

Risk-informed development cooperation and its implications for allocation and use of official development assistance (ODA): Lessons for the Decade of Action to deliver the SDGs¹

Full Study

Introduction

The COVID-19 pandemic has made clear that effective development cooperation is an essential means for overcoming crises in an interconnected world. Like many other threats posed by diverse risks, viruses freely traverse borders, underlining the importance of strong solidarity among countries, international development cooperation and well-functioning multilateral institutions. Increasingly, all countries are confronted with complex development challenges, although the capacities and resources needed to address them vary considerably.

The pandemic and its consequences have created an unprecedented opportunity for a fundamental shift in international development cooperation towards risk-informed sustainable development. There have been some successes in addressing COVID-19 through development cooperation, but challenges persist as governments are pressed to prioritize addressing the socioeconomic fallout of the crisis in their own countries rather than stepping up multilateral or bilateral efforts.² Many developing countries face the prospect of stagnating or declining access to concessional finance. This reflects a short-term approach to risk reduction and management, perspectives and practices, which will need to shift towards long-term sustainable development solutions.

The commitments contained in the 2030 Agenda for Sustainable Development, Addis Ababa Action Agenda, Paris Agreement and Sendai Framework for Disaster Risk Reduction are a collective call to action to go beyond short-term thinking to achieve climate-smart, risk-informed sustainable development. The long-term costs of strategic preparedness for risks are but a tiny fraction of the astronomic costs of episodic, often chaotic responses to sudden, emergent crises driven by unforeseen shocks. This study does not seek to remake the case for preparedness or reinvent the wheel by redefining concepts or existing risk management tools or policies. Rather, it tries to capture current approaches to risk management practiced by developed and developing countries, based on the current literature, recent data and practitioners' experience, to identify challenges and showcase potential solutions for effective risk-informed development cooperation.

Against this background, the purpose of this study is to explore the following questions. First, what role does development cooperation, specifically official development assistance (ODA), have in addressing and responding to an array of known and unknown risks? Second and in light of the current context, what are the development cooperation policies, practices and tools that could be employed to strengthen national capacities and support longer-term resilience, while contributing to a risk-informed recovery to the COVID-19 pandemic and its impacts? Overall, this report aims to lay out key challenges and opportunities that the various actors must consider to better incorporate risk considerations into their international development cooperation. The study does not promote a prescriptive view on how development cooperation actors should design and implement risk-informed development pathways, but rather presents varied approaches that are grounded in developing country ownership and leadership.

This study argues that risk-informed development cooperation has sufficient technical added-value to support sustainable development. The study explores some dilemmas to resource allocation for risk reduction and management. It highlights the unique potential of ODA in advancing risk-informed development cooperation given its comparative advantage as a concessional, non-profit seeking resource that targets the poorest and most vulnerable populations. Evidence is drawn from current ODA trends, challenges and lessons learned in enabling risk-informed development cooperation. An overview of other innovative financial instruments, non-financial tools and other in-kind activities used

by development partners, to complement ODA allocations, illustrates the emerging emphasis on developing modalities to reduce developing countries' vulnerability to risks. The study explores risk reduction and management approaches at country level, highlighting how effective development cooperation can strengthen national capacities to address systemic risks. Finally, building upon the findings of previous chapters, the study offers recommendations to enhance risk-informed development cooperation practices.

Chapter 1: Risk and International Development Cooperation

International development cooperation has a central role to play in helping developing countries mitigate risks, become more resilient, and protect the most vulnerable people and places. Least developed countries (LDCs), low-income countries (LICs) and the small island developing States (SIDS) are already feeling the worst cumulative effects of the health, financial and climate crises and will need sustained support over the coming decades.

Risk-informed development had already gained prominence prior to the outbreak of COVID-19 and as part of efforts towards the achievement of the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs). The impacts of the pandemic have underscored the need for greater accounting and consideration of multiple threats and complex risks in development planning processes³. Despite some successes, the response to the pandemic has highlighted the sporadic, fragmented approaches that characterize many development cooperation activities and spurred fresh thinking on how development cooperation can more effectively support countries' sustainable development.

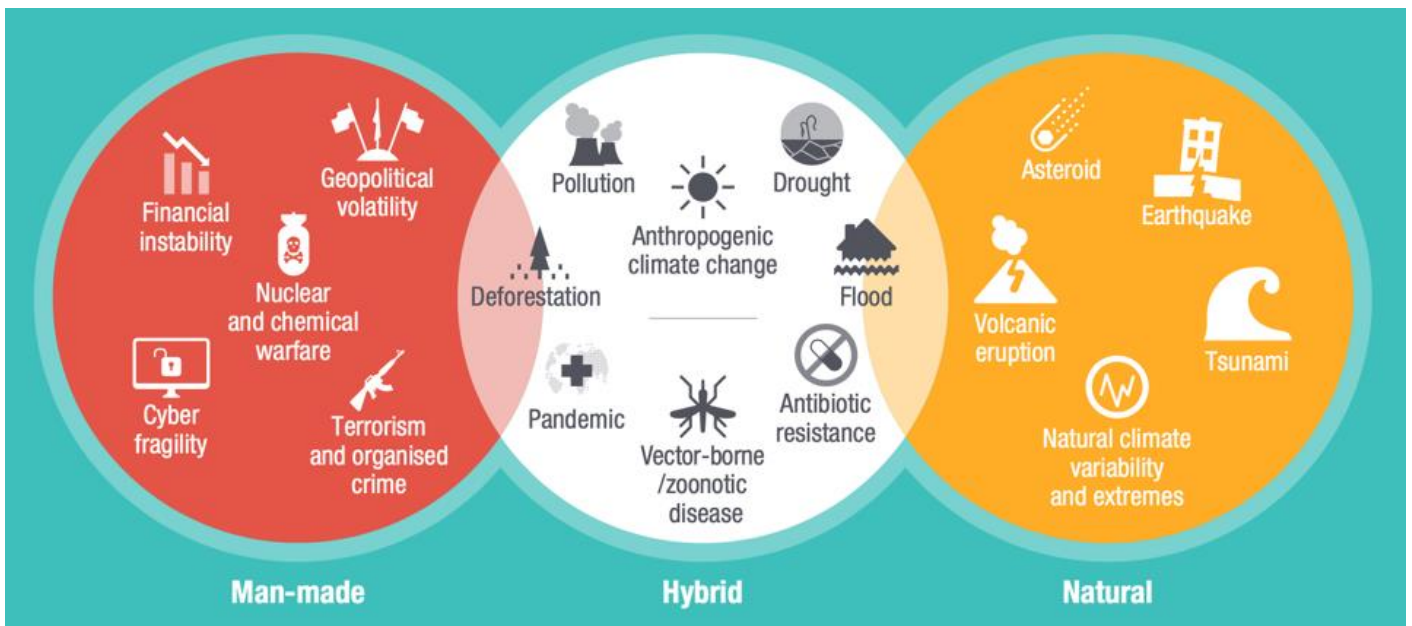
The chapter describes a decades-long shift from a conception of risk that focuses on disaster response and management towards an approach that integrates disaster risk reduction into broader sustainable development objectives across economic, social and environmental areas. Despite the challenges associated with this paradigm shift, innovation on the ground and among development cooperation actors – supported by the global development agenda – can help to strengthen policy coherence and political momentum for effective risk reduction and management for sustainable development.

I. Understanding risk

In an era during which the implementation of the 2030 and Addis Agendas have moved to the centre of international development cooperation, the pandemic has thrown open a new challenge to global society – to improve its response to the dynamic and systemic nature of risks and overhaul its risk management approaches. Many new and emerging risks share a number of distinct characteristics. Such risks are interconnected and transboundary. They have both transitional and transformative impacts and often occur simultaneously. Additionally, the rate, frequency, intensity, nature (e.g. digital versus natural world) and geographical origin of threats and subsequent risks are evolving and undermining hard-won development gains. Some of the risks arising from these threats could be inter-generational and accumulative, such as climate change risks. Others may be short-term and intense; arise rapidly; and have severe consequences – for example, cyber threats and financial instability (Figure 1).⁴

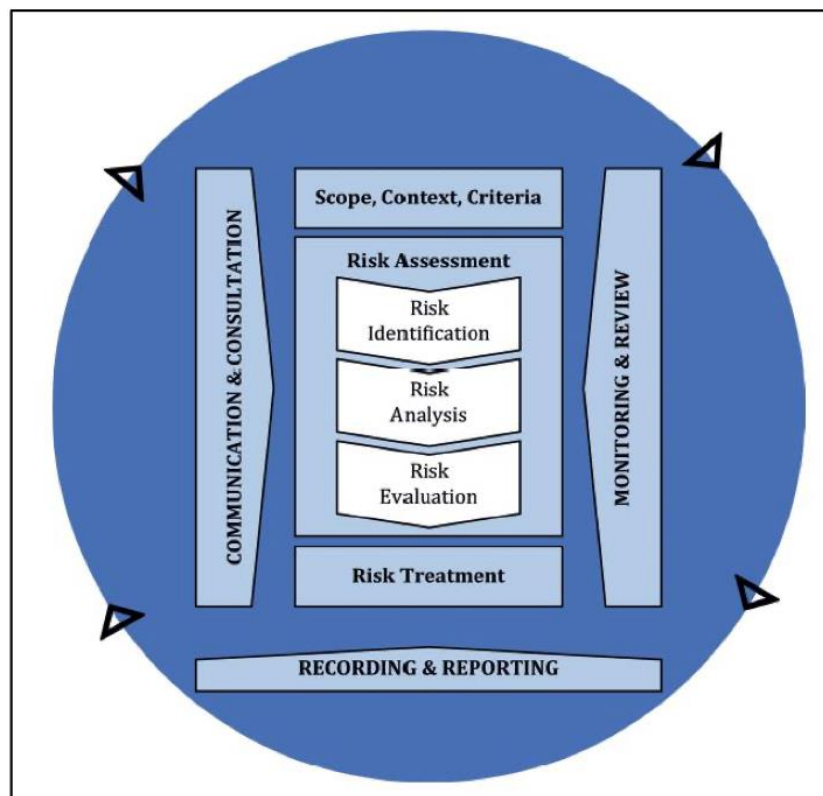
Risk is often “siloes” (usually by natural hazard), rather than thought of as part of a system in which multiple threats are concurrent.⁵ COVID-19 has driven an urgency to understand complex risks and adopt systems thinking when formulating international, regional, national and local development strategies to effectively manage uncertainty. Even before the onset of the pandemic, focus had begun to shift away from individual hazards to more complex, real scenarios where one hazard leads to another (cascading hazard), or multiple hazards crossing in time and/or space create an even larger disaster.⁶ Hazards interact with each other in increasingly complex ways, and our understanding of this is expanding. In other words, a perfect storm is created by the complex interlinkages of different natural and anthropogenic events and processes. COVID-19 pandemic has made our global society realize that risk-informed development is the only approach to development that is sustainable and capable of supporting progress on the SDGs. The COVID-19 pandemic has made our global society realize more fully how risk-informed development is the only approach to development that is sustainable and capable of supporting progress on the SDGs.

Figure 1: Human-made, natural and hybrid threats⁷



Much of the literature on risk management principles comes from enterprise or organizational risk management, often in the private sector. With some variations, the main elements of effective risk management include the identification, assessment, management, evaluation and communication of risks (See Figure 2). Increasingly, resilience-building is being discussed as logical extension of the current risk management models.

Figure 2: UNDP’s enterprise risk management methodology⁸



Despite the responsibility of governments in reducing and managing risks for their populations, there is relatively limited risk knowledge and related risk management structures and functions in the public sector.⁹ It is only relatively recently that many OECD countries have begun to adopt and mandate that national risk assessments be conducted, indicating a shift towards improved risk management approaches among governments.¹⁰ Although capacities among developing countries remain limited, planning processes in more vulnerable countries may have advanced further in some aspects of risk management, driven by sheer necessity. Addressing complex risks in a more integrated and systematic way in support of sustainable development will require adaptation and strengthening of current risk management practices by governments and public sector institutions, building on insights from countries that have made progress.

Understandings of risk vary according to the context, as different stakeholder groups and sectors use their own definitions and perceptions of risk (see Box 1 for definitions used in this study). A lack of understanding; distinctive — though overlapping — interests; and the dynamic and complex nature of risk and uncertainty can be major challenges to effective development cooperation. Successfully addressing such risks requires the ability to identify or forecast potential threats and, in turn to prevent, reduce or manage them. Therefore, improving development cooperation to be better risk-informed requires a thorough examination of the different risks and their policy implications for diverse partners.

Box 1: Definitions for common risk-related terms and concepts

Risk: The potential for consequences where something of value is at stake and where the outcome is uncertain, recognizing the diversity of values. Risk is often represented as probability of occurrence of hazardous events or trends multiplied by the impacts if these events or trends occur. Risk results from the interaction of vulnerability, exposure, and hazard. (IPCC, 2014)

Systemic risk: Risk that is endogenous to, or embedded in, a system that is not itself considered to be a risk and is therefore not generally tracked or managed, but which is understood through systems analysis to have a latent or cumulative risk potential to negatively impact overall system performance when some characteristics of the system change. By definition, systemic risks are emergent, and not necessarily obvious using contemporary hazard-plus-hazard approaches. (UNISDR, 2019)

Risk informed development; An approach to development that takes account of multiple threats and complex risks. (Issar, 2018)

Hazard: A severe or extreme event such as a flood, storm, cold spell or heatwave, etc. which occurs naturally anywhere in the world. Hazards only become disasters when human lives are lost, and livelihoods damaged or destroyed. Increases in the global population, particularly in areas of high hazard risk raises the level of the risk of disasters as more people are exposed to the potential harms of hazards. (UNDRR, CRED, EMDT, 2020)

Disaster risk reduction: An effort to prevent new and reduce existing disaster risk and manage residual risk, all of which contribute to strengthening resilience and therefore to the achievement of sustainable development. (UNISDR, 2016)

Vulnerability: The conditions determined by physical, social, economic and environmental factors or processes which increase the susceptibility of an individual, a community, assets or systems to the impacts of hazards (UNDRR/Sendai glossary, n.d.). To be most useful, it should be defined in relation to what a population is vulnerable to. (UNISDR, 2019)

Risk management: The systematic approach and practice of managing uncertainty to minimize potential harm and loss (UNISDR, 2019)

II. Exploring thematic risks

While there are a variety of risks associated with sustainable development, this study will focus on three of the most pertinent risks to economies and societies during the COVID-19 period: health risks; environmental and natural hazards; and economic and financial risks. While classifying risks into these broad categories, the analysis will highlight their interconnected nature, with a view towards building systemic approaches to addressing risk that international development cooperation can better reflect and support.

Health risks

Health risks pose a growing global challenge, with significant human and economic costs. Prior to 2020, non-communicable diseases — such as cardiovascular diseases and mental illness — had replaced infectious diseases as the leading cause of death. Increased longevity and the economic and societal costs of managing chronic diseases had placed healthcare systems in many countries under stress.¹¹ Other challenges that increase health risks included weak public health and social protection systems; vector-borne/zoonotic disease; antimicrobial resistance; and bioterrorism. These existing health risks already proved challenging for developing countries to safeguard the health of their populations. The existing health challenges combined with emerging and interconnected challenges of the pandemic have gravely heightened the health and economic risks for the most vulnerable peoples and countries.

Recent pandemic experience, such as the Ebola crisis, demonstrated how quickly health risks can impact on economic and social stability. Previous estimates have placed the expected annual loss from pandemics risk at 0.6 percent of global GDP, or about USD 500 billion per year.¹²

Covid-19, a new and highly infectious virus, with acute impacts on the most vulnerable peoples, has starkly exposed the urgent need to build resilience of national health systems and the global public health system.¹³ The unfolding of the COVID-19 pandemic will also have long lasting repercussions that go beyond developing countries' health care systems, affecting key sectors that generate revenue — such as trade and tourism — as well as social protection systems, which are under increasing strain from significant socio-economic disruptions and inequalities. The combined impact of lockdowns and limited mobility on the global economy have inflicted economic damage with profound impacts on lives and livelihoods. Some countries are seeing record unemployment, with 1.6 billion informal economy workers suffering damage to their earning capacity according to ILO estimates. An estimated 34.3 million people are projected to fall below the extreme poverty line in 2020, with 56 percent of this increase occurring in African countries, dealing a huge blow to global efforts to eradicate extreme poverty and hunger.¹⁴

The impacts of COVID-19 underscore the collective need for stronger capacities at all levels for preparedness: the most time and cost-effective approach to handling global health risks. SDG 3, target D, calls for strengthening the capacities of developing countries for “early warning, risk reduction, and management of national and global health risks.” Chapter 2 will dive into existing evidence and opportunities for how development cooperation can better support these efforts.

