth oil shock, while armed conflict breaks out in the Middle East, fueled by interfaith tensions and the sub-region's chronic instability. Unparalleled in scale, the crisis leads to serious repercussions for the real economy and to a reshuffling of the global economic and geopolitical hierarchy. The cost is twice that of the 2008 crisis (estimated at the time at 20,000 billion euros for the USA/EU regions). Added to this is the (moral and financial) impossibility of bailing out the failed financial institutions. In most countries, unemployment, poverty and inequalities are on the rise.

The global economy's center of gravity still lies in the West, even though growth in the richest countries remains very anemic. The economies of the major emerging countries have not converged, not only because of the financial crisis but also their inability to tackle four crucial issues: the democratic challenge (notably China), fairer income distribution, the requisite political and economic reforms and, more importantly, the shift to an upgraded economic model with a strong R&D component, as well as the collapse of the real-estate bubble.

The sharp slowdown of growth in Asia is partly responsible for the stagnation in the more advanced countries. Governments and central banks, whose monetary policy instruments have now run out of steam, are incapable of kick-starting the economy, thus preventing a return to full employment. A lengthy period of sluggish growth follows, not just in Europe but also in the United States despite the country's relatively dynamic demographics.

The situation remains critical in many other areas, but no solutions are being found to structural problems: the incomplete reform of West Africa's health sectors following Ebola and new pandemics; the increase in heavily populated, water-stressed regions resulting in rationing, conflict over resource use and forced migration; local instabilities exacerbated by growing inequalities mainly in middle-income and emerging countries; and stronger impacts of global warming...

 *"We are locked into an iron cage: persuaded to spend money we don't have on things we don't need to create impressions that won't last on people we don't care about. We have created the consumer so that the system can survive, which is perverse. The most important thing is to create a prosperous world where people can flourish."*
Tim Jackson.

Traditionally dominant actors have to adapt to survive; new coalitions emerge

In this setting, yesterday's dominant players (public and religious authorities, multilaterals) are seeing their influence wane. They are beleaguered by the increasingly irreconcilable tension between the clear-sightedness of the diagnoses and the difficulty of implementing agendas to tackle known issues. Public opinion overwhelmingly feels that the future is to be endured rather than chosen and built. This is at odds with the freedom of choice promoted by democratic systems and further erodes confidence in the traditional state and international governance institutions and religious movements, which have ceased to represent a "safe haven."

Yet, the temptation of isolationism beckons only a handful of countries. States and multilateral institutions realize that their survival is at stake. Pressured by a better-informed and more coordinated public opinion, they are now aware that the only way to avoid a proliferation of persistent future crises and to survive is root-and-branch reform. They are forced to introduce more participative forms of governance and more coherent strategies to promote a model for more "sustainable" prosperity. Under constraint, their governance is also gradually opening up to non-state actors.

Box 10 Post-Bretton Woods: towards a “Shanghai-Gates Woods”?

Numerous weak signals of a sea change for sustainable development finance actors and governance have been building up for some years.

Many stakeholders, including the developing countries, have been pushing for several years for change in the governance of the Bretton Woods institutions (World Bank, International Monetary Fund). An evolution such as this comes with a host of questions: would a World Bank controlled by China, headed by an Indian and headquartered in Lagos continue to have the same dynamic and culture of a “donor”, in the sense of an underlying North-South relationship? Would “donorland” have a long life expectancy without the World Bank?

Aside from the Bretton Woods institutions, the signals of a future upheaval in major donors’ governance are constantly building up. One example is the creation of the Asian Infrastructure Investment Bank (AIIB). This China-led initiative rivals the International Monetary Fund, the World Bank and the Asian Development Bank and responds to the growing need for infrastructure in Southeast and Central Asia. With a capital base of USD100 billion and fifty-seven members (from Asia – but not Japan or India – as well as North countries such as the United Kingdom, France, Germany and Italy, and Russia), the AIIB is causing the World Bank some concern. As a reminder, in 2014, the United States’ voting rights at the IMF and the World Bank were respectively 16 and 17% compared with 3 and 5% for China. Moreover, Congress is currently blocking an initial reform of IMF governance that would increase China’s share of voting rights to 6%. Similarly, at the Asian Development Bank, the United States and Japan each hold nearly 16% of voting rights, compared to China’s 6.5%.

Another sign that times are changing is the 2014 creation of the New Development Bank BRICS (NDB BRICS). This international development bank was established by Brazil, Russia, India, China and South Africa as an alternative to the World Bank and the International Monetary Fund. The Bank is organized so as to promote greater financial and development cooperation among the emerging countries. Its head office is in Shanghai, China.

On their side, the non-multilateral development banks are beginning to coordinate their efforts, particularly through the International Development Finance Club (IDFC). Created in 2011 with a group of twenty-three major national and sub-regional development banks from the Global South and bilaterals from the Global North, the Club convenes practitioners from developed and developing countries. With a financial leverage exceeding that of the multilateral banks combined (total assets over USD2 trillion, with more than USD500 billion annual commitments), the IDFC is already helping overcome the traditional North-South divides in many respects, including sustainable development financing. In addition, the Club is the world’s leading purveyor of public climate finance, with around USD90 billion of annual financing in this area.

...

...

The Green Climate Fund (GCF) is also sending out signals of change. In fact, its founding texts harbor a major innovation that amounts to a paradigm shift in the international development finance system. Since the Bretton Woods Agreement of 1944 and the creation of the World Bank and the IMF, development assistance finance has been highly centralized, largely in the hands of a dozen or so institutions: the multilateral, regional and bilateral development banks and the United Nations specialized agencies. However, the conditions for accessing GCF funds in principle open the door to a broad spectrum of financing actors (public, private, international, but also regional and local) to intermediate and/or implement these resources. Never before has a large multilateral fund been so open to the direct implementation of international funds by local institutions. Moreover, this evolution is helping the Fund to achieve its “transformational” objectives: by working with a greater number of financiers, including at local level, it is able to promote wider recognition of the climate change issue among those actors that play a key role in the functioning of the economy. This approach also enables the Fund to foster greater sharing of responsibility between rich and developing countries for climate change actions, even though this is a political question and cannot be addressed through the Fund alone. This decentralized functioning of the GCF is supported by numerous actors including the IDFC.

Private actors are also evolving. Created in 2000, the Bill and Melinda Gates Foundation has been introducing healthcare innovations on a planetary scale. Today, the Foundation has a USD43.5 billion endowment and in 2014 invested USD3.9 billion, sometimes operating in partnership with the traditional donors. Its slogan “All lives have equal value” and the emphasis on the cost-effectiveness of each intervention make it one of the foremost philanthropic financiers of sustainable development.

Mike Bloomberg recently announced the creation of a new mega-foundation. After amassing a fortune estimated at some USD30 billion during his career, he plans to devote the next ten years to using it for the common good through his foundation “Bloomberg Philanthropies”. In fact, philanthropy and migrant remittances are playing an increasingly important role in development financing.

In this context, and in line with the conclusions of the recent Financing for Development conference held in Addis Ababa in July 2015, it seems both possible and even desirable that by 2025 a broader variety of key development financing actors, both public and private, emerge, leading even to mixed forms of governance that transcend the traditional North-South divides.

The reforms to these international bodies have been carried through under pressure from the newcomers to global governance, who by 2030 are playing their full role. They include large companies and platforms, global foundations and NGOs, cities with millions of inhabitants, and also, at country level, China, India and other rising powers. The fact that these actors have seen their heft and power in the Bretton Woods governance system enhanced has allowed its institutions to break away from the post-WW2 era once and for all, and to survive.

A now reformed WTO successfully launches a fresh negotiating round for development and the environment. Framed by new rules, the internationalization of finance and the movement of capital can continue on a new basis that is more conducive to strengthening global financial stability.

Yet, the sustainable development approach used by these reformed multilaterals is still fundamentally quantitative and “transactional” (i.e., based on the “purchase” of development objectives) despite its proven limitations. The impact of their action thus continues to be partial and inadequate.

This contrasts with the emergence of more qualitative approaches (e.g., wellbeing, prosperity, slow economy, New Economic Thinking...) and relatively structured, local/decentralized solutions that are not purely technology-based. These are taken on board by non-state actors (civil society, private businesses, foundations...), whose networking is facilitated by hyper-connectivity. These innovative stakeholder coalitions – where cohabitation is sometimes by force of circumstance – usefully complement the action of the traditional actors compelled to reform and with whom collaboration is possible. Multi-stakeholder management of an ever-growing raft of global and mainly environmental challenges can at last be envisaged. Certainly, environmental issues appear to be the most urgent, as resolving them is part and parcel of short- and/or medium-term survival. Questions of a more social nature, on the other hand, are judged less crucial and generate less consensus (“we can’t live without water or land, but we can live (for a time) with increasing inequality” is a view heard within these stakeholder coalitions). Moreover, the State still plays the main, albeit dwindling role in the equitable distribution and production of public and social services.

Box 11

Big Data or Big Brother: a data revolution for development?

