# Financing for Sustainable Development Report 2019

## Inter-agency Task Force on Financing for Development


United Nations

This report is a joint product of the members of the Inter-agency Task Force on Financing for Development (a full list of members can be found on page x). The Financing for Sustainable Development Office of the United Nations Department of Economic and Social Affairs serves as the coordinator and substantive editor of the Financing for Sustainable Development report.

The online annex of the Task Force (http://developmentfinance.un.org) comprehensively monitors progress in implementation of the Financing for Development outcomes, including the Addis Ababa Action Agenda and relevant means of implementation targets of the Sustainable Development Goals. It provides the complete evidence base for the Task Force's annual report on progress in the seven action areas of the Addis Agenda (chapters III.A–III.G). The report is by necessity more concise and selective and should thus be read in conjunction with the online annex.

The online annex also covers several key cross-cutting initiatives that build on the synergies of the Sustainable Development Goals:

- Delivering social protection and essential public services
- Ending hunger and malnutrition
- Closing the infrastructure gap
- Promoting inclusive and sustainable industrialization
- Generating full and productive employment for all
- Protecting ecosystems
- Promoting peaceful and inclusive societies
- Gender equality
- Investing in children and youth
- Addressing the diverse needs and challenges faced by countries in special situations
- Global partnership

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How to cite this report:
United Nations, Inter-agency Task Force on Financing for Development, *Financing for Sustainable Development Report 2019* (New York: United Nations, 2019), available from: https://developmentfinance.un.org/fsdr2019.

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United Nations publication
Sales No. E.19.I.7
ISBN 978-92-1-101404-4
Print ISSN: 2520-680X
Online ISSN: 2617-3743

# INTERNATIONAL DEVELOPMENT COOPERATION

Chapter III.C

# International development cooperation



## 1. Key messages and recommendations

Development cooperation is adjusting to the new demands of the 2030 Agenda for Sustainable Development and the increasingly complex and diverse development landscape. However, stakeholders must do more in order to achieve the 2030 Agenda and its aim to leave no one behind.

While official development assistance (ODA) has grown steadily over the past decade, aggregate growth in real terms was flat in 2017. Flows to least developed countries (LDCs) increased by more than 10 per cent, but this rise mostly reflected humanitarian emergencies in a few countries. *ODA providers should continue to strengthen efforts to meet the commitments they have made—including by collectively redoubling their efforts—to ensure that ODA, as a critical source of development finance, can deliver on the transformational ambition of the 2030 Agenda.*

There is still limited data on allocation and use of ODA at the national and subnational levels. *More detailed reporting and disaggregation would help improve monitoring and guide policy interventions to ensure no one is left behind. In addition, mapping ODA flows to the Sustainable Development Goals (SDGs) can be a helpful monitoring tool and focus attention on areas that can accelerate the achievement of all SDGs.*

As humanitarian expenditure and in-donor refugee spending have risen, the share of ODA for country programmable aid (CPA) and budget support has decreased in recent years. There has been progress in untying aid, but informal tying remains. *There is an urgent need to address these challenges to the quality of ODA, which, taken together, pose a threat to hard-won gains in country ownership and leadership.*

Multilateral development financing has grown in volume, and multilateral development banks (MDBs) have taken steps to strengthen their collaboration. *Integrated reporting on the environmental, social and governance impacts of their lending, which some MDBs are already implementing or considering, would further support ongoing efforts to mainstream SDG considerations in all operations and help ensure that no one is left behind. This alignment should continue to be improved and refined to increase impact.*

South-South cooperation (SSC) is making a vital contribution to the implementation of the 2030 Agenda, as a complement, not a substitute, to North-South cooperation. As South-South cooperation continues to expand, *there is opportunity to further advance both South-South and triangular cooperation as high-impact modalities of international development cooperation, both financial and non-financial.*

Bilateral and multilateral providers have scaled up blended finance. To ensure that scarce concessional financing has the greatest development impact, *providers of blended finance should engage with host countries at the strategic level, to ensure that priorities in their project portfolios align with national priorities.* Integrated national financing frameworks, discussed in chapter II, can guide these discussions. *The international community should consider how blended finance principles are aligned with those laid out in the Addis Ababa Action Agenda, such as country ownership.*

Climate finance flows increased by 17 per cent from 2013–2014 to 2015–2016, but are still below the commitment by developed countries to jointly mobilize $100 billion a year by 2020 from a wide variety of sources to address developing countries' climate financing needs. To combat climate change and reduce risks from increasingly devastating and costly natural hazards, *efforts should* *be stepped up to realize existing commitments. Access to climate finance for the poorest and most vulnerable countries must be improved. To strengthen resilience in developing countries, more resources can be allocated to ex ante instruments for disaster risk reduction.*

National development cooperation policies (NDCPs) put in place by many developing countries are proving effective in helping mobilize and align development cooperation with national sustainable development plans. *Going forward, these policies will need to continue adjusting to an increasingly diverse development cooperation landscape and strengthening the participation of a broader set of stakeholders, including a more effective citizen participation.*



# 2. Trends in official development assistance (ODA)

## 2.1 The state of ODA

In 2017, ODA provided by members of the Organization for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) amounted to $147.2 billion.[1] This represented a decline of 0.1 per cent in real terms over 2016. Five DAC members (Denmark, Luxembourg, Norway, Sweden and the United Kingdom of Great Britain and Northern Ireland) met or exceeded the United Nations target of 0.7 per cent of gross national income (GNI). However, on aggregate, DAC donors fell short of that target, providing 0.31 per cent of GNI on average.

ODA to the least developed countries (LDCs) increased 10.2 per cent in real terms in 2017. This increase mainly reflected growth in aid for humanitarian assistance to three countries to address crises brought on by violent conflict, war or drought. Overall, ODA to LDCs accounted for only 0.09 per cent of DAC members' GNI in 2017 (including imputed multilateral flows), below the United Nations target of 0.15 per cent, with five donors exceeding 0.20 per cent.[2]

