**INPUTS INTO THE FfD4 Elements Paper**

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This input responds to the call from the FfD4 co-facilitators to identify concrete proposals and reforms that the FfD4 process should deliver. It reflects the opinions of the authors, which were informed through conversations with senior policy-makers and experts held earlier this year. This input should not be considered an institutional position held by the Center for Global Development.

1. **A Global Financing Framework (including cross-cutting issues)**

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| FfD4 presents an opportunity to acknowledge that public money is needed and mobilized internationally for a range of purposes – including poverty reduction and growth, humanitarian and crisis response, and global public goods (GPGs) – that cannot be served by a single financial instrument, measure, or effectiveness framework. Any new Global Financing Framework should clarify the distinct financial and effectiveness principles that underlie each purpose. Such principles must be transparent, realistic, built on inclusive debate, politically feasible, and focused on commitments that can be delivered. |

* In the decade since the Addis Ababa Action Agenda (AAAA), donor governments have faced increased pressure to finance an expanding range of development demands and objectives through public money. They have attempted to meet this demand through a combination of resources mobilized from domestic sources and by re-allocating official development assistance (ODA) from other purposes, including poverty reduction and growth. This diversion has led to questions about the integrity and credibility of ODA, which have spilled over into development cooperation – and development finance – more broadly. In recognition of this challenge, **early sections of the “Elements Paper” should acknowledge the different legitimate purposes served by public money spent internationally, and should position the Global Financing Framework as an opportunity to re-build the integrity of development finance through articulating the financial instruments and mechanisms for effectiveness that best serve the delivery of each purpose.**
* **Doing so will require creating a Global Financing Framework that starts from the *purposes* that public money spent internationally is needed and intended to serve, and answering open questions around financial instruments, commitments, and effectiveness based on how best to achieve each unique development goal.** This would mean engaging critically with the desired outcomes for each purpose and identifying approaches, commitments, and best practices tailored to achieving differentiated aims. The benefit of this approach is the ability to move beyond a single instrument and measure of development finance – namely, ODA – that has been diluted through pressures to serve multiple purposes, in favour of dedicated approaches designed to maximize effectiveness towards each goal.
* **For each purpose, the Global Financing Framework should establish a governing structure responsible for high-level decision-making.** These structures could be responsible for negotiating a joint vision or strategy, monitoring progress towards financial commitments, and evaluating outcomes achieved. **They would also promote accountability and transparency by establishing and reporting on clear metrics for impact and effectiveness aligned with the specific purposes for which the funds are being allocated.** All structures should be inclusive of diverse perspectives, yet the specific formation and stakeholders invited to each are likely to differ based on the key constituents for each funding purpose. Such governance structures could be housed within the G20 or UN system.
* **Ultimately, this approach aims to rebuild international trust by prioritizing greater clarity of purpose, financing, and outcomes in alignment with the political realities of the current development era.** This means establishing a vision for development finance that is grounded in the multiple and complex development challenges of today’s development era, while establishing a new and inclusive financing compact that actively seeks to remedy the failures that have exacerbated global inequalities and eroded confidence in the current system.

1. **Action Areas:**
2. **Domestic public resources** – N/A
3. **Domestic and international private business and finance** – N/A
4. **International development cooperation**

Context and challenges facing international development cooperation: In the current development landscape, which is marked by the imperative to tackle global and local development challenges, a broadening array of development cooperation actors, and new instruments and modalities for cooperation, official development assistance (ODA) has come under increased pressure. While ODA remains the most widely recognized measure of North-South budgetary solidarity, its use for an increasing array of objectives, often without growth in line with demands, has raised questions about its continued credibility and relevance.

In this context, FfD4 presents an opportunity to critically engage with ongoing challenges, and to develop and adopt policy reforms to guide ODA allocation and broader development finance efforts in light of the expected challenges ahead. Doing so is critical to ensuring that development cooperation is fit for the future.

