Development Cooperation Forum
7th Biennial High-level Meeting
6-7 May 2021
Agenda item 5(c) of the 2021 Session of ECOSOC

Conference Room Paper for the 2021 DCF High-level Meeting

Summary
This conference room paper is prepared for the 2021 High-level Meeting of the Development Cooperation Forum (DCF) and provides a brief update of key trends and the latest available data focusing on quality, impact and effectiveness of international development cooperation in the COVID-19 period. It identifies lessons to inform policy and practice in support of a sustainable, inclusive and resilient recovery and towards the Decade of Action for the Sustainable Development Goals (SDGs). It should be read in conjunction with the Report of the Secretary-General on trends and progress in international development cooperation (E/2020/10) prepared for the 2020 DCF, which was postponed by the Bureau of the Economic and Social Council owing to the COVID-19 pandemic.
I. Introduction

International development cooperation is essential for overcoming crises in an interconnected world. The COVID-19 pandemic has posed new demands on development cooperation in its various forms – finance, capacity support, policy change and multi-stakeholder partnerships. Yet, this ongoing “stress-test” has also shown the durability and adaptability of development cooperation. Now is the time to fully reimagine and scale up international development cooperation that is informed by risk, designed to build resilience and strongly linked with climate action.

This conference room paper provides a brief overview of key trends drawing on the latest available data on how international development cooperation has responded to navigating risks in a multitude of areas, including health and climate action. The paper also contextualizes the data, focusing on quality, impact and effectiveness of development cooperation in the COVID-19 period and identifying lessons to inform policy and practice in the Decade of Action for the SDGs.

II. Global context with data update on development cooperation

Official development assistance (ODA)

ODA serves as a critical counter-cyclical resource for developing countries, especially least developed countries (LDCs) and other countries in special situations. Based on the preliminary data, ODA totaled USD 161.2 billion in 2020. This is up 3.5 per cent in 2020 over the same period in 2019 in real terms (according to the OECD Development Assistance Committee (DAC) new grant-equivalent measures), underpinned by an increase in COVID-19 related activities and bilateral loans. Partly driven by a decline in gross national income (GNI) in most donor countries, ODA was higher as a share of DAC member GNI on average: 0.32 per cent compared to 0.30 per cent the previous year, while remaining far below the United Nations target of 0.7 per cent of GNI. Denmark, Germany, Luxembourg, Norway, Sweden, and the United Kingdom met or exceeded the target. Overall, while 16 donor countries increased their ODA as a share of their GNI, 13 donor countries decreased their ODA.

Recent years have seen significant growth in ODA loans versus grants. Preliminary data suggests this trend continued in 2020. Analysis of International Aid Transparency Initiative (IATI) data, a rough proxy for ODA, has shown that partners increased their use of loans as a share of development cooperation from 20 per cent to 26 per cent between 2010 and 2019, while ODA provided in the form of grants fell from 72 per cent to 61 per cent during the same period. This trend poses particular challenges for the poorest and most vulnerable countries, especially given the current crisis context and rising debt sustainability issues.

Initial OECD estimates indicate that DAC countries spent USD 12 billion on COVID-19 related activities within total ODA, with the European Union institutions disbursing USD 9 billion. The OECD noted difficulties in tracking data and information on ODA during the pandemic and consequent challenges. According to IATI data, beyond new funds, many bilateral partners redirected ODA to urgent COVID-19-related challenges, including health in particular. Although it is not fully comprehensive, publication of data to the IATI, can contribute to greater clarity by helping to inform decision- and policy-making using real-time, standardized data.
Meeting ODA commitments, including the target of 0.7 per cent of GNI and 0.15-0.20 per cent of GNI for LDCs, will be critical for achieving the SDGs in developing countries. According to recent analysis by International Monetary Fund staff, even if developing countries were to successfully implement significant domestic policy reforms for mobilizing sustainable finance, many would remain off-track by decades without increased ODA. The improved targeting of ODA towards the poorest and most vulnerable countries, aligned with national sustainable development strategies, is also critical in the face of current challenges. While redirection of ODA to immediate health needs in developing countries is critical in the COVID-19 response, it is important that future ODA allocation continues to support sustainable development priorities and expanding needs due to the crisis.

