**II. C. International Development Cooperation**

We recommend that the distinct challenges faced by countries in special circumstances (SIDS, LDCs, LLDCs) - and the need for development cooperation partner to tailor their approaches in response - should be included in this section

While this Chapter is encouraging, the absence of explicit consideration of countries in special circumstances (other than a specific reference about adaptation finance, and restating of the ODA to LDC target) is a significant omission.

37: We are broadly supportive of the call for fundamental reform of the international development cooperation architecture. A positive feature of the current text, worth protecting, is that it does not propose new mechanisms by which to conduct this reform work. We note that between various UN bodies, GPEDC and the OECD DAC, there are a range of existing fora to take this work forward.

38 chapeau: We would appreciate more evidence in support of this assertion: “While MDBs have significantly scaled up lending capacity, financing volumes have shrunk as a share of global investment, largely due to capital constraints.” World Bank and other MDBs, including the ADB and AIIB, have plenty of headroom on their balance sheets (in part due to recent measures to increase their financing). Rather constraints may be on the demand side, including capacity to absorb more debt and ability to originate good projects (and, relatedly, a shortage of concessional finance). Focus should be on addressing those issues (particularly the latter). One concrete way of doing this is greater joint/coordinated focus on pipeline development.

38 a,c,d: We can accept the funding commitments proposed. The headline ODA commitments are agreed language, and remain highly ambitious.

38 g-j The outcome document should provide more context by recognising the reforms already introduced by MDBs across a range of policy areas identified in the paper. Both the ADB and the World Bank have made considerable strides in reforming their vision/mission, financing and operating models in recent years (e.g., ADB’s New Operating Model and the World Bank’s Evolution Agenda).

Reforms have extended across a range of areas, including adoption of country vulnerability measures to determine access to concessional finance, provision of highly concessional financing, recognition of the unique nature of small states and SIDS, development of innovative financing mechanisms, introduction of measures to increase MDB financing capacity, broadening of MDB missions/visions, and provision of technical assistance.

38 g-j The outcome document should do more to distinguish between different groups of countries, and how the MDBs can best address their challenges. Currently, the paper generally treats MDB borrowers as one group (developing countries) – it could better distinguish between these groups and how the institutions can best address challenges both across and within groups of countries. This would help increase focus on the particular challenges faced by country groupings, including SIDS.

38 (g, i, k) We suggest a change to the language around ‘working through MDB Executive Boards’ in these three proposals to language that better recognises the independence, and statutory responsibilities, of MDB governing boards and the different relationship that the World Bank (and IMF) and regional MDBs have to the UN.

The paper refers to ‘working through the MDB Board of Directors’ in multiple areas. While it is positive to see the paper recognise the governance structure of the World Bank and its different components, use of the word “through” ignores the World Bank’s Board of Directors’ agency and ignores the articles of agreement of each MDB, which impose duties on Executive Directors in relation to each institution.

The outcome document should also recognise the different relationship that the UN has in respect of the World Bank and the regional banks, given the latter are not part of the UN system.

38(j) New Zealand supports the increasing focus on vulnerability in MDB policies, including in determining access to MDB concessional funds such as IDA and ADF. However, we do not necessarily support the use of the Multidimensional Vulnerability Index (MVI) as the preferred instrument for recognising vulnerability.

38(l) We support enhancing the ability of MDBs, as well as MDBs and Private Development Banks, to work better as a system in service of country-led development strategies. This makes good sense from both a financing and development effectiveness point of view.

39: Reference to the goals and targets of the Kunming-Montreal Global Biodiversity Framework should also be included. Article 2.1c is the finance-specific long-term goal of the Paris Agreement. It should have specific reference in this document, which talks a lot about measures to do this, but we should reaffirm that goal as part of it.

39c: Change Loss and Damage Fund to “Fund for responding to Loss and Damage” (Correct name)

39d This para currently blurs things poorly between improving access and recognition of vulnerability. We recommend separating the two, adding a new para (39d-bis) to focus on improving access by bilateral providers.

We would also like to see the particular needs of SIDS and LDCs explicitly identified in the problem statement in the first sentence. Language on improving access to climate finance is important.

39e We recommend aligning improving access to multilateral climate finance language more with the New Collective Quantified Goal (NCQG) outcome in the Paris Agreement.

We also recommend adding a reference to the GEF – as the primary funder of environment projects.

40 We support, and seek to protect, this paragraph. We agree with the concerns expressed in the paragraph regarding the impact on development effectiveness of growing fragmentation, the proliferation of donor strategies and agencies, and increasing transaction and compliance costs. All development partners should examine ways of making greater use of higher order modalities to provide development assistance. This is particularly important in countries have low absorptive capacity.

The text would be improved by an explicit reference to the work of the Global Partnership for Effective Development Cooperation (GPEDC).

41a. We can support the current draft. We would not support proposals that are more directive about INFFs . New Zealand supports the principle of country-led financing plans, but we have some lingering concerns that INFFs are, in some contexts, a top-down solution that could detract from the existing planning tools developing countries use.