To do so, the FFD4 outcome document should:

* **Present a new substantive approach that clarifies the range of legitimate purposes of development finance, how they should be funded, and the desired outcomes for each goal.** The FfD4 outcome document is an opportunity to not only articulate the key development challenges that require resourcing, but to (re)consider how public budgets should be mobilized to achieve each aim. Based on the understanding that the current approach to development finance – where ODA is stretched across multiple aims - is not working, we propose a new vision that establishes a basis for financing and monitoring each purpose on its own merits. Doing so is intended to improve the integrity and accountability of international public finance, including ODA, by recognizing that funding under each purpose serves a different goal and can be most impactful if designed and measured against its own merits. Specifically, our proposal suggests developing unique technical and conceptual guidance for engagement on three main developmental purposes:
  + Poverty reduction and economic growth– despite remaining the foundational purpose of development cooperation, pressures on governments to respond to global challenges or crises has often reduced financing available for long-term development-oriented investments. To ensure more stable financing for this core developmental aim, this purpose should be the primary focus of ODA, which remains a unique and limited financing instrument that is intended, by definition, to support development outcomes.
  + Humanitarian support and crisis response – growing humanitarian needs and the increased frequency of international crises – including pandemics, conflict, and natural disasters – requires a dedicated pool of finance to improve the predictability of resourcing available to respond to short-term and immediate needs. While humanitarian support is closely interlinked with poverty-related purposes, we see value in distinguishing separate categories to ensure that each objective is independently resourced, reducing the risk of reallocation in response to emergent crises.
  + Global public goods – while the provision of global public goods (GPGs) – including related to climate - has been recognized as central to achieving sustainable development, the reliance on ODA to fund this objective has often been called into question.[[4]](#footnote-5) Instead, funding GPG’s will require a broader range of public financing instruments and commitments, including those designed to mobilize private finance. To clearly delineate such spending, public resources for GPGs could be called “sustainable development investment”[[5]](#footnote-6) or “international financing for collective goods”[[6]](#footnote-7).
  + Based on these three primary objectives, the FfD4 outcome document could **reiterate the unique and continuing need for concessional funding for the poorest countries and humanitarian relief, and recognize the need for targeted concessional funding to support global public goods.**
* **Commit to launching a new expert committee with a mandate to develop specific proposals on the financing and effectiveness of each development purpose.** This committee must be inclusive and should welcome perspectives of policy-makers and experts from “Northern” and “Southern” donors, as well as from recipient countries. Ensuring that the committee is inclusive will be paramount to developing an approach that is viewed as legitimate across a range of actors and moves beyond the DAC-centered discussions that have contributed to the long-term dilution of ODA.[[7]](#footnote-8) The objective of this committee would be to develop tailored technical and normative recommendations on the activities and instruments that should be “counted” towards financial commitments under each category, and principles and metrics for understanding effectiveness and measuring impact under each purpose. While the expert committee can produce proposals, final decisions should be taken by higher-level decision-making bodies hosted under the G20 or UN.
* **Encourage countries to devise national targets for each funding objective and avoid new global targets for development finance.** While targets have often been considered important tools for accountability and providing political impetus for action, they can also create incentives for “gaming” by re-defining what “counts” towards a target figure without increasing the overall pool of resources available. In today’s political landscape, where public money is coming under increased pressure, the likelihood of mobilizing “additional” public resources for development is seemingly low. This means that new global financial targets are unlikely to be feasible. To avoid the pitfalls of global targets, countries should commit to setting national targets for each financing purpose, recognizing that different types of countries will have differing responsibilities for funding these purpose (i.e. while high-income DAC and non-DAC countries should commit to supporting poverty reduction purposes, all countries may commit some form of public money to global public goods in alignment with nationally determined contributions). Under this model, countries will establish their own funding commitments based on domestic circumstances, providing a basis for accountability while remaining politically feasible.
* **Commit to strengthening the effectiveness of the finance available by investing in evidence on what it means to be effective when allocating funding under each developmental purpose.** Evidence has shown that while the effectiveness principles agreed in Busan remain relevant, there is demand for greater clarity on how the principles apply to different objectives and development contexts (e.g. fragile states).[[8]](#footnote-9) To maximize the effectiveness of spending toward each developmental purpose, there is a need to invest in understanding where, when, how, and under what conditions public money can have the greatest impact. Such guidance should be coupled with clear metrics for measuring and tracking impact. This could be done via a well-defined workstream managed by the proposed Expert Committee or via existing effectiveness platforms such as the GPEDC. The intention is not to re-negotiate the Busan Principles, which remain useful and indicative of best practice, but to ensure that any new vision for public finance is combine with actionable guidance on how funding should be delivered to strengthen outcomes.