**South-South and triangular cooperation**

While financial resources available for development cooperation in its various forms have been constrained in the pandemic context, South-South and triangular cooperation have shown signs of resilience, particularly in the areas of technical cooperation, in-kind support and multi-stakeholder partnership, including private sector and philanthropic actors, while also mobilizing financial support. South-South cooperation is solidarity based and a complement to—not a substitute for—North-South cooperation. Demand and interest continue to grow for learning about how countries are integrating and institutionalizing South-South and triangular cooperation as part of their national development cooperation systems and policies.

The India-United Nations Development Partnership Fund helped to fast-track the purchase of ventilators and personal protective equipment (PPE), as well as resources to mitigate the socio-economic impact among the most vulnerable groups, in more than 30 countries. The Asian Infrastructure Investment Bank’s (AIIB’s) Crisis Recovery Facility was established to directly finance both public and private entities that suffered from the crisis with more than USD 13 billion, of which USD 6 billion were already approved by September 2020. The AIIB also accelerated the creation of its healthcare unit in light of the COVID-19 pandemic. Mechanisms hosted by the Association of Southeast Asian Nations, South Asian Association for Regional Cooperation and African Union, among others, focused on vital information-sharing and coordination, mobilizing emergency funds and connecting health systems across the region to essential medical supplies. The African Centers for Disease Control and Prevention (Africa CDC) has played a key role in successfully mitigating the effects of COVID-19 in Africa, and has demonstrated the impact of South-South and triangular cooperation in strengthening public health capacities, as well as partnerships, to build preparedness for health risks.

Enhanced South-South and triangular cooperation is needed in key areas, including: short- and long-term finance; joint action by developing countries for reviving trade and industry; scaled-up South-South and triangular cooperation for mitigating the health and food crises; and strengthened Southern-led knowledge and research. The crisis has also revealed strong demand for South-South collaboration and better capacity development—including through building digital technology and data skills—around philanthropic innovation, facilitated through building peer networks, knowledge-sharing and collaborative funding initiatives.
Capacity support for country systems

The global health crisis and cascading social and economic crises have underlined the importance of having strong national development cooperation policies and practices in place to respond effectively to materializing risks and increase the impact of development cooperation resources. Results from the 2020 DCF Survey Study—based on pre-crisis data collection and post-COVID-19 outbreak interviews—showed that developing countries had been making progress in strengthening their development cooperation systems and were effectively deploying development cooperation in their national responses to the pandemic. Since the first exercise in 2009, the DCF Survey has evolved from a focus on mutual accountability and transparency to a more holistic perspective on the effectiveness of development cooperation in supporting national sustainable development strategies, based on five key enablers: national development cooperation policies; country-driven results frameworks; development cooperation information systems; national development cooperation forums; and capacity support as a cross-cutting enabler.

Participating developing countries reported that having national development cooperation policies and related systems in place enabled them to work closely with partners to redirect resources from new or existing projects to urgent areas of need that they had identified. Of those countries, 53 per cent had at least three key enablers in place and 24 per cent had four enablers in place. To strengthen resilience, developing countries can adapt these enablers to their specific contexts and risk landscapes and strengthen alignment of international development cooperation with their priorities. These enablers also contribute to the design and implementation of integrated national financing frameworks (INFFs) to help countries mobilize and effectively manage diverse resources (public, private, domestic, international) to support implementation of their national sustainable development strategies.

Despite progress, Survey respondents expressed uncertainty about whether bilateral partners would be able to meet their development cooperation commitments in the coming years, given the global context and strain on developed countries’ economies. They identified several key priority areas for effective development cooperation moving forward in the pandemic response and recovery: strengthened capacities for mobilizing; managing and tracking financial and non-financial resources; reliable data and information on development cooperation to improve rapid decision-making; and capacity support towards collaboration with a diverse range of national stakeholders, beneficiaries and international partners.