The colossal flows of digital data via networks for telecommunication (mobile telephony, Internet), energy transmission (smart grid), electronic payment (credit cards, mobile phones), geolocation and satellite imaging are a massive global phenomenon. What is more, their volume is constantly increasing: in 2013, they accounted for 98% of all information in the world – the rest being in books, on cassettes, films...). They are highly diverse: photos, texts, satellite images, length and location of calls, electricity consumption, commodity prices, share prices, tweets, geolocation, vital signs (heart rate, the skin's pH level, etc.), DNA sequencing, sea levels, temperature, friction on the engine parts of the UPS vehicle fleet... And storage capacities have also increased (new technologies and lower costs), as have computational and processing performances (new algorithms and machine learning). These three properties – **Volume, Variety, Velocity** – have made “Big Data” into the new source of information to be explored, offering the promise of hefty revenues for their producers. Big Data has transformed each of us into a “prosumer”, in other words, both a producer and consumer of data. The quantity of data is growing at a quickening pace thanks to the development of the “Internet of Things” technology. **The beginning of this 21st century is thus presented as the age of Big Data.**

Examples of its application are many. Using geolocation, it is now possible to map, with some precision and in near-real time, farmland characteristics (smart farming) and urban population shifts and the way in which these are changing. Each day, research is helping us to discover how the “data revolution” and Big Data are contributing to development by identifying patterns in the spread of epidemics, analyzing population displacements, eliminating traffic congestion in cities such as Abidjan, or identifying vulnerable populations in the areas most exposed to the effects of climate disturbances in Senegal. The analysis of Call Detail Records (CDRs) gives indications on lifestyles (differences between urban and rural life), and makes it possible to anticipate urbanization trends. Google says that is able to predict influenza outbreaks by analyzing searches on its search engine (GoogleFlu project). Monitoring the patterns of how the Ebola virus spreads is also a challenge, even if this is a far more complex and sensitive task. Finally, by studying telephone habits, call distances and durations, their frequency, the variety of call destinations – which reflects the abundance of social connections – it is possible for instance to develop a poverty indicator in near-real time.

...

...

The use of Big Data has propelled the success of companies such as Amazon, Google, Apple, Facebook, IBM, etc., but using it for development and public policy purposes is still nascent. These technologies hold the promise of more precise targeting for development policies. Official statistics could also leverage this type of data to produce more precise indicators, more frequently and at a lesser cost. Produced in a decentralized manner often by external actors, these data could also promote greater accountability towards citizens. Yet, Big Data can also pose a serious threat (non-respect of privacy, abusive surveillance). There is a need for a sound regulatory and institutional framework and new skills that are currently in short supply. Moreover, the firms that control big data technology are becoming key actors on many fronts, including development. Finally, the obsession with metrics should not obviate the need for discussion, or take away our appetite for thinking and projecting ourselves into the long term or exploring grey areas where quantitative data are lacking.

These diverse scales of governance are gradually challenging the concept of “nation-state”. As a result, certain issues (e.g. sustainable production/consumption) are no longer necessarily managed at a territorial level, but by networks of actors. The new dividing lines separating these networks (those with sustainable practices from those without) are being drawn up and triggering a sort of “race to the top.”

A great many actors, worn down by repeated conflicts and crises, are all asking for efforts towards peace, security and stability. Highly diverse and even improbable coalitions of actors become thought leaders and beacons of best practice, outstripping governmental and religious actors, and contribute to the growing secularization of societies. They are backed by China, which has a manifest will to influence these efforts at an international scale, as it sees them as stabilizing factors. Several OECD member countries help to reinforce this trend.

Hyper-connectivity helps highly diverse actors to manage certain common goods

Hyper-mobility (of people, goods and capital), hyper-connectivity and the digital revolution – which has been largely inclusive even in poor countries and disadvantaged or crisis zones – are key engines for disseminating more innovative and collaborative ways of thinking and developing, able to integrate complexity and uncertainty or better address human and societal challenges. The digital revolution also brings together highly diverse actors (States, civil society, private sector, non-state actors), albeit in different ways and on different scales. Interconnected networks and freer access to ideas, cultures and knowledge are raising awareness of the need not only to compensate for the failings of the traditional actors (States, multilaterals, religious leaders) and/or complement their actions, but also to build new coalitions of actors to this end.

In some cases, thanks to digital technology, actors convene around these dynamics, transcending borders and territories that are no longer the sole “crucible” for mobilizing coherent collective action aligned on common interests. Neighbors are no longer only geographical, but also defined by a community of interest.

Propelled by this dynamic, by 2025, a more proactive approach to demographic transition is finally underway in Sub-Saharan Africa and South Asia. Production methods are gradually evolving with priority set on local systems; the concern for sustainability increasingly steers industrial and agricultural development; investment in education and health is rising (sometimes entailing cuts to other allocations of resources, both human and financial); and digital technology and hyper-connectivity are spreading rapidly across the planet, most of the time providing useful support for these new trends and initiatives. High-tech also sometimes helps drive the massive dissemination of low-tech solutions. But, apart from digital technologies, which are helping bring about an increasingly connected world, confidence in technology as a pivotal solution remains moderate overall.

Local development is less disorderly and in search of well-balanced solutions. Fewer and fewer regions are left behind and priority is often set on the development of secondary cities.

The question of how goods are used is gradually taking precedence over that of who owns them, which eases pressure on natural resources. Recycling and questions of production and waste management are integrated into business models as structuring elements.

Disadvantaged regions such as Sub-Saharan Africa are not only experiencing positive trends, having learnt from the mistakes and the arduous learning curve of more developed countries and regions, but they also come up with solutions that are exported elsewhere.

The encouraging results produce a faster pace of change in production/consumption behaviors, notably within the middle classes. A virtuous cycle is beginning to take root.

These bottom-up and hyper-connected approaches are starting to impact the management of global or common goods, particularly environmental goods. For example, on the climate change front, “POC”-type initiatives⁽⁸⁾ advocating micro and local solutions are inviting themselves to international negotiations (the COPs).

New actors and solutions, and new demands, but legacy problems take a turn for the worse, as do deepening inequalities

Despite these encouraging advances, mostly related to the environment, poverty traps persist and social inclusion is retreating. In countries and regions still in crisis and where chronic poverty prevails, the needs for international assistance (North-South and South-South) remain significant. These are partly met by public financing but also and increasingly by funds from other actors (foundations, private sector, diaspora) and crowdfunding.

In regions where stability has finally been restored, needs for international cooperation are emerging. These are moderate and to some extent new, both in terms of content and of the actors seeking and providing cooperation (public or otherwise, North and South). International cooperation is thus solicited for intervention modalities with a high sectorial, technical or thematic value-added: compliance with international standards, transfer of technologies as well as of methods and concepts, skilled jobs (higher education), green infrastructure, quality of the environment, institutional partnerships, support for implementing complex reforms (social protection, structural economic reform, correction of territorial imbalances, energy transition, etc.) – all this using financial instruments that are adjusted/personalized in line with the demand expressed.

By 2030, the Bretton Woods institutions and the United Nations have lost their influence despite the reforms undertaken. They are above all solicited to support short-term crisis management (natural disasters, regional conflicts) and to try to resolve problems of social inclusion not taken in hand by non-state actors. As a result, international relations are for the most part organized bilaterally and between States, as for example cooperation actions (development and financing models, expertise, influence, networks), with a strong presence of new powers (China, India, Turkey, Brazil, Gulf States, Korea...). The poorest countries have to reach accommodations with the major powers.

8/ See for example www.poc21.cc

The SDGs no longer stand as the central issue for States, be it in their international relations or national agendas. Certainly, States have demonstrated their inability to develop a long-term political vision, instead playing a short-termist firefighting role in response to a volatile public demand that shifts in line with causes relayed on social networks as an informal, changing and sometimes belated echo of a connected global public opinion. At the same time, States continue to fight a series of medium-intensity local conflicts.

Given the lack of any long-term vision from the States, it is the non-state newcomers (foundations, firms, platforms...) – not (or less) exposed to short-term constraints (electoral for example) – who are setting de facto the international development agenda, notably on environmental issues. Megacities and sub-national bodies that are networked and have more resources also follow suite. In fact, the cities organize themselves far more effectively than States. The approach of these new actors is above all transformational, in line with the major global challenges, notably the planet's environment.

As public-sector demand for long-term actions is in decline, public effort follows the same trend. Multilateral donors are finding it difficult to survive. The bilateral aid agencies are seeing their public mandate evolve markedly towards States' emergency and security issues on the one hand, and promoting economic influence on the other, and to some extent towards issues of social inclusion not addressed by the coalitions of non-state actors.

However, given their expertise and lengthy experience of long-term projects, development agencies, like NGOs, have become the operators of choice for foundations and other new owners of international development projects. The agencies are therefore competing on the competences that they can "sell". AFD is thus an operator at the service of the French State for emergency actions, economic influence and sometimes social inclusion, on the one hand, and of private/hybrid project owners for longer-term actions targeting above all environmental issues, on the other hand. The Agency's financial tools and expertise have been diversified to respond to this demand, while public funding has scaled back considerably. Some development agencies are opening their governance to non-state actors to adapt to these changes.

Box 12 A general trend, the “global cities” networks

Global city, alpha city or world city are some of the names used to denote a city that plays a strategic role, organizes flows and is part of international networks. These global cities, not necessarily the most populated but the most influential, stand as the powerhouses of globalization.

A global city displays the following characteristics: (i) it is a command center for economic decision-making (headquarters of transnational firms, global economic governance institutions) and/or brings together the actors of globalization that organize the international division of labor; (ii) it concentrates training and research capabilities, contributes to innovation and constitutes a consumer market for innovative products; (iii) it concentrates transport and communication infrastructure, is highly accessible internationally; (iv) it polarizes all types of flows: goods, capital, information; and (v) it helps drive globalization and globalization helps shape its evolution (tertiarization, verticalization, gentrification, crowding-out and segregation)...