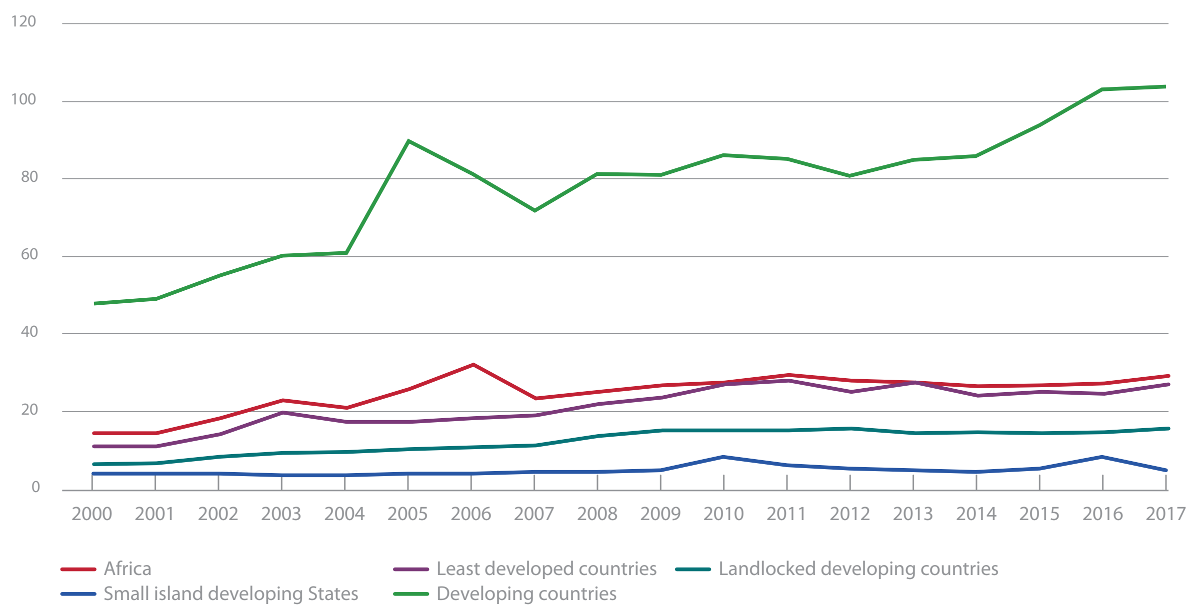
After the large increase of bilateral ODA to small island developing States (SIDS) in 2016, owing to the restructuring of Cuban sovereign debt, flows fell back to a total of $2.7 billion in 2017, in constant 2016 dollars (from $4.6 billion in 2016). ODA to SIDS has been fairly constant over time, with fluctuations around the occurrence of weather-related disasters and debt relief operations.[3] ODA to landlocked developing countries (LLDCs), which face specific logistical and infrastructure challenges, reached $15.9 billion in 2017 (figure 1).

### *ODA allocation*

The 2030 Agenda has significantly broadened the set of global development priorities. There are many competing priorities for limited concessional finance, such as social sectors, infrastructure investment, climate finance, biodiversity, humanitarian aid, and blended finance. This underscores the need for country ownership and mechanisms for dialogue with donors, such as through national development cooperation policies embedded in integrated financing frameworks (see chapter II).

In-donor spending on refugees was the major source of the overall increase in ODA since 2014, although it fell in 2017, due to the declining number of new arrivals

Figure 1
**Net bilateral ODA disbursements by DAC countries, 2000–2017**
*(Billions of United States dollars, 2016 constant prices)*




Source: OECD/DAC data.

in DAC members. Nonetheless, about a quarter of bilateral ODA is now dedicated to humanitarian expenditure and in-donor refugee spending, compared to less than one sixth in 2010 (figure 3).

The share of country programmable aid (CPA)—which excludes items such as humanitarian aid, in-donor refugee costs and administrative costs and has proven to be a good proxy for aid recorded at the country level—increased from 46.9 per cent in 2016 to 48.3 per cent in 2017. While this partially reversed a longer-term declining trend, it was still 6.6 percentage points below the share of CPA in 2010. ODA provided as recipient-country budget support followed the same trend, rising from 2.5 billion in 2016 to 3.3 billion in 2017, in constant 2016 dollars (versus $4 billion in 2010). The recovery in CPA and budget support is particularly relevant to the availability of funds for financing national priorities expressed in national sustainable development strategies. Donors should maintain this momentum to reverse the previous declining trend. In this context, the adoption of integrated national financing frameworks discussed in chapter II will be an opportunity to strengthen ODA alignment with national strategies and plans.

A breakdown of ODA by type of flows shows that funds for project-type interventions, which are the largest portion of ODA, increased in real terms in 2017 (figure 2), particularly in LDCs and Africa, reflecting the rise in CPA. Project funding declined in SIDS, along with the overall decline in ODA disbursements to SIDS since 2010.

In terms of a sectoral breakdown, social sectors remain the largest ODA category. However, social spending has fallen as a percentage of total ODA, from 40 per cent in 2010 to 35 per cent in 2017 (figure 3). The largest decline was in the share of spending on education, which fell from 8.8 per cent of total ODA in 2010 to 7.1 per cent in 2017. One response to the latter trend has been to seek to mobilize additional funds for international assistance to education through innovative funding mechanisms (box 1).

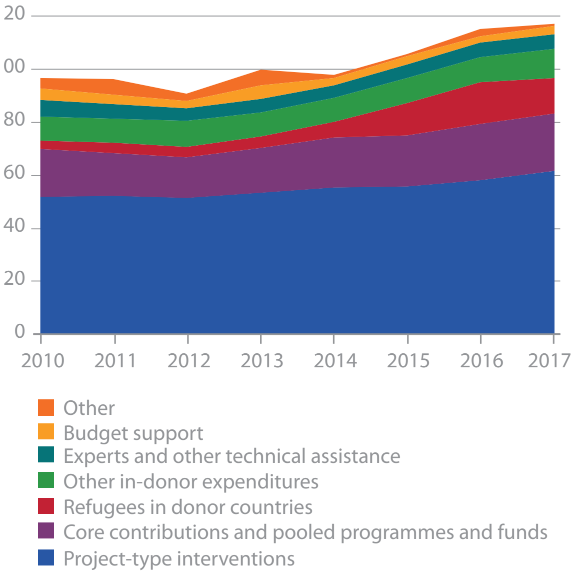
The decreasing share of assistance for social sectors, after growing rapidly in the first decade of the millennium during the era of the Millennium Development Goals, reflects a shift in donors' focus to economic aid and support for production sectors, in line with the broader focus of the SDGs. Assistance to economic infrastructure and services, the second largest category, has been growing in recent years (figure 3), particularly in the energy sector.[4]

By country groups, ODA for the social sector decreased for LDCs between 2010–2013 and 2016–2017, while aid for economic infrastructure and services and production sectors increased in real terms over the same period. LLDCs also saw an increase in health and population services, but a decrease of ODA flows to infrastructure—particularly the transport and storage subsectors—which raises questions regarding alignment of ODA with these countries' logistical and infrastructure challenges (figure 4).

Figure 2

**Gross bilateral ODA disbursements from DAC countries to developing countries by type, 2010–2017**

*(Billions of United States Dollars, 2016 constant prices)*



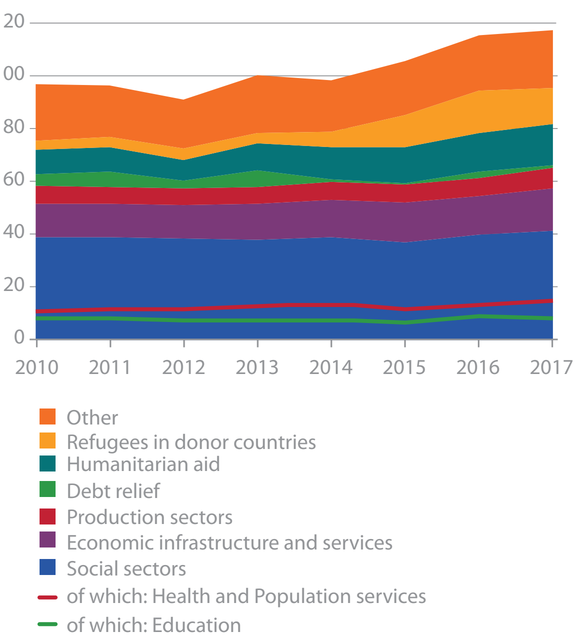

Source: OECD/DAC data.