Environmental risks, including climate change

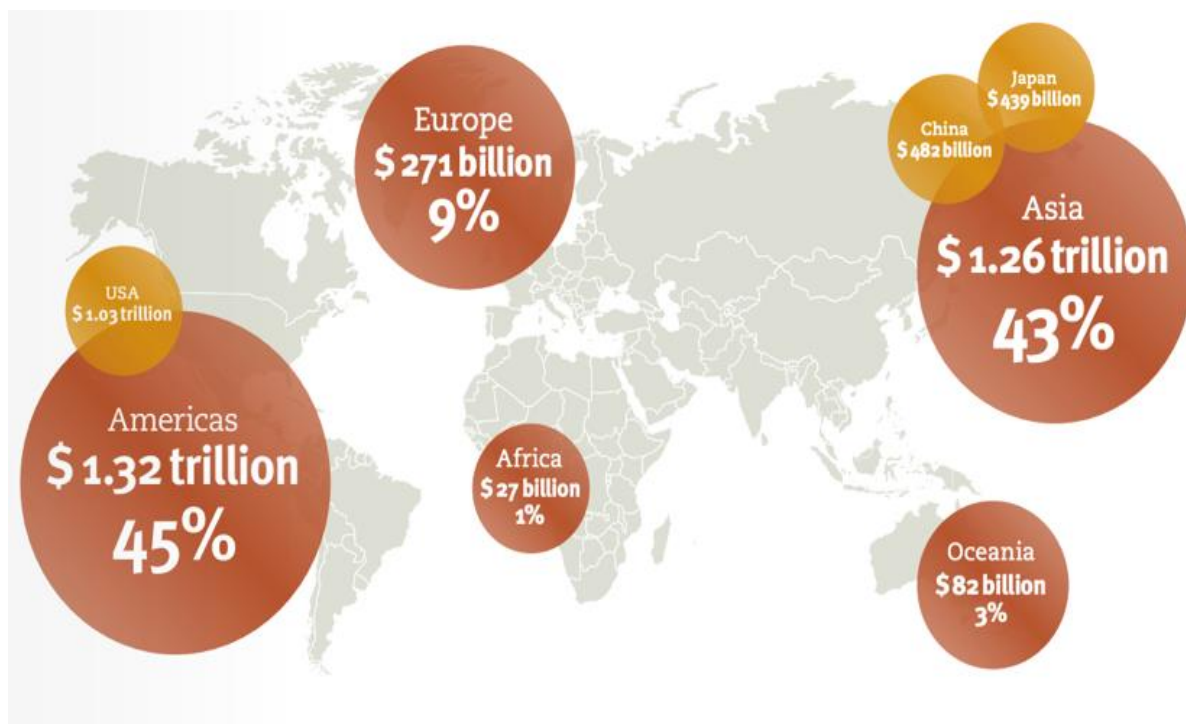
Major environmental change, including extreme weather conditions, biodiversity loss, collapse of food systems, and ocean acidification pose significant risks to sustainable development. According to the World Economic Forum's 2020 Global Risks Perception Survey, “failure of climate change mitigation and adaption” is the top risk by impact and second risk in terms of likelihood over the next 10 years.

The last five years are on track to be the warmest on record. Natural disasters are becoming more intense and more frequent. Last year witnessed unprecedented extreme weather throughout the world. Alarming, global temperatures are forecast to increase by at least 3°C near the end of the century —

twice the limit that climate experts have advised would avoid the most severe economic, social and environmental consequences.¹⁵ Climate change is altering human habitats due to rapid-onset climate hazards (earthquakes, tsunamis, floods, heatwaves) and slow-onset change (drought). Population growth and rapid urbanisation place additional strain on water availability, while water scarcity and drought continue to threaten food security, especially in the Middle East and Sahel regions.

Over the last 20 years, 7,348 disaster events, the majority of which were floods and storms (44 percent and 28 percent respectively), were recorded worldwide by the international disaster database, EM-DAT.¹⁶ In total, disasters claimed approximately 1.23 million lives, an average of 60,000 per annum, and affected a total of over 4 billion people, many on more than one occasion.

Figure 3: Breakdown of recorded economic losses (USD) by continent (2000-2019)¹⁷



Additionally, disasters led to approximately USD 3 trillion in economic losses worldwide (see Figure 3). Asia suffered the highest number of disaster events, with 3,068 in total between 2000 and 2019, totalling USD 1.26 trillion in losses.

Recognizing the urgency to address risks posed by environmental change and natural hazards, governments have endorsed global agreements that reflect their impact on development, including the 2030 and Addis Agendas, Paris Agreement and Sendai Framework (not to mention earlier efforts, such as the 1990 Earth Summit, Millennium Development Goals, etc). The objectives of these agreements should be central in the design of development cooperation strategies and allocation of ODA and other forms of development cooperation to support developing countries' climate action and disaster risk reduction.

Economic, financial and related risks

The global economic and financial order is becoming more interconnected and volatile. While financial interconnectedness can contribute to economic growth, it also increases the exposure of economies to threats and subsequent risks.¹⁸ Financial markets enable money to be moved around at an unprecedented speed, which during crises, can leave countries reeling. The 2007-2008 financial crash showed how a crisis in one financial market (e.g., the US sub-prime housing market) can spread extremely quickly

and impact developing countries.¹⁹ Between late January and the end of March 2020, investors pulled almost USD100 billion out of emerging markets – the largest such outflow ever recorded.²⁰

COVID-19 has underlined the interplay of global health and global economic interdependence, as lockdowns of nearly 90 percent of the world economy has disrupted supply chains, depressed consumer demand and put millions out of work, deepening inequalities.²¹ The synchronisation of health and economic risks has dealt a devastating blow to the global economy, which is projected to contract sharply by 4.4 percent this year, as well as human life and livelihoods. The global economy is expected to lose nearly USD 8.5 trillion in output over the next two years, wiping out nearly all gains of the previous four years, forcing many countries into further debt distress.²²

Amid this darkening economic outlook, citizens' discontent and perceptions are hardening in response to financial and economic convulsions that expose and deepen vulnerabilities, disproportionately borne by the poorest and most marginalized people. Disapproval of governments' response to the socioeconomic consequences of COVID-19 and other risks have sparked protests throughout the world, which could impact on the ability of governments to take effective action in the face of worsening conditions.²³ Compounding risks and inadequate or insufficient responses could be reinforcing: with greater economic and social instability, countries could lack the financing, fiscal space, political capital or social solidarity needed to confront complex risks.²⁴

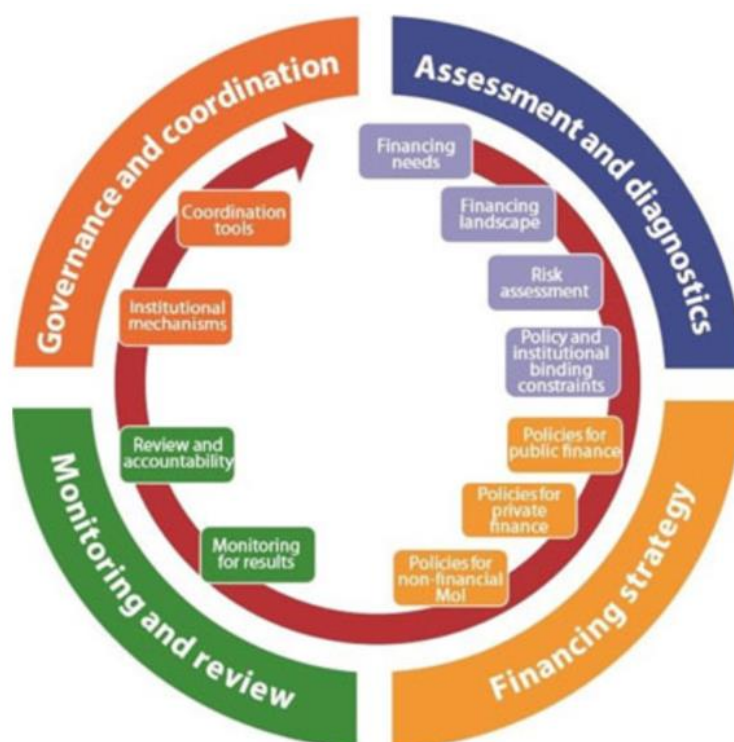
III. Global policy agenda in support of country-led, risk-informed sustainable development

States bear the primary responsibility to prevent and reduce risks, and countries have made some progress in bringing risk considerations into their planning documents and sustainable development policies. As the overarching framework identifying national sustainable development objectives and guiding efforts of all national actors and stakeholders, national sustainable development strategies (NSDS) and policies can ensure policy coherence across diverse risks. This, in turn, will facilitate better linking of a country's institutional arrangements, budgetary resources and programmes needed to address risk. In a recent survey, 64 percent of participating developing countries had high-quality national development strategies in place.²⁵ More firmly embedding risk considerations into national sustainable development strategies could help to more effectively manage current and emerging risks.

With respect to national fiscal and financial planning and decision-making, many developing countries lack the capacities, data and accessible tools to sufficiently integrate risks. As called for in the Addis Agenda, integrated national financing frameworks (INFFs) can help to strength the connection and contribution of short- to medium-term policies with longer-term sustainable development aspirations, as reflected in national sustainable development strategies. By laying out the full range of financing sources for sustainable development – public, private, domestic and international – the INFF allows countries to develop a strategy to increase investment, manage risks and advance their NSDS.²⁶ Risk assessment is an important aspect of the design of an INFF – ensuring that policymakers are cognisant of, and can prepare for, risks to the financing needed to meet development goals. To do so effectively, States need data and information on the nature, likelihood and impact of known or potential risks that could affect financing for sustainable development (Figure 4).

Although States' policies and actions are rooted in national priorities, they can be guided and supported by international frameworks that have been adopted for implementation. Collectively, the 2030 Agenda for Sustainable Development, Addis Ababa Action Agenda, Paris Agreement for Climate Change and Sendai Framework for Disaster Risk Reduction provide a framework for a more sustainable and resilient world. They contain commitments to support national efforts on sustainable development, disaster risk reduction and climate change, including specific commitments on International development cooperation.

Figure 4: Building blocks of Integrated National Financing Frameworks²⁷



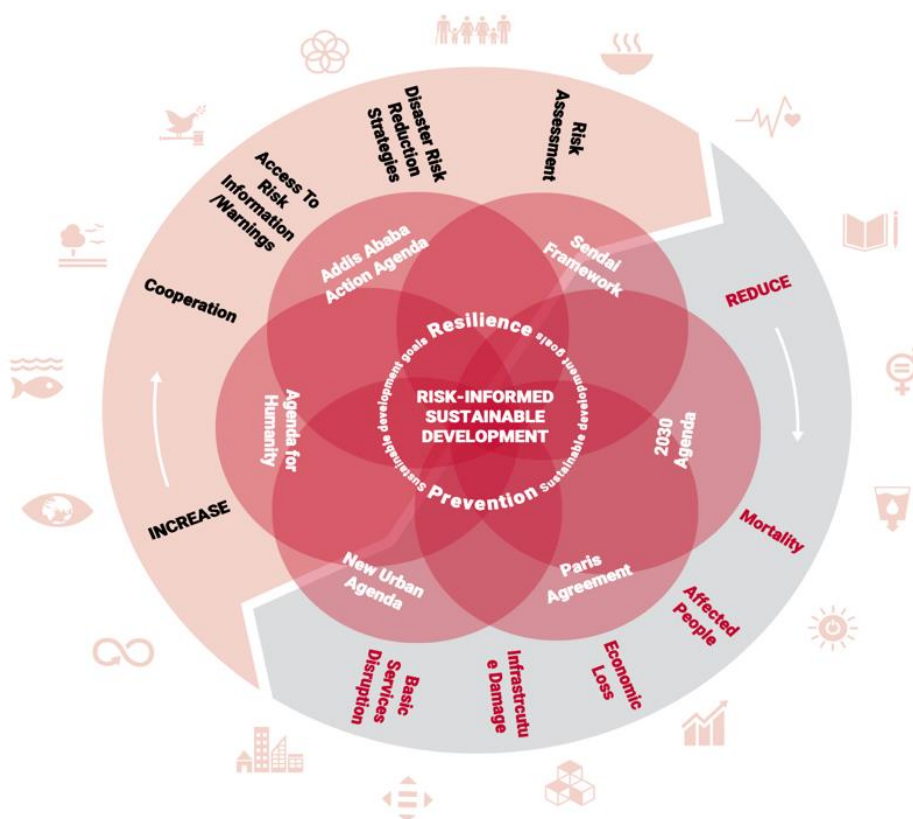
Each of the above agreements take an integrated approach, highlighting the inter-linkages across economic, social and environmental aspects of sustainable development. It reflects a paradigm shift that calls on all development actors to take more systems-based approaches and to collaborate towards managing and reducing risks (Figure 5).²⁸ Crucially, the agreements also point to enhanced development cooperation as a means to implement and mobilize resources and partnerships for effectively reducing and managing risks, particularly in the poorest countries.

Much work remains to advance implementation of the 2030 and Addis Agendas, Paris Agreement and Sendai Framework, despite the recognition of the multi-dimensional nature of the commitments and the need for systems-based approaches. Early implementation of the global frameworks has led to the creation of a diverse range of institutional arrangements, planning documents, funding mechanisms and monitoring and evaluation frameworks at different levels. While the diversity of approaches has benefits and in some cases is reinforcing, there is also a need to identify commonalities and differences across mechanisms to overcome siloed approaches and avoid the duplication of efforts.²⁹

Assessing and analysing ‘systemic risks’ in development is essential to create the future envisaged in the 2030 Agenda. Yet, while six out of the 17 SDGs directly address the need to ‘promote resilience and disaster risk reduction’³⁰, their overwhelming focus is on disaster risk reduction in the context of natural hazards, climate change and health threats.³¹ Other global threats – such as cyber fragility and technological disruption, or global economic and financial instability and illicit financial flows – are not well addressed within the SDGs.

Development cooperation can facilitate country efforts to systematically assess complex and multiple threats and risks, opportunities, uncertainties and options to achieve development objectives. It can also encourage behavioural changes among international development cooperation partners to adapt their policies and practices, ensuring that risk reduction and management is integrated into their planning; identified as cross-cutting; and/or more clearly identified as an overall programming goal.

Figure 5: Risk-informed sustainable development³²



(Source: UNDRR 2019)

When rooted in strong commitments to quality and impact, development cooperation can support national sustainable development strategies that have incorporated greater risk considerations. It can support integrated approaches to development planning and budgeting processes, as highlighted above. Further, it can put emphasis on the achievement of long-term sustainable development objectives over short-term development outcomes. In reinforcing country ownership, it can help to ensure that resources reach the poorest, most risk-prone and vulnerable, widening their opportunities for progress. Finally, development cooperation can incentivize collective action and policy change, drawing on a broad range of tools and the contributions of various actors through concessional and non-concessional funds and other in-kind activities.

Regional frameworks are also important for mobilizing development cooperation that supports effective risk reduction. Regional intergovernmental organizations, platforms and new forms of partnership within developing regions allow countries and other stakeholders to pool resources and capacities to support national and local risk reduction, while focusing on specific regional risks.³³

The Sendai Framework calls for establishing regionally and sub-regionally focused strategies and frameworks, tailored risk information, risk-sharing mechanisms, tools and capacity-building on DRR. It emphasises the importance of regional / sub-regional DRR strategies particularly for smaller developing States, which do not individually have the economic means to invest in tools but can bring their voices and experience to regional processes, thereby developing capacity and accessing pooled international funding and technical assistance.

The regional focus of the Sendai Framework encourages intergovernmental organizations and mechanisms to update DRR mandates to align with its goals and priorities. Regional DRR strategies can also support countries to integrate DRR into risk-informed development planning, climate change action and risk financing, as well as agree on approaches and coordinate action on shared regional and

transboundary risks.³⁴ They also serve as a mechanism for information sharing and capacity-building for implementing the wider Sendai Framework.

IV. Conclusion

The widespread impact of the COVID-19 pandemic has laid bare the multidimensional and systemic nature of risk and shown how risk-informed development is the only approach to sustainable development and the achievement of the 2030 Agenda. Going forward, as countries emerge from COVID-19, cross-border efforts to address systemic risks, including by broadening regional and national strategies and mechanisms beyond disaster risk reduction, will be critically important. This will require practical support to countries' efforts in redesigning and implementing existing risk reduction strategies. Development cooperation can promote a shift not only in paradigm but practice, helping to break down siloes and facilitating stronger understanding of risk management among diverse actors and sectors.

Chapter 2: ODA Trends and Insights

International development cooperation is a crucial means of implementation of the 2030 Agenda and a major action area of the Addis Agenda, offering new modalities and opportunities for risk considerations to support the achievement of sustainable development. A key form of development cooperation is ODA, a unique and irreplaceable form of concessional finance, which carries with it the priority of addressing challenges in developing countries, and the specific global commitment of dedicating 0.7 percent of GNI towards these ends.

This chapter will take stock of key trends in ODA highlighting its magnitude, geography and sectoral allocation, with a focus on the three thematic risks outlined in the first chapter: health; environmental; and economic and financial. Such an analysis will provide a broad understanding of the ODA allocation trends to key risk priority areas and identify existing gaps. Finally, in light of the COVID-19 pandemic, this chapter will propose action areas to promote the effective use of ODA resources for risk-informed approaches to achieving sustainable development.

Note on assumptions and limitations of data

A few limitations of the data presented in the following section are worth noting. First, the study uses ODA allocation to specific sectors as proxy measures for disbursement of concessional finance addressing key development risks. While the data cannot tell us whether risk-informed approaches to development cooperation have informed these flows, this approach does offer insights on overall flows to these sectors and opportunities to increase their impact using a stronger risk lens.

Second, while the OECD Development Assistance Committee (DAC) provides a standardized framework for donor ODA reporting (the Creditor Reporting System) in order to evaluate aid flows for specific risk-related priorities, total aid flows need to be disaggregated. Disaggregation is challenging because the categories required for evaluation do not always align with how funds are disbursed or reported. It is equally important to acknowledge limitations related to both measurement and coverage issues, which hamper systematic and comprehensive monitoring at a global level. The DAC statistical guidelines facilitate consistency and comparability of data, although they are the result of political and historical realities and have been subject to some criticism.³⁵

Finally, as mentioned in Chapter 1, the complexity of understanding risk also flows from how different actors in development cooperation themselves conceptualize risk. This section will draw on examples where the shared understandings of risk are most advanced, such as on climate action, DRR and COVID-19. These examples shed light on how development cooperation can adapt from being reactive to new and emerging risks, to proactively advancing longer-term, risk-informed approaches to achieve sustainable development.