Other

Private, philanthropic actors have been particularly active in the COVID-19 response and recovery. A joint report by the Center for Disaster Philanthropy and Candid tracked USD 4.7 billion for COVID-19-related efforts from independent foundations over 2020, including more than USD 1.25 billion mobilized by the Bill & Melinda Gates Foundation for accelerating the development and equitable distribution of COVID-19 tests, treatments and vaccines. Compared to pre-pandemic practices, philanthropic funding for unrestricted or flexible support increased, with more attention to funding core costs of grantees for ensuring resilience to crises. Additionally, the pandemic put a spotlight on the increasing contribution of philanthropy and non-governmental actors in driving international collaboration for global health research and development, such as through sharing data, knowledge, technologies and other tools.
Some analysis has pointed to new changes in practice among philanthropies that improved the quality of their development cooperation, driven by COVID-19 and developing country priorities. These include more rapid reaction and working mechanisms, direct emergency funds to organizations on the ground and refined grant making practices and priorities that account for local capacities and contexts.

III. Navigating the risk landscape through development cooperation

Strengthening health systems

Building strong health systems and strengthening national health capacities are urgent priorities, not only to address current pandemic-related challenges but also to help reduce vulnerability to future health risks and enhance preparedness. The pandemic makes painfully clear the high human, financial and developmental costs of the familiar “panic-neglect cycle” in public health, in which disease outbreaks spur mobilization of emergency funds, yet the more catalytic and cost-effective long-term investment in health systems remains relatively scarce.\(^{30}\)

Funding health and social protection systems ensures important first lines of defense in limiting the impact of the pandemic, although many developing countries do not have the domestic resources necessary for sustaining these investments. The estimated annual shortfall of USD 200 billion to achieve the SDG targets for primary health globally needs to be urgently met.\(^{31}\) In recent years, ODA had shifted away from funding health systems towards battling infectious diseases, often channeled to vertical or global funds focused on a specific disease. Such funds are most effective when they can help build capacity in countries that can be sustained over the long-term. With better health systems in place in developing countries, the efficacy of vertical funds can be enhanced. Support for greater convergence of vertical health programmes into a health systems approach is growing\(^{32}\)—driven in part by lessons learned and experienced from the 2014-16 Ebola outbreak and COVID-19 pandemic.

In the global response to COVID-19, rapid universal access to quality-assured vaccines, treatments and diagnostics must be ensured in all countries, with need prioritized over the ability to pay, in line with the 2030 Agenda pledge to leave no one behind. The Access to COVID-19 Tools (ACT) Accelerator, a new multilateral coordination mechanism, has forged an unprecedented partnership of global health actors to drive global, equitable access to and development of healthcare tools that will accelerate the end of the pandemic. It has three pillars: vaccines, therapeutics and diagnostics. A fourth pillar—the “health systems connector”—provides cross-cutting support. The health systems connector aims to ensure that developing countries can overcome the obstacles to delivery of COVID-19 tools in their countries, by building stronger capacities and infrastructure, resolving bottlenecks, and strengthening health systems.\(^{33}\) The successes—and challenges—of ACT-Accelerator should be examined in order to identify the potentially useful lessons for other initiatives that bring together such diverse stakeholders and methods to solve critical development challenges.

Despite contributions amounting to USD 11 billion, the ACT Accelerator still requires an addition USD 22.1 billion in 2021 at the time of writing. The funding gap breaks down as follows: vaccines (USD 3.2 billion), therapeutics (USD3.2 billion), diagnostics (USD 8.2 billion) and health systems connector (USD 7.3 billion).\(^{34}\) COVAX, the vaccines pillar of the ACT Accelerator, has initiated vaccine rollouts for the world’s poorest countries, but presently only two billion doses are available for distribution: that is just 20 per cent of the needs of participating states.\(^{35}\) Moreover, in developing countries, lack of cold-supply chains for vaccine distribution leads to the spoilage of up to half of all vaccines and remains a major challenge.\(^{36}\) As of April 2021, the COVAX facility has delivered vaccines to nearly 100 countries, 61 of which are among the low-income countries receiving vaccines through the COVAX advance market commitment.\(^{37}\)
The COVID-19 health response has also underlined the importance of national governments and multilateral institutions having well-established frameworks and systems for partnering with civil society at the local, regional, national and international levels. The rootedness of civil society in local communities has aided measures across the spectrum of response, from designing and disseminating relevant information and awareness campaigns to filling the void on the frontline when public sector capacity was too weak and under-resourced to respond in a timely and effective way.\textsuperscript{38}

**Addressing the dual challenge of pandemic recovery and the climate emergency**

Insufficient resourcing for climate adaptation and mitigation could result in irreversible consequences that will undermine the pandemic recovery and the long-term sustainability of ecosystems, societies and economies.\textsuperscript{39} As of December 2020, in 16 of the G20 countries, the stimulus, with USD 250 billion directed to fossil fuels, was anticipated to have a net negative impact on the environment.\textsuperscript{40} The Global Recovery Observatory, based at Oxford University, estimates that only 18 per cent of recovery spending has been “green” or environmentally positive spending so far.\textsuperscript{41} Recovery spending should also include positive social spending in line with the SDGs.