Notes: Other in-donor expenditures include scholarships and student costs in donor countries, in-donor spending on development awareness and administrative costs not included elsewhere; other aid consists mainly (from 2012, exclusively) of debt relief.

Figure 3

**Gross bilateral ODA disbursements from DAC countries to developing countries by sector, 2010–2017**

*(Billions of United States Dollars, 2016 constant prices)*




Source: OECD/DAC data.

Notes: Other includes multi-sector and cross-cutting aid, commodity aid and general programme assistance, administrative costs of donors, and unallocated aid.

Box 1

### Education partnerships to achieve Sustainable Development Goal 4

Official development assistance for education received by developing countries from bilateral and multilateral donors has plateaued since 2009 at about $11 billion to $13 billion per year in constant 2016 dollars, after having doubled in the early 2000s. The share allocated to least developed countries (LDCs) fell from a peak of 47 per cent in 2004 to 34 per cent in 2016.[a]

There are several global mechanisms that support education. In 2017, the Global Partnership for Education (GPE) (established in 2002) disbursed $497 million, with $351 million going to LDCs and other low-income countries. In 2018, pledges worth $2.3 billion were made to replenish the fund for 2018–2020. However, this was below the replenishment target of $3.1 billion, which could jeopardize GPE plans to expand its activities to more partner countries.

Inspired by the success of innovative mechanisms to mobilize additional international resources for the health sector, momentum has grown around developing new mechanisms to mobilize additional financial resources for education, to complement earlier efforts. Education Cannot Wait was established in 2016 to support education in crisis settings. It pools funds for Governments, non-governmental organizations and donors, and aims to improve collaboration and coordination between humanitarian and development actors, and encourage national ownership of programmes, addressing both immediate and long-term needs.

To address the needs of lower-middle income countries, the International Commission for the Financing of Global Education Opportunity proposed an International Finance Facility for Education. The facility, whose scope and institutional set-up will be negotiated in the coming months, would invite donors to provide guarantees (or other forms of contingent commitments) that would encourage multilateral development banks to expand lending for education and provide grants to blend with education loans to lower financing costs.

One of the challenges of a debt-funded education system is that returns on education materialize only over the long term. Investment in education does not generally generate fiscal income to repay the debt, at least in the near term. This implies that the mechanism could be difficult for some countries, especially given the recent rise in debt burdens. In this respect, the level of concessionality is important.

Another overarching issue these mechanisms will have to address is how to support gender equality in education. Involving stakeholders can help ensure that plans include and adequately fund strategies and policies that advance gender equality. In addition, to avoid duplication and fragmentation, donors should coordinate across different funding mechanisms.

a Data of the Global Education Monitoring Report, based on the methodology that starts from DAC reported direct aid to education and adds a share of reported general budget support, to account for the estimated 15-25 per cent of budget support that typically benefits the education sector. See UNESCO, ***Global Education Monitoring Report, 2019: Migration, Displacement and Education: Building Bridges, not Walls*** (Paris, UNESCO, 2017).

## 2.2 ODA concessionality

Since 2010, the concessionality of bilateral ODA has declined, owing to an increased reliance on concessional loans and a decline in grants. In 2016–2017, loans made up 15.2 per cent of ODA, compared to 12.4 per cent in 2010–2012 (figure 5). This increase was even more pronounced in the case of LDCs, where the share of loans rose from 2.8 to 8.3 per cent. LLDCs, as well as the group of African countries, show similar trends. Only in the case of SIDS has the share of loans decreased over time. The latter may reflect increased humanitarian aid to these countries on the one hand, and a response to already high levels of indebtedness on the other.

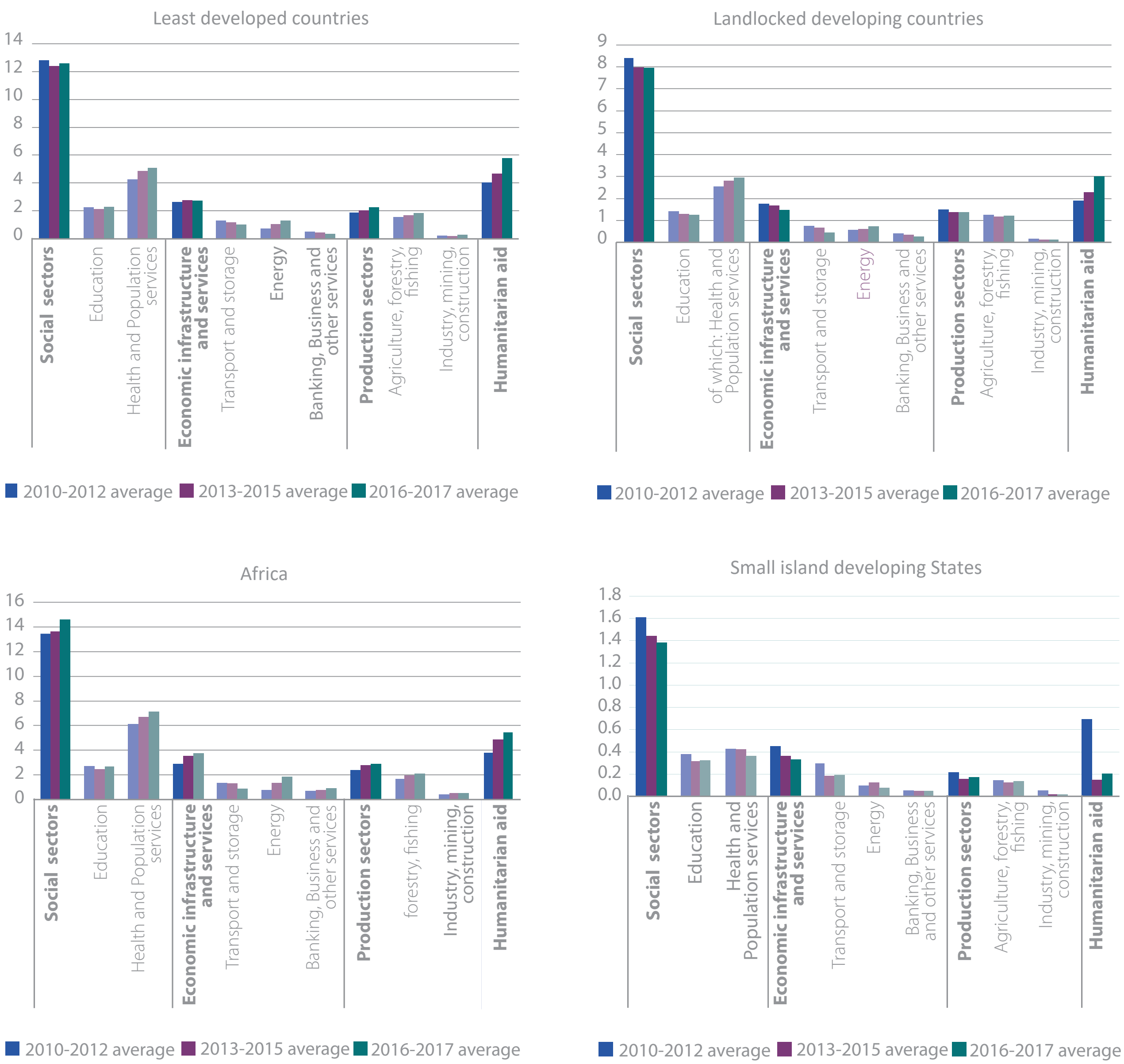
These trends also reflect the overall shift from social sectors to economic aid for productive investment noted above, as well as an increase in countries' per capita income. Whether ODA is provided as a grant, concessional loan or, in rare cases, as an equity investment generally depends on the nature of the project being supported. Projects that can be expected to generate their own revenue streams are more frequently financed through loans, whereas social sectors are more than 90 per cent grant financed, with an even higher percentage of grant financing in the education and health sectors, which do not usually generate near-term revenue streams that could be used for loan repayments (figure 6).