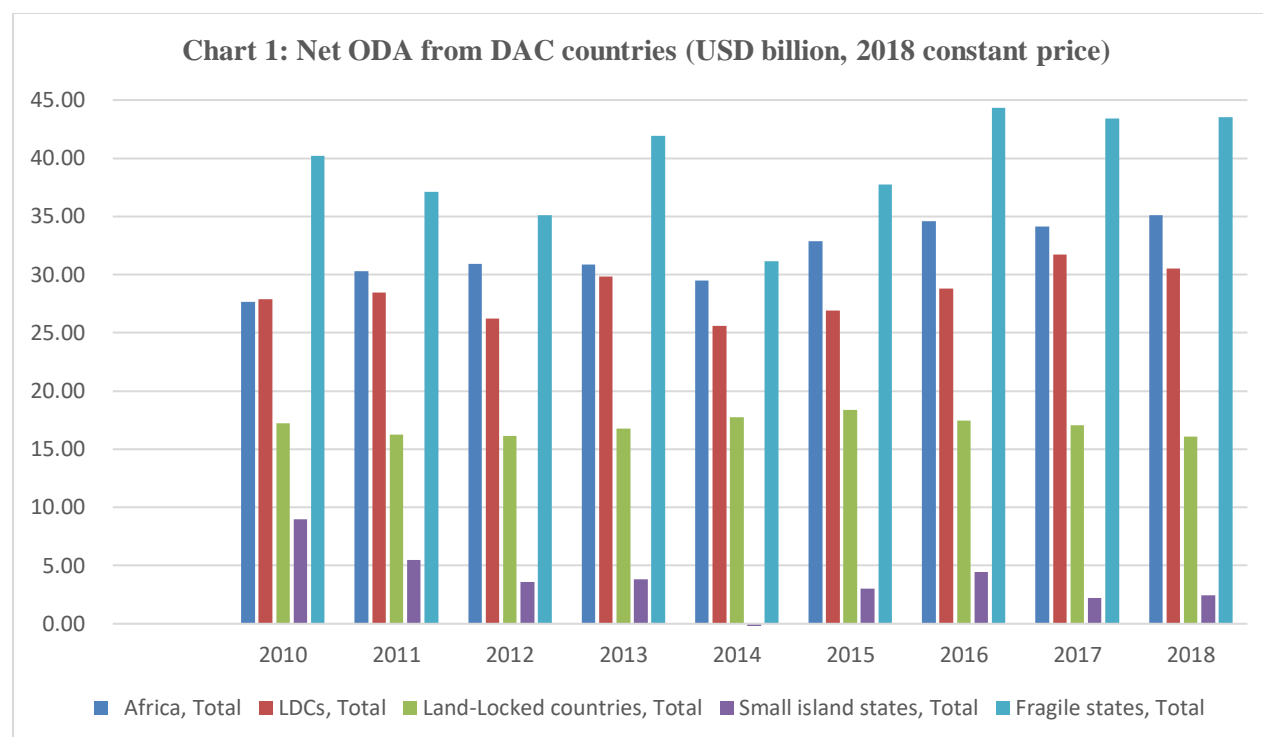
I. Relevant headline trends in ODA

ODA levels have stagnated over the past decade. Preliminary data indicate that ODA from members of the OECD DAC fell marginally by 0.5 percent to USD 152.8 billion in 2019 – well below the peak of USD 147.1 billion in 2016, as calculated by the new OECD grant-equivalent methodology. The share of bilateral ODA that is programmed at the country level also decreased by 1.11 percent in 2019; in LDCs and sub-Saharan Africa, country programmable aid (CPA)³⁶ fell sharply by 9.78 and 5.23 percent, respectively. For the LDCs, ODA is the most significant source of external finance, where it represents 60 percent of external finance compared to 13 percent for non-LDCs.³⁷

More ODA is going to Africa, LDCs and states that are most vulnerable to risks due to their socio-economic fragilities. For example, in 2019 bilateral ODA to Africa and least-developed countries rose by 1.3 percent and 2.6 percent respectively, well below the peak in 2011, when it represented 30 percent of DAC donors' bilateral ODA and nearly 32.5 percent of total ODA, or 0.10 percent of their combined GNI.³⁸ Yet, after a substantial expansion for most of the 2000s, in the aftermath of global financial crisis of 2008/09, the real value of ODA flows to the LDCs has witnessed only modest and erratic increases.

Moreover, only five DAC donors – Denmark, Luxembourg, Norway, Sweden, and the United Kingdom – have met or exceeded the target to provide at least 0.70 percent of ODA/GNI in 2019. The same five plus Switzerland also met the target of providing 20 percent of ODA/GNI to least developed countries.

Although the preliminary data for 2020 were not available at the time of publication, many of the most advanced economies will significantly contract this year, which raises questions about sustaining, let alone increasing, ODA levels (Chart 1) at a time of increased need in developing countries.



II. Sectoral allocation of ODA in priority risk categories

Patterns of sectoral allocation of ODA play an important role in understanding the priorities of DAC countries for their development cooperation and key risk categories. The patterns also raises questions around the quality and impact of these resources and whether developing countries have the absorptive capacities to manage these sectoral allocations in line with their national sustainable development priorities. In particular, the following discussion on thematic risks will highlight the opportunity for risk-informed development cooperation to support countries, particularly LDCs, as they navigate these risk landscapes.

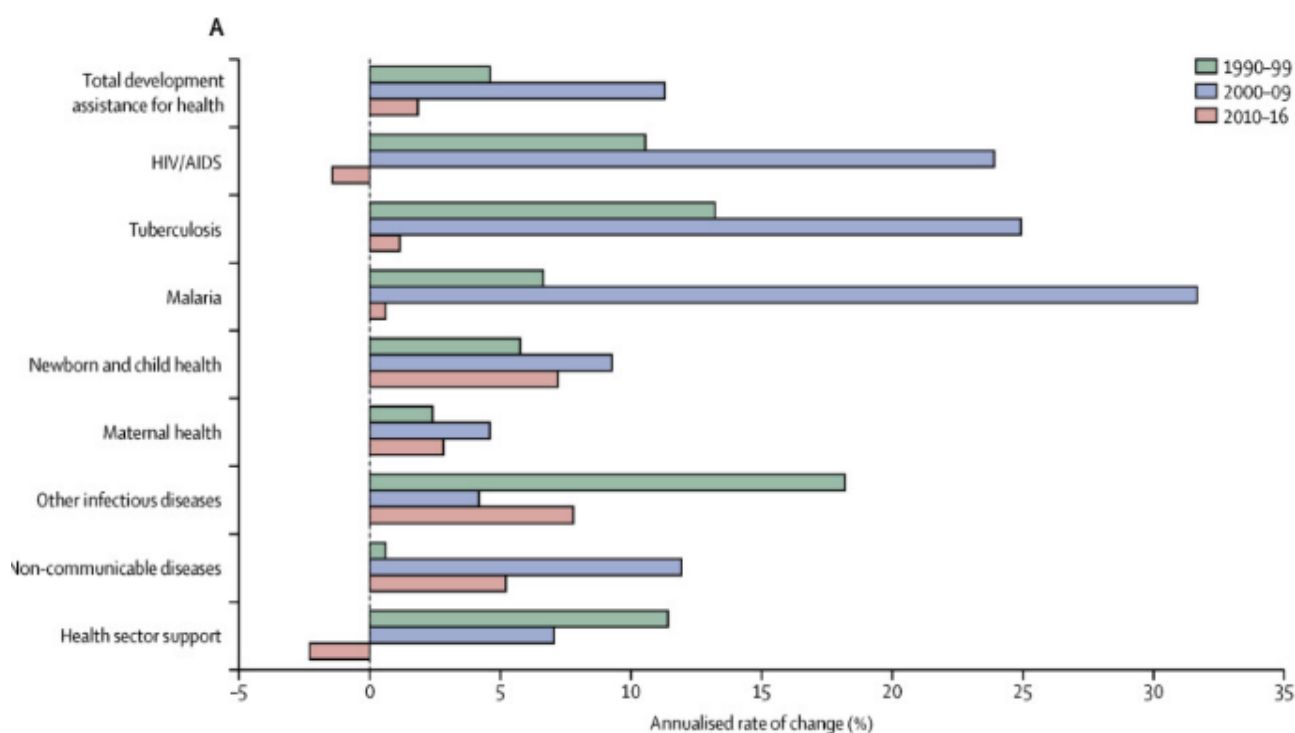
Health Risks

COVID-19 has graphically illustrated the importance of public health systems and the need for development cooperation to continue and further strengthen support to developing countries. A report by the new Global Health System (GHS) Index³⁹ warned that countries were not prepared for a globally catastrophic biological event, nor were they fully prepared for epidemics or pandemics. Collectively, international preparedness was weak. Prophetically, they warned: "unfortunately, political will for accelerating health security is caught in a perpetual cycle of panic and neglect."⁴⁰ It is important that ODA and other forms of international development cooperation deployed to address COVID-19 are delivered in a way that protects and reinforces long-term investment in health systems.

Financing health and health systems is a long-standing development challenge. The decade between 2000 and 2010 was the so-called golden age of development assistance for health.⁴¹ Since then, the declining prioritization of supporting public health care systems is reflected in the downward ODA

levels of annualised disbursement for health.⁴² Development assistance for health declined almost fourfold in the past decade, compared to the period between 2000 and 2010 (Chart 2).⁴³ Although ODA is being re-channelled to the health sector as part of the immediate COVID-19 response, it is not yet known if this will remain short-term and *ad hoc* or mark the beginning of a fundamental shift from pre-existing trends.

Chart 2: Changes in development assistance for health disbursements, 1990–2016⁴⁴

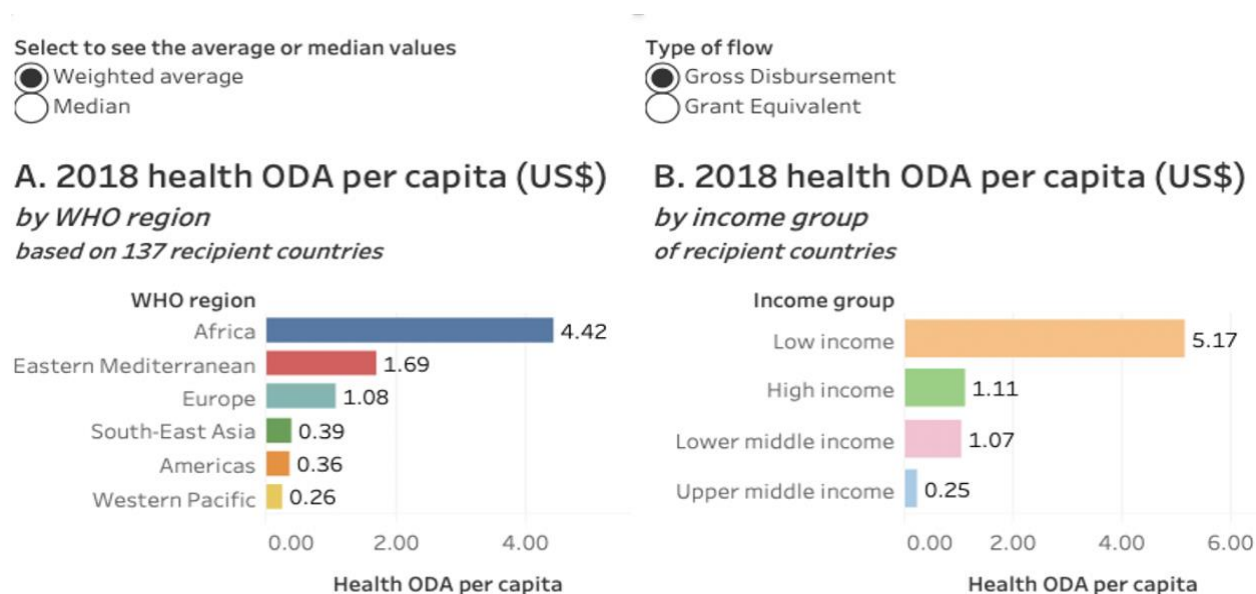


ODA to health reached USD 26 billion in 2018, accounting for 1.5 percent of health expenditure within all developing countries and up to one-fifth of health expenditure within LDCs. A significant proportion of ODA to the health sector comes from a small number of ODA donors; in 2018, approximately 60 percent of ODA to the health sector came from the United States, the United Kingdom and the Global Fund to Fight AIDS, Tuberculosis and Malaria.⁴⁵ In 2018, the Africa region and countries in the low-income group received the highest amount of health ODA per capita (weighted average) compared to the other regions and income groups (Chart 3).

Significant allocations are made towards combatting disease. Over half of health ODA is focused towards combatting diseases, however this decreased between 2017 and 2018.⁴⁶ This focus area is prone to a “panic-neglect cycle”, where health donors and national policy-makers rush to allocate emergency funding amidst a health crisis, which soon ebbs out once a disease seems under control, despite risks of resurgence. Improved funding of global public goods in the global commons – such as global health – could be one way of addressing this cycle.⁴⁷ Further, long term approaches to preventing and combatting disease are needed to ensure solutions are sustainable and local capacities are built to address possible resurgences and related risks.

Significant ODA allocations to the health sector flow through multilateral institutions and pooled funds. According to one study, multilateral institutions, such as the World Bank and WHO, disbursed 5.1 percent and 5.8 percent of total development assistance for health, respectively, and pooled funds, such as the Global Fund and Gavi, who disbursed 9.9 percent and 4.9 percent, respectively in 2016.⁴⁸ Amounts mobilized from the private sector towards health remain quite small, and only a small fraction of it reaches the LDCs and other countries in greatest need.⁴⁹

Chart 3: Health ODA per capita by region and income group (2018)⁵⁰



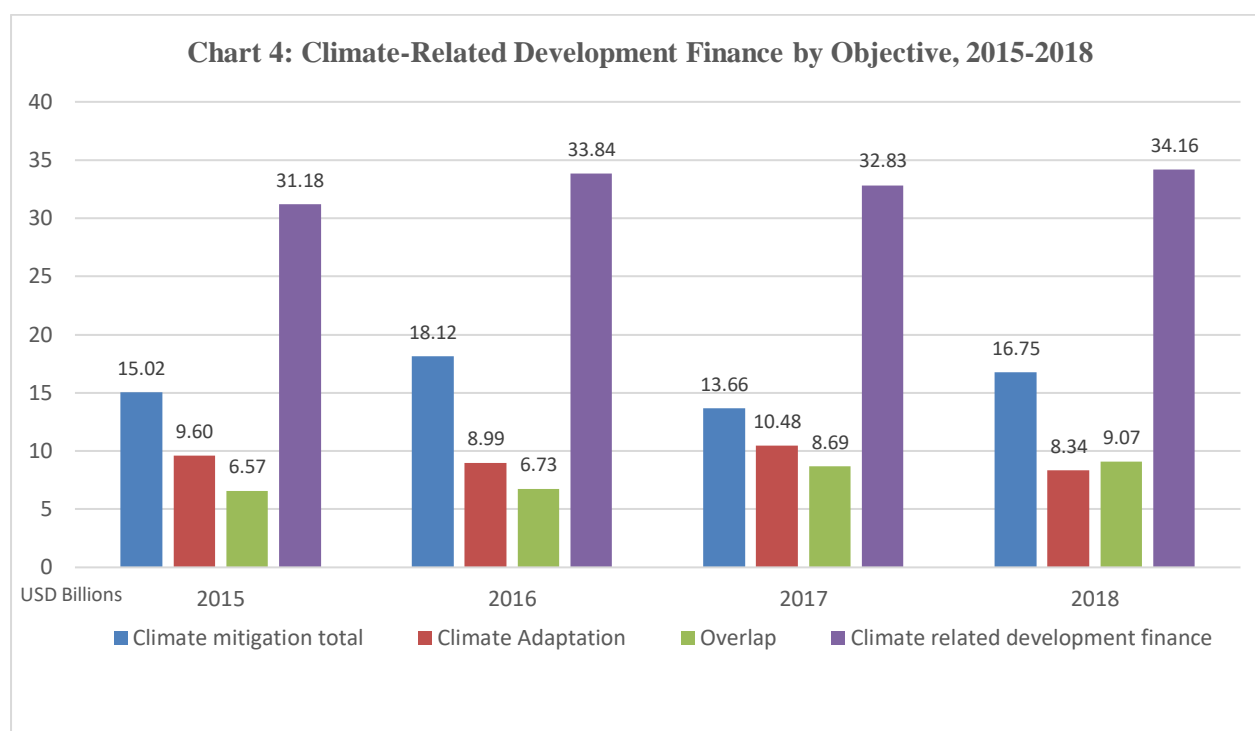
Because access to ODA to address health and other risks becomes difficult as developing country economies grow, greater cooperation across development actors, including the private sector, is needed to bolster domestic efforts. While domestic investment is essential to build strong, resilient and sustainably financed health systems, developing countries face challenges to accessing resources. The fall in ODA investments in health in response to a rise in per capita income creates a “transition gap” for developing countries; requiring supplementary investment of domestic and private resources.⁵¹ As development cooperation continues to evolve, engaging different stakeholders, such as the private sector as well as scientific and academic actors, can provide important resources (i.e. information, knowledge sharing, technology) and capacity support to help countries make risk-informed decisions and adopt innovative solutions.

Development cooperation also offers innovations and lessons learned for future success in managing health risks and pandemics. For example, at the regional level, the African Centre for Disease Control and Prevention (CDC) was launched officially in 2017, with support from the World Bank and the People’s Republic of China among others. The African CDC – which successfully contained the Lassa fever outbreak of 2018 – offers a useful financing model where external donors would bear fixed-costs investment, such as setting up institutions, and countries would mobilise domestic resources for recurrent costs; other innovations and good practices are demonstrating how planned infrastructure investments in health and other sectors can advance resilience and sustainability.⁵² Future review of the African CDC’s role in the COVID-19 context should provide useful insights for development cooperation actors interested in investing in health preparedness.