The number and role of these global cities are constantly expanding. Although most cities with these characteristics are located in the West and Asia, other large cities have been emerging over recent years. In addition to global cities, many local governments (communities of municipalities, regions, provinces...) are also acting more and more on global issues.

The size and clout of these local governments very often enable them to act independently of States, especially as they increasingly operate in partnerships or networks. For example, in 2014, three major city networks (ICLEI, UCLG and C40) launched the Compact of Mayors, which is the biggest concerted global initiative launched by cities to combat climate change. Of course, cities can only participate in international climate negotiations as observers (the COPs are inter-state negotiations), but their influence is constantly on the rise, as nearly 70% of greenhouse gases are emitted in urban areas. These global city networks can in fact serve as a link between global issues such as climate change and local actions. The fact that cities and other local authorities are in close proximity to their populations also means that they can drive the behavioral changes needed for more sustainable development pathways. Another illustration of this general trend is the introduction of sub-national carbon markets that do not require central government approval, such as California’s market in operation since 2013.

ALIGNING
ASPIRATIONS

Solutions to the equation between development for all and the limits of the physical world are being found. Recognition that the issues are interdependent and that managing them requires concerted global action pushes many States and local governments but also the private sector in both the Global North and Global South to radically reform their strategies and practices. New political partnerships, fostered by hyper-connectivity and innovation, successfully align the aspirations of the many stakeholders regarding environmental questions and the need for inclusive development. In a world increasingly aware of its natural limits and the need for integration, more sustainable pathways and new forms of prosperity emerge – even though they remain fragile – fostering broader access to a universal notion of dignity.



Faced with the century's critical challenges, tensions thaw

More sustainable pathways are slowly being put in place. The economic, political and social tensions that swept the world during the first half of the 21st century have not led to the predicted widespread doom. But awareness was long in coming. Although the major global players seem to have been long cognizant that a lack of cooperation on major issues would adversely affect the whole planet, this has not been enough to influence their decisions – at least, not until a few seeds of change gradually emerge.

In the same vein as Prince Metternich's remark on France at the time of the Congress of Vienna (1814–1815),⁽⁹⁾ when China sneezes, everyone catches a cold. And indeed China has triggered one of many changes of direction. Mired in internal conflicts that increasingly impair its economic growth and the legitimacy of its political power, China has decided to make steep cuts in its military spending and start easing regional tensions, a move that is welcomed by an international community determined to follow suite.

The re-emergence of soft power thus fashions a more conciliatory multilateral governance in which world leaders rely more on joint initiatives to tackle the main cases of conflict, opening up governance to influential and better informed non-state actors. The results in terms of regional stability are considerable. Of course, many crisis situations persist or emerge (South Asia, Middle East, etc.), but multilateral cooperation, particularly on poverty and climate, greatly reduces the risk not only of instability but above all contagion.


Box 13

South Asia, a hotbed of instability in the 2030s

India's economic revival has led to serious tensions with Pakistan, which continues to upgrade its nuclear capability and remains, along with Afghanistan, a battleground prey to competing foreign interests. Against a backdrop of severe drought, Pakistan accuses New Delhi of retaining water in its dams on the Indus, while India sees Islamabad as the main architect of renewed pro-independence tensions in Kashmir. In United Nations Security Council talks, the European Union, China and the United States have persuaded both sides to resume their strategic and trade dialogue in exchange for massive transfers of technical and financial resources.

^{9/} Metternich is said to have remarked: "When France sneezes, Europe catches a cold." The Congress of Vienna was attended by Great Britain, Austria, Prussia, Russia and France, thus bringing to a close long years of turmoil in Europe.

Many fragile situations nonetheless persist, but bold efforts for national and international solidarity are being made: social disintegration in the Global South is now addressed without calling on “universalist” paradigms, which helps re-establish a North-South trust and weaken the clienteles on whom the entrepreneurs of violence feed (particularly in the “Impasse” and “Babel 3.0” scenarios discussed earlier). Security improves overall thanks to this certainly costly but reassuring effort for solidarity, which also involves re-launching global public goods management. This positive momentum resembles that found in the wake of Europe’s first social policies in the late 19th and early 20th centuries.

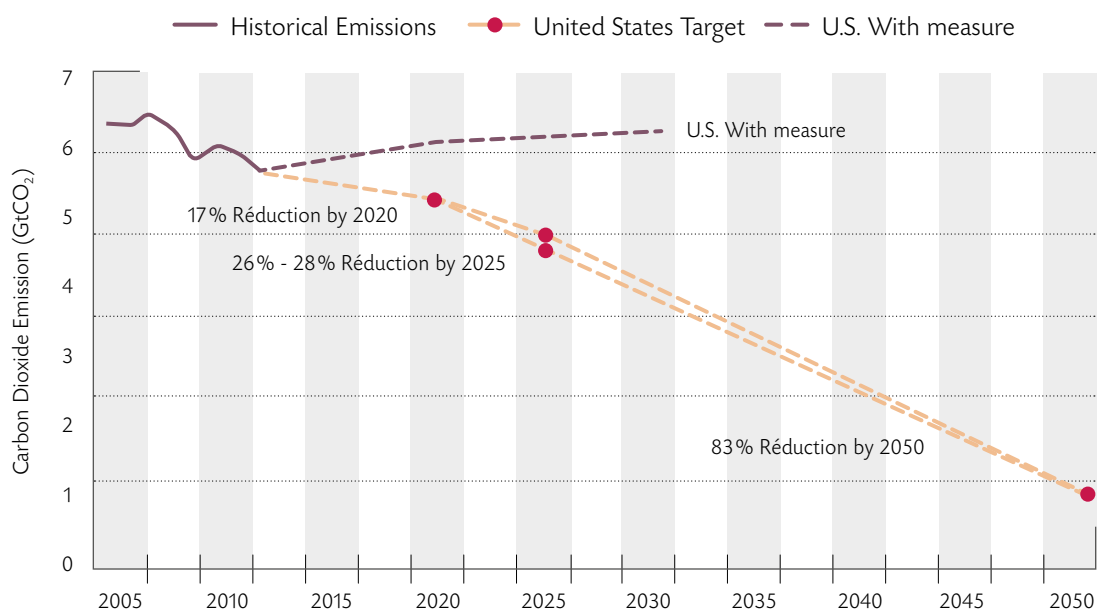
 *“It is for this reason that we need to rethink governance. First, by opening up widely to non-state actors and second, by setting the strengthening of social ties as a priority for any public policy.” Bertrand Badie*

Agenda-wise, the world’s attention is above all focused on protecting the biosphere. The return to growth has not settled the issue of climate change, which remains a serious problem, particularly under the strain of rampant urbanization and the explosion of the middle classes. While technology has brought substantial progress as regards impacts on natural resources, large swathes of the population, now ready to adopt a more consumerist lifestyle, continue to flow into and expand urban spaces and depopulate rural areas.

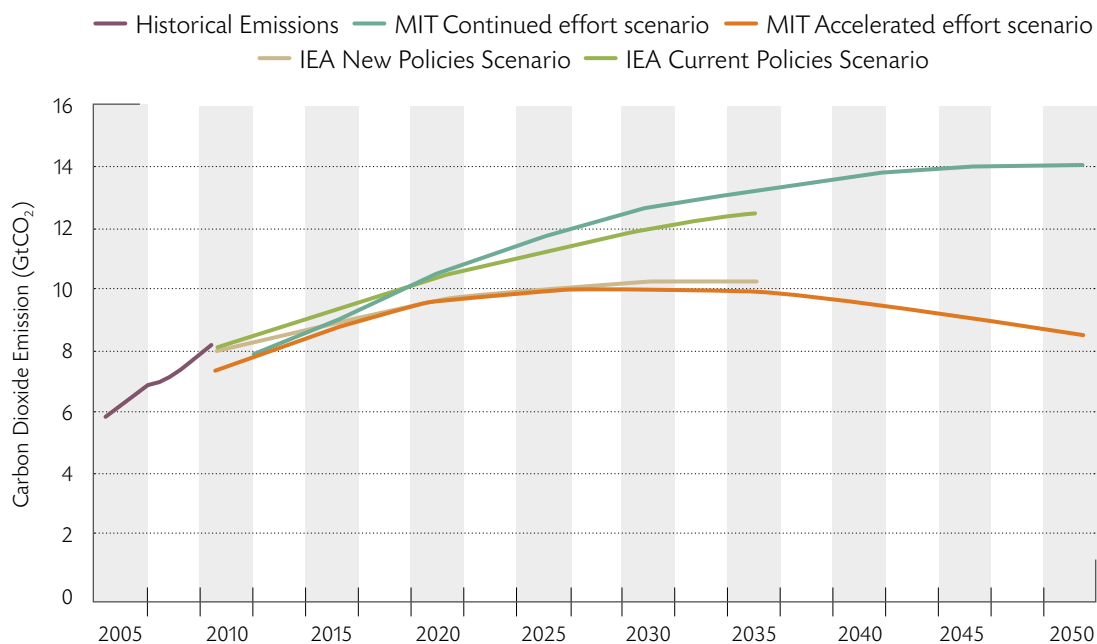
Other environmental preoccupations are still on the governance agenda. The impacts of climate change – exacerbated by melting ice caps and the thawing Siberian permafrost, vast tracts of primary forests moving away from their natural equilibrium, and the disappearance of coral reefs – are still a major cause of concern for the international community, and crystallize the scientists’ fears. Even though landmark global agreements are regularly revised to include more ambitious targets followed by genuine commitments, global warming has not been reversed, but it is progressing at a slower pace.