The latest OECD data for 2020 show that specific climate-focused contributions were one factor driving the increased ODA levels from some countries, such as Canada, Norway and Sweden.\textsuperscript{42} Overall, the latest IATI data highlights that the proportion of climate-focused projects had fallen to 2018 levels.\textsuperscript{43} For those bilateral donors with sufficient data quality, the share of ODA to projects with a significant focus on climate mitigation and/or adaptation decreased from 25 per cent to 17 per cent between 2019 and 2020.\textsuperscript{44} The proportion of ODA to projects with a principal climate objective dropped from 18 per cent to 14 per cent.\textsuperscript{45} Fiscal pressures on many developed countries have made meeting climate finance commitments challenging,\textsuperscript{46} with some activities—like fossil fuel subsidies—potentially exacerbating existing climate vulnerabilities.\textsuperscript{47} ODA for disaster risk reduction (DRR) also remains limited with only 0.1 per cent of total ODA having been allocated to DRR over the past decade.\textsuperscript{48} Without sufficient development cooperation for DRR, developing countries are also limited in their capacities to both prevent and manage disasters brought on through natural hazards. Countries have also committed to substantially enhancing international cooperation to developing countries in support of national DRR efforts as per Target F of the Sendai Framework.

Aggregate figures on climate finance from public and private sources remain difficult to track, given the variety of applied data collection methodologies and limited transparency in private climate finance flows. Greater degrees of intermediation and complex financing arrangements pose difficulties in monitoring financial transactions and gauging impacts of blended finance in climate action.\textsuperscript{49} The latest 2018 OECD data on climate finance indicates an upward trajectory in total climate finance.\textsuperscript{50} However, COVID-19 may have adversely affected this trajectory, as priorities by most actors shifted to urgent pandemic response measures.\textsuperscript{51} There are also concerns around whether climate finance being mobilized is “new and additional”. Recent analysis by Oxfam found that the majority of climate finance counted towards the 0.7 GNI ODA commitment.\textsuperscript{52} Ensuring that developing countries have the resources needed to navigate both pandemic recovery and the climate emergency is paramount.\textsuperscript{53}
The most vulnerable countries and peoples need easier and more timely access to concessional resources to respond to the growing challenges of climate adaptation and mitigation at the country level. Several important trends emerge that require particular attention in pandemic recovery. First, increased use of loans and other non-grant instruments, instead of grant financing, poses a significant concern, especially for developing countries confronted with crippling debt. The Independent Experts on Climate call for a doubling if not tripling of grants for climate action by 2025. Second, the stubborn tilt of climate finance toward mitigation rather than adaptation is unsustainable for the most vulnerable countries and may further worsen the inequalities already exacerbated by the pandemic. UNEP estimates annual climate adaptation costs in developing countries to be USD 70 billion, growing to USD 140-300 billion in 2030 and USD 280-500 billion in 2050. Third, private climate finance remains highly concentrated, both sectorally and geographically. Blended finance has been successful in the infrastructure and energy sectors in some country contexts. Yet, the evidence on blended finance for adaptation activities is mixed; progress has been made in those instances where financial solutions have been aligned with developing country priorities.

Development cooperation will need to address multiple risks simultaneously. Initiatives such as the African Adaptation Acceleration Programme (AAAP) look to support the African region through the triple dividend approach, focusing on advancing policies that address climate change, pandemic recovery and economic development. The African Development Bank (AfDB), and the Global Center on Adaptation (GCA) will develop a common roadmap for implementing the AAAP.