The contribution of ODA to addressing global health risks should be more explicitly defined and managed. To achieve this, it will be important to improve tracking of financing for health especially in support of SDG 3, target D, which calls for the international community to “prepare for early warning, risk reduction, and management of national and global health risks.” A recent OECD study has recommended including pandemic preparedness⁵³ and strengthening health systems as separate items under the Creditor Reporting System of the OECD. Redefining systems to improve tracking of ODA flows for health would not only facilitate holding DAC members accountable for the commitments they make. It would also help to align development cooperation with a “systems” approach that supports prevention of chronic diseases and universal health coverage – both fundamental for reducing vulnerabilities to other health risks, such as pandemics.

Environmental change and natural hazards risk

The increasing upward trend in ODA financing for environmental sustainability and addressing natural hazards shows that this risk category is a priority of DAC donors. Climate-related development finance—which includes public flows such as ODA and mobilized private flows—increased by 10 percent from 2015 to 2018; reaching USD 34.16 billion in 2018, up from USD 31.18 billion in 2015 (Chart 4). OECD last year projected a linear pathway, with public climate finance from developed countries projected to reach USD 66.8 billion in 2020.⁵⁴



Climate-related development finance is slanted towards mitigation compared to adaptation activities, although financing is more balanced in the LDCs and SIDS.⁵⁵ Within concessional flows of climate-related ODA provided by DAC donors – amounting to USD 31.7 billion in the period 2015-16 – 50 percent went towards mitigation, 29 percent towards adaptation and 21 percent was cross-cutting.⁵⁶ According to DAC markers for ODA towards the environment and climate change, the top four donors (not in order) in 2018 were France, Germany, Iceland and Japan.⁵⁷ For public climate finance, grant financing increased by 25 percent, while loans (both concessional and non-concessional) doubled between 2013 and 2017.⁵⁸ In 2016-17, over two-thirds of bilateral loans were concessional; over 70 percent of multilateral loans were non-concessional.⁵⁹ Figure 6 illustrates how the ratios of public and private climate finance resources vary between different parts of the world.

Long-term planning to address risks posed by climate change and natural hazards will enable predictable and long-term (typically 10-15 years) financing and help build a culture of resilience. This will help foster the policy, institutional and behavioural change needed to help build resilience to climate and disaster impacts. Further, investing in pre-emptive, ex-ante measures will enhance climate action. Greater concessional resources for climate and disaster resilience tend to be provided in the wake of major disasters and then progressively fade away, while countries that have not recently experienced large disasters may struggle to attract resilience funding. This low predictability of funding can constrain the ability especially of developing countries to take more comprehensive and forward-looking steps to reduce vulnerabilities and strengthen their national and local capacities to increase resilience over the long term.

Figure 6: Destination region of climate finance, by public/private (USD billion, 2017/2018 annual average)⁶⁰

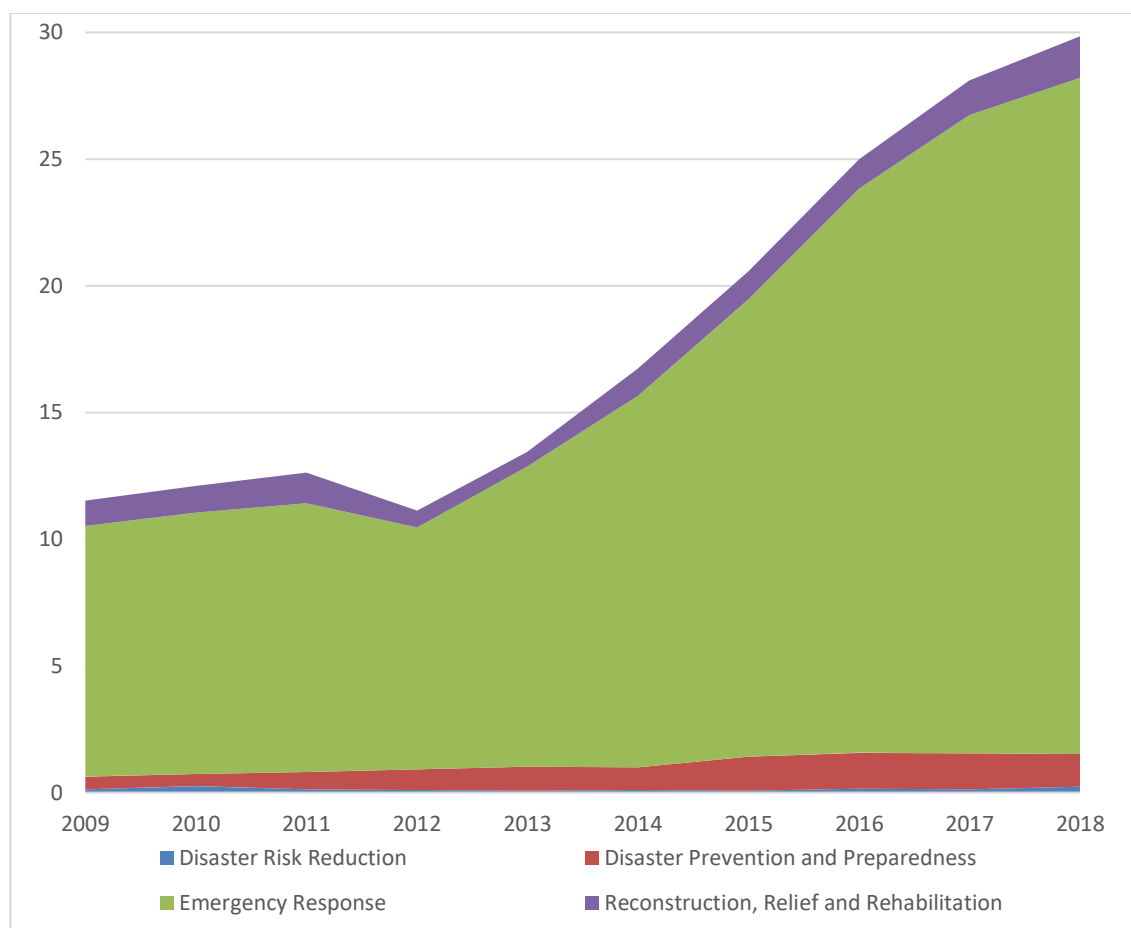


Developing countries have expressed concern that their limited administrative and technical capacities constrain their ability to tap multiple special climate funds each with their complex, variable requirements and procedures.⁶¹ Moreover, climate finance is fragmented across a large number of projects, which leads to high transaction costs and places additional stress on the capacity of developing countries; this impacts the delivery of projects funded through climate-finance resources. For this reason, the Inter-Agency Task Force on Financing for Development has urged for better coordination among DAC countries to enhance allocation and effective use of climate finance. DAC countries can pool resources to reduce developing countries reliance on a single source of concessional funds and to attract additional finance; however, experience in the climate finance architecture has shown that pooling funds is most helpful when designed to build capacity in developing countries over the long-term and where the benefits of pooling – in terms of transparency, accountability, simplified administration, among others – are clear.⁶² Further, application and management procedures can be streamlined to promote easier access to global climate funds.

ODA for disaster risk reduction remains insufficient, with fragmented approaches to monitoring and evaluation. A new policy marker for disaster risk reduction (DRR) was introduced by OECD in 2015 for tracking DRR mainstreaming in development cooperation.⁶³ Notably, the DRR marker is classified under “multi-sector cross-cutting” policy objective, while the marker for Disaster Risk Preparedness, a similarly cross-cutting concept and area of effort, is classified under “humanitarian aid”. Data on ODA for disasters can be measured across – but is not limited to – four areas: disaster prevention and preparedness, disaster risk reduction, reconstruction relief and rehabilitation, and emergency response (Chart 5). ODA disbursements for disaster risk reduction have been volatile, ex post and marginal reaching nearly USD 1.2 billion in 2018.⁶⁴ In 2018, most of the ODA, USD 26.7 billion (89 percent), flowed to emergency response, while USD 1.6 billion (5 percent) went to reconstruction relief and rehabilitation (Figure 6). A total of USD 5.2 billion for DRR represents 3.8 percent of the total humanitarian financing between 2005 and 2017.⁶⁵ Significant financing gaps exist, making ODA crucial in responding to climate-related disaster recovery needs. A resilience marker for DAC countries

might be the impetus needed both to boost ODA resources towards resilience efforts across various sectors and provide a more comprehensive gauge on what resources are going towards resilience given the fragmentation of application of the DRR markers to date. The OECD/DAC experience with the gender marker thus far offers important lessons here.⁶⁶

Chart 5: Share of DRR in ODA for disasters (gross disbursement, constant 2018 USD, millions), 2009–2018⁶⁷



Economic and financial risks

The COVID-19 pandemic has unleashed a historical financial crisis in most developing economies. Saddled with chronic fiscal deficits and already high levels of public debt, domestic responses to the health threats are reducing tax revenues and leaving insufficient resources to fill the subsequent gap. International public finance will play an important role in supporting the COVID-19 response and eventual recovery. This applies in particular to LDCs and the most vulnerable countries, which require more concessional grant finance to confront the challenges of the current crisis. Significantly, the COVID-19 outbreak has already put a brake on other sources of external financing, notably private finance, foreign direct investment (FDI) and remittances. In 2017 remittances, FDI and tourism were the largest sources of international finance to LDCs⁶⁸, revealing the significant financing constraints many of the poorest countries will face in the immediate future.

Many of the most advanced economies will significantly contract this year, which raises questions about sustaining, let alone increasing, ODA levels at a time of increased need in developing countries (Chart 6). A recent survey of developing countries reflected concern among participants as to whether bilateral international development cooperation partners, with their own economies under severe strain as the result of the pandemic, would be able to meet their commitments in the coming years.⁶⁹ Indeed, some

donors have already announced cuts to their development cooperation budgets.⁷⁰ Meanwhile, the IMF predicts that developing countries will require an additional USD 2.5 trillion to address the pandemic. Totalling just under USD 153 billion in 2019, ODA levels are clearly only one important piece of the overall financing puzzle for the COVID-19 response and recovery; however, the vast financing needs of developing countries should underscore the importance of ODA providers reinforcing their ODA commitments and pushing for increases in additional concessional finance.

Donors may also consider stepping up ODA towards building the capacities of developing countries to reduce economic and financial risks and reduce vulnerabilities to future crises. This includes directing ODA to national capacities and institutions in developing countries that can support domestic resource mobilization, public financial management and data and statistical systems.

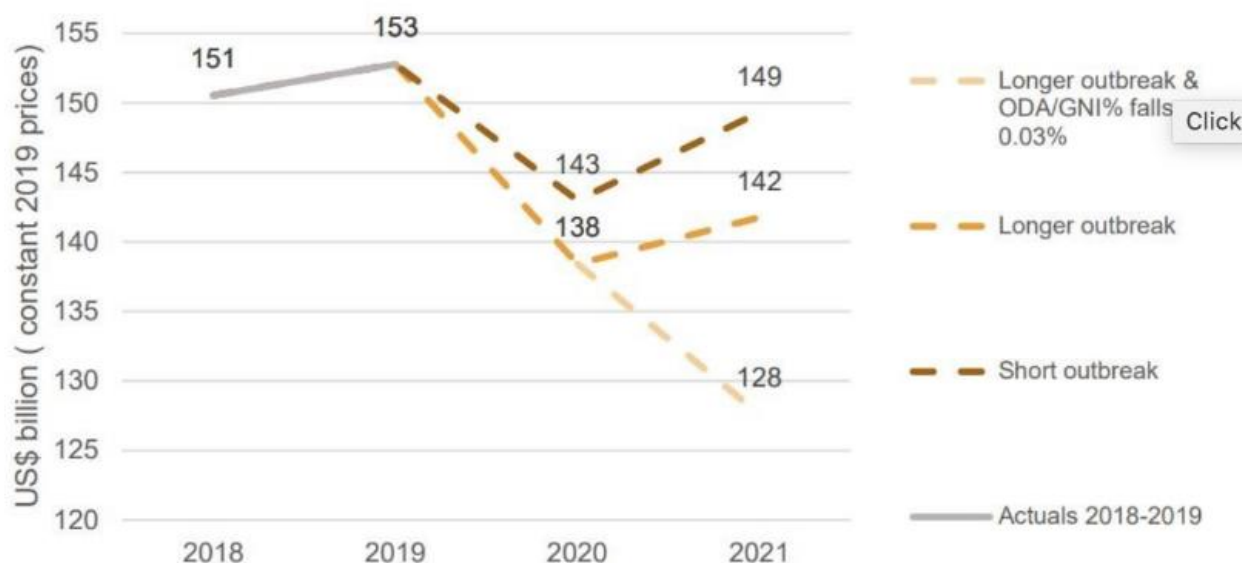
In 2018, ODA in support of domestic resource mobilization increased 23 percent year on year, reaching USD 261 million and 0.22 percent of ODA. This was still less than the peak of USD 329 million in this area in 2016, which coincided with the launch of the multi-stakeholder Addis Tax Initiative to enhance domestic resource mobilization in developing countries.⁷¹ The Addis Tax Initiatives recently announced four new commitments, focusing on implementation by 2025, including an increased focus on equitable tax policies and efficient, effective and transparent revenue administrations; maintaining or surpassing the 2020 global target level of development cooperation for domestic resource mobilization; coordinated policies to combat tax-related illicit financial flows; and enhanced opportunities to engage accountability-driven stakeholders in tax and revenue matters.⁷² The multilateral institutions comprising the Platform for the Collaboration on Tax – a joint initiative of the IMF, OECD, UN and World Bank Group to strengthen collaboration on mobilizing domestic resources – are also expanding their efforts in this field; for example, the UN helps to train tax officials and its Tax Committee helps to formulate recommendations on tax-related capacity-building and technical assistance that pay special attention to the needs of developing countries.⁷³

Although many donors have gradually reduced budget support as modality of their ODA, recent evidence shows that it has a variety of benefits in supporting the development of the financial management capacity of the public sector which, in turn, can promote national resilience.⁷⁴ A meta-synthesis of budget support showed that it was associated with improving the quality of public financial management of developing countries; strengthening their existing macroeconomic stability; and increasing public spending in critical social sectors, like health and education, among others.⁷⁵

With respect to building data and statistical capacities, ODA in this sector rose by 11 percent, from USD 623 million to USD 690 million, from 2016 to 2017, representing only 0.34 percent of total ODA. Over the past three years, countries in sub-Saharan Africa benefited most, receiving USD 885 million, a significant increase in funding.⁷⁶ Yet, international funding for data and statistics is about half the level it needs to be. As of 2019, only 89 national strategies for the development of statistics were fully funded, and these were mainly in high-income and upper-middle-income countries.⁷⁷ Continued and increased technical and financial support is needed to ensure that countries in developing regions are better equipped to monitor progress of their national development agendas, including in the midst of crises and in preparation for future risks.⁷⁸

While most developed countries are using the full range of macroeconomic tools to mitigate the impact of the crisis in their countries, developing countries have little monetary or fiscal space to cushion the blow. One of the key impacts exacerbated by this crisis is the potential inability of many developing countries to meet their existing debt commitments. Debt is a key component of governments' financing strategies, particularly with respect to long-term financing for sustainable development and structural transformation.

Chart 6: Potential trajectories' of COVID-19 and impact on ODA/GNI percent⁷⁹



Placing a spotlight on debt distress in LDCs, LICs and SIDS

Debt is a necessary component of a country's financial landscape, but high and unsustainable debt levels can undermine macro-economic stability and pose risks to achieving longer-term sustainable development. Debt-constrained countries are reliant on borrowing capital to maintain economic stability but there are risks associated with the terms of the loans and repayment. In normal circumstances, the principal amounts would be refinanced in global capital markets or offset by new disbursements from existing lenders. But current circumstances are not normal. Credit markets have tightened, spreads have risen, and many countries are faced with very large reductions in foreign exchange revenues. Under these circumstances, external debt⁸⁰ of developing countries and economies in transition grew to a record high, reaching 29 percent of their GDP in 2019, with worsening risk profiles of debt contracts, i.e. shorter maturities, variable interest rates and more volatile financing costs, as well as sudden reversals of private capital inflows.⁸¹ Rising external debt burdens along with increased risk profiles of such debt translate into increased servicing costs.