Figure 4 What are the consequences of a China/US climate agreement?

United States GHG Emission Projections (GtCO₂e)



China GHG Emission Projections (GtCO₂e)



Source : <http://www.wri.org/blog/2014/11/numbers-china-us-climate-agreement>

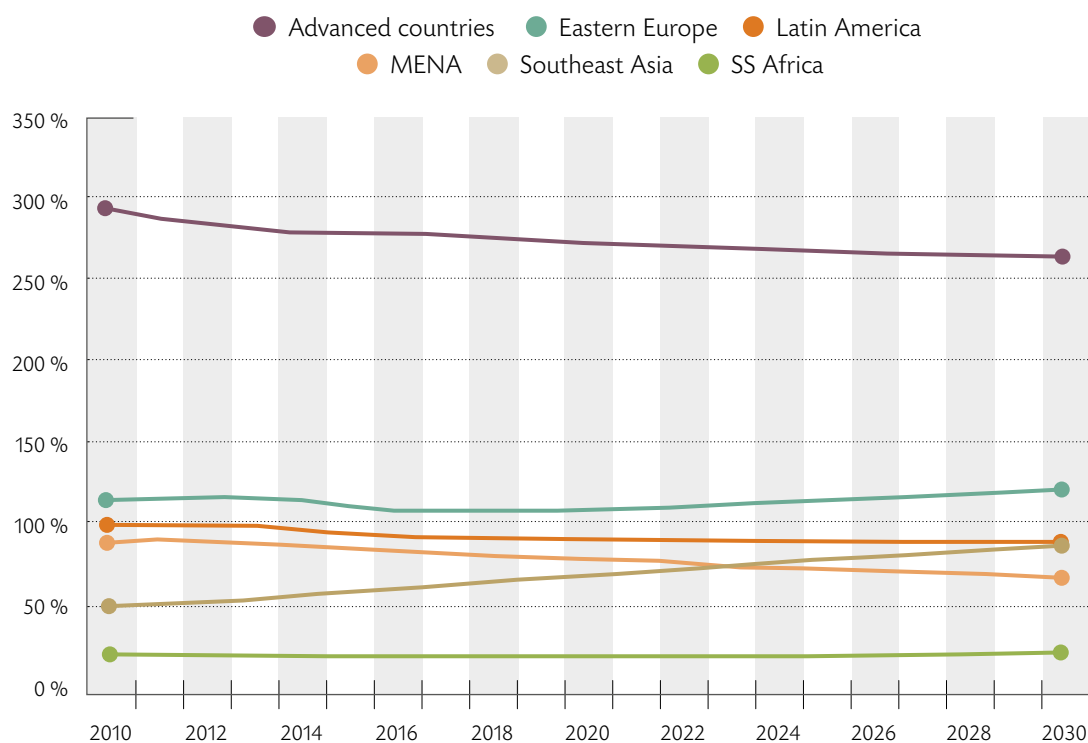
A better regulated modern economy

Most emerging economies are continuing to outpace the most advanced countries in terms of growth rates, although the latter still dominate a global economy that has almost doubled to 132 trillion dollars by 2030.

“We must move from macroeconomics centered on GDP to total capital macroeconomics, with sustainability understood to mean maintaining the level of total capital over time.” Michel Aglietta

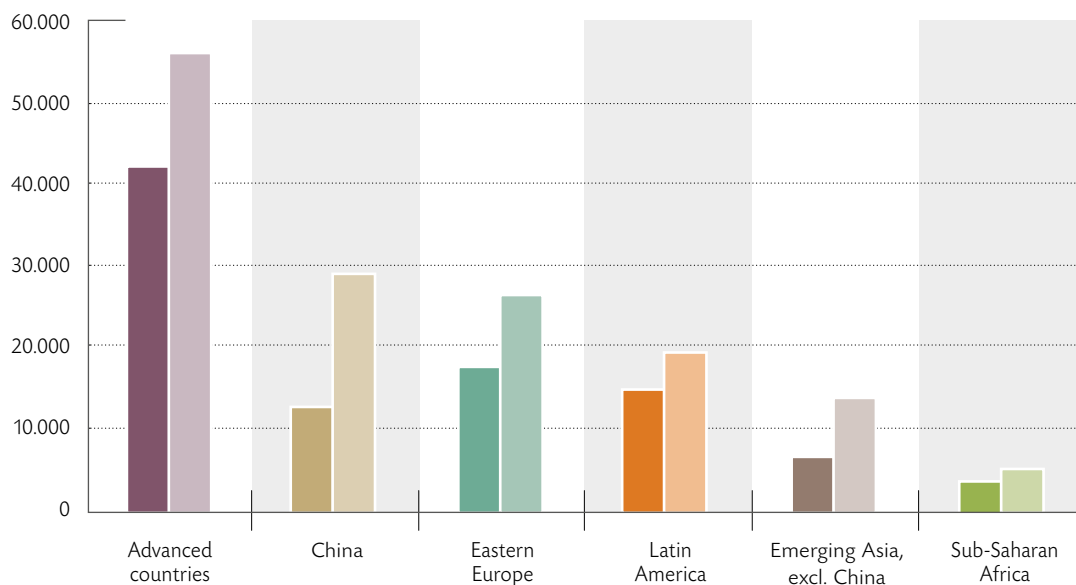
The emerging countries' catch-up is less clear-cut when analyzing GDP levels per capita at purchasing power parity (PPP), or when reasoning in terms of “total capital”. In this scenario, advanced countries continue to enjoy considerably higher living standards than other country categories, although China is making strong headway. However, the relative positions of developing countries change. China moves ahead of Eastern Europe and Latin America. The level of GDP per capita in emerging Asia (excluding China) approaches that of Latin America in 2014.

Figure 5 GDP per capita ratio (PPP) vs. global average (2010–2030)



Sources: International Monetary Fund, OECD, CEPII, AFD2025 estimates.

Figure 6 GDP per capita (PPP) – 2014 vs. 2030 (USD)




Sources: International Monetary Fund, OECD, CEPII, AFD2025 estimates.

The convergence path of many emerging countries, along with contexts of stable growth (countries less exposed to crisis-induced uncertainties), helps to reduce extreme poverty (<\$1.25/person/day) to about 3–5% of the world's population. Phenomena of social exclusion are limited, chiefly as the demographic transition in Asia and especially China has been completed, thus slowing down population growth. Inequalities between and within countries are narrowing. The Middle Kingdom seems to be steering clear of the middle-income trap. The dire economic and political situation that faced Europe at the turn of the 2010s has placed it squarely in front of its responsibilities. The euro crisis has eventually proved to be the catalyst of an extensive restructuring of European institutions that is starting to yield its benefits.

📖 *"A new financial crash before 2020 may be an opportunity for deep-seated regulation of the financial markets. The dashed hopes for effective regulation following 2008 should this time be counterbalanced by the fact that States now have no wriggle room left, either in terms of public debt or political credit." Gaël Giraud*

In this scenario, governments and regional and multilateral organizations, as well as civil society and businesses, successfully cooperate to regulate finance (notably incorporating environmental and social objectives) and funnel capital flows into financing the real economy and sustainable development. This multipolar and multi-stakeholder coordination hangs not only on deepening the commitment of States and their central banks, of the G20 and civil society, but also on firmly challenging the role of rating agencies and private financial actors. Private financial actors are showing increasing interest in their social mandates through enhanced CSR policies, and some of them are opening up their governance to civil society actors. Funding the ecological transition requires substantial investment.⁽¹⁰⁾ As the trade in rights to pollute has clearly shown its limits, large public and private financial institutions have organized themselves to support the implementation of public policies geared to financing the environmental transition.

 *“Immediate and targeted actions are possible. For example, deepening banking reforms to separate retail banks from investment banks, and rewriting the Basel III prudential framework (which overly shortened banks’ investment horizons by heightening the aversion to risks of long-term investments), which would tend towards a kind of “green” Basel IV agreement. This would encourage long-term financing for green infrastructure without weighing too much on their capital base.” Gaël Giraud*

Box 14 Expanding “ethical” finance?

Citizens’ increasingly responsible behavior in matters of consumption and finance are helping to heighten pressure on governments and private actors. By 2025, ethical finance and environmental finance have become sizeable markets. Growth in these sectors has been fueled by the rise in household wealth (e.g., in France, +50% from 2000 to 2010) and the willingness of institutional and private investors to embed non-financial and social criteria into their investments. In France, the market for solidarity-based and responsible investment, which increased fifteen-fold between 2005 and 2012 (from EUR9 to 149 billion), may well account for half of total investments by 2025. In the United States, so-called “ethical” finance, which accounted for 10% of collectively managed savings in 2014, could increase fourfold by 2025.


^{10/} The European Commission’s roadmap estimates additional annual financing needs at 1.5% of total European GDP.

A global technology revolution at the service of humankind

Politics is clearly not the sole catalyst of the dynamic of change sweeping across the world at the start of the 2030s. The decision centers (national, international, public and increasingly private) that promote and manage the digital economy are dialoguing more and more with better educated and more connected populations (especially younger generations), which means that technology can be used as a powerful facilitator to develop and protect global public goods. The 2020s thus sees the burgeoning of a golden age of digital technology at the service of humankind.