Development partners have a wide range of tools available to integrate climate action into development cooperation policies and practices throughout pandemic recovery, including strengthened capacities for developing countries to design and implement fiscal policies that deliver co-benefits on growth, job creation, health and the environment. As one example in a promising direction, the United States recently announced its intention to double its annual public climate finance to developing countries by 2024 (relative to the average level in FY 2013-2016), tripling adaptation finance as part of this goal, as well as stronger support to developing countries in implementing their nationally determined contributions (NDCs) and national adaptation strategies and scaling up technical assistance on clean energy, infrastructure and nature-based solutions.

COP26 will be a crucial moment to generate further international commitment on climate action and build political coalitions, determining not only the what, but also the how of ensuring that a climate-smart recovery is sustained as economies reopen and emissions resurge.

**Strengthening data and statistical capacities and systems**

National data and information systems and capacity remain weak and under-resourced in many developing countries. Limited capacity to capture and track vital statistics for the most vulnerable people creates blind spots for policy makers and practitioners. Investments in statistical infrastructure, such as civil registration and vital statistics, would yield returns in strengthening capacities both to respond to health crises and to manage health and demographic change more generally. Well-resourced data systems are also crucial to provide the statistics and indicators required to assess risk exposure and identify priorities for building resilience.

The pandemic has put further burdens on developing countries’ already over-stretched data and statistical systems. New demands and data challenges have emerged, such as for web-based self-reporting techniques for data collection operations; lockdown-driven mobility restrictions affecting data collection; the switch to e-learning for technical assistance and training; and connecting users to relevant data and information and encouraging for relevant use and impact.
Technology plays a key role in improving data collection methods for the most vulnerable countries and populations. Mobile phone networks have created new opportunities for collecting data via mobile phone surveys, especially useful to maintain social distancing during a pandemic. Innovations in geospatial technology are also promising and becoming more accessible. In the Democratic Republic of Congo and Somalia, population density has been successfully estimated using satellite images and machine learning algorithms from open technology platforms (e.g., Google Earth, Bing) and working with international partners, NGOs and local communities.69

Data quality remains a challenge for many developing countries: Over half of participants in the 2020 DCF Survey Study identified lack of quality data as a significant barrier to improving development cooperation, and a similar proportion reported that data from international development cooperation partners were not complete.70 Further, gender disaggregated data on expenditure and results was tracked in a mere 13 per cent of the countries, and only 11 per cent of bilateral ODA commitments for data targeted gender.71

Many national governments have established Development Cooperation Information Systems (DCIS), which enable them to collect accurate, reliable, and timely data in a structured way. DCIS contribute to monitoring and evaluation of development cooperation flows and individual projects, ultimately serving as enablers for achieving national sustainable development strategies. Developing countries participating in the DCF Survey called for capacity support to strengthen DCIS in tracking development cooperation resources from all partners for COVID-19-related activities. Such capacity-building should be context specific, informed by and targeted for national development cooperation policies, and make efforts to extract and analyze data from existing databases, which reduces transaction costs and improves analytical quality of reports.72

Regional development cooperation has helped to strengthen capacities for collecting and using timely and reliable data for a rapid health response and preparing for future health and related crises. For example, in the COVID-19 context the Global Partnership for Sustainable Development Data (GPSDD) partnered with the U.N. Economic Commission for Africa and more than 35 countries in the region to monitor both short- and long-term impacts of the pandemic through populations mapping, supporting health systems, tracking economic data, and strengthening data ecosystems.73

**Improving preparedness for the challenges ahead**

The diverse impacts of COVID-19 and systemic risks, such as climate change, have underlined the importance of risk-informed development cooperation to the coherent implementation of the 2030 and Addis Agendas, Paris Agreement and Sendai Framework. If governments and their partners fail to account and plan for such risks in their development cooperation, the consequences of future shocks will continue to set back progress. Strengthening the national capacities of developing countries to manage and reduce risks and supporting their progress on the SDGs can help to foster the policy, institutional and behavioural changes in support of resilience.

Transitioning to a post-COVID world will require greater attention from development cooperation partners to a few challenges that have been exacerbated or sped up as a result of the crisis. Following is a non-exhaustive list of these challenges.