Consequently, debt service is posing serious economic risk to all developing country regions: Latin America has the highest debt service/exports ratio; Africa has the least diversified export mix; and East Asia has the largest absolute amount of debt service.⁸² One indication that the problem is widespread is that already 90 countries have approached the IMF to access emergency financing instruments. In addition, the share of government revenues dedicated to servicing publicly guaranteed (PPG)⁸³ debt rose sharply in recent years, particularly in Sub-Saharan Africa where governments spend, on average, almost one-fifth of their revenues on servicing external public debt.⁸⁴

The current debt crises have made visible the newer modalities of development cooperation, as non-DAC lenders (i.e. China, Russia, Saudi Arabia) and private creditors have lent higher volumes and at less concessional terms. By comparison, most DAC members receive little debt service, since the focus of their development cooperation budget is on grants. In 2018, ODA to LDCs, SIDS and LLDCs was largely in the form of grants – 90, 91 and 93 percent, respectively. However, there has been a decline in concessionality for LDCs and LLDCs since 2015. For LDCs, concessionality fell across all sectors and was particularly pronounced in the economic sectors.⁸⁵ Further, loan conditions – a composite of grace period, maturity and interest rate – vary widely among DAC members. For example, in 2017 average interest rates ranged from 0.2-0.3 percent to 2.1-2.2 percent.⁸⁶

Multilateral development banks (MDBs) are also important providers of concessional and non-concessional loans. Total lending by MDBs in 2018 rose 4.7 percent to USD 71.9 billion, with concessional loans – primarily from the International Development Association (IDA) – covering roughly 18 percent of the total. The majority of the recipients were LDCs (67 percent).⁸⁷ An early assessment of ODA in 2020 recently estimated that the majority of new development cooperation commitments made since the onset of the pandemic had been made by MDBs in the form of concessional loans.⁸⁸

In order to address the current debt crisis, the G20 bilateral debt service suspension initiative (DSSI) is a welcome – though temporary – measure. The initiative temporarily suspends “official sector” debt until June 2021, with a repayment period of five years, followed by a one-year grace period. Sub-Saharan African countries would benefit most from the debt standstill, as they are eligible for the debt service suspension. In addition, the suspension also targets SIDS and other countries affected by fragility, given that debt and fragility are closely linked. However, some vulnerable SIDS are still excluded because they are not eligible for support from the International Development Association (IDA) of the World Bank; the UN Secretary-General has called for them to be covered by the DSSI. Despite calls upon private creditors and multilateral development banks to participate in the G20 initiative on comparable terms, their absence has been conspicuous and requires further thinking about initiatives that effectively reflect the changing debt landscape.

Moving forward, a key recommendation of this study is for a bolder, large-scale, multi-stakeholder, global debt recovery response that goes beyond temporary assistance and debt relief. The proposed debt relief initiative could bring to the forefront the newer modalities for development cooperation – by involving non-DAC countries, the private sector – helmed by the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development (G-24). Such demand-driven measures could take into account concerns of countries facing liquidity and solvency issues due to the crisis. The terms and conditions could be agreeable to both debtors and creditors, incorporating well-defined funding and institutional mechanisms and rigorous independent oversight. These public investment initiatives could possibly also take into account a Systems Return on Investment, provided in part by an Independent Commission on Development Impact Assessment. The initiative could include establishing a fiscal monitoring framework to strengthen the quality of debt data and improve debt disclosure.

Such a comprehensive international approach could be based on vulnerability – not level of income – and combine temporary standstills with sovereign debt reprofiling and restructuring; this is essential not only to address immediate liquidity pressures, but also to restore long-term external debt sustainability in many developing countries.⁸⁹ This strategy could go a long way in bringing about the “concerted fiscal push,” which could spur structural transformation and ensure that resources made available are aligned with sustainable finance, eliminate perverse incentives and shift available public finance towards effective funding mechanisms for sustainable development. Moreover, the design and application of such a measure could drive innovation by raising finance for both health and climate crisis management. In Chapter 3, the study presents a menu of demand-driven options that tap into Covid-19 debt relief packages through debt-for-sustainability swaps that can help vulnerable countries build resilience beyond the current challenges. Similarly, a United Nations policy brief outlined detailed elements that could inform such an approach.⁹⁰

Critically, official contributions to finance write-downs of debt should not impede other ODA spending.⁹¹ ODA flows must remain predictable, particularly for countries in special situations who are navigating both existing development challenges and those imposed and exacerbated due to the pandemic.⁹²

III. Conclusion

Recovering from COVID-19 can be an opportunity to generate alternative policies and practice in development cooperation. The pandemic presents an opportunity for international development cooperation partners to facilitate integration of DRR and climate action for health into recovery plans,

in order to propel the shift to risk-informed development and catalyse other sources of financing. Our circumstances require a quantum leap in development cooperation; shifting policies and practices and supporting ‘whole of society’ approaches to response and recovery that expand external finance options, pooling of resources and avoiding duplication of efforts. Now is not the time to turn away from international cooperation.

Allocate and use ODA more strategically for risk-informed development cooperation

ODA is pivotal as a source of finance in support of developing countries’ capacities to address systemic risks. Evidence presented in this chapter shows that risk management is characterised by short-term approaches that result in low predictability of ODA. This approach is illustrated in the manner in which ODA is presently being channelled, or redirected, to firefight the global pandemic and may gradually fade once this health risk shrinks.

This study calls for predictable and reliable financing for pre-emptive measures (e.g. climate change adaptation, conflict prevention and epidemic and pandemic prevention) to bolster risk-informed sustainable development pathways. ODA should help to foster the policy, institutional and behavioural change among the different development actors needed to help build resilience. Importantly, the more ODA is predictable and stabilizing, the more growth is pro-poor.⁹³

ODA should be deployed more strategically to direct resources where they are needed most and work to build resilience over the longer term. The most effective allocations take into account developing country needs and priorities, are in line with domestic and international commitments and policies, and consider the comparative advantages of the different actors in international development cooperation. Better coordination can enhance allocation and effective use of risk finance, particularly in designing appropriate loan instruments. Additionally, more ODA is needed in LICs, LDCs and SIDS, to strengthen capacities for domestic resource mobilization, support public financial management systems, and build data and statistical systems – all of which can help to ensure an integrated and systemic approach to risk reduction.⁹⁴ This should enable developing countries to prepare for anticipated and unanticipated risks and lock-in sustainable development gains.

Action Areas:

- Safeguard ODA for the poorest countries (LDCs, SIDSs, LICs), as well as those in debt distress and in fragile contexts.
- Rebalance ODA sectoral allocations by investing in preparedness (i.e. crisis prevention and planning, climate change adaptation, epidemic and pandemic prevention), driven by country needs and priorities and strengthening country systems. Building resilience aspects into concessional loans may provide a useful additional funding stream.
- Establish a “resilience” marker to enable explicit assessment and monitoring of ODA’s contribution towards addressing global risks. At present, the basic rules of ODA do not consider systemic risks as an integral dimension of sustainable development. Consequently, policy markers’ for risk fields are restricted to disaster and environment; even these are not well defined and/or applied consistently.
- Incorporate risk assessments into development cooperation project proposals and planning tools to promote clarity and a shared understanding of risk for stronger implementation and impact.
- Champion the design of an innovative debt measure – a large scale, multi-stakeholder fiscal push – highlighting newer development cooperation modalities, South-South and triangular co-operation and principles of effectiveness and ownership, potentially helmed by the G-24.

Build capacities to promote a culture of risk governance and risk communication

Knowledge management and dissemination will likely play a key role in building capacities to promote a culture of risk governance and risk communication in development cooperation. All development cooperation actors need to enhance efforts in this regard, although developing countries, in particular,

will need to build capacities for assessing the resources, constraints, legal mandates and risk tolerances that shape what development objectives can be achieved, how and by whom.⁹⁵

Resources are also required to strengthen capacities of the international development community, particularly through collaboration with risk and threat experts from across different sectors. This could include establishing communities of practice across policy, technical, operational and quality control divisions to forge and communicate shared, integrated understandings of risk. These communities of practice could also help to generate information that shapes global, regional and national policy, planning and resource allocation, as well as advance common understandings on key aspects of risk management and governance among development cooperation actors. For example, the OECD DAC recently created a Community of Practice on Private Finance for Sustainable Development, which — by bringing together DAC members, private sector representatives and experts from philanthropies, academia and civil society — intends to advance knowledge among key stakeholders on blended finance and spur action to mobilize private investments aligned to the SDGs.⁹⁶ The UN system has also developed such communities of practice on issues including gender equality and agriculture.

Action Areas:

- All international development cooperation actors need to strengthen their understanding of the risk landscape, to employ a risk-based decision framework, use risk appraisals and monitoring and evaluation tools. Developing countries might require capacity support in this regard.
- Share best practices, lessons learned and evidence of the benefits of risk-informed approaches to development cooperation by establishing communities of practice with actors from across the relevant policy, technical, operational and quality control entities.

Chapter 3. Tools and approaches for risk-informed development cooperation

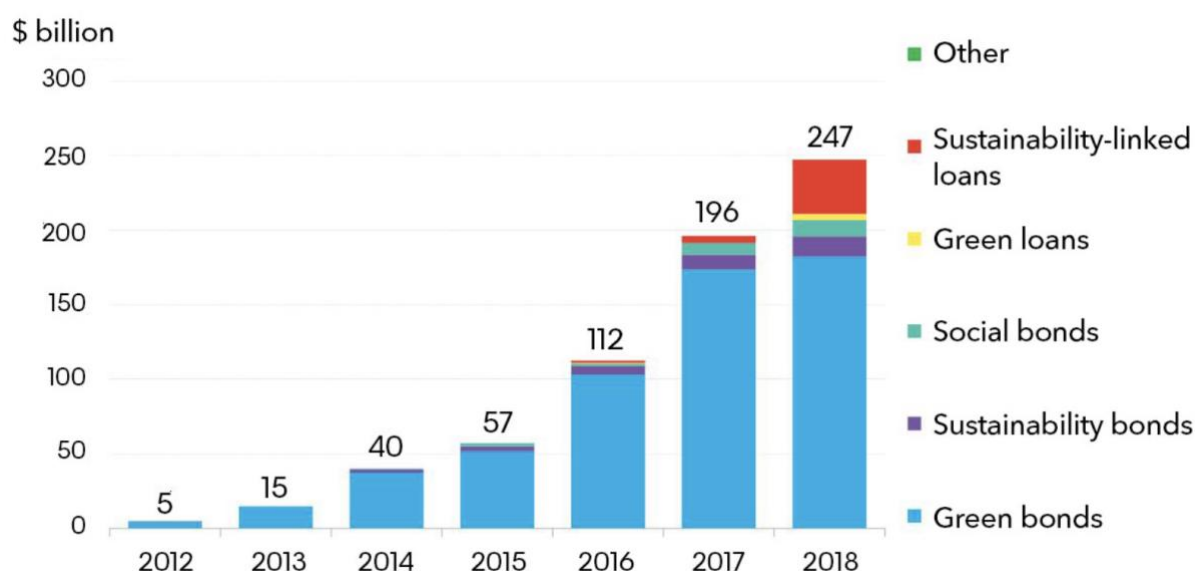
Across the world, there is increasing agreement that economies need to ‘build back better’ from the COVID-19 health and economic crisis. Core to this will be channelling development cooperation and other development finance such that countries can accelerate their progress towards risk-informed sustainable development throughout recovery efforts. Nowhere is this more urgent than in developing economies most vulnerable to multidimensional risks. This chapter will explore how some development cooperation actors are designing and implementing tools and approaches to reduce vulnerability to risk and to help cope with crises through: (i) financial instruments such as bonds, insurance and debt instruments and (ii) non-financial innovations, including through South-South and triangular cooperation. The chapter illustrates the potential to learn from existing instruments and identify opportunities to advance risk-informed development cooperation practices that respond to emerging trends.

I. Financial instruments

The sustainable finance market surged 26 percent in 2018, with a record USD 247 billion worth of sustainability-themed debt instruments raised during the year (Chart 7).⁹⁷ The sustainable debt market is comprised of labelled bonds and loans that finance projects with green benefits, social benefits or a mixture of both. Many investors target these debt offerings in order to meet their own objectives or mandates on environmental and social impact.

A growing number of governments are issuing their own debt instruments with a sustainable label, meaning that the money raised will be earmarked to go into environmental or social projects. These governments are raising the debt to meet national and international environmental goals, particularly on climate change mitigation and adaptation. The two leaders in sustainable debt issuance in 2018 were the U.S. and China, bringing USD 45.4 billion and USD 25.5 billion of sustainable debt products came to market, respectively.⁹⁸

Chart 7: Global sustainable debt annual issuance (2012-2018)⁹⁹



Bond issuances

Raising capital through bond issuances can provide much needed resources for governments to address systemic risks. Green bonds are leading in this regard. To support climate action, around USD 60 billion of green sovereign bonds have been issued thus far from 12 countries and a further 10 countries have already indicated that they will issue this year.¹⁰⁰ A 2020 report by Nordic corporate bank SEB¹⁰¹

estimated that in total there are were around USD 800 billion of green bonds issued, with further increase expected. Although Europe is the most active issuer of green bonds, China is expected to become the world's largest green bond market as it transitions towards a low-carbon economy — with other emerging markets growing, including India, Brazil and Mexico.

Though green bonds are an effective means of mobilizing resources for climate-friendly investments, lack of clarity remains around what qualifies as “green” and a lack of consistency around what is eligible for green financing. Various voluntary standards have been created for green and sustainable-oriented bonds (e.g, the International Capital Market Association's Green Bond Principles¹⁰²), although there is scope for harmonizing these further.¹⁰³ The impacts of green bonds towards mitigation and adaptation activities would be better realized if a shared understanding of and criteria for green bonds could be established at the global level. Such clarity could also serve as a model for other type of bond issuances targeted at addressing particular economic, social and environmental risks.

Building on the lessons from green bonds, other special bonds have also been launched. Indonesia's pandemic bond has raised USD 4.3 billion to support recovery efforts. The African Development Bank has released a USD 3 billion social bond,¹⁰⁴ while the EBRD has developed resilience bonds¹⁰⁵ which raise finance for measures that improve the resilience of assets or systems, addressing multiple risks. The first general-purpose SDG-linked corporate bond¹⁰⁶ was released by Enel in 2019 and raised over USD 1.5 billion. The Global Investors for Sustainable Development (GISD) Alliance has identified COVID-19 bonds as an innovative solution to raise resources for pandemic response and recovery while creating additional positive contributions to sustainable development.¹⁰⁷

The question remains on how such instruments can help channel resources where they are most needed, especially in LDCs and SIDS. For example, some have recommended that a fund be created to invest in emerging markets' SDG-linked debt.¹⁰⁸ This long-term instrument would link international investors with SDG verified investments in emerging markets, which could be a mix of green, social or sustainable bonds. Similar to some other managed funds, this SDG-aligned fund could further stimulate emerging markets' SDG issuances via a technical assistance vehicle. In terms of financing, a first-loss absorbing tranche of USD 750 million in equity from IFIs could help leverage USD5 billion from the private sector.¹⁰⁹ This amount could help to address the needs of countries eligible for support (i.e., the poorest countries) from the International Development Association (IDA) of the World Bank. Furthermore, this idea could be replicated regionally (by creating regionally focused SDG-funds) and leverage regional development banks.

One option that could be further pursued is the issuance of a partially guaranteed SDG bond. This would involve new issuances designed to replace existing sovereign bonds issued by targeted emerging countries at no economic loss for investors holding this debt.¹¹⁰ These new issuances would have a strong SDG component, enabling a partial G20 or official guarantee; and would not have principal or interest payments for the first year. Including these bonds in an emerging market index would significantly attract investor appetite. For example, an existing Ghana 2030 bond has a partial IDA guarantee of 40 percent of the principal.¹¹¹

Risk insurance

A strong domestic financial sector is essential for rapid disaster response and recovery. Increased insurance penetration helps countries minimize the negative economic impact of disasters. Resilient payment infrastructure enables funds to flow rapidly to affected areas. Increasing access to finance enables governments to channel assistance directly to affected households.

The global recognition of risk financing and insurance led to the launch of the InsuResilience Global Partnership¹¹² in November 2017. The World Bank's Global Risk Financing Facility (GRiF)¹¹³ is part of the InsuResilience partnership, with the aim of strengthening financial resilience of vulnerable countries by enabling earlier and more reliable response and recovery to climate and disaster shocks, as well as wider range of crises, through establishing or scaling up pre-arranged risk financing instruments, including insurance. It focuses on helping poor and vulnerable people, and the economy, services and

infrastructure they depend on, to recover more quickly when a disaster strikes. In Morocco, GRiF's Integrated Risk Management Program supported catastrophe risk insurance law implementation through establishing a solidarity fund for non-insured low-income households.

Regional risk insurance mechanisms have also been established, especially in highly exposed areas. For example, in the Caribbean Catastrophe Risk Insurance Facility insurance payments are triggered by substantial deviations from risk models, rather than in response to reported losses. The African Risk Capacity, a specialized agency of AU established in 2012, has a similar multi-country risk pool, with payments triggered when a drought is declared, and there is the related African Risk Capacity Insurance Company. The Pacific Catastrophe Risk Insurance Company was set up as a multinational sovereign risk pool in 2012. And a new ASEAN facility, the Southeast Asia Disaster Risk Insurance Facility, is currently being piloted.¹¹⁴ UN ESCAP has recently identified significant areas for regional cooperation in the Asia-Pacific region on risk financing.¹¹⁵

Although the regional risk pools have demonstrated their potential to facilitate greater access to finance to respond quickly to disasters, a recent study also noted persistent challenges.¹¹⁶ These include weak capacities to use such tools in combination with other risk financing mechanisms to ensure sufficient “risk layering”; the cost of insurance (although access to concessional finance from IDA in the form of targeted premium support has helped some countries access regional risk pools); and building technical, data and related capacities.

These examples show how insurance can transfer risk at multiple scales in a variety of sectors, from income support to healthcare protection to post-crisis financing. However, in approaching these issues, countries will need to thoroughly consider debt sustainability and local financial market conditions, recognizing that for many countries, additional debt may not be an advisable strategy.¹¹⁷ Vulnerable countries may be sceptical of insurance schemes and their potential to increase their exposure to new forms of risk.