The more developed countries have set up mechanisms for global innovation sharing. International educational exchanges are thriving as never before. Turkey, Russia, Israel and South Africa, for example, have become major hubs of intercultural creativity. Knowledge industries are also developing, albeit less strongly, in regions that were previously on the sidelines, including Africa and Latin America.

In this more collaborative environment, a global consensus for action on clean energy and food security has emerged. Big laboratories have created partnerships to produce new low-cost materials for energy storage. India has become a pioneer in decentralized energy systems supplying rural areas, while Brazil is now leading efforts for a new green revolution. The poorest countries are reaping considerable benefits from technological and conceptual breakthroughs, particularly in the energy and food sectors.

 *“There will be enough resources to produce enough food for the population, on several conditions: increased efficiency of irrigation systems and improvements in agricultural productivity; investment to make agriculture more resilient to climate change; limit overexploitation in rich countries; ensure that agriculture has the largest share of water withdrawals (>50%).” Olcay Unver*

The Gulf States have been forced to rapidly diversify their economies in a world that is no longer dependent on “Big Oil”. A young and highly qualified elite is gradually emerging, particularly thanks to initiatives backed by Europe and the United States to develop leading universities. The Middle East is enjoying sustained and very broad-based economic growth, rather like the boom of the “Asian tigers” in the 1980s.

A global awareness

 *"A new era is dawning in which we will see the victory of the anonymous multitude over the well-recognized ruling elites, the victory of knowledge discussed over doctrines taught, and the victory of a freely connected, virtual society over the material society of one-way entertainment." Michel Serres (Petite Poucette, Le Pommier, 2012).*


The notions of mobility and migration undergo a major paradigm shift. Now seen in a decidedly positive light, they are one of the most influential vehicles of this new global political and technological cooperation.

 *"The need for infrastructure and services opens new perspectives, particularly in putting public programs to the forefront. States should paradoxically be strengthened. However, in the hyper-connected world, the social cohesion issue, and the nation state issue will still remain unknown factors." Homi Kharas*

A cosmopolitan elite, connected to multiple professional and personal networks, has experienced exponential growth both in number and influence. But they are not alone. Even less qualified populations are more mobile and boost the waning dynamism of many ageing societies, particularly in Europe. With the increasing advances and spread of biometrics, governments are now able to monitor and control migrant flows more effectively, thereby reducing the number of undocumented immigrants. As a result, States can more confidently encourage greater flows of legal workers without the risk of creating massive "magnet" effects.

In the more advanced countries, the rampant populism of the 2010s fails to win the day. Inspired and/or constrained by citizen pressure born of a more informed public opinion, the new multi-actor political formations in power steadfastly build their strategies on a new vision that is more open and more socially focused.

Gradually, the number of people who are more plugged into local and global societal challenges and able to change their way of thinking reaches a critical mass. This opens the way to tackling challenges that were difficult if not impossible to solve with the mindsets of the previous age.

 *"Complex thought is driven by a constant tension between the aspiration to non-fragmented, non-partitioned, non-reductionist awareness, and recognition that all knowledge is unfinished and incomplete." Edgar Morin, Introduction to La Pensée Complexe.*

Box 15

Is a “culture of mindfulness” entering organizations?

The dynamic of an increasing awareness of the challenges and risks associated with the environmental transition has gradually led to shifts towards more responsible behaviors. Meanwhile, new leadership and management styles, which are more horizontal, transparent, collaborative and fully empower individuals, have grown and encouraged the search for meaning in business and society. One illustration of this trend is the growing popularity of “mindfulness”⁽¹¹⁾ in the Western world and its potentially positive impact on the pertinence of action. This trend is based partly on greater recognition of the limiting nature of the tools that support current decision-making and of the problems created by the frenetic race that operates under the illusion of control and which leads, for example, to an over-production of procedures. Once set in motion, creativity and complex thinking give organizations a greater capacity to innovate. These changes are easier when the frameworks for accountability are relaxed and a more flexible approach is adopted. Since the early 21st century, employees in large companies have placed a growing importance on ethics and the meaning of their actions. This has been part of a worldwide movement that has helped propel these companies towards a more sober form of capitalism with a medium- and long-term societal impact.⁽¹²⁾

11/ See works by Ellen Langer, notably her article “Mindfulness in the Age of Complexity,” Harvard Business Review, October 2014; Matthieu Ricard’s “La méditation face à la science,” in Question No.1; Kabat-Zinn, creator of the Mindfulness approach.

12/ The multiple information leaks in the 2000s are another illustration of this change, with the need for transparency rendering the widespread disclosure of confidential data acceptable.



A drawing by eight-year old schoolboy, Carlos, who won first prize in the children's drawing competition "Como imagino el mundo" organized in Mexico with support from the Centro Mario Molina and AFD, among others.

A host of questions for AFD

During the exploration of these scenarios for the future, an overarching question often appeared in the collective work: “What might the ingredients of a new post-SDG paradigm be?” In addition to the many issues already encompassed by the Sustainable Development Goals, other key and complementary issues seem to be somewhat ignored by the donor community. But this does not mean that they will not be at the top of the agenda in ten or fifteen years.

The combined effect of increasing demand and environmental degradation means that access to natural resources already is and will remain one of the main challenges facing humanity for the decades to come. Increasing tension over these resources – an issue that can only be resolved in the long term – sparks severe short-term crises and even national or regional conflict, and is an element running through all the scenarios. As a result, crisis management, peace and stabilization and more generally the need for increased resilience will likely dominate the development agenda in the medium and long term.

Global public goods are not only a matter of climate change. In a hyper-connected world, digital inclusion and access to the global network can also be seen as a new and important global challenge requiring specific forms of regulation and needing to be treated as a public good, or even a common good. Certainly, there is a noticeable shift in the debate from the idea of *global public goods* (non-exclusive and non-rivalrous) towards the notion of *global commons* (non-exclusive but now rivalrous as they are limited). This approach, inspired by the work of 2009 Nobel Prize winner for Economics Elinor Ostrom, takes into account the users of a resource, the rules for preserving or producing it and the institutions best able to implement and enforce the rules.

On another front, **the phenomenon of globalization continues to spread** in all of the four scenarios. Its forms differ of course depending on the context (fragmented or non-territorial), but they take shape in a setting marked by high demographic pressure with massive impacts on employment, inequality, environment and urban development. This means that new forms of regulation to ensure sustainable and equitable globalization will be crucial. They will apply to goods and services, capital and people. For example, we need to imagine forms of global redistribution (or at least regional) and try to align the contributions of an ever-expanding array of actors. Regulatory tools such as taxation – local, national and global –, covering notably the informal sector could be more effectively taken into account within the range of tools used by donors.

The relationship between global public goods (including climate change) and the reduction of poverty and inequalities will also be a major challenge for society. These issues may become even harder to reconcile, especially if competition between different development models prevails. In this context, **forging global consensus** may also become a major topic on the development agenda.

Finally and more generally, **the development of innovative processes and methods to conceive, make and implement concerted decisions** involving increasingly fragmented centers of power operating in complex and uncertain environments is undoubtedly one of the greatest challenges of the 21st century. This means both thinking or acting in the long term, whereas most incentives (market, risk assessment, political cycles) focus more on the short to medium term; making long-term decisions in the face of uncertainty; and using the available supporting tools (particularly digital tools) more effectively. These are a few of the major challenges facing donors, not only with respect to their own working methods but also to the public policies that they will be supporting.

Table 1

Countries likely to exit the DAC ⁽¹³⁾ mechanism within the next ten years (AFD estimates)

YEAR OF POSSIBLE EXIT FROM THE DAC LIST	AFD MANDATE 2015	AFD, OUTSIDE MANDATE 2015 ⁽¹⁴⁾
2017	<i>Seychelles, Equatorial Guinea, Antigua and Barbuda</i>	<i>Uruguay, Chile, Argentina,</i>
2020	<i>Kazakhstan</i>	<i>Panama</i>
2023	<i>Turkey, Gabon, Brazil</i>	<i>Malaysia, Palau</i>
2026	<i>Mauritius, Mexico, Suriname, Lebanon</i>	<i>Costa Rica, Turkmenistan</i>
<i>Close to threshold but high hazard</i>	<i>Libya</i>	<i>Venezuela</i>

13/ The Development Assistance Committee (DAC) of the OECD lists countries eligible for Official Development Assistance (ODA).

14/ The AFD mandate does not apply to Proparco, which already intervenes in Uruguay, Chile, Argentina, Panama, and Costa Rica.

Finally, the SDG agenda will most likely be a game changer due to its universal scope and at the same time render the notion of development assistance more vague, or even obsolete. By 2025, will the OECD-DAC list of recipients still make sense? Even if it continues to exist, its composition will evolve, and as will possibly the way it is used. Will the donors' choice of intervention zones in line with the list still make sense? When countries graduate from the DAC list, they may request regulatory harmonization or the implementation of special public policies (e.g., Turkey's EU accession process). For middle-income countries, the obstacles to accessing long-term financing will certainly be felt at a time when they may need it most and when their development choices can strongly impact the rest of the international community.

The richest countries will be open to taking up ideas and innovations – also from other regions in the world – that enable them to capitalize on their expertise and to successfully see through socio-economic transitions, for which there are no set or universal recipes. In a world of competing models (i.e. "Babel 3.0") or in the world of "Aligning Aspirations", achieving sustainable development may mean supporting such an approach.

 *"The universal nature of the SDGs will result in the explosion of the North/South mandate"* A French senior civil servant.

