

UK Statement on II. C. International Development Cooperation, 12 February 2025

The world has changed since 2015, and we judge that this chapter is now trying to cover too much vital and important content which should be split out to give adequate airtime to how finance is adapting to new global challenges. We therefore would like this chapter to be renamed '*Development Cooperation and Effectiveness*', to show the prominence of the effectiveness agenda, and to focus on addressing fragmentation and ODA flows

We would suggest relocating the sections on Multilateral Development Banks and the system of public development banks, and on financing for climate, biodiversity and ecosystems. Financing for climate should be moved into a new chapter titled '*Addressing Global Shocks and Building Resilience*', where we would also like to see sections on disaster risk finance, financing for peace and vulnerability, including countries in special situations and conflict/post conflict situations, and the relevant indicators here, including Beyond GDP. MDBs should move to the latter chapter on systemic issues, where they would sit well with the IMF language. We can share a further breakdown of this proposal in writing. Our specific suggestions to this text:

Para 37: We would like to query the source that allocations have shifted away from long-term investments.

Para 38: We should commit to aligning ODA with the Paris Agreement and Kunming-Montreal Global Biodiversity Framework, in line with international commitments.

Para 38 a): We should return to what was agreed in the Pact for the Future which is focused on countries scaling up and fulfilling our respective ODA commitments

Para 38 c): As written, we think this text binds countries to commit how we spend ODA in a way that cuts across donors' domestic accountability for their spend. We support using the most effective instruments available, whether delivering through country programmes or multilaterals.

Para 38 d): Language on the Humanitarian-Development-Peace Nexus and on scaling up finance for those impacted by conflict and fragility would strengthen this.

New Para 38 bis: We would like a new para on gender equality reporting, in line with current OECD DAC mechanisms.

On MDB sections, a more general comment that all decisions are subject to progress at MDB Boards.

Para 38 g): We think this para could be more positive and we want to see language added to welcome the recent IDA replenishment and to look ahead to the African Development Fund replenishment, as well as language welcoming new financial instruments, including hybrid capital, and encouraging continuation of MDB reforms.

Para 38 j): We think this paragraph's framing could be simpler and brought in line with commitments made in the Pact for the Future. The text should refer to further

developing and implementing measures to acknowledge there is still work to do, and that implementation from MDBs should be in line with their own mandates and decision-making frameworks.

Para 38 i): We would like to see new language which recognises the valuable role of IDA and other similar country-led financing tools. We would also like to welcome efforts by MDBs to increasingly align operating practices, introduce mutual reliance where possible, and improve operational effectiveness.

Para 39: We have several textual changes on this paragraph. We would like the entirety of the text to align more closely to the NCQG text agreed at COP29. We will share language.

Para 39 a): We would welcome language which refers to finance coming from all sources.

Para 39 b): It is not clear what ‘new and additional’ refers to, so we would remove and ensure consistency with the UNFCCC.

Para 39 c): We would change the language to ‘*urge*’ countries, rather than ‘*decide to*’, acknowledging some countries have already provided support

Para 39 d): We would like to add new language to recognise that women and girls are disproportionately impacted by the negative effects of climate change.

Para 39 e): We strongly support the reference to addressing fragmentation and would change the language to broaden this out to all providers of climate finance. We have specific edits to provide more clarity.

Para 40 a): We would like to add new language which outlines the pivotal role of UN Resident Coordinators on shaping UN development strategy in-country, as Addis took place prior to these reforms.

Para 40 b): We would change ‘*commit to consider*’ in the first line. We would like to add language which encourages the UN and IFIs to work more closely together in country and enhance effectiveness and trust through transparency, encouraging publishing to the International Aid Transparency Initiative open data standard.

Annex A: UK language proposals on II. C. International Development Cooperation and Effectiveness

Para 38 a): We remain committed to achieving our respective commitments to reach existing targets of 0.7 per cent of ODA/GNI to developing countries, and 0.15 to 0.2 per cent of ODA/GNI to LDCs.

Para 38 b): We appreciate countries that have set concrete and binding timeframes for achieving existing ODA targets and encourage others to do the same.

Para 38 c): We commit to focusing on long-term sustainable development that responds to the needs and priorities of recipient countries. We commit to strengthening government systems that will enable countries to assume greater ownership over development cooperation.

Para 38 d): We commit to work with donor governments to scale up funding for addressing humanitarian need in vulnerable countries, particularly those impacted by conflict and fragility. This should include driving cooperation across the humanitarian, development, climate and peacebuilding nexus to build the resilience of affected communities and contribute to longer term peacebuilding and sustainable development

Par 38 d) bis: We recognise that gender equality is critical for sustainable development. We commit to improve tracking and reporting of ODA with gender equality objectives. We commit to gender-responsive climate and disaster risk financing.

We would suggest moving the below paras on MDBs (from 38g to 38l) to the chapter “Addressing Systemic Issues” where this would sit better with the language on the IMF. We would suggest re-naming that chapter to focus on the International Financial Architecture.

