

First session of the Preparatory Committee for the fourth International Conference on Financing for Development

Multi-Stakeholder Round Table Discussion on “International development cooperation”

Thursday, 25 July 2024 15:00 – 16:30

Concept Note and guiding questions

The Addis Ababa Action Agenda underscores the need for scaled up international public finance for sustainable development, including through official development assistance (ODA) and multi-lateral development bank (MDB) lending. The Addis Agenda also includes commitments to explore innovative approaches to mobilize additional resources; promote South-South cooperation; and scale up climate finance.

Official development assistance (ODA) reached a record high of \$223.7 billion in 2023, but at 0.37% of donor country gross national income (GNI), it remains well below the UN target of 0.7%. Bilateral aid to least developed countries (LDCs) increased to \$37 billion, well below the target of 0.15-0.20% of GNI. Mobilization of climate finance also falls short of what is needed to effectively address climate change.

Global progress in improving quality, impact and effectiveness of development cooperation has been slow, with less than half of ODA channeled through developing country public sectors. Shifts in the modalities of ODA delivery have had profound impacts on the allocation of resources, country ownership and effectiveness. For example, in-donor refugee costs and humanitarian aid increased from around 9% of net ODA in 2000 to 25 % in 2022. Budget support, which is particularly well aligned with country priorities, has remained extremely low over the past decade, reaching just 3.35% in 2022, representing an increase of only 0.2% since 2015.

In the Addis Ababa Action Agenda, Member States recognize the pivotal role of MDBs in providing long-term financing and countercyclical financing during crises. The Addis Agenda encourages MDBs to: i) make optimal use of their balance sheets; ii) examine their role, scale and functioning to improve their contribution to the sustainable development agenda; iii) develop graduation policies that are sequenced, phased and gradual, and to help ensure that countries have access to sufficient affordable finance after graduation. It also called for measurements of progress that go beyond per capita income. Since 2015 there has been advancement in each of these areas – with the MDB Capital Adequacy Framework (CAF), the World Bank Evolution Roadmap and similar efforts by other MDBs, and discussions on incorporating vulnerability into allocation decisions. However, greater ambition is needed to ensure that MDBs are able to meet today’s challenges in a world characterized by increasing systemic risks and crises.

While the Addis Ababa Action Agenda highlighted the potential of using concessional finance to leverage private investment, to date, only around \$213 billion has been mobilized, far below the trillions projected to a decade ago, with only a small proportion channeled to LDCs. The Addis Agenda also underscores risks associated with blended finance, noting the importance of country ownership, as well as well-designed instruments that share both risks and reward fairly and include clear accountability mechanisms.

The significant role of South-South cooperation in promoting development is also acknowledged. Developing countries are encouraged to share knowledge, skills, and resources through South-South and triangular cooperation.

Guiding questions for discussion

1. ODA

- How can the Fourth International Conference on Financing for Development help ensure ODA targets are met, and that ODA is allocated to countries in need?
- How can country ownership be strengthened, and ODA made more effective?
- Should vulnerabilities be considered more systematically in allocation decisions?

2. MDBs

- What steps can be taken to meaningfully scale up MDB lending capacity, especially for LDCs and other vulnerable countries?
- How can the international community encourage more cooperation among MDBs and between MDBs and other PDBs, in service of development and climate impact? How can cooperation between NDBs and MDBs be strengthened? How can local knowledge be better used, including in sourcing projects aligned with country priorities?
- How can SDG impact be enshrined at the core of development bank operations and investments? Do internal incentives need to be adjusted, and what would this entail?

3. Blended finance and other innovative mechanisms

- What new approaches to blended finance can be developed to scale up blended finance while focus on sustainable development impact and country ownership?
- How can the lessons learned from the current application of blended finance be used in developing a new blended finance framework?

4. South-South Cooperation

- What measures can enhance the coordination and impact of South-South cooperation in achieving the SDGs?

- How can the complementarity between South-South and North-South cooperation be enhanced to foster to improve their collective impact on the SDGs?

5. Quality, Impact and Effectiveness of International Development Cooperation

- How to build momentum behind principles of effective, high-quality and high impact development cooperation responding to evolving global challenges?
- What measures can be taken to reduce fragmentation and enhance ownership of international development cooperation?