The amplitude that each of these themes could take within the donors' activities, and the way in which the donors could address them (objectives, organization, tools, resources) of course depends on many other factors to be discussed in the following section.

Questions for AFD

AFD's sectoral and thematic mandates have been continually expanding particularly since 1992, the year that it was authorized to mobilize grants in addition to loans. Since then, the Agency's mandates have broadened and diversified, the most recent change being the transfer of governance issues in August 2015. Today, the competence of AFD covers all areas of sustainable development financing and supporting expertise, except for matters relating to security and justice. The Agency's geographical scope and type of interlocutor have also broadened and diversified. Will this trend continue or, on the contrary, will it refocus its activities within a narrower compass in the coming years? In fact, although all four scenarios seem to have some common overarching trends, they do not come up with the same answers. Indeed, far from it.

Impacts with respect to development partners

AFD typically works with a broad diversity of project owners and partners. Traditionally a financier of States and public enterprises, the Agency also has close ties with the private sector, notably since the creation of its subsidiary, Proparco. Its activity thus extends to public and private banks, investment funds, and more recently to local government in foreign countries (a longstanding activity in overseas France). The development of "non-sovereign" and "sub-sovereign" financing along with lines of credit for local financing actors are major trends in AFD's evolution. Finally, NGOs (mostly French) have been full-fledged partners since the mid-2000s, with a growing amount of funding.

It is of course crucial to take account of the changing nature and role of counterparties in the development processes (i.e., the actors that formulate and follow through the needs), in order to envision how the demands that AFD can or must meet in the future will evolve. One general trend found across all four scenarios is that financing needs will remain significant in a market that is fragmented on both the supply and demand sides (new financing actors, new resources to be mobilized, new project owners...).

The role of the State

The role of the public sphere (State, local government, agencies, public enterprises, etc.) in all its forms is pivotal in translating needs into demands. The State plays four key roles: the role of **strategist** (producing strategies, doctrine, policy objectives and crafting specific tools to achieve these); **provider of public services** (to ensure implementation of a raft of public policies serving the common interest); **financier of the economy** (tools for financing basic needs and support for ongoing economic change, liberalization, decentralization, environmental transition, etc.), and **regulator** (oversight and regulation of economic activities, but also of social and environmental questions).

Box 16

What role for France?

Historically, AFD depends, either directly or through Europe, on France's vision of its role and positioning in the international arena, and on the means that can be mobilized in line with this vision. In the short term, closer ties with the Caisse des Dépôts tend to indicate that the State wishes to step up the resources of its bilateral mechanism for international development and climate financing. But the four scenarios identify extremely diverse long-run orientations that impact France and its public policies, and which AFD will find difficult to influence.

The capacity to play these different roles is one of the characteristics of “functional States”. The description of these roles indirectly reveals the challenges facing the State. While very present in “Babel 3.0” and “Aligning Aspirations”, the State appears to have a fragile presence in the poorest regions and to be focused on its sovereign missions in the “Impasse” scenario, and even absent from part of the international agenda in “Greening without States”. Whatever the scenario, the world’s complexity and the fragmentation of its power centers and financing sources reduce either the capacity of the State or its role as the sole purveyor of a development strategy. Working with other actors, while supporting the State’s capacities and role, seems to be crucial.

Box 17 AFD and Africa

Africa is a continent of contrasted possible futures: as a reservoir of potential prosperity and human and natural resources, a conflict zone to be “contained” with fragilities to be reduced, and a region to be integrated into the rest of the world, Africa will continue to be a necessary area of intervention. AFD’s action will be determined not only by its strategic commitment, but also by the means it has available. If French bilateral policy is scaled back and centered on security issues and support to fragile States (“Impasse”), Africa could once again become the main intervention zone for an AFD that has refocused its operations. In a fragmented world, (“Babel 3.0”), Africa also becomes an arena of struggles for influence, including economic influence. Lastly, in “Aligning Aspirations”, AFD contributes to deepening Africa’s integration with the rest of the world, and also serves as a potential solution provider for global or common problems. The scenarios concur on the continuing importance of an African agenda, not only because of its high concentration of issues (economic, environmental, human, demographic), but also for historical, proximity and zones-of-influence reasons.

Urban territories and systems, the rising actors of the international agenda

In all the scenarios, urban development appears as a general trend, marked by the continuous and unsustainable expansion of large cities and the mushrooming of mid-sized cities. In parallel, moves towards decentralization are becoming more common. It is increasingly necessary to be close to the ground in order to take action in a context where power and decision centers are more and more numerous. Given these trends, local governments (cities and regions) have become essential partners for donors. In most of the scenarios, they have extended mandates (employment, health and education...) and specific needs (local/global articulation, capacity-building...). Cities and regions are increasingly setting public policy, and are the loci where actions on key development issues are crafted and implemented.


 “How can sprawling cities with residents from diverse or even antagonistic regions and spaces be governed?” Caglar Ozden

In the world of “Greening without States”, and more so in that of “Aligning Aspirations”, the role of local government appears even more important, not only in implementing public development policies on the ground but also in funding them. Local governments could also participate in defining the mandate and policy for development funding and support provided by an institution such as AFD. The “cities” are thus AFD’s future beneficiaries, project owners and partners. The Agency stands to gain from strengthening its positioning as an actor of local development, as well as serving as a bridge between local authorities on different continents, including in Europe and France.

Businesses, key actors for economic transition

The private sector (international, local and informal) continues to be the main driver of development processes in most of the scenarios, but with its own distinct action levers, roles and hence needs.

Changes in private actors' strategies are determined by the factors of production (capital, labor mainly), (dis)incentives and their capacity to anticipate the future. In the (divided) world of "Babel 3.0" and more so in the worlds of "Greening without States" and of "Aligning Aspirations" (globalized), local and international companies can become or are already key game-changers driving sustainability and resilience. It proves vital to create new incentives, new foresight capabilities, and new forms of governance. This depends partly on hefty investments in data and knowledge production, and partly on public policy development: setting up incentives and specific rules, particularly for long-term financing (e.g., by facilitating or reducing the cost of green financing), encouraging private actors to support socio-economic transitions, or valuing natural capital, which is still not adequately taken into account (e.g., carbon pricing).

 *"We must put a value on forms of capital that have so far been exploited free of cost: natural underground resources, climate, atmospheric pollution, ecosystem services and biodiversity."* Michel Aglietta⁽¹⁵⁾

Civil society, a grassroots actor with the capacity to mobilize

Civil society reflects many distinct realities. The value-added of NGOs in emerging or developing countries is their knowledge of the situation on the ground, and the fact that they are the most direct relay of local demand. International NGOs and think tanks⁽¹⁶⁾ operate with a more global reach, building networks of common interests and values.

In all the scenarios, these organizations play a determining role. Their value systems may converge, diverge or even conflict, but their capacity for action is enhanced by the fact that global connectivity enables them to reach audiences far beyond their immediate environment and networks.

Depending on the mission that they set themselves and the context in which they operate, they will receive support from public and private donors, who partner them for the implementation of projects and public policies. They are however potential competitors for donors. Their activities may well compete with those of the private sector, as in the case of "social business" development. **With the development of foundations, is it expected that these approaches will somehow converge?**

15/ Michel Aglietta thus suggests setting "a high notional value on carbon: avoided carbon emissions are a new real and invisible asset. Based on a policy commitment, the amount of CO₂ abatement is determined, and the corresponding investment to reach the target is guaranteed. Investments backed by a public guarantee are thus re-funneled into low-carbon projects."

16/ Until recently, these NGOs were mostly based in developed countries; this trend should now be viewed in relative terms.

In the “Babel 3.0” and “Aligning Aspirations” scenarios, and especially in the “Greening without States” scenario, these new influential players have a preponderant role not only in driving mobilization around shared visions of the world extending beyond national borders, but also in global governance, which also goes far beyond their local scope of action.

Other donors

In recent years, newcomers who are “competitors”⁽¹⁷⁾ or “co-producers” in the development support arena have emerged, and this trend is set to continue overall. They include local or international private actors, NGOs and think tanks, as well as informal but connected actors. Their growing importance is yet another sign that the centers of influence, decision-making and power are increasingly atomized. For AFD, this trend – which runs through most of the scenarios – raises the question of how the Agency can adapt to the rise of these new actors, but also of how it can position itself vis-à-vis the trajectories followed by its traditional development finance partners and other counterparties.

A recent retrospective glance confirms that the business model of national or international public development banks is relatively sound. This type of actor tends to be on the rise in both the Global North and South. **It is rather the traditional actors, particularly the multilaterals like the World Bank and the United Nations agencies, that may be the most vulnerable in the forthcoming years, above all owing to the difficulties in changing their governance and to the weight of their past.** Although their action is potentially decisive in the “Impasse” and “Aligning Aspirations” worlds, this is less clear-cut in the other scenarios, where they are crowded out by private actors, regional and emerging country organizations, or international coalitions of development financiers.⁽¹⁸⁾

 *“The catalytic efforts of national development banks will be crucial in a turbulent world where the efficacy and adequacy of big multilateral institutions (such as the UN and the World Bank) will be more and more challenged.” Prof. Irving Mintzer, Johns Hopkins University.*

The traditional bilateral donors, particularly European, have recently opted for a sharp increase in their activities. This is particularly the case of DFID (the UK has decided to implement its ODA target of 0.7% of GDI). Other OECD countries like Korea have also decided to move into the development assistance field, as a vector of influence. This inter-state competition through development assistance is very present in the “Babel 3.0” scenario, where development models compete with one another.