In turn, over 60 per cent of ODA financing for the economic infrastructure and services sector has been through loans, mainly in the transport and energy sectors. Projects in communications and banking and business were also financed to a significant extent through equity investments, which are negligible in almost all other sectors, except for industry, mining and construction. While these sectors in general have a higher revenue potential, the need for the recipient country to mobilize enough resources for loan repayments through tariffs and user fees must be carefully balanced with equity considerations—particularly in sectors such as water, where the SDGs commit countries to ensure affordable access for all.[5] The increase in loans also raises questions of whether ODA may be contributing to the build-up of debt in developing countries (see chapter III.E).

Figure 4

**Gross bilateral ODA disbursements from DAC countries to country groupings by selected sectors, three-year averages, 2010–2017**

*(Billions of United States Dollars, 2016 constant prices)*




Source: OECD/DAC data.

Continued access to concessional finance is also a key concern for countries that are graduating from the LDC category. In 2018, 12 countries met the graduation criteria and are now at various stages in the graduation process. This marks a significant advance, as only five countries had graduated before 2018.[6] However, nine of these countries remain highly vulnerable.[7] Impact assessments by United Nations Department of Economic and Social Affairs (UN/DESA) indicate that providers aim to continue providing similar amounts of ODA following graduation for six countries. However, modalities might increasingly shift from grants to loans or to higher interest rates in some cases, as also discussed in the 2018 report of the Task Force.[8] Box 2 presents an example of how development cooperation providers can help address some of these issues in graduating countries. In the context of an integrated financing framework that looks at all sources of financing, providers can take steps to strengthen external financing and facilitate a transition to sources beyond ODA in line with national priorities and needs,[9] as per capita incomes rise but vulnerabilities to socio-economic setbacks persist.

## Box 2

### Transition finance in Cabo Verde

Cabo Verde graduated from least-developed-country (LDC) status in 2007, yet remains highly dependent on official development assistance (ODA). A joint study[a] by the Organization for Economic Cooperation and Development (OECD) and the Government considered how development partners can support an integrated approach to financing, using the transition finance ABC approach (assessing, benchmarking and counselling) to assess challenges and identify recommendations for development partners:

- **Assessing**: Following LDC graduation, ODA was phased out in key social sectors. Tied aid rose by 30 per cent, and the country lost access to climate finance. In 2016, it was also classified by the International Monetary Fund as at high risk of debt distress, creating further roadblocks to financing.
- **Benchmarking**: Cabo Verde shares characteristics with other small island developing States (SIDS), which can provide lessons for overcoming its vulnerabilities. Seychelles is considered an "aspirational peer," having successfully secured innovative financing instruments to harness the Blue Economy. OECD Development Assistance Committee members can support greater access to blended finance in SIDS through capacity-building and partnerships.
- **Counselling**: Effective transition finance strategies require a mixed ***cooperative*** and ***competitive*** approach. The cooperative approach calls for better support, including financing criteria beyond income per capita, to manage debt, build resilience and avoid socioeconomic setbacks. The competitive strategy focuses on support to build productive capacities. Development partners should strive to reduce tied aid to encourage local entrepreneurship, and infrastructure financing should be strengthened to ensure commercial viability to repay growing debt.

a Rachel Morris, Olivier Cattaneo and Konstantin Poensgen, "Cabo Verde Transition Finance Country Pilot", OECD Development Co-operation Working Papers No.46 (Paris: OECD, 23 November 2018).

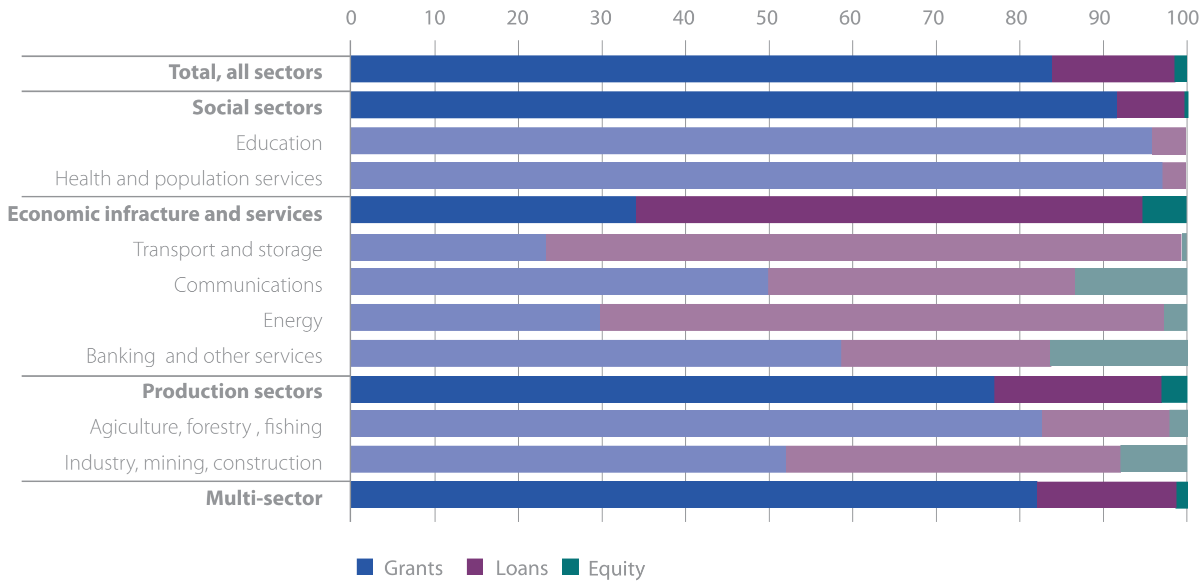
Figure 5

**Gross bilateral ODA disbursements from DAC countries to country groupings by instrument, three-year averages, 2010–2017**

*(Percentage of total)*


Source: OECD/DAC data.
Notes: Inner circles represent averages for 2010-2012; middle circles represent averages for 2013-2015; outer circles represent averages for 2016-2017.

Figure 6
**Gross bilateral ODA disbursements from DAC countries to developing countries by instrument and selected sectors, five-year average, 2013–2017**
*(Percentage of total)*




Source: OECD/DAC data.