II. Drive innovation in the design and application of debt instruments for risk-informed financial management

New and innovative resources are needed for addressing systemic risks, as evidenced by the negative impact of COVID-19 on government revenues. Meanwhile, investor pullback from risky assets has pushed up the cost of borrowing in financial markets, limiting viable options for resource mobilization. Longer-term efforts are needed to sustain debt and broaden domestic revenue sources. Different types of innovative debt instruments have been developed and, in some cases, implemented with the aim of creating fiscal space for sustainable investment and more effectively managing risks and crises.¹¹⁸

Debt for Sustainability Swaps¹¹⁹

COVID-19 economic recovery efforts have renewed interest in climate and nature programme swaps - a system that makes it possible to address the multiple risks of debt, climate change and nature emergencies. Debt-for-nature swaps¹²⁰ have made important contributions to conservation. (e.g. the Seychelles ‘Blue Bond’).¹²¹ In the past, they were largely dependent on donor grants and philanthropy. As they were also subject to weak capacities of local private conservation and development organizations, these tools often resulted in relatively small amounts of debt relief and limited impact in reducing developing countries’ debt burden.^{122, 123} Demand for ‘Debt for Climate Adaptation Swap’ has already come from small island developing States (SIDS), going beyond traditional debt restructuring to link debt relief to investment in sustainable development and green economy projects, while also providing fiscal space and relief to economies overburdened by public debt and debt serving costs.¹²⁴ The task now is to scale up this “niche” market and broaden its scope to serve the full range of the SDGs¹²⁵, including by attracting private investors, such as impact investors and philanthropists, to fund debt swaps and support the transition to sustainability. A temporary reduction in interest payments agreed with investors would also create fiscal space for emerging economies to increase their SDG investment.

Debt swaps have also been used to finance social expenditures, such as in health¹²⁶ and education. The Global Fund oversees the Debt2Health programmes, which aim to improve health systems and unlock domestic financing for health within developing countries. Their past success has been limited, mostly due to high transactions costs and concerns that the results were not sufficiently robust in strengthening the health systems of participating countries.¹²⁷ However, they were recently revived as part of efforts to mobilize innovative forms of international development cooperation for improved health systems.¹²⁸

In the context of the pandemic, and building on the experiences on debt-for climate and nature swaps, debt-to COVID/SDG swaps could be considered for countries that are highly indebted but do not have unsustainable debt burdens, channelling planned debt service payments into SDG investment.¹²⁹

State-Contingent Debt Instruments (SCDIs)

SCDIs are debt contracts that link debt service payments to a country's ability to pay. These instruments can be linked to a fall in GDP, changes in commodity prices or natural disasters such as hurricanes or earthquakes, so that if one of these events occurs the debt service burden is automatically reduced. Preliminary analyses by IMF suggest that SCDIs can increase fiscal space and allow greater policy flexibility in challenging times. They can also broaden the investor base, open up opportunities for risk diversification and enhance the resilience of the financial system.¹³⁰ Prior to the pandemic, one example was the French development agency's (AFD) extension of 'counter-cyclical loans' to six least developed countries, allowing for a break in debt service of up to five years should a major shock occur.¹³¹

Responsible Lending and Borrowing approaches

Such approaches would provide an opportunity for developing countries to step up investments in the SDGs in the face of rising debt levels. The World Bank, along with several other international organizations, has established a joint technical working group to explore how lenders could take into account 'vulnerability' and other metrics (such as domestic resource mobilisation capacities) when deciding on concessional resources for a particular country. There is scope for lenders and borrowers to act more responsibly by reassessing their environmental and social safeguards policies and confirming their compliance with them. In 2012, UNCTAD developed a set of "Principles for Responsible Sovereign Lending and Borrowing."¹³² These principles could be revisited and refined to better support sustainable development. Indeed, development cooperation partners can mandate the inclusion of risks related to environment, health and economic vulnerability for eligibility for concessional loans.

III. Non-Financial measures

Equally significant are non-financial measures that enhance risk-informed development cooperation, representing valuable opportunities for exchange of complementary knowledge, technology and innovation and offering context-specific solutions. South-South and Triangular cooperation (SSTC) is gaining momentum in addressing risk by promoting the exchange of experiences, knowledge sharing and the provision of human, technical and financial resources. In addition, partnerships with private sector and other non-State actors that can contribute to managing risk and building resilience are increasingly playing a role.

Health

In addition to scaling up financial resources and technical assistance to address the immediate impact of COVID-19, developing countries have worked together to strengthen national health capacities and systems, through knowledge-sharing, exchanges of information and best practices. The Latin American and Caribbean Network for Strengthening Health Information Systems¹³³ was established to strengthen health information systems and the availability of vital statistics. In response to COVID-19, PAHO sent 54 PPE shipments to 26 countries, developed 85 technical guidelines to support country efforts to develop COVID-19 preparation and response plans, sent COVID-19 tests using molecular detection to 36 countries to strengthen capacity to diagnose the disease and provided 90 virtual/in-person/country-

level training on testing, tracking and monitoring COVID-19.¹³⁴ The network is an open platform for learning and helps to transfer technology to participating countries to combat health risks.

Climate and disaster resilience

Many countries in the global South have also been accumulating experience and knowledge through adopting sustainable, low greenhouse gas emission and climate resilient development pathways over the past few decades and have been increasing their capacity and willingness to engage in partnerships with other countries. For example, in 2016, environment and disaster risk reduction constituted 16 percent of the 100 projects and 37 actions under Triangular Cooperation initiatives by Ibero-America countries, with Dominica, St. Lucia and St Vincent and the Grenadines as key recipients.¹³⁵ Further, the push to look for regional solutions to address cross-border challenges posed by climate shocks is exemplified by the trans-boundary Benguela Current Commission established jointly by Angola, Namibia and South Africa to manage the Benguela Current Large Marine Ecosystem (BCLME);¹³⁶ given the vulnerability of the coastline the Commission promotes a coordinated and regional approach to ensure the long-term sustainability of this marine ecosystem. Another example of inter-regional cooperation among predominantly solar resource-rich Southern countries, is the India-led International Solar Alliance (ISA). ISA approved nearly USD 28 billion in concessional credits, including about USD 10 billion for approximately 40 African partners, with least developed countries and small island developing States.¹³⁷

Science, technology and innovation

Development cooperation can promote science, technology and innovation towards community based risk-informed development approaches. It can facilitate bilateral and multilateral, North-South and South-South partnerships that help build capacity for STI, including through citizen science. A 2017 UNDESA Survey of Programme Country Governments showed that of the countries providing South-South cooperation, 84 percent in 2017 reported exchanging information on Science, technology and innovation (STI).¹³⁸

For example, the use of telecommunications and virtual technology has resulted in innovative models such as “Telehealth” which promote delivery of healthcare outside or in adjunct to traditional healthcare facilities. A pioneer in implementing telehealth programme through South-South and North-South cooperation is the Commission on Science and Technology for Sustainable Development in the South (COMSATS)¹³⁹ with membership of 27 developing countries. COMSATS has conducted 65,000 medical consultations for patients from marginalized and under privileged using latest ICTs, showcasing how the challenge of equitable provision of healthcare can be met by South-South STI partnerships.

Further, new models of development cooperation among the scientific community, donors and philanthropy are emerging to allow equitable access to COVID-19 tools (Box 2).

Box 2: Access to COVID-19 Tools (ACT) Accelerator¹⁴⁰

The ACT-Accelerator is an innovative global collaboration to accelerate development, production, and equitable access to COVID-19 tests, treatments, and vaccines. The initiative builds on lessons learned from past health crises, such as the Ebola outbreak in West Africa, recognizing the essential need for international development cooperation to coordinate key actors from public and private sectors to save millions of lives and provide equal access to COVID-19 resources as they are developed. Launched in April 2020 by the World Health Organization, France, the European Commission and the Bill & Melinda Gates Foundation, the ACT-Accelerator brings together governments, scientists, businesses, civil society, philanthropists and global health organizations to advance equitable distribution of COVID-19 tools to those most in need, regardless of where they live. Key partners include the Bill and Melinda Gates Foundation, CEPI, FIND Gavi, the Global Fund, Unitaid, Wellcome, WHO, the World Bank and Global Financing Facility. The ACT-Accelerator has four pillars of work: diagnostics, therapeutics, vaccines and strengthening health systems. The USD 5 billion contributed to date has been critical as seed funding for the start-up and early phase of the ACT-Accelerator. Approximately USD 35 billion in additional funding is needed to make the critical shift from “start-up” to “scale up and impact”.

IV. Conclusion

This chapter presents examples of innovative financial tools, notably risk insurance and debt-for-sustainability swaps, that development cooperation actors are adopting to mobilize finance for risk-informed sustainable recovery. The study also introduces the concept of partially guaranteed SDG bonds and calls for the expansion of the SDG-aligned bonds. Additionally, this report calls for development cooperation actors to fully embrace non-financial measures, including through South-South and triangular cooperation, such as knowledge exchange, science and innovation for risk-informed development. An emerging finding is that, while more is being done to address different types of risk, rather than taking a risk-informed approach that can enable countries to adapt to risks in the future. Building on lessons learned from past crises and experiences, there is significant scope for expansion of financial and non-financial innovations in development cooperation - especially through South-South and triangular cooperation – and other modalities – to address systemic risks.

Chapter 4. Strengthening national capacities and systems for risk management and reduction through development cooperation

Understanding the current status of risk-informed development cooperation at the country level requires looking at existing national planning and policy documents, practices and tools that guide sustainable development. This chapter takes a qualitative approach to answering the questions: What actions are countries taking to manage systemic risks at the national level, and what are the challenges? How can development cooperation strengthen country-led efforts to reduce and manage risks? The chapter reflects a broad range of current practices, challenges and lessons learned in addressing risks at the national level. There is no one-size-fits-all approach to addressing systemic risk in development planning and implementation. The analysis here focuses first on countries' policy efforts in the realms of disaster risk reduction (DRR) and climate change action (CCA), as they are among the most widely used and advanced frameworks for reducing and managing risks related to environment at the country level. In focusing initially on progress in DRR and CCA, the chapter brings to the forefront challenges to development cooperation contributions to risk-informed approaches in other key sectors.

I. Country experiences and risk-informed development cooperation: disaster risk reduction and climate change strategies at the national level

Disaster Risk Reduction

While progress in embedding a risk lens into development cooperation has been most notable in the DRR and climate action, this however remains uneven. At the global level, target F of the Sendai Framework calls for a substantial enhancement of international cooperation for developing countries to support their national actions for disaster risk reduction. Target E of the Sendai Framework promotes the development of national and local DRR strategies and plans by 2020.¹⁴¹ One hundred and three countries have a national DRR strategy at some level of alignment with the Sendai Framework.¹⁴² Back in 2015, 94 of the 105 countries reported having legislative and/or regulatory provisions for managing disaster risk¹⁴³

However, the increasing pace of disaster risk is exceeding risk reduction efforts.¹⁴⁴ Most financing for disaster risk reduction has gone to ex-post activities, with less focus on ex-ante measures, such as addressing the underlying vulnerabilities that contribute to disasters and building resilience through strengthened health systems or critical infrastructure.¹⁴⁵ From the reporting on Target F between 2015-2018, it is clear that significant bilateral and multilateral cooperation for DRR has materialized. Yet, according to a recent study of development cooperation for DRR in the African region, countries are challenged with conditions put on resources by donors and some resources are not fully aligned with national priorities.¹⁴⁶ Countries reported that where local technical skills existed, they could be supported and strengthened through development cooperation.¹⁴⁷

Climate Action

Progress in developing long-term national strategies to adapt and mitigate climate risks has been limited and uneven.¹⁴⁸ Nationally Determined Contributions (NDCs) define the trajectory of climate change action at the national level and 192 countries submitted NDCs, making up 96 percent of global greenhouse gas emissions.¹⁴⁹ These nations pledged, as part of the Paris Agreement, to update their NDCs every five years. To date, 106 countries have indicated their intent to enhance their NDCs, with seven (including the Marshall Islands, Suriname, Norway, Moldova, Japan, Singapore, and Chile) have submitted new NDC policies so far.¹⁵⁰ These enhancements are welcome and could serve as useful models for other countries; yet, they represent just 2.8 percent of total global emissions.

The experience of the first round of NDCs showed that limited time, resources, capacities and expertise resulted in challenging compilation of many initial NDCs.¹⁵¹ Additionally, the underlying process did not always foster consistent strategies and action; for instance, while more than three out of four NDCs include adaptation components, in many cases, these components bear no clear relation to the previously introduced national adaptation plans.¹⁵² Importantly, there is insufficient integration of climate change action into national development and sector processes. This represents a missed opportunity to fully harness the co-benefits of the development and climate agendas.

Fewer than one in five DAC members responding to a recent OECD survey indicated that they support developing countries to translate Nationally Determined Contributions (NDCs) into sectoral policies and to establish action plans.¹⁵³ Further, only two development co-operation providers responding to a recent OECD survey reported that they support developing countries to establish integrated approaches to implementing the Paris Agreement and the 2030 Agenda in development plans and processes and in sector policies.¹⁵⁴ For example, the integration of climate change into employment, labour and social policies is a prerequisite to address the challenges of a just transition, including inclusive climate action for marginalised communities and those disproportionately affected by global warming.

Broadly, the lack of government capacity and the inability to absorb financial investments have been cited by some developing countries as the greatest barrier to fully integrating risk management dimensions into policy planning and implementation.¹⁵⁵ Although ODA is supporting developing countries in developing DRR and CCA strategies, tracking this support and its impact on such capacity building remains incomplete at the global level. Further, both developed and developing countries lack capacity to monitor and report total ODA support for risk reduction activities, mainly due to accounting and administrative fragmentation across sectors and levels of government, as well as challenges to data collection and analysis.¹⁵⁶ A two-pronged approach to addressing these issues is needed, focusing on i) improved macro-level data on the risk financing gaps and ii) national and subnational data on addressing systemic risks.

II. The Way Forward: Enabling National and Local Environment for Risk Informed Development

Despite efforts to more systematically integrate DRR and CCA as part of overall efforts towards the 2030 Agenda, very few countries have prepared holistic, long-term risk management strategies, with environmental and natural hazards risks often siloed from broader development and sector planning. This next section aims to offer guidance to decision- and policy-makers at the national and local levels in developing countries by highlighting key tools for integrating multiple risks into planning and budgeting processes that could potentially be supported by more effective development cooperation policies and practices. Critical enablers of effective development cooperation will have an important role to play in this regard.¹⁵⁷

Enable integrated approaches to manage risks in national planning processes

Reducing existing risk and preventing the creation of new risk requires incorporating more integrated risk assessments and management approaches into national sustainable development strategies (NSDS) and integrated national financing frameworks (INFFs). When designed with a risk lens, these tools will not only help countries maintain sustained progress on long-term priorities in the face of short-term and sudden shocks; they can also help to align development cooperation in support of risk-informed development.

Box 3: Best practice in Integrated Risk-sensitive National Development Planning in Sri Lanka¹⁵⁸

Integrated Disaster Resilience Framework (IDRF) is an innovative, holistic model of risk-sensitive national development planning and implementation that integrates disaster and climate risk reduction strategies in the long-term development planning at state, divisional and village levels, across all sectors, in the Northern Province of Sri Lanka (2013–2016). IDRF has been piloted by DIPECHO (Disaster Preparedness project of European Commission Humanitarian Office). A scale/marker/score/index measures and compares the risk-sensitive development in village or division level to enable policy decision makers to make informed decisions for further development investment. Risk-sensitive development planning was initiated at the state, divisional and village levels through joint, multi collaboration among state, local authority, and key community stakeholders in disaster management and development.

Integration of risk reduction and management in national sustainable development strategies can capitalize on existing DRR and CCA planning processes (e.g. national action plans and strategies)—and lessons learned from their design and implementation. This would ensure structural integration, through strategic, conceptual, institutional, operational and financial coherence. It would help enable decision makers to contend with diverse threats to sustainable development, while laying the groundwork for development progress that can withstand the impact of risks that are unforeseen. (Box 3)

Funding for risk management can be leveraged to increase coherence among all risk fields. The allocation of funds according to an overall common objective such as increasing resilience can incentivize communities from all risk fields to coordinate around a common goal (Box 4). In addition, clarifying mandates, roles and responsibilities and coordination arrangements through legal frameworks, policies and strategies can support the establishment of strong coordination mechanisms.

To attract better aligned development cooperation, countries could ensure that their National Development Cooperation Policies (NDCPs) reflect the risk considerations that have informed their national sustainable development strategies and integrated national financing frameworks (INFFs). NDCPs and strong country results frameworks can thus support alignment of international and domestic resources with the risk priorities and integrated approach articulated in the country's national strategy.

National development cooperation forums (NDCFs) could foster an integrated approach for risk management by facilitating dialogue among those responsible for respective DRR, CCA and sustainable development tracks within government and its international and domestic partners and stakeholders in development cooperation. These forums can also engage essential partners from local communities and the scientific and academic sector, which can bring resources (e.g., expertise; data and information) to help countries make risk-informed decisions and adopt more innovative solutions. Diverse public participation in such planning processes will ensure strong ownership of risk-sensitive development planning. In this way, development cooperation can help break the siloes between multiple development actors and organizations that historically limit risk management. It can institutionalise links between risk management and development programming for both international and national partners in development cooperation.

Box 4: Good practice from Zimbabwe: The Resilience Building Fund¹⁵⁹

The ZRBF funds interventions aiming at achieving increased capacities of communities to withstand shocks and stresses, which includes DRR and CCA activities. The ZRBF interventions falls under the Resilience strategic framework for Zimbabwe developed in 2015 and designed to be responsive to various national policies and statutes including the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIM-ASSET), National Climate Change Response Strategy (2015) and the Civil Protection Act (1989) (Zimbabwe Resilience Building Fund, s.d.). The ZRBF is also designed to address the SDGs, Paris Agreement and Sendai Framework. In terms of governance, the Steering Committee is responsible for making policy decisions, and guide the implementing partner in the execution of the projects. It is a multi-stakeholder mechanism which includes the Ministry of Agriculture, Ministry of Local Government, Food and Nutrition Council, Ministry of Public Service, and development partners (UNDP, EU, DFID, Sweden).