17/ In the “development industry,” relations with other donors are based on cooperation and coordination efforts, but competition is well and truly present. Some even refer to “**coopetition**.”

18/ The creation of the BRICS Bank, and more so of the AIIB, represent weak signals. Another illustration is the increasingly influential positioning on the international scene of the International Development Finance Club (IDFC), which brings together twenty-three of the world’s major national, bilateral and regional development banks, including AFD.

 *“Development banks (national and regional) have been among the most prosperous institutions of the past twenty years, and most of today’s major powers set up this type of instrument. They bring solutions to issues of prosperity and law and order by providing (i) resources to promote economic influence and long-term sustainable development and (ii) public policy advice and expertise.”* Former international senior civil servant

Yet, even if the “classical” bilateral donors seem to have a future, some “seeds of change” could ultimately bring about the “disintermediation” of aid. Competition could set in in the form of a new mix of actors, part private and part civil society (large NGOs, foundations, firms). Private financing could possibly be mainstreamed into development, driven partly by accountability approaches that focus on results rather than on the development process.⁽¹⁹⁾ It is conceivable that a country’s public funds enable its international banking sector (public or private) to offer concessional interest rates to fund projects and “*buy development*”. This likelihood is clearly present in the “Greening without States” world and possibly signals the marginalization of traditional donors. This *mainstreaming* of private finance could in turn cause the donors’ role to shift towards a sort of “*SDG certification*” for funding, thus enabling them to take on a “catalytic” role.

Impacts on activities

Over the past fifteen years, AFD’s evolution has been marked by financial growth (driven by the untying of aid ⁽²⁰⁾), its constantly honed expertise, and knowledge production grounded in its development actions. These dynamics have both driven and resulted from a rise in the demands addressed to AFD (from its constituency or its beneficiaries). This foresighting exercise has helped to identify some possible orientations for the activities of a public donor and to analyze how a structure such as AFD can adapt to its different possible futures.

Propose products based on massive amounts of funding?

The amount of funding needed to implement the SDGs and the climate agenda is colossal. For a financing actor whose mission involves supporting public policies and influencing them on the ground, one key objective is to mobilize a critical mass of financing. This is conceivable, particularly in the “Aligning Aspirations” scenario. Keeping in line with this scenario means relentlessly stepping up aid volumes, as well as forming complex partnerships with actors that do not always share the same worldviews. However, a model


19/ “Development impact bonds”, which exist only very marginally today, are one example of this.

20/ Untied aid is a recent phenomenon in the history of AFD (2002). Untying has reduced the “cost of ODA” by reducing the required grant component. It has also made possible the co-financing of large-scale projects and the delegation of funds (European, DFID, ... and now also the Green Climate Fund).

based exclusively on funding large-scale projects with concessional financial backing from the State is a fragile one. The risks involved stem from competition, limited public resources and the complex needs, which require more comprehensive approaches where funding is but one of many components (aspects relating to governance, institutions and methods, in collaboration with a large number of stakeholders involved).

Become the technical operator for bigger financiers?

AFD's knowledge of on-the-ground situations coupled with its many years of experience is one of the Agency's comparative advantages and its "non-price" competitiveness. Likewise, with its continuum of project owners, geographical intervention zones and types of financial products, the Agency is able to address broad-based challenges spanning project design through to public policy implementation.

 *"Civil society and philanthropic organizations will become ever more important in the development architecture. The main reason being because of the "intermediation" costs related to traditional donors. The need for more direct channels less costly and more efficient is connected with the increasing importance of civil societies, as well as digital technology." Homi Kharas*

But the growing importance of actors with hefty resources could, in the long run, reshape the landscape for development finance actors. Resource providers will likely be looking for intermediaries to implement their funds. A donor such as AFD can aim to fill this role of manager, bringing its expertise and linking up with the field. Its role can also extend to financial intermediation, for example, by providing private foundations that fund via grants with the backing of AFD's banking structure in order to leverage these grants by mixing them with loans. In this configuration, recourse to and dependence on the State are less crucial.


Take on the role of think tank and knowledge producer?

Financial constraints may lead the donor to significantly reduce, if not totally cease, its financial activity, pressured by competition and the impossibility of finding the concessional resources required by its traditional activity ("Impasse" and "Greening without States"). The value-added of AFD will then hinge on its accumulated experience and expertise, as well as its ability to use its knowledge and know-how to inform decisions for development actions. Its value-added will also reside in its capacity to organize experience-sharing and cross-capitalization on an international scale – in the role of knowledge broker – and to build, together with its partners, strategies for latter's own development.

 *“Demand is no longer a question of financial instruments alone, but also of linking up the different stakeholders and expertise. AFD will be a “revealer of dilemmas”, increasingly involved in a logic of service provision. This still undervalued know-how must be brought to light so that it can take an important place in the Agency’s panel of activities.”* Senior civil servant


Become first and foremost a tool for economic influence?

The question of influence appears in the “Impasse” scenario and “Babel 3.0 ” (characterized by the coexistence of multiple societal models). Influence can be wielded simply through an export promotion strategy. However, it can also be seen as partnership-building between national and foreign actors or, in other words, as cross-capitalization and a joint search for solutions to guide societal transformation towards more sustainable models. In both of these scenarios, the place of an agency focused solely on economic influence can be strongly jeopardized by (i) a reduction in government grants; (ii) the inability to totally offset this shortfall by mobilizing further funds from European or other sources (Green Climate Fund, other donors, private sector) generally averse to any kind of tied financing; and (iii) the eventual continuation of a fragmented national governance system. In these circumstances, AFD would be overtaken by other actors, notably those in the large emerging countries (AIIB, BRICS Bank...), which are able to marshal much larger volumes to support and leverage their own economic players.

 *“The question of economic influence is a given, all the more so as we are entering an era of economic partnerships that combine countries’ mutual interests. There are examples of this between France and Tunisia, such as the bilateral alliance in the digital industry. In this context, firms need to have a field of action, organization and governance that transcend national borders, and it is crucial they be supported on this path.”* Aziz Mebarek, Co-founder and CEO of Tuninvest–AfricInvest Group

Impacts on governance and organization

The past fifteen years have seen AFD's activity grow very significantly in terms of volume, sectoral diversity, products and geographies. This scale-up (a ratio of 1:6) has gone hand in hand with a rise in staff numbers, although at a proportionally much lower rate (around 40%). In addition to its competences and positioning strategies, a structure's organization and above all its staff are certainly factors that determine its capacity to adapt to a changing environment. Perhaps even the only factors over which it can have effective control. And depending on whether its role is that of a think-tank, a development financier or a bank, there can be a steep variation in staff in terms of skills and numbers, or even nationality.

 *"Developing colleagues' skills is certainly the fundamental if not the sole element that organizations such as BNDES or AFD can control in the mid-to-long term. They can identify and train tomorrow's decision-makers." Joao Carlos Ferraz*

In the same way, the choice of a more or less centralized, homogenous organizational structure and the ways of interacting with other structures and enterprises will need to be made accordingly. A banking institution with a comparatively narrow mandate (in terms of theme and geography) can have a centralized and homogenous organization and highly standardized processes. On the other hand, a development institution with broader mandates would certainly require a more decentralized organization with forecasting methods and an on-the-ground presence that are easily adaptable, taking a variable-geometry approach. It should be able to rely on other external structures through a mutual exchange of services.

What future(s) are in store for AFD in 2025 and beyond?

AFD's current identity is evident in its name and signature phrase: it is at the same time an **Agency and a bank**. It is **French and bilateral**, and its ambition is to contribute to the "**shaping of sustainable futures**". The various long-term foresight scenarios and analysis of their possible consequences for AFD, as outlined in this report, show that the cornerstones of its identity – which determine its strategies, activities, and work practices – could be jostled in the coming years. These could undergo significant changes in many respects, either by force of circumstance or through proactive initiatives.

An analysis of how each scenario ("Impasse", "Babel 3.0", "Greening without States", "Aligning Aspirations") impacts the three cornerstones of its identity shows that AFD could take many different forms in the long run.

The current situation and the outlook on how the context surrounding AFD will evolve seem to confirm:

- its **banking side** (closer ties with the Caisse des Dépôts et Consignations (CDC), recent decisions to overcome the current constraints on its own funds and capital base, announcements about increasing the amount of its commitments);
- its role as a pivotal **French bilateral** operator (closer ties with the CDC, transfer of governance, additional budgetary efforts by the State);
- all this in the framework of a pact for **sustainable development**, both at national level (rationale of increasing AFD activities related to sustainable development challenges, against the backdrop of COP21) and internationally (adoption of the SDGs and Paris Climate Agreement in 2015).

Today, an "**AFD +**" seems to be taking shape, with enhanced resources and expanded geographic and thematic mandates, continuing to operate in line with traditional donor rationales, while at the same time working more with local governments, businesses, and civil society, and endeavoring to give its influence a fresh impetus.