Para 38 g): We will work through MDB Executive Boards to further implementation of the G20 Capital Adequacy Framework Review Recommendations and the G20 Roadmap for Better, Bigger and More Effective MDBs, while ensuring that this does not harden lending terms. We welcome the roll out of new financial instruments, including hybrid capital. We will work through MDB Boards of Governors to support further capital increases in MDBs where needed. We appreciate recent replenishments including the delivery of over \$100bn of finance through the World Bank’s International Development Association and commit to establish sustainable pathways to further replenish concessional windows, including the upcoming African Development Fund (ADF) replenishment. We also commit to study ways to expand the use of originate-to-distribute models, which would free up capital for additional lending. We encourage further reform efforts which will support the MDBs to operate more and better as a system.

Para 38 j): We decide to consider implementing and further developing complementary measures of progress that go beyond gross domestic product (GDP), including the multidimensional vulnerability index or another tool, as a complement to existing policies and practices, to inform development cooperation

policies and finance decisions. In this context, we reiterate the call made in the Pact for the Future for MDBs, in partnership with the United Nations Secretary-General, to present options and recommendations on new approaches to improve access to concessional finance for developing countries, with full respect for the independent mandate and authorities of the respective governing body of each multilateral development bank. We will work through the MDB Executive Boards to strengthen and align impact measurement frameworks with the SDGs and work towards standardized approaches, measuring both positive and negative impacts, and ensuring adherence to social and environmental safeguards in all operations.

Para 38 j) bis: As shareholders of the MDBs and other PDBs, we will enhance their ability to work better as a system in service of country-led development strategies. This includes acknowledging the valuable role of IDA and other similar country led financing tools which support country development priorities. Efforts by MDBs to increasingly align operating practices, introduce mutual reliance where possible and continue to drive operational efficiency are important to continuing to improve the efficiency and effectiveness of their partnerships with country governments. We welcome the recent efforts of the World Bank-Asian Development Bank Full Mutual Reliance Framework in this regard.

Para 38 j) bis: We welcome that since the Addis Ababa Agenda was finalized, MDBs (including the World Bank, African Development Bank, InterAmerican Development Bank, Islamic Development Bank and Asian Development Bank) have all developed strategies to support Member States affected by fragility, conflict and high levels of violence, recognizing that a majority of the world's extreme poor live in such contexts. We welcome and encourage the further development of concessional financing to support developing countries with national strategies to tackle risks and drivers of conflict and criminal violence, and build resilience, including through the development of transparent and accountable national institutions and strategies to foster peaceful and inclusive societies.

We would suggest moving the below section on “Financing for climate, biodiversity and ecosystems” para 39 into a new suggested chapter “Addressing Global Shocks and Building Resilience”.

Para 39: The increasing frequency, intensity and scale of the adverse impacts of climate change pose an urgent, and for many an existential, challenge. The unprecedented decline in biodiversity and environmental degradation also pose systemic risks to a large number of social and economic goals. In pursuit of the objectives of the United Nations Framework Convention on Climate Change (UNFCCC) and of the Paris Agreement, we reaffirm the importance of accelerating action in this critical decade on the basis of the best available science, reflecting equity and the principle of common but differentiated responsibilities and respective capabilities, in the light of different national circumstances and in the context of sustainable development and efforts to eradicate poverty. In the same vein, we reaffirm our commitments to mobilise biodiversity finance from all sources and to align financial flows with the Kunming-Montreal Global Biodiversity Framework to halt and reverse biodiversity loss by 2030 recognizing that the Convention on

Biological Diversity is the primary international, intergovernmental forum for negotiating the global response to biodiversity loss. Notwithstanding efforts, climate finance and finance for biodiversity and ecosystems, including for Nature-based Solutions and ocean preservation and restoration, are not keeping pace with rising needs. Adaptation financing needs are particularly urgent in developing countries, especially LDCs and SIDS, which remain disproportionately affected by the impacts of climate change. Measures are needed to ensure the effectiveness of climate finance alongside national efforts to promote sustainable development and poverty reduction will help address the persistent socio-economic challenges in developing

Para 29 a): In accordance with the decision at the 29th Conference of Parties (COP) of the UNFCCC, we recognize the call on all actors to work together to enable the scaling up of financing to developing countries for climate action from all public and private sources to at least \$1.3 trillion per year by 2035. We also recognize the goal of at least \$300 billion per year by 2035 for developing country Parties for climate action, with developed country Parties taking the lead. This finance should come from a wide variety of sources, be in the context of meaningful and ambitious action, and we recognize the voluntary intention of Parties to include-all outflows from climate-related finance mobilized by multilateral development banks. We also encourage developing country Parties to make contributions, including through south-south cooperation, on a voluntary basis

Para 29 b): We will enhance effective mobilization of grant-based and highly concessional finance and non-debt creating instruments for just and equitable transitions, biodiversity conservation, and restoration, supported by a strengthened international financial architecture to meet agreed targets.