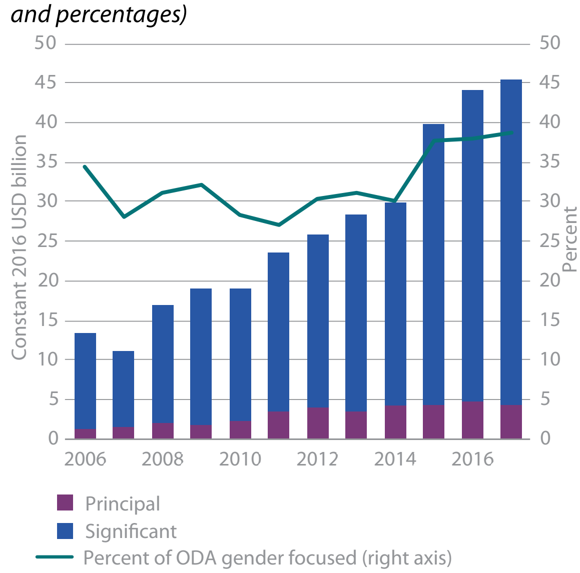
## 2.3 Further ODA disaggregation

The commitment of the 2030 Agenda to leave no one behind makes it imperative to better understand how development cooperation reaches different population groups at the national level and beyond. Accordingly, Member States of the United Nations committed to support developing countries, including LDCs and SIDS, to disaggregate ODA data, including by population group.[10]

The OECD has introduced a marker to track ODA that is focussed on gender equality and empowerment of women as either a significant or principal objective. This marker shows an upward trend, reaching 39 per cent of total bilateral allocable aid in 2017 (figure 7). While this is an improvement, only 4 per cent of bilateral aid was dedicated to gender equality as the principal objective. Regarding other population groups, efforts are currently under way to introduce a new marker on ODA for persons with disabilities.[11] Work is also ongoing to better match sectoral ODA flows to SDG outcomes. As the SDGs by their very nature can only be achieved through combinations of multi-sectoral interventions, it will be important to better align and trace sector financing strategies with SDGs and national development priorities for their achievement. In addition to ODA, such tracing could also include other official flows (OOF), to gauge the impact of all official development finance on SDG outcomes.[12]

Despite the importance of subnational entities in the delivery of the 2030 Agenda, data on development cooperation at the subnational level remains limited. Individual studies have been conducted to fill this gap. Some of these use mapping exercises to compare where ODA is invested at the subnational level to poverty indicators and other socioeconomic data. In the countries studied, the allocation of international donor funds by district is often not well matched to poverty levels. This raises questions about the allocation of aid—including between national projects and targeting the poorest—and whether indeed no one is left behind.[13]

Figure 7
**Bilateral ODA to gender equality and women's empowerment, 2013–2017**
*(Billions of United States Dollars, 2016 constant prices and percentages)*




Source: OECD DAC GENDERNET, "Development finance for gender equality and women's empowerment: A snapshot" (January 2019).

## 2.4 Funding for humanitarian emergencies

An estimated 87 per cent of people in extreme poverty reside in countries affected by fragility, environmental vulnerability or both. Financial requirements for humanitarian response plans coordinated by the United Nations reached $24.9 billion in 2018, a drastic increase from the $6.1 billion required in 2008. However, the 2018 plans received funding for only 60.5 per cent of requirements ($15.1 billion).[14]

Nearly three quarters of people targeted to receive assistance in 2018 were in countries affected by humanitarian crises for seven years or more. Recognizing that development is the most effective way to build resilience, a longer-term approach to addressing humanitarian needs should include development investments. Donors have increasingly adopted multi-year plans and funding, in line with Grand Bargain commitments.[15] In 2019, multi-year humanitarian response plans will be in place in 11 countries.[16]

In addition, partnerships with local and national actors have been strengthened to make humanitarian assistance as local as possible, and as international as necessary. Cash is more routinely used as a response modality. In 2016, cash transfer programming reached 10 per cent of global humanitarian aid.[17] Better tools are in place to enable more accurate measurement of how much funding is going to whom, including through a more transparent Financial Tracking Service for publishing financial data.[18] As at 1 May 2018, 44 out of 59 Grand Bargain signatories were publishing open data using the International Aid Transparency Initiative (IATI) Standard.[19]

The increasing focus of international public financing flows on humanitarian crises is a direct response to crises and shocks affecting progress and gains in sustainable development. The increasing intensity and frequency of extreme weather events and the protracted and complex nature of crises are heralding a shift towards linking development cooperation more closely to addressing such crises. These priorities are fully aligned with the 2030 Agenda and the SDGs, but changing aid-allocation patterns may create funding gaps in countries most in need of long-term support, such as LDCs, and in areas critical to leaving no one behind.

The Joint Steering Committee to Advance Humanitarian and Development Collaboration established by the Secretary-General as part of United Nations reforms has worked to strengthen the humanitarian-development nexus. The Committee provides ongoing support to country leadership in implementing the New Way of Working[20] to ensure that humanitarian assistance efforts and longer-term sustainable development programmes are more coherent and joined up with a view to achieving collective outcomes to reduce need, risk and vulnerability (see also box 3 in section 6.1).

A special focus is also needed on the differential impact conflicts and disasters have on women and girls, including in terms of mortality, health and education outcomes, as well as the prevalence of sexual violence.[21]

# 3. Lending by multilateral development banks

The ability of development banks to fund long-term productive investments makes them well suited to contribute to implementing sustainable development. In 2017, total lending by MDBs—including the World Bank, regional development banks, and other multilateral and intergovernmental agencies—reached $63.0 billion, out of which $22.5 billion was concessional (figure 8).

Two South-led development banks have joined the family of MDBs. The Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB) completed their second full year of operations in 2017, during which each entered into new loan commitments. Total AIIB loan commitments were $3.3 billion as of September 2018, up from $334 million at the end of 2016, with total disbursements of $1.2 billion.[22] NDB approved new loans worth $1.8 billion during 2017, and made its first disbursements, totalling $24 million.[23]