National development cooperation forums can convene to discuss methodologies on how to mark the different programmes and projects related to systemic risk reduction and where the areas of convergences lie. Intersectoral dialogue, consensus exercises and participatory methods should be applied to reach an agreement with external partners, while Ministries of Finance and Planning lead efforts to bring coherence among all risk practices through budget planning and expenditure reviews. This can contribute also to increasing domestic sources for funding risk fields and building resilience.

Enable a unifying government platform and centralized platform and data system for risk governance

Poor risk governance has also historically limited the potential impact of risk management.¹⁶⁰ Limited experience and/or capacities for risk management in the public sector institutions in both developed and developing countries, and the lack of a natural or centralised ‘home’ for risk management in governance structures, mean that many Government Ministries frequently have a mandate to manage a narrow set of threats and risks. For example, a health ministry may focus on common health risks, but it may be more challenged to address new technological threats to healthcare, such as the hacking of medical records and hospital systems. Inter-agency coordination on risk reduction may also be inadequate. In one case studied, Philippines had put in place an ambitious combination of laws and initiatives on risk management; however, lack of coordination resulted in overwhelming local governments with dozens of different – and largely uncoordinated — risk-related directives covering a range of sectors and themes. These tended to slow planning and decision-making.¹⁶¹

A unifying government platform for risk management will provide the capacity for government to act on demands posed by an array of complex risks. Such a centralised decision-making body, ideally with sufficient political authority, can integrate different forms of risk analysis and risk management approaches that are currently fragmented amongst different line ministries and technical agencies. It has responsibility and oversight of apex intergovernmental co-ordination mechanisms, a primary role in initiating transformative policy reforms, and the ability to pursue integration opportunities within and across different sectors. It will also help establish the management and financial control structure that promotes accountability and good governance, all important for the development of long-term sustainable development pathways. Moreover as a one-stop shop, central units can channel and manage concessional funds into all risk categories by supporting prioritization of risks in public financial management systems.

Risk assessments are fundamental for risk-informed planning. They need to be comprehensive, and require a robust governance framework, with agreed definitions and rules, to ensure consistent and reliable outcomes.¹⁶² A centralised risk dataset and geographic information system (GIS) system, connected to local, national and regional “Early Warning and Alert” systems, can also motivate a multi-hazard engagement for managing risk. These datasets could merge different national exposure and risk modelling exercises for a range of hazards. They could also usefully be connected to a database measuring economic losses due to shocks for the full array of risks including disease control, infectious disease or frequent low impact events, such as annual, normal flooding.

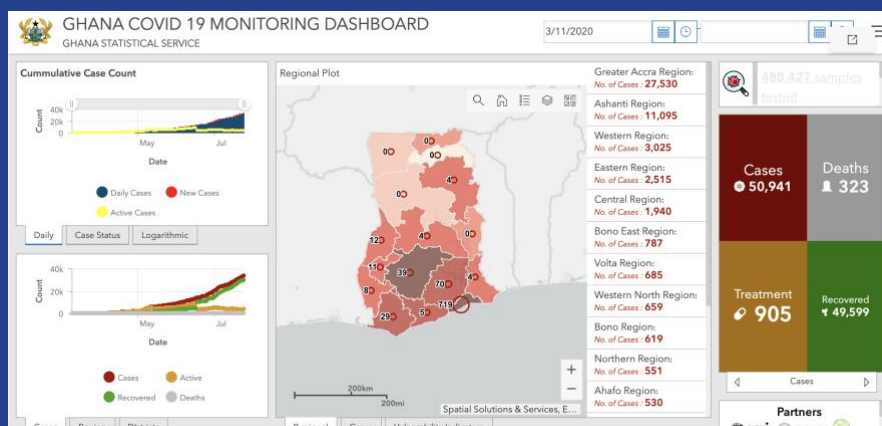
Significant efforts are already under way to strengthen national climate-related data collection through initiatives by the World Meteorological Organization, as well as other types of data, for example under the Sendai Framework and The PREVIEW Global Risk Data Platform.¹⁶³ Further initiatives are needed to assist national governments in developing, implementing and maintaining data for multiple indicators including socioeconomic, health, energy and water and land use.

Development Cooperation Information Systems (DCIS) track expenditures related to international development cooperation (e.g. development assistance databases, aid information management platforms or other mechanisms) and capture the financial flows from development cooperation partners. The advantage of DCIS is that it assists countries in improving the transparency and management of development cooperation through information on disbursement, allocation, use and monitoring and evaluation of international development cooperation.¹⁶⁴

Already, countries are reporting on national data and the interplay between national and international sources in financing for COVID-19 through DCIS. There is room to upgrade and redesign DCIS to cover all risk categories. Broadening the scope of DCIS can improve not only data quality but also the quality of risk analysis to enable proper evaluation of potential development cooperation policies, programmes and activities to reduce risks (and capitalise on opportunities) and avoid risk creation. Importantly, macrolevel data on the risk financing gaps at global level, and national and subnational data can be compiled through such improvements in reporting. (Box 5)

Box 5: Ghana's COVID-19 Data Hub ¹⁶⁵

Building on its second National Strategy for the Development of Statistics (NSDS 2 (2018-2022)), Ghana has placed focus on better coordinated national statistical systems that provides quality, reliable and timely data. The success of its strategy was evident in the building of the Ghana's COVID-19 Data Hub, launched on 30 March 2020. Ghana's Statistical Service developed new ways of collecting data, including through mobile networks and drones, which also reflected vulnerable populations in rural areas of the country. Partnerships with different technology providers enabled the government to build a visual data dashboard for both the general public and policy practitioners to understand the state of the pandemic across the country. The data facilitated evidence-based decision making by the government, including on lockdowns and safe reopenings. Based on the model used by Ghana, through South-South and triangular cooperation and in collaboration with the UN Economic Commission for Africa and Global Partnership for Sustainable Development Data, the model has been scaled across Africa to share best practices, identify opportunities for partnership and build data and statistical capacities across the region towards similar data-driven risk management approaches.



To support country efforts to manage systemic risks the United Nations Office for Disaster Risk Reduction (UNDRR) has developed a Global Risk Assessment Framework (GRAF), which is currently being piloted in five countries. GRAF will help countries to systematically assess multiple risks and reveal the interlinkages, correlations and dependencies of multiple risks across systems to enable decision makers to act and manage them. There is significant scope for development cooperation to play a role in the GRAF, given its explicit focus on building capacities of and supporting local, national, subnational and regional actors, as well as linking to non-State actors, including the private sector and financial institutions to better manage uncertainties through innovation and finance. Furthermore, there is significant opportunity for the GRAF to work with other national planning tools such as NDCPs, NSDS and INFFs to ensure that systemic risk perspectives are built across planning and financing strategies.

Strengthen public finance and budgeting capacities to build resilience

Integrated national financing frameworks (INFFs) that embed risk reduction strategies should pave the way for increased investment in risk-informed sustainable development. Currently most countries do not track investments and expenditures on risk categories per se. DRR is mostly funded through sectorial budgets (health, environment, education, agriculture, etc.) and by Ministries which operate independently from the lead agency in DRR.¹⁶⁶ Risk management criteria can be part of the annual budget allocation process within the Ministry of Finance and/or Budget. It is also important to provide a 'tagging and tracing' methodology that allows government to understand what projects contribute to risk management and reduction, and to track and calculate allocated funds.¹⁶⁷

Monitoring data show that developing countries are making steady progress in strengthening public financial management (PFM) systems, with the strongest gains relating to aspects of budget formulation.¹⁶⁸ However, most countries have not integrated disaster risk reduction and management into

their PFM systems.¹⁶⁹ Continued effort is needed to bring together the relevant actors towards more effective incorporation of risk considerations into public financial management, and integrated national financing frameworks are one tool in this regard.¹⁷⁰

There is scope for increasing the use of developing countries' PFM systems and building the requisite capacities through international development cooperation, as referenced in Chapter 2. However, improvements in developing countries' public financial management do not necessarily determine greater use of these systems by their partners. Evidence shows that the longer development cooperation partners work with developing countries and the larger the share they channel to the public sector, the more they tend to use the public sector's financial management systems.¹⁷¹ By supporting these systems and related capacities, development cooperation can help countries to access and manage concessional funds for diverse risks. For example, development cooperation in support of strengthening risk management practices in developing countries could be prioritized and channelled through PFM systems and, in the process, increase efficiency and accountability through parliamentary oversight.

The case of Ghana's risk-sensitive budget shows how the OECD-DAC DRR Policy Marker provides methodologies to monitor development finance flows that target the objective of the Sendai Framework. Similarly, the OECD Marker for the Rio Conventions – biodiversity, climate change and desertification – can be used for tracking budget allocations. Such efforts should be complemented by Risk Sensitive Budget Reviews (RSBR); this would allow for comparing the actual level of investment in all risk categories, including DRR and CCA. RSBR are one important exercise to identify allocations related to DRR and CCA and should provide the elements to mobilize the needed allocations to advance in systemic risk reduction.¹⁷²

Leverage multi-stakeholder partnerships to catalyse finance and create a culture that values risk-informed action

Evidence at country level shows that even if excellent DRR strategies were developed they were not implemented because a country either lacked the resources, political support or adequate stakeholder awareness.¹⁷³ Multinational organisations and businesses are highly exposed to risks and shocks in developing countries and thus have strong incentives to mitigate risks. Encouraging private sector involvement in strengthening risk management can boost business confidence, inspiring foreign businesses and banks to increase their investments, bringing with them jobs and other economic benefits. Building on their public orientation and ability to leverage private finance, public development banks operating at local, national and regional levels can play a bigger role in the necessary sustainable development transition by prioritizing – and building the tools and capacities for – long-term, low-carbon initiatives.¹⁷⁴

As an example of leveraging the expertise and resources of diverse stakeholders, the Cities Development Initiative for Asia¹⁷⁵ – a partnership launched by Germany and the Asian Development Bank – has attracted additional development cooperation partners in funding infrastructure development and resilience in Asian cities. The initiative helps to connect city governments with different financing streams including those from development banks, national governments, private-public partnerships and green climate funds.

National development cooperation forums (NDCFs) engaging diverse stakeholders – national governments, NGOs, international partners, multinational development banks, civil society, philanthropy and the private sector – can help foster a culture that values risk-informed action. They can facilitate multi-stakeholder partnerships to advocate risk management in national and local policy planning processes more broadly.

III. Conclusion

Few countries have prepared holistic, long-term risk management strategies, with risks often siloed from broader development and sector planning. Moreover, process and capacity limitations in many

developing countries constrain the integration of risk-informed decision-making into all levels of development planning and delivery processes. In response to these challenges, the study proposes the following action areas for consideration by both developing countries and their development cooperation partners:

Policies should be harmonized across diverse risk fields (i.e. disaster risk reduction, climate change adaptation, Sustainable Development Goals) by integrating systemic risk management approaches into national sustainable development strategies. Development cooperation has a role to play in strengthening such strategies in the first instance, as well as supporting their implementation, monitoring and review. This will enable a shift in not only paradigm but also practice: from managing disasters to managing and reducing risks and from ‘short-term mode’ of risk management to long-term sustainable development planning.

Strengthened and redesigned National Development Cooperation Policies (NDCPs) and country results frameworks – rooted in developing countries’ national sustainable development strategies – can better reflect the country’s vision, priorities and activities and encourage more risk-informed development cooperation. This allows ODA, external finance and capacity support from the various development cooperation partners to be better aligned with and effectively mobilized around common objectives, with more sustainable impact.

Developing countries’ capacities for the design, implementation and review of fiscal, financial and related policies that reduce risk and build resilience should be strengthened. The COVID-19 crisis has revealed the importance of financing for sustainable development in addressing short-term challenges in ways that sustain and even propel on achieving long-term objectives. Risk considerations should be embedded in country-led strengthening of public financial management systems and tools such as Risk Sensitive Budget Reviews (RSBR). The pandemic is an opportunity to put in place more effective fiscal, financial and related policies and reforms – including through Integrated National Financing Frameworks – that accelerate the achievement of the SDGs and build resilience in the face of current and emerging risks.

Agile and responsive public institutions and platforms, driven by relevant and timely data, should help integrate risk information into policy and planning.¹⁷⁶ An effective centralised body for risk management can unify different line ministries and improve risk governance. Correspondingly, strengthened national data and information systems at all spatial and temporal scales are a critical priority for development cooperation, including through improved production and use of administrative data sources for statistical purposes and drawing on the range of innovations in geographic information systems, climate systems and related initiatives, such as the Global Risk Assessment Framework.

Development Cooperation Information Systems (DCIS) can improve budget allocation and accountability necessary for effective risk management, which will require significant capacity support from development cooperation partners. This is especially critical and will need to be stepped up given the increasing complexity of risk – and simultaneously, of data – both of which could challenge the analysis of data and information in informing risk management and preparedness.¹⁷⁷

Multi-stakeholder partnerships involving businesses and civil society should be further leveraged to mobilize the needed resources and expertise for building resilience. In developing countries, these development cooperation actors are highly exposed to risks and shocks, and thus have strong incentives to contribute to risk mitigation and adaptation efforts. It will be very difficult to achieve long-term resilience without their collaboration in strengthening risk management within developing countries. Multi-stakeholder peer-learning exchange platforms, such as National Development Cooperation Forums, can review information and identify opportunities to harmonize policy, catalyse finance and strengthen monitoring and evaluation (M&E) frameworks and address capacity gaps.

Chapter 5. Key Messages and Recommendations

The COVID-19 pandemic has thrown open a new challenge to the global society – to improve understanding of the dynamic and systemic nature of risks and to strengthen and overhaul risk management approaches accordingly. Crucially, the pandemic has created an opportunity for a fundamental shift in international development cooperation towards a more risk-informed sustainable development pathway.

International development cooperation must better respond to and prepare for current and emerging risks to sustainable development. The COVID-19 response and recovery should be used as an opportunity to learn lessons that can be incorporated into new, more risk-informed development cooperation policies and practices. More effective development cooperation will always be country-led, with States bearing the primary responsibility for preventing and reducing risks against a backdrop in which many risks are systemic and require bilateral and multilateral cooperation. Development cooperation actors should fully embed and practice risk-informed approaches to development cooperation, including through enhanced risk management that better reflects a shared understanding of the challenges and opportunities faced by Governments and public sector entities in diverse country contexts.

Although countries have made progress in designing and implementing national sustainable development strategies (NSDS) to achieve the 2030 Agenda, many of these do not sufficiently account for multiple, complex threats and dynamic risks, nor are they resilient to them. Not adequately addressing these risks has the potential to undermine development gains and the effective pursuit of the 2030 and Addis Agendas, Paris Agreement and Sendai Framework at the national level.

Recommendations

- Better account for systemic risks, opportunities and uncertainties in national planning processes such as National Sustainable Development Strategies (NSDS) and Integrated National Financing Frameworks (INFFs), capitalizing on existing capacities and building on relevant, existing DRR and CCA planning processes.
- Building on risk-informed NSDS, strengthen and redesign National Development Cooperation Policies (NDCPs) to contribute to better understanding of the risk landscape and alignment of development cooperation resources.
- NDCPs should employ a risk-based decision framework, using risk appraisals and monitoring and evaluation tools. The sharing of lessons learned and evidence of the benefits of risk-informed approaches to sustainable development should inform these efforts.

ODA will be pivotal in driving risk-informed sustainable development pathways and building resilience, especially in countries in special situations. A key finding of this study is that the current ODA policies and practices do not sufficiently consider systemic risks. Consequently, policy markers for risk fields are restricted to disasters and climate change; even these are not well defined or applied consistently. For this reason, this study recommends the introduction of a “resilience” marker to enable explicit assessment and monitoring of ODA’s contribution towards addressing global risks.

The proportion of ODA supporting environmental and natural hazard risks has increased over time. However, evidence suggests that its effectiveness is challenged by donor-driven approaches and weak capacities in developing countries. At the same time, COVID-19 has resulted in a “fire-fighting” mode on the part of some governments and development cooperation partners. Further, the use of ODA towards managing risks is often ad-hoc, unpredictable and short-term.

Recommendations

- Safeguard ODA for the poorest countries (LDCs, SIDSs, LICs), as well as those in debt distress and in fragile contexts.

- Rebalance ODA sectoral allocations by investing in preparedness – such as crisis prevention and planning, climate change adaptation, epidemic and pandemic prevention – driven by country needs and priorities.
- Establish a “resilience” marker to boost ODA allocation for all risk fields and enable explicit assessment and monitoring of ODA’s contribution towards addressing global risks.
- Redefine the contribution of ODA to addressing global health risks, especially in support of SDG 3, target D, by including pandemic preparedness¹⁷⁸ and strengthening health systems as separate items under the Creditor Reporting System of the OECD.
- Champion the design of an innovative debt measure – a large scale, multi-stakeholder fiscal push – highlighting the newer development cooperation modalities, South-South and triangular co-operation and principles of effectiveness and ownership, potentially helmed by the G-24.
- Enhance ODA in support of strengthening developing countries’ core financial and fiscal capacities in areas such as domestic resource mobilization, public financial management, data and statistical systems and debt management, which are fundamental for building long-term resilience to potential risks and shocks.
- Streamline and simplify application and management procedures for climate finance to promote easy access to global climate funds by developing countries.
- Share best practices, lessons learned and evidence of the benefits of risk-informed approaches to development cooperation by establishing communities of practice with actors from across the relevant policy, technical, operational and quality control entities.