**Jobs and employment:** Lockdown measures and other restrictions have an adverse impact on job growth and the economy, disproportionally affecting certain sectors, such as food services, accommodation, and construction. The most vulnerable in the labor market—informal workers—face especially high losses, with 1.6 billion informal workers suffering major damage to their livelihoods.74 Many of these employees
include women and youth. Meanwhile, many in highly skilled sectors such as financial and insurance activities are thriving. In the absence of policy measures and the requisite capacities and financing for social protection and decent work to support affected groups, such divergence across sectors risks deepening inequality within countries.\(^75\)

**Digitalization:** Lockdown measures and social distancing have accelerated the trend in economies “going digital”, relying on telework platforms, mobile devices, cloud computing, and other digital technologies for a host of operations and services. But low levels of digital expertise, reliance on cash and lack of legal identity limits access to digital services and opportunities.\(^76\) Ensuring that digitalization promotes a sustainable recovery requires investments in infrastructure and human capital; strengthened institutional and regulatory capacities; and new approaches to competition governance—in each of these areas, progress in the poorest countries will require additional international support.\(^77\)

**Disproportionate impact on women:** The crisis risks reversing progress on gender equality. Women compose the vast majority of health and care workers, paid or unpaid and often work in informal, more vulnerable and low-paying jobs.\(^78\) Other factors such as increased gender-based violence, more female poverty, and greater difficulty accessing sexual and reproductive health services have further increased the gender equality gap.\(^79\)

Development cooperation in response to the health crisis and socio-economic crisis needs to be gender-inclusive and foster an enabling environment for women’s leadership, capacities and decision-making.\(^80\) Yet, among 137 countries’ COVID-19 task forces, only 24 per cent of members are women.\(^81\) Only 11 per cent of social protection or labor market measures address domestic work, where women carry the heaviest burdens.\(^82\) Further, the 2020 DCF Survey Study revealed that systems for tracking gender-disaggregated expenditure were absent in virtually all developing countries participating in the Survey.\(^83\)

**Inclusivity:** Engagement of all stakeholders, such as women, youth, indigenous peoples, local governments and civil society is a key principle of the 2030 and Addis Agendas and essential ingredient for their effective implementation; it will be all the more essential for an inclusive and sustainable recovery. Development cooperation of all types needs to take into account the specific communities potentially facing marginalization, stigma and discrimination—all of whom face distinctive challenges in the context of the pandemic, including the effects of the lockdown on the accessibility of education, employment, health care and social protection systems.\(^84\)

As the United Nations platform for action-oriented reviews of the latest progress and emerging issues in international development cooperation, the DCF will continue to serve as a platform for enhancing the coherence across diverse actors and activities in the COVID-19 period and beyond. It will give special emphasis to advancing sustainable development and strengthening capacities of the poorest and most vulnerable countries to support their achievement of the SDGs by 2030.

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1. This Conference Room Paper for the 2021 High-Level Meeting of the Development Cooperation Forum (DCF) should be read in conjunction with the Report of the Secretary-General on trends and progress in international development cooperation (E/2020/10).
4 The OECD also continues to publish data using the previous cash flow basis. Under this methodology, net ODA was $161.0 billion in 2020, increasing 7.1 per cent in real terms.
9 OECD. 2021.
11 Ibid., Development Initiatives. 2021.
14 UNDESA. 2020. DCF Survey Study 2020: Towards more effective development cooperation in the COVID-19 period and beyond.
16 Ibid.
21 UNDESA. 2021a.
24 Ibid.
25 And in line with E/FFDF/2021/L.1 (paragraph 45).
27 Ibid
30 UNDESA. 2021a.
31 OECD. 2020a.
37 WHO. 2021c. “COVAX reaches over 100 economies, 42 days after first international delivery”, News Release, 8 April.
42 OECD. 2021.
43 Development Initiatives. 2021.
44 Ibid.
45 Ibid.
47 OECD. 2020a.
48 UN. 2021a.
51 UN. 2021a.
53 Ibid.
54 Ibid.
59 Ibid.
62 Ibid.
63 OECD. 2020.
64 E-FFDF-2021-L1
66 Ibid.
67 Ibid.
70 UN DESA. 2020.
71 Ibid.
72 Ibid.
80 E/FFDF/2021/L.1
82 Ibid.
83 UNDESA. 2020.
84 See UNDESA Policy Brief series, “Recovering better and supporting the Decade of Action”.