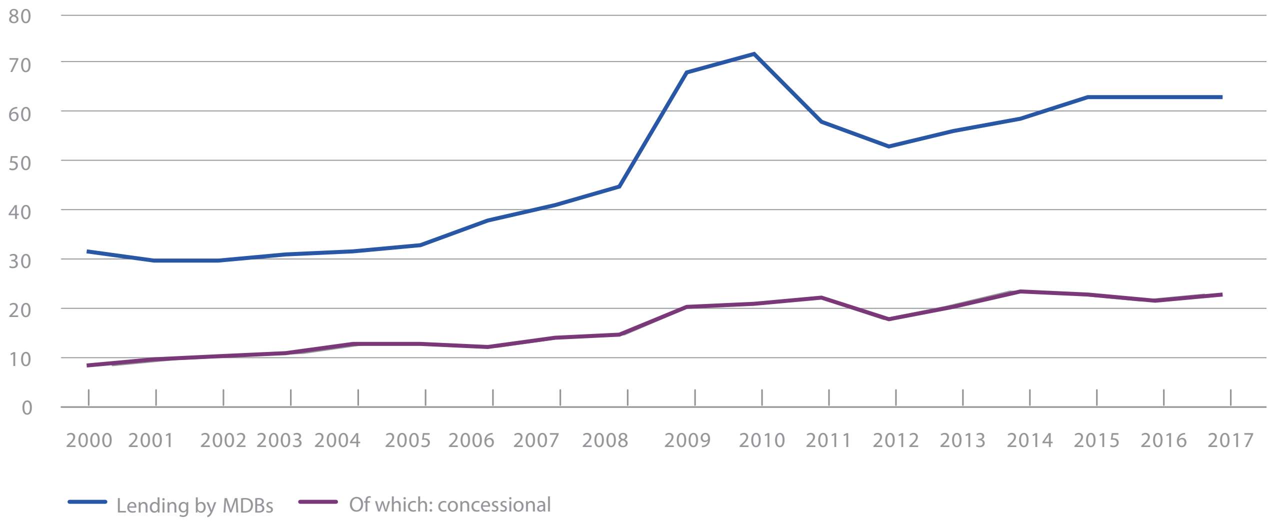
Shareholders have increased, or are considering increasing, their paid-in capital in some MDBs. In April 2018, World Bank Group (WBG) shareholders endorsed a $13 billion paid-in capital increase, comprising $7.5 billion for the International Bank for Reconstruction and Development (IBRD) and $5.5 billion for the International Finance Corporation (IFC). In May, African Development Bank shareholders authorized discussions on a capital increase.

The general capital increase of the WBG follows the December 2016 replenishment of $75 billion for the WBG International Development Association (IDA). That replenishment enabled IDA to access capital markets, with the first IDA bond issuance in April 2018 being oversubscribed, raising $1.5 billion. These funds will be blended with IDA concessional resources to support its borrowing countries. IDA negotiations for its next three-year replenishment, covering mid-2020 to mid-2023, began in November 2018.[24]

The Addis Agenda calls on MDBs to make “optimal use of their resources and balance sheets, consistent with maintaining their financial integrity”.[25] Since 2015, MDBs such as the World Bank, Asian Development Bank, African Development Bank and Islamic Development Bank have taken steps to make better use of their balance sheets, including by allowing leverage on grant resources, cutting expenditure and increasing fees, and enhancing risk management.

Increasing the effectiveness of MDB financing was also raised by the G20 Eminent Persons Group on Global Financial Governance (see chapter III.F).[26] The report recommends that MDBs overcome fragmentation with particular emphasis on MDBs working together in countries. Integrated national financial frameworks, written by Governments, can help in setting strategies and priorities for how countries can engage different MDBs (see chapter II). Member States

Figure 8
**Lending by multilateral development banks, 2000–2017**
*(Billions of United States Dollars, current)*




Source: World Bank, World Development Indicators.
Note: Includes disbursements of loans and credits from the World Bank, regional development banks, and other multilateral and intergovernmental agencies. Concessional lending is defined as loans with an original grant element of 25 per cent or more.

can also discuss the role they see for MDBs and United Nations system entities in providing global public goods, and how to increase coherence and synergies of different institutions.

While cooperation among the MDBs was limited before 2015, it has been expanding since then, in particular in the area of infrastructure. The Global Infrastructure Forum, called for in the Addis Agenda, brought the MDBs together on this issue, and joint work streams have been established, such as on infrastructure data, standards, and project preparation.

MDB shareholders are considering additional actions to strengthen cooperation, including the WBG Partnership Fund for the Sustainable Development Goals. In response to a request by the Group of 7, a new joint platform on economic migration and forced displacement was launched in April 2018. In addition, in December 2018, MDBs announced a joint framework for aligning their activities with the goals of the Paris Agreement on Climate Change.

With 80 per cent of the extreme poor estimated to live in fragile and conflict-affected contexts by 2035, MDBs are also increasing their engagement in vulnerable, crisis and post-crisis contexts. IDA doubled financing for fragility, conflict and violence to over $20 billion from 2017–2020, including increased financing for private sector engagement in high-risk contexts. At the World Humanitarian Summit, the United Nations and the World Bank committed to a New Way of Working to accelerate the 2030 Agenda in crisis contexts, focusing on those furthest behind.

Several MDBs have also stepped up efforts to mobilize private investment. In 2017, MDBs directly mobilized $52 billion in long-term private cofinancing, up from about $50 billion in 2016.[27] Of this total, $2 billion was mobilized for least developed and other low-income countries (see also the discussion on blended finance in section 5).

For the most part, MDBs are also improving the gender sensitivity and gender impact of their lending, with increased monitoring of gender results. However, progress is uneven and not comparable across institutions as MDBs lack common indicators on gender outcomes.

To achieve the SDGs, MDBs will need to both achieve greater scale and ensure that social and environmental sustainability considerations are embedded in their lending, in particular for infrastructure investments that will lock in development paths until 2030 and beyond. This could include further aligning internal staff incentives with metrics relevant to achieving the 2030 Agenda and the SDGs, rather than focusing primarily on lending volumes. In the context of optimizing balance sheets, the Addis Agenda also included a call on development banks to use all tools to manage their risks, including through diversification, which warrants further study. Shareholders of the MDBs should continue to work towards a shared vision of the MDB system. More generally, there remains significant unrealized potential to further scale up development banks' contributions to the 2030 Agenda, including through incentives aligned with the SDGs, integrated reporting, and expanded local currency lending.

## 4. South-South cooperation

As evident in the preparations for the Second United Nations High-level Conference on South-South Cooperation (BAPA+40), South-South cooperation (SSC) and triangular cooperation continue to expand, becoming more diversified and identifying new partnerships and forms of cooperation.

Given the variance among reporting methodologies for SSC and triangular cooperation, and the focus on non-financial modalities as an important element of SSC, generating quantitative estimates remains challenging.[28] Apart from aggregated quantitative estimates, a number of data points offer insights on trends in SSC and triangular cooperation.

A survey by UN/DESA in 2017 found that 74 per cent of developing countries provided some form of development cooperation, up from 63 per cent in 2015. The survey also showed a marked rise in the share of developing countries that indicated the United Nations had undertaken activities to support South-South or triangular cooperation in their country, from 54 per cent in 2015 to 84 per cent in 2017.[29] While many countries reported modest expenditures on SSC, with only 16 per cent of countries reporting expenditures of $1 million or more per year,[30] several Southern partners have and continue to make major financial contributions to SSC. China's Belt and Road initiative (BRI) is expanding and now includes over 100 countries.[31] In 2018, as part of the BRI, China made a number of significant commitments, including an additional $60 billion to Africa[32] and over $20 billion to the West Asian region,[33] in addition to several bilateral commitments. As part of the International Solar Alliance, India approved nearly $28 billion in concessional credits, including about $10 billion for approximately 40 African partners, with special emphasis on partnerships with LDCs and SIDS.[34]

Triangular cooperation has also increased in scope. Recent OECD data show that, while most triangular cooperation projects have been in Latin America (51 per cent), multiregional projects (21 per cent) and projects in Africa (13 per cent) and in Asia-Pacific (11 per cent) also grew.[35] However, more evidence and analysis are needed on the scope, scale and impact of triangular cooperation to assess its contribution to achieving sustainable development objectives. The Global Partnership Initiative on Effective Triangular Cooperation is a multi-stakeholder platform with growing membership to exchange experiences and develop tools and voluntary guidelines for effective triangular cooperation, in addition to providing analysis.