In a context of heightened global economic and financial uncertainty, both financial and non-financial innovations for risk and resilience can support developing countries. Innovative debt instruments can create fiscal space to ringfence investments for risk-informed development. SDG-aligned bonds and risk financing and insurance can also generate funding for risk-informed sustainable recovery with the appropriate financial regulations and safeguards in place. Development cooperation in the area of science, technology and innovation hold lessons for development cooperation partners, including ODA providers, on how to support risk-informed sustainable development in developing countries. Stronger engagement of different stakeholders, such as the private sector as well as scientific and academic actors, can provide important resources (i.e. information, technology) to help countries make better risk-informed decisions and adopt innovative solutions.

Although innovative tools for risk-informed development cooperation are showing results, they can also be complex for developing countries with limited capacities and uncoordinated in their use. Stronger developing country capacities to employ such innovations and absorb financial investments will lower the barrier to fully integrating risk management dimensions into policy planning and implementation, as well as increase the impact of these tools on sustainable development.

Given the context of the pandemic and the climate crisis and the need to adapt development cooperation urgently, the study proposes a big push in building the national capacities of developing countries to adopt effective policies to prepare for anticipated and unanticipated risks, and lock-in sustainable development gains. The 2030 and Addis Agendas, Paris Agreement and Sendai Framework together provide set of normative and policy frameworks in which such capacity support can be scaled up.

Recommendations

- Linking nationally determined contributions (NDCs) to long-term mitigation strategies could ensure efficient use of resources and is crucial for responding to climate change amidst, and following, the COVID-19 crisis.
- Policies could be harmonized across diverse risk fields (i.e. DRR, CAA, SDGs) by integrating systemic risk management approaches into NSDS. Development cooperation has a role to play in strengthening such strategies in the first instance, and in their implementation, monitoring and review.
- In support of new/updated NSDS, strengthen and redesign National Development Cooperation Policies (NDCPs) and country results frameworks to better reflect the country’s vision, priorities

and activities and encourage more risk-informed development cooperation. This helps to align ODA, external finance and capacity support from the various development cooperation partners with the systemic risk management approaches, and broader development objectives, of developing countries.

- Build developing countries' capacities for the design, implementation and review of fiscal, financial and related policies that reduce risk and build resilience. The pandemic presents an opportunity to embed risk management into fiscal and financial policies– including through INFFs.
- Strengthened national data and information systems and capacities should be prioritized within risk-informed development cooperation, leveraging the use of administrative data for statistical purposes and drawing on the range of innovations in different data and statistical sources and tools, which can help fill gaps in the data available to policy and decision makers and help to address emerging risks and challenges.
- In strengthening Development Cooperation Information Systems (DCIS), focus not only on improving the quality of data but also the quality of risk analysis to enable proper evaluation of potential development cooperation policies, programmes and activities to reduce risks (and capitalise on opportunities) and avoid risk creation.
- By increasing efforts to increase stakeholder engagement in national development cooperation forums (NDCFs), developing countries could facilitate greater cohesion among diverse development actors in support of more risk-informed development cooperation. This requires reinforcing efforts to engage all relevant ministries, domestic actors, beneficiaries, as well as the various international development cooperation partners.

The wide-ranging impact of COVID-19 and systemic risks, such as climate change, have underlined the importance of risk management for national sustainable development and the means of implementation. If governments fail to account and plan for such risks, the consequences of future shocks will continue to undermine progress on the SDGs. Given the increasingly complex risk landscape and the scope of resources and expertise required, international development cooperation will need to become more risk-informed too. Strengthening the national capacities of developing countries to manage and reduce risks and supporting their progress on the SDGs are important drivers of resilience. As a unique resource targeting the poorest and most vulnerable countries, ODA should more effectively foster the policy, institutional and behavioural change to help build resilience.

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⁴² Many resource tracking exercises have estimated the value of ODA for specific diseases, including malaria, tuberculosis, pneumonia and diarrhoea, and HIV; for neglected tropical diseases and other groups of diseases; for mental health, newborn health, and reproductive health, see Catherine Pitt et al., 2018.

⁴³ How these disbursements affected total health spending in low-income and middle-income countries remains unclear. In some cases, this disbursement might prop up domestic spending and hide the true amount of spending that is being financed domestically. In other cases, development assistance could have crowded out or

replaced government spending that would have otherwise existed. Because development assistance for health is not always predictable and sustainable, ongoing maturation of domestic prepaid financing is important. See [Global Burden of Disease Health Financing Collaborator, 2017](#).

⁴⁴ [Global Burden of Disease Health Financing Collaborator, 2017](#), p1997. Based on development assistance for health recorded by OECD, the World Bank, the Global Fund, Gavi, and the Bill & Melinda Gates Foundation.

⁴⁵ [Development Initiatives, 2020](#).

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⁵³ Development cooperation in support of epidemics control is difficult to track. A key issue is the definition of preparedness – which varies from a narrow lens on “epidemics prevention and response” to a much broader concept of “whole-of-government readiness”; with the sectoral approach “robust health systems” in between.

⁵⁴ OECD, *Climate Finance Provided and Mobilised by Developed Countries in 2013-17*, 2019.

⁵⁵ UN Financing for Sustainable Development Report, 2020, citing OECD..

⁵⁶ UNFCCC, 2018.

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⁵⁸ OECD, *Climate Finance Provided and Mobilised by Developed Countries in 2013-17*, 2019.

⁵⁹ Ibid.

⁶⁰ Buchner et al., 2019, p25. For analytical purposes, the researchers grouped Korea, Israel and Japan together as a cluster, even though they do not constitute a region or sub-region.

⁶¹ OECD, 2016.

⁶² UNDESA, *Financing for Sustainable Development Report, 2020*.

⁶³ OECD, “Revision of the Reporting Directives: Sections Relating to the Approved SDG Focus Field and Changes to Policy Markers and Types of Aid.” 2018.

⁶⁴ UNISDR, 2019, vii.

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⁶⁹ UNDESA, *World Economic Situation and Prospects 2020*, 2020, xi.

⁷⁰ Development Initiatives, *How is aid changing in the COVID-19 pandemic?* 2020.

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⁷⁴ UNCTAD (2019) citing Salifu and Abdulai (2018).

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⁷⁸ UN (2020) SDG Progress Report.

⁷⁹ Tew et al 2020, Development Initiatives based on OECD DAC and IMF WEO data

⁸⁰ Outstanding amount of those actual current, and not contingent, liabilities that require payment(s) of principal and/or interest by the debtor at some point(s) in the future and that are owed to non-residents by residents of an economy ([IMF, 2014](#)).

⁸¹ Chinese economy accounted for 20 percent of total external debt stocks of developing and transition economies and 37 percent of their combined GDP in 2019 (UNCTAD).

⁸² <https://www.brookings.edu/blog/future-development/2020/04/13/what-to-do-about-the-coming-debt-crisis-in-developing-countries/>.

⁸³ Publicly guaranteed debt (PPG) is an external debt liabilities of the private sector, the servicing of which is contractually guaranteed by a public unit resident in the same economy as the debtor (IMF, 2014). Unless

otherwise indicated, only long-term debt (maturity of more than one year) is included. PPG debt ratio in Sub-Saharan Africa jumped drastically from a low point of 3.3 percent in 2011 to an estimated 18.2 percent in 2019 (ibid).

⁸⁴ <https://sdgpulse.unctad.org/debt-sustainability/>

⁸⁵ United Nations, *Financing for Sustainable Development Report*, 2020.

⁸⁶ OECD, *Development Co-operation Profiles: Trends and insights on development finance*, 2020.

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⁹² Ibid.

⁹³ Guillaumont et al., 2014.

⁹⁴ United Nations, *Financing for Sustainable Development Report*, 2020.

⁹⁵ Opitz-Stapleton, 2019, p41.

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⁹⁷ BloombergNEF. See: <https://www.bloomberg.com/professional/blog/sustainable-debt-market-sees-record-activity-2018/>.

⁹⁸ Ibid.

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¹⁰⁰ Günther Thallinger and Nick Robins, “Post-Covid recovery packages must quicken the pace to net-zero carbon emissions,” London School of Economics (LSE) Commentary, April 23 2020.

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https://www.un.org/development/desa/financing/sites/www.un.org.development.desa.financing/files/2020-09/GISD%20Alliance_COVID-19%20bonds%20call%20to%20action_28%20Aug.pdf

¹⁰⁸ Pinzón, Alexandra, Nick Robins and Mike Hugman, “How could sustainable finance help avoid an emerging market sovereign debt crunch?” London School of Economics (LSE) Commentary, May 26, 2020.

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¹⁰⁹ Ibid.

¹¹⁰ Ibid.

¹¹¹ Other examples include the IFC’s new Breathe Better Bond Initiative, an emerging market municipal bond that invests in urban infrastructure projects that reduce both air pollution and greenhouse gas emissions, with tied-in technical assistance and financial incentives to support city governments. The Breathe Better Bond’s is unique in that it combines a results based payment feature, as well as thorough technical assistance in its air pollution focus.

¹¹² InsuResilience Global Partnership, see: <https://www.insuresilience.org>.

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<https://www.gfdrr.org/sites/default/files/GRiF%20Information%20Sheet.pdf>.

¹¹⁴ UNISDR, *The 2019 Global Assessment Report on Disaster Risk Reduction*, 2019.

¹¹⁵ Ibid.

¹¹⁶ Martinez-Diaz et al., September 2019.

¹¹⁷ Bascunan, Felipe Larrain, Dominic Molloy and Berend Sauer, “3 steps to ensure the COVID-19 economic crisis does not harm climate adaptation plans,” Global Commission on Adaptation, 2020, <https://gca.org/solutions/3-steps-to-ensure-the-covid-19-economic-crisis-does-not-harm-climate-adaptation-plans>.

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¹¹⁹ These are based on the model of debt-equity swaps - in which private sector interests buy discounted debt and exchange it for local currency investments in the indebted country. While debt-for-equity swap is used to generate profits for the investor a debt-for-nature swap does not seek profit, but rather to provide additional funds for conservation activities within a country. The debt-for-nature swap differs in that there is no transfer of ownership or repatriation of capital to a foreign investor. The rationale of debt swaps is that debt can be acquired at a discount. When creditors do not expect to recover the full nominal value of debts, they may be willing to accept less. In exchange for (partial) cancellation of the debt, the debtor government is prepared to mobilise the equivalent of the reduced amount in local currency for agreed purposes on agreed terms. See: <https://www.oecd.org/env/outreach/debt-for-environmental-swaps.htm>.

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¹²¹ World Bank, “Seychelles launches World’s First Sovereign Blue Bond,” October 29, 2018.

¹²² Philippines and Ecuador are good examples of debt-for-nature swaps where they have generated substantial funding for conservation and helped catalyse new institutions, and indirectly by providing lessons for conservation trust funds and other institutional reforms that can foster participation from diverse sets of stakeholders ranging from national monetary officials to grassroots community organizations but with limitations.

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¹²⁶ Cassimon et al., 2008.

¹²⁷ Ibid.

¹²⁸ Gloria Pallares, “Global Fund relaunches debt-to-health swaps after six-year hiatus”, *Devex*, November 29, 2017, see: <https://www.devex.com/news/global-fund-relaunches-debt-to-health-swaps-after-six-year-hiatus-91642>.

¹²⁹ UNDESA, “FSDO Policy brief on debt,” see: <https://www.un.org/development/desa/dpad/publication/un-des-a-policy-brief-72-covid-19-and-sovereign-debt/>.

¹³⁰ IMF, *State-contingent debt instruments for sovereigns*, 2017.

¹³¹ Opitz-Stapleton et al., 2019, p45.

¹³² Also see [General Assembly Resolution 68/304](#) adopted on 29 December 2014 - “Towards the establishment of a multilateral legal framework for sovereign debt restructuring processes.

¹³³ PAHO serves as its technical secretariat. See www.paho.org/relacsis/index.php/en.

¹³⁴ <https://www.paho.org/en/news/2-7-2020-new-report-outlines-pahos-extensive-emergency-steps-response-covid-19-pandemic>

¹³⁵ [Report on South-South Cooperation in Ibero-America 2018](#), page 19.

¹³⁶ <https://www.benguelacc.org/index.php/en/>

¹³⁷ United Nations, Report of the Secretary-General on the role of South-South cooperation and the implementation of the 2030 Agenda for Sustainable Development: Challenges and opportunities (A/73/383), para. 81.

¹³⁸ Ibid.

¹³⁹ Commission on Science and Technology for Sustainable Development in the South (COMSATS), see: <http://comsats.org>.

¹⁴⁰ WHO, see: <https://www.who.int/initiatives/act-accelerator>.

¹⁴¹ UNISDR, *The 2019 Global Assessment Report on Disaster Risk Reduction*, 2019, p315.

¹⁴² United Nations General Assembly, [A/73/268](#), 2018.

¹⁴³ Hyogo Framework for Action 2005–2015: Building the Resilience of Nations and Communities to Disasters (HFA). The adoption and implementation of HFA marked a milestone in catalysing national and local efforts to reduce disaster risk and in strengthening international cooperation through the development of regional strategies, plans and policies, and the creation of global and regional platforms for disaster risk reduction (DRR), as well as the adoption by the United Nations of the United Nations Plan of Action on Disaster Risk Reduction for Resilience. (UNISDR, 2019, p26.)

- ¹⁴⁴ United Nations, General Assembly, A/75/226, July 23, 2020.
- ¹⁴⁵ United Nations Office for Disaster Risk Reduction, Global Assessment Report on Disaster Risk Reduction 2019 (Geneva, 2019).
- ¹⁴⁶ van Niekerk, 2020.
- ¹⁴⁷ Ibid.
- ¹⁴⁸ In light of the 2018 IPCC special report Global Warming of 1.5°C (IPCC SR1.5); (IPCC et al., 2018); (IPCC, 2018). Low greenhouse gas emissions strategies (LTSs) is another overarching tool to define climate change action at the country level. While many countries have begun developing low greenhouse gas (GHG) emissions strategies (LTSs) for submission by 2020, only 13 have submitted them to date. Only four are by countries (e.g., Benin, Marshall Islands, Mexico and Ukraine) that are eligible to receive official development assistance (ODA) (UNFCCC, 2019), and a recent survey of policy makers indicates that progress on LTSs remains limited (van Tilburg et al., 2018).
- ¹⁴⁹ Watkiss, Camilla. “Seven countries submit new 2020 national climate plans (NDCs),” Climate Action, April 20, 2020, <https://www.climateaction.org/news/seven-countries-submit-new-2020-national-climate-plans-ndcs>.
- ¹⁵⁰ Ibid.
- ¹⁵¹ Current NDCs were largely developed before the adoption of the Paris Agreement, which meant targets, actions and measures were developed in the abstract and with limited certainty regarding the rules and guidelines of the new global climate regime (Fransen et al., 2017).
- ¹⁵² GIZ, 2017.
- ¹⁵³ OECD, *Aligning Development Co-operation and Climate Action: The Only Way Forward*, 2019.
- ¹⁵⁴ Ibid.
- ¹⁵⁵ UNDP/UNEP, 2011; Mogelgaard et al., 2018; Mitchell, 2013, p23.
- ¹⁵⁶ UNDRR’S Data Readiness revealed that only 38% of Member States (33 out of 86 participating countries) would be capable of reporting on Indicator F-1: “Total official international support (official development assistance (ODA) plus other official flows), for national disaster risk reduction actions”; similar or lower numbers were reported for other indicators. For example, only 23% stated they would be able to report Indicator F-4: “Total official international support (ODA plus other official flows) for the transfer and exchange of disaster risk reduction-related technology”. (UNISDR, 2019, p256.)
- ¹⁵⁷ UNDESA, *DCF Survey Study*, 2020.
- ¹⁵⁸ <https://www.sciencedirect.com/science/article/pii/S2590061719300511>
- ¹⁵⁹ UNDRR, 2020, p55.
- ¹⁶⁰ Risk governance is defined as actions, processes, traditions and institutions by which authority is exercised and decisions are taken and implemented for identification, assessment and management of risks. See: <https://irgc.org/risk-governance/what-is-risk-governance/>.
- ¹⁶¹ Mitchell, 2013.
- ¹⁶² Ibid, p43.
- ¹⁶³ Global Risk Data Platform, See: <https://preview.grid.unep.ch/>.
- ¹⁶⁴ UNDESA, *DCF Survey Study 2020? Or World Economic Situation and Prospects 2020?*
- ¹⁶⁵ Ghana Statistical Service. ArcGIS StoryMaps. See: <https://storymaps.arcgis.com/stories/b3a258cdc3634260ac8bb1c72d93200b>.
- ¹⁶⁶ UNDRR, 2020.
- ¹⁶⁷ Mitchell, 2013:38
- ¹⁶⁸ OECD/UNDP, 2019.
- ¹⁶⁹ UN, *Financing for Sustainable Development Report*, 2019.
- ¹⁷⁰ Ibid.
- ¹⁷¹ OECD/UNDP, 2019.
- ¹⁷² UNDRR, 2020:70
- ¹⁷³ Jackson et al., 2019; UNISDR, *Global Assessment Report 2015*, 2015.
- ¹⁷⁴ Marodon, 2020.
- ¹⁷⁵ Cities Development Initiative for Asia (n.d.) website, see: <https://cdia.asia/>.
- ¹⁷⁶ Navid Hanif, “Build back better with risk-informed development cooperation,” Development Initiatives, May 5, 2020. <https://devinit.org/blog/build-back-better-risk-informed-development-cooperation/>
- ¹⁷⁷ Sachs, Rainer. “Risk Management for Sustainable Development”. Briefing Paper for UNDESA. 2020.
- ¹⁷⁸ Development cooperation in support of epidemics control is difficult to track. A key issue is the definition of preparedness – which varies from a narrow lens on “epidemics prevention and response” to a much broader concept of “whole-of-government readiness”; with the sectoral approach “robust health systems” in between.