Para 29 c): We urge countries to urgently scale up contributions to the Fund for responding to Loss and Damage to respond to the increased scale and frequency of loss and damage, and ensure inclusive design of funding both at national and sub-national levels in developing countries that are particularly vulnerable to the adverse effects of climate change in responding to loss and damage.

Para 29 d): We commit to ensure that developing countries that are particularly vulnerable to the adverse impacts of climate change and biodiversity loss receive a coordinated offer of technical and financial assistance to support mitigation, adaptation and resilience-building, including via financing instruments (e.g. carbon finance, risk insurance, catastrophe bonds, contingent disaster loans/grants, climate resilience funds, social protection systems, and debt swaps) and for Nature-based Solutions that can adequately respond to their needs and priorities, including ocean and mountain economies, and commit to increase capacity building at the country level to improve the accessibility and effectiveness of climate and biodiversity finance.

Para 29 d) bis: We recognise that women and girls are disproportionately impacted by the negative effects of climate change. We commit to integrate gender perspectives in the design, funding, implementation, monitoring and evaluation of policies and programmes on climate change mitigation, adaptation and resilience, disaster risk reduction, biodiversity protection and environmental degradation.

Para 29 e) We encourage all providers of climate and biodiversity finance to to promote effectiveness and remove access barriers for developing countries, including by, as appropriate: enhance alignment with national needs and priorities;

harmonize and simplify application and execution requirements, eligibility criteria and administrative procedures; streamline reporting requirements; expand multi-year country led programmatic approaches; increase support for locally led approaches and institutions; enhance cooperation with other providers of climate finance and national development institutions; and encourage use of domestic implementation agencies. To reduce fragmentation, enhance effectiveness and deliver greater impact, we agree to incorporate new climate and environment finance initiatives within well-functioning existing structures and organisations rather than creating additional entities and to consider consolidating existing climate and environment finance initiatives, and we urge donor countries to concentrate their contributions in climate funds under the UNFCCC.

Para 40: Growing fragmentation, due to a rapid proliferation of donor agencies and channels, coupled with smaller transactions, and earmarking increases transaction and compliance costs and runs counter to long-standing effectiveness principles. There is broad consensus that the development effectiveness agenda needs to be revitalized and its implementation better monitored.

Para 40 a) bis: We commit to simplifying and streamlining, and improving the coherence of, the development, climate and nature architecture. We will strengthen its impact and effectiveness by leveraging the strengths of both horizontal aid providers and vertical platforms and only creating new vertical funds where they will respond to a gap that can't otherwise be filled via pre-existing funds to make the architecture easier for developing countries to navigate and engage with.

Para 40 a): We decide to elevate country leadership by developing countries, policy and system coherence by development partners, including UN Development System partners in-country led by the Resident Coordinator, and mutual accountability as core tenets of effective development cooperation.

Para 40 b): We invite development partners to: i) respond to country plans and strategies, and consider multi- year cooperation agreements that provide stable and predictable funding; ii) strengthen existing national systems , e.g. core and shock responsive social protection systems, rather than establishing parallel systems; iii) reduce fragmentation, including by prioritizing core contributions to multilateral institutions and multi-donor and inter-agency pooled funds, and by leveraging the strengths of both horizontal aid providers (i.e., MDBs) and vertical platforms and only creating new vertical funds where they will respond to a gap in the architecture that can't otherwise be filled via pre-existing funds; iv) streamline and harmonize procedural and policy requirements; and v) ensure all interventions incorporate effective knowledge transfers, capacity building and resilience building to foster self-reliance; vi) encourage the UN and MDBs to work more closely together in country and vii) enhance effectiveness and trust through transparency, encouraging publishing to the International Aid Transparency Initiative (IATI) open data standard .

Para 41 a): We will strengthen country-led plans and strategies, such as INFFs, as a basis for engaging with all development partners, and will put in place inclusive country-led national platforms for improved coordination with development partners to support national plans and strategies. These plans should support and align with national commitments under other relevant plans, such as NAPs, NBSAPs, and NDCs, recognizing the interconnectedness of climate, nature, and development. These platforms should include all relevant actors including — MDBs, other PDBs,

the United Nations system, bilateral partners, private sector actors when appropriate, local and sub-national actors and other partners; and will aim to deliver a coordinated and coherent package of support aligned with nationally determined priorities. This will ensure an efficient and effective division of labour, according to each partner's comparative advantage and knowledge of the local context.

Para 41 b) alt: We call on the United Nations Development System to further strengthen collaboration with international financial institutions, including multilateral development banks, to improve synergies at the regional and country levels to improve operational effectiveness and efficiency.

Proposed new chapter format:

III. F Addressing Global Shocks and Building Resilience

The section headings of this chapter could be:

- Disaster Risk Reduction and Disaster Risk Finance - Early Warnings and Anticipatory Action (including language currently suggested in Para 24)
- Climate and Nature Finance (taking the language currently in Para 39)
- Financing for Peace, Financing for Fragile and Vulnerable States and the relevant indicators here including Beyond GDP (new language)

The UK would like to work in collaboration with partners to develop this chapter.