Developing countries are enhancing national mechanisms and institutional capacities to engage with SSC and triangular cooperation.[36] In March 2018, China announced the establishment of an international development cooperation agency, to strengthen the strategic planning and overall coordination of its foreign aid. Southern partners are also making use of their relative advantages in their SSC. For instance, Brazil, Indonesia, and Turkey engage in areas of SSC in which they bring to bear particular expertise and capacity on entrepreneurial education, tropical agriculture and disaster prevention and response, while Cuba and Nigeria place emphasis on technical cooperation initiatives.[37]

While the contribution of South-South and triangular cooperation to sustainable development continues to grow, there is need for continued development of legal and institutional frameworks to foster effective multi-stakeholder approaches to create enabling environments and mobilize a broader range of actors.[38] Further efforts to mainstream regional and national experiences in South-South and triangular cooperation into national development cooperation plans and policies will also support building national ownership and enhance the quality of partnerships.[39] In this context, regional groups have taken actions to advance SSC, developing regional frameworks, identifying priorities for action, and working together towards shared evaluation procedures and standards (see section 7.2). The elaboration by development cooperation agencies in the South of their own conceptual systems and methodological approaches for impact assessment of South-South and triangular cooperation, with further efforts to improve transparency and strengthen accountability, would advance knowledge-sharing and peer learning towards better results for sustainable development.[40]

## 5. Blended finance

The Addis Agenda recognizes the role that blended finance, including public-private partnerships, can play in financing for sustainable development, while also acknowledging the importance of using blended finance appropriately and effectively.[41] By shifting some of the risk or cost of a project from the private to the public sector, blended finance can enhance risk-return profiles for private creditors or investors. Concessional and non-concessional public finance can thus help to "crowd in" commercial finance for SDG investments that would otherwise not have materialized. Blended finance can potentially also create demonstration effects that can incentivize commercial replication, thereby supporting the development of local financial markets.

At the same time, there are concerns about whether blending represents an effective use of public finance, since the concessional finance that is blended will not be available for other areas that require concessional financing, such as in the social sectors. When ODA is used for blended finance, it is thus important to maintain principles of development effectiveness, including country ownership.

It is often difficult for public authorities to properly price blending projects, meaning that there is a risk of using limited concessional resources for oversubsidizing the private partner. Another concern is whether mixing commercial with concessional financing raises the debt burden of the borrowing country by creating contingent liabilities "off budget" (see chapter III.E). There are also concerns about financial additionality (i.e., whether blending is in fact mobilizing significant amounts of private finance for public-oriented projects). In addition, further evidence is needed to demonstrate development additionality (i.e., the impact of blended finance projects on SDG achievement).[42]

## 5.1 Blended finance flows

Member States defined blended finance as combining "concessional public finance with non-concessional private finance and expertise from the public and private sector" in the Addis Agenda.[43] However, not all international organizations use this definition. While global reporting efforts are based on different underlying definitions,[44] most measures find a rising trend in both blended financing volumes and number of deals. Recent data collections show that at least 23 out of 30 DAC members engage in blended finance. Donor Governments set up 167 dedicated facilities for blending between 2000 and 2016.[45] Between 2012 and 2017, their blending activities mobilized a total of $152.1 billion from commercial sources. Most of blending is in middle-income countries, with 8 per cent mobilized for LDCs (figure 9, and discussion on blending in LDCs below).[46]

The trend growth in blending is also reflected in activities of development finance institutions (DFIs). A working group of nine international DFIs reported that they financed over $8.8 billion of projects in 2017 through blending.[47] By a separate measure, 320 blending deals were registered by an initiative called Convergence in 2018, of which 95 took place in part or entirely in LDCs, and 38 (out of 95) took place wholly in LDCs.[48] On average, these deals mobilized $4 of commercial capital for every $1 of concessional capital. However, most of the commercial capital came from development finance institutions, rather than private investors.[49]

The European Union (EU), which is the single largest contributor to blended finance facilities, launched its External Investment Plan (EIP) in 2017, to address investment gaps in the European Neighbourhood and Africa by 2020. The European Fund for Sustainable Development, a key pillar of EIP, is expected to leverage €44 billion of investment through an EU input of €4.5 billion. Programmes that were in the pipeline at the end of 2018 were expected to mobilize €36.9 billion.[50] In 2017, the WBG IDA established a $2.5 billion private sector window to provide blended finance support through IFC and the World Bank's Multilateral Investment Guarantee Agency.

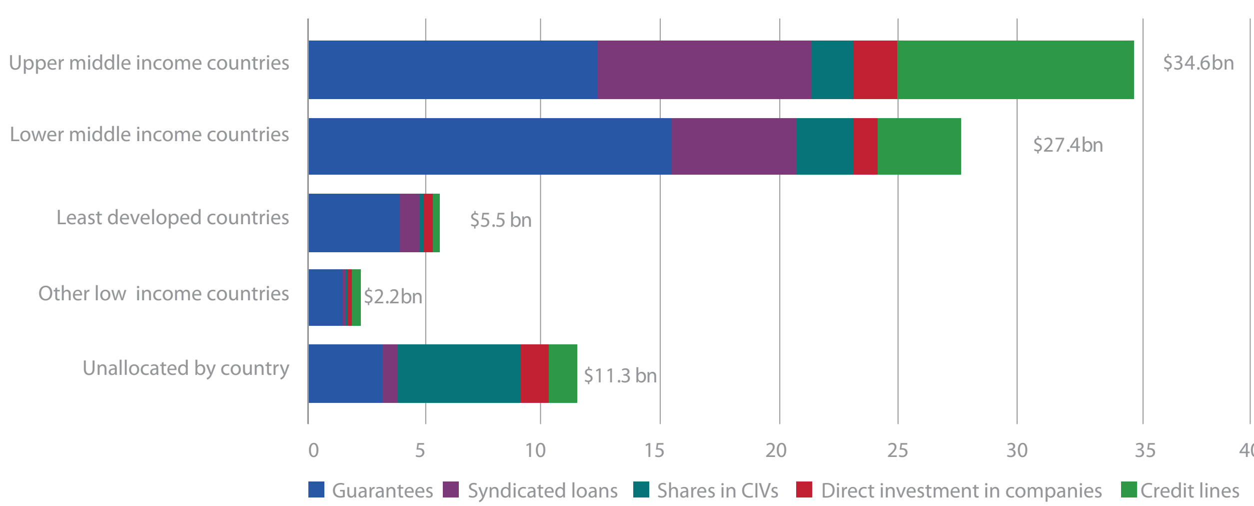
Blending is likely to advance some SDGs more than others: 84 per cent of blended deals are aligned to SDG 9 on infrastructure and industrialization, but only 7 per cent align with SDG 6 on clean water and sanitation (figure 10).[51] Indeed, most blended deals are concentrated in sectors with significant potential for economic returns. For example, projects in infrastructure and financial services accounted for 33 and 29 per cent, respectively, of all deals registered in the Convergence database. In the case of the former, this was mainly driven by the energy sector, and in the latter, by microfinance/retail banking and small business/corporate banking (reflecting a focus on financial inclusion). Social infrastructure sectors with less clear-cut revenue potential have received less funding. Health care accounted for 17 per cent of blended finance deals and education accounted for 9 per cent of deals.[52] Because of limited profitability of such investments, any further scaling up of blending needs to be accompanied by an international commitment to redouble efforts to mobilize additional public funding for those areas where blending is not appropriate.