1. **International trade as an engine for development** – N/A
2. **Debt and debt sustainability** – N/A
3. **Addressing systemic issues** – N/A
4. **Science, technology, innovation and capacity building** – N/A

**3. Emerging issues**

* **Inclusive governance for development cooperation.** While the FfD3 meeting in Addis Ababa already acknowledged the shifting development landscape, these trends have continued and intensified in the years since. In this changing development landscape, marked by an increasing number of providers, including from the Global South, and the fragmentation in the multilateral system, ensuring that the governance of development cooperation is more inclusive will be critical to generating buy-in and collaboration towards any future vision for development. While part of the challenge is undoubtedly linked to ODA governance, which remains DAC-led and functionally allows stakeholders to set the rules of the game, any broader vision of development finance in alignment with expanding resource needs will require a more inclusive structure for the formation of development norms and standards that better reflect today’s development actors.

**4. Data, monitoring and follow-up**

* **All FfD4 commitments will need to be robustly monitored and transparently reported to ensure accountability and trust.** For ODA or climate-related finance, this could include a feature allowing beneficiary countries to verify financial reporting (as is done with TOSSD).

**5. Overarching reflections**

* **In the changing political landscape, it is important that the FfD4 process is focused on feasible outcomes and an achievable vision** Rather than setting new unrealistic financial commitments, this requires focusing on desired impacts, clarifying financial commitments along the various dimensions of international spending, and evaluating and monitoring their effectiveness. This will be key to maintaining and, hopefully, increasing the volume of global financing over time.

1. President Emeritus, Center for Global Development [↑](#footnote-ref-2)
2. Research Fellow, Center for Global Development [↑](#footnote-ref-3)
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4. Charles Kenny, “Does Mitigation ODA Reduce Emissions,” CGD Note 359 (Center for Global Development, 2024) <https://www.cgdev.org/sites/default/files/does-mitigation-oda-reduce-emissions.pdf> ; Charles Kenny, “Official Development Assistance, Global Public Goods, and Implications for Climate Finance,” CGD Policy Paper (Center for Global Development, 2020) <https://www.cgdev.org/sites/default/files/PP188-Kenny-ODA-GPGs-Full.pdf> [↑](#footnote-ref-5)
5. Thomas Melonio, Jean-David Naudet, and Rémy Rioux, “Official Development Assistance at the Age of Consequences,” *AFD Policy Papers* no. 11 (Agence Française de Développement, 2022) <https://www.afd.fr/en/ressources/official-development-assistance-age-consequences#:~:text=Official%20Development%20Assistance%20(ODA)%20was,%E2%80%9D%20and%20the%20%E2%80%9CSouth%E2%80%9D>. [↑](#footnote-ref-6)
6. Jean-Michel Severino and Sylviane Guillaumont Jeanneney, “Financing Global Policies: But Why?” FERDI Working Paper 317 (FERDI, 2023) <https://www.econstor.eu/bitstream/10419/269596/1/ferdi-wp317en.pdf> [↑](#footnote-ref-7)
7. Sara Casadevall Belles and Rachael Calleja, “The Evolution of the ODA Accounting Rules”, CGD Note 376, (London: CGD, 2024) <https://www.cgdev.org/sites/default/files/evolution-oda-accounting-rules.pdf> [↑](#footnote-ref-8)
8. Rachael Calleja and Beata Cichocka, “Development Effectiveness in the “New Normal”: What Do the Changing Roles and Purposes of ODA Mean for the Effectiveness Agenda?” CGD Policy Paper 255, (Washington, DC: Center for Global Development, 2022). <https://www.cgdev.org/publication/development-effectiveness-new-normal-what-dochanging-roles-and-purposes-oda-mean> [↑](#footnote-ref-9)