However, the foresight studies gathered in this report underline the vulnerability, or at least the precarious balance of this trend. If just one of the three cornerstones were to be eroded, AFD would then be constrained to other futures

In the "**Impasse**" scenario, for example, AFD's capacity to continue operating on a banking model could be undermined by financial crises, making it difficult to access market finance and/or impossible to find solvent borrowers. In the "**Babel 3.0**" scenario, where blocs of countries would be competing on different development models, the survival of a global sustainable development pact would no longer be guaranteed. In a world of "**Greening without States**", the role of States (providers of development finance resources, like recipients) would be partly wiped off the sustainable development agenda. This could

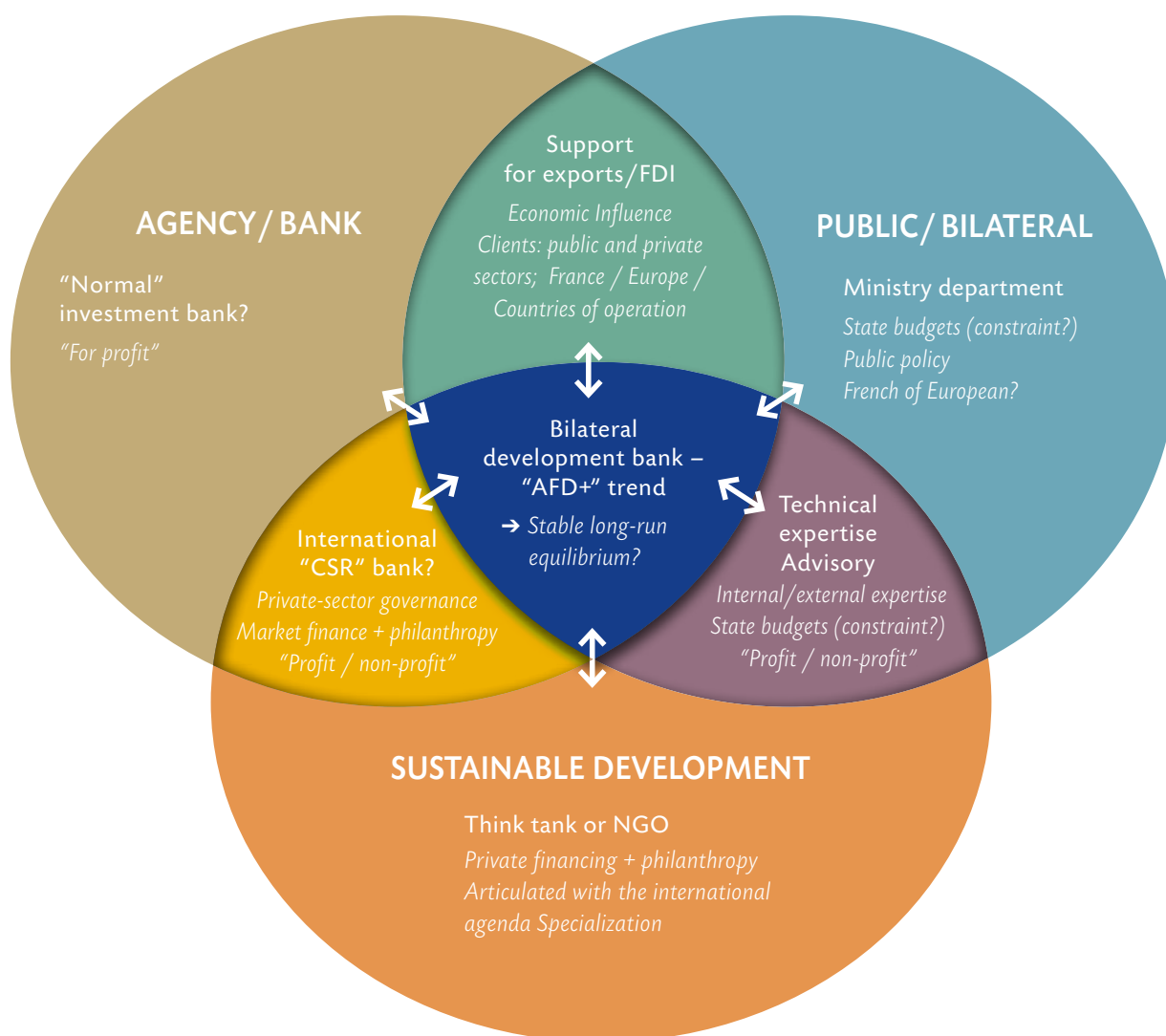
lead AFD to approach non-state actors in order to marshal and use resources. It could even lead the Agency to modify its governance by opening it up to private actors. AFD's traditional intervention model, which relies heavily on territorial logics, could also be called into question given that territorial entities would no longer necessarily be the only source of collective action in this scenario characterized by hyper-connectivity.

Even in the more optimistic “**Aligning Aspirations**” scenario, the shift towards more participatory modes of governance, coupled with the fact that power and decision-making centers are fragmented and spread among a large number of actors, could lead to reform either internally or at the level of the public system within which it operates. For example, AFD's governance might well be opened up to a broader-based panel of actors, including non-state actors. The Agency's professional competencies and skills could evolve to integrate increasingly multidisciplinary approaches. These would be needed to support the complex socio-economic phenomena that promote more sustainable development paths, and would stretch beyond the now prevailing engineering sciences and economic disciplines.

Yet in the face of these multiple futures, AFD still has some **margins of maneuver**. It has the means to strengthen its long-term sustainability, resilience, but also relevance, and to tailor these to changing contexts. This requires that the Agency show itself to be open and proactive vis-à-vis activities, partnerships and working methods that are not currently embedded in its core practices. AFD would then be well positioned to anticipate future changes and take action for futures that are chosen rather than imposed (cf. “Meta-AFD” shown at the bottom of the figure below).

The long history of AFD has shown the Agency's ability to adapt and transform, despite the many unanticipated developments of the past. AFD in 2015 has little in common with the Caisse Centrale de la France Libre of 1941. But there are persistent trends, particularly the values of resistance in the face of yesterday's occupying forces and the poverty, crises and disorders of today's globalized world, and thanks to which the Agency has always managed to make the necessary changes.

These values of resistance, coupled with openness (to others, to elsewhere, to the long term), with the ability to take a step back and question, and with a relentless forward-looking attitude ever watchful of possible futures, seem to be decisive. They can make AFD resilient and flexible to undesirable changes and proactive in its support of co-constructing more sustainable futures.

Some of AFD's possible futures

Capacity to intervene in response to sophisticated/long-term demand AND emergencies
 → Multi-governance and multi-mandate, resilient, adaptive and innovative



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List of acronyms and abbreviations

AFD	Agence Française de Développement (French development agency)
AIIB	Asian Infrastructure Investment Bank
BNDES	Banco Nacional de Desenvolvimento Econômico e Social (Brazilian Development Bank)
BRICS	Informal grouping of 5 major emerging economies: Brazil, Russia, India, China, South Africa
C40	Cities Climate Leadership Group
CDC	Caisse des Dépôts et des Consignations
COP	Conference of the Parties
CSR	Corporate Social Responsibility
DAC	Development Assistance Committee
DFID	United Kingdom Department for International Development
EU	European Union
FAO	Food and Agriculture Organization
ICLEI	International Council for Local Environmental Initiatives
IDFC	International Development Finance Club
IMF	International Monetary Fund
KfW	Kreditanstalt für Wiederaufbau (German development bank)
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
POC	Proof of Concept
SDGs	Sustainable Development Goals
UCLG	United Cities and Local Governments
UN	United Nations
WTO	World Trade Organization

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Manish Bapna, Arnaud Buisse, Joao Carlos Ferraz, Jean-Pierre Cling,
Paul Collier, Henry de Cazotte, Vicky Chambers, Nicolas de Cordes,
Gregory Depaepe, Guy Dupont, Marianne Fay, Michaella Gavas, Indermit Gill,
Patrick Guillaumont, Sylviane Guillaumont, Edward Hedger, Ned Helme,
Homi Kharas, Olivier Lafourcade, Santiago Levy, Claude-Valentin Marie,
Simon Maxwell, Aziz Mebarek, Cristina Mejia, Irving Mintzer, Claude Nahon,
Caglar Ozden, Leo Horn Phathanothai, Gerard Payen, Jocelyn Pierre,
Nicolas Regaud, Remy Rioux, Andrew Rodgerson, Athena Ronquillo Ballesteros,
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Jean-Louis Vielajus, Constantin Von Barlowen, Anna Young*

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Coordination team
Cyrille Bellier, Alexis Bonnel, Anthony Caubin

AFD

Agence Française de Développement (AFD), a public financial institution that implements the policy defined by the French Government, works to combat poverty and promote sustainable development. AFD operates on four continents via a network of 75 offices and finances and supports projects that improve living conditions for populations, boost economic growth and protect the planet. In 2015, AFD earmarked EUR 8.3bn to finance projects in developing countries and for overseas France.

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Foresighting for development

Development agencies, steering through future worlds

In its day-to-day activities, the Agence Française de Développement is a first-hand witness of the changes taking place throughout the world in which it acts. The complexity and uncertainties of such evolutions constantly challenge the Agency's mission of solidarity and sustainable development in the face of the major threats to our planet, and questions its identity.

Creative, crosscutting and collective, the Afd2025 exercise provided the opportunity to fully explore AFD's values and history, as well as the key themes structuring its scope of action.

Based on more than a year of work, this paper presents the conclusions of this foresighting process and attempts to bring innovative insights into the overarching challenges that will face a development agency in future years.

Foresight: "An intellectual disquiet that seeks to resolve itself through the optimism of action" Pierre Massé.

Contact:

Afd2025@afd.fr



Agence Française de Développement
5, rue Roland Barthes – 75598 Paris cedex 12
Tel.: 33 (1) 53 44 31 31 – www.afd.fr