Figure 9

**Private finance mobilized by official development finance instruments, 2012–2017**

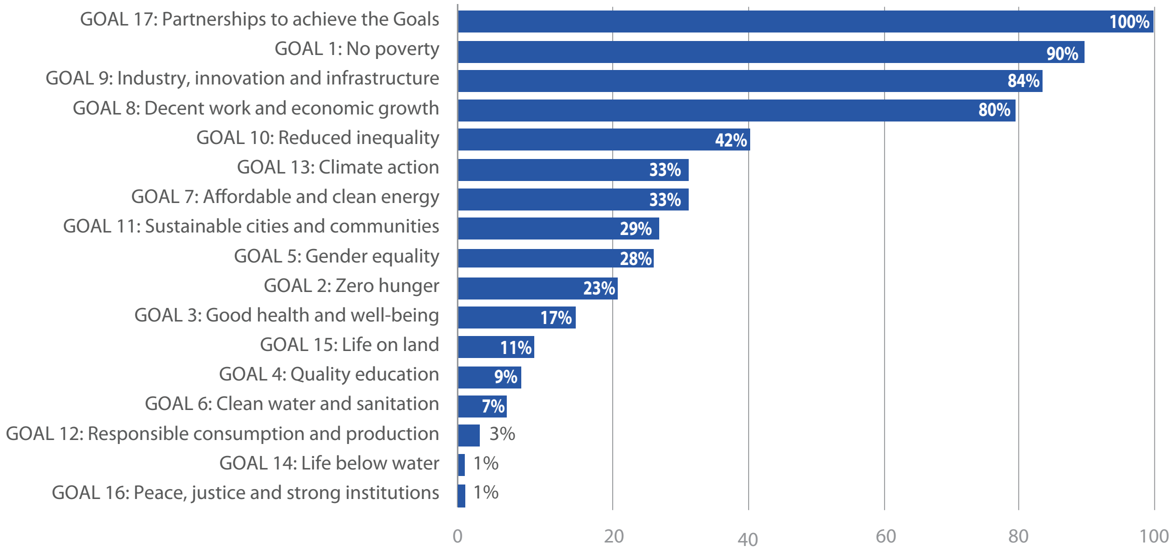
*(Billions of United States dollars, current)*




Source: OECD, "Amounts mobilized from the private sector for development." Available from http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/mobilisation.htm.

Note: CIVs are collective investment vehicles in which investors pool their funds to directly invest in a project, in contrast to purchasing a security issued by a project or participating in a syndicated loan to it.

Figure 10
**Blended finance: alignment of deals to SDGs**
*(Percentages)*




Source: Convergence, "Blended Finance & SDG Alignment", Data Brief (November 2018).



### *Special blending challenges for LDCs*

As was seen in figure 9, the use of blended finance instruments has so far largely bypassed LDCs. Between 2012 and 2015, according to OECD data, most private finance mobilized in LDCs originated from high-income countries other than the provider (almost $2 billion, or 36 per cent of the total amounts mobilized). The second largest source of private capital stemmed from the beneficiary countries themselves, suggesting that many deals involve domestic investors. But the average mobilization ($2.8 million) per deal with local counterparts was relatively small. During that same time period, on average about $7.9 million was mobilized per transaction in LDCs—less than 30 per cent of the global average—perhaps reflecting the smaller size of the transactions in LDCs and/or the higher use of concessional finance per transaction.[53]

One explanation for the low prevalence of blended finance deals in LDCs is the higher barriers to private capital mobilization, at both the enabling environment and at the project level. Barriers in the enabling environment include macroeconomic, governance, regulatory, market and other perceived risks. Barriers at the project level include operational and contract risks, difficulties in pipeline origination and project preparation, small deal size, untested business models, and information and data gaps. Some providers of concessional capital may also shy away from such markets for several reasons: low risk appetite, given the need to preserve their triple-A credit ratings; a lack of awareness of investable projects; or mandates that favour commercial returns.[54]

In some cases, it may be more cost effective to first use ODA to promote strengthening the enabling environment before investing in blended deals. In others, the investment could create demonstration effects and/or contribute to strengthening the enabling environment, and could be pursued in conjunction with other measures. At the project level, concessional finance providers can increase effectiveness by lending support over the entire project life cycle, from project preparation through deal design and execution, and to a more gradual phasing out of concessional support after successful project implementation.[55]

## 5.2 Towards principles for blended finance

The Addis Agenda spells out an overarching set of principles to improve the effectiveness and efficiency of blended finance in achieving the SDGs. It stresses the importance of national ownership and alignment with national priorities. It also highlights the need for blending to support sustainable development. The Addis Agenda calls for careful consideration of sectors and local contexts in the use of blending to ensure its use is appropriate. Recognizing the risk of oversubsidizing the private sector, it calls for a fair sharing of risks and rewards, as well as clear accountability mechanisms and transparency. It further recognizes the need to monitor the impact of blending on debt sustainability. In addition, it stresses the need for local participation in blended investments that affect their communities.[56]

Subsequently, other actors have agreed on sets of principles for their own activities. This includes the OECD DAC Blended Finance Principles, endorsed in October 2017, and the DFI Working Group's Enhanced Blended Concessional Finance Principles, agreed to in 2017.[57] In October 2018, Indonesia and the OECD, together with other partners released the Tri Hata Karana

Roadmap for Blended Finance,[58] which calls for coordinated efforts to ensure effectiveness and efficiency in the use and scaling up of blended finance operations.

These blended finance principles have many areas of overlap with the principles spelled out in the Addis Agenda. However, while they usually include guidance on the financial additionality of blended finance, only a few of them place strong emphasis on development additionality, which has proven more challenging to document. In addition, while most emphasize alignment with national priorities, the Addis Principles may put a stronger emphasis on the importance of providers of blended finance engaging with host-country Governments at the strategic level, to ensure that priorities are aligned. This underscores the usefulness of integrated financing frameworks as an instrument to guide discussions (see chapter II). Going forward, the international community should reflect collectively on how different sets of principles relate to respective commitments in the Addis Agenda.

# 6. Disaster resilience and climate finance

At least 61 million people across the world were affected and over 10,700 were killed by weather-related and seismic events during 2018.[59] Death tolls and economic impacts of such events are typically higher in low income countries than higher-income countries where there are greater resources to protect populations and critical infrastructure from the impacts of natural hazards.[60] Access to concessional finance for recovery and reconstruction will remain critical.[61] Several initiatives are also underway to prepare funds in advance in order to mitigate the impact of disasters (box 3). Insurance-type instruments, especially parametric insurance and state-contingent instruments that financially prepare for crisis response, can complement these.[62] To reduce existing risk and prevent the creation of new risk, it will be critical to build more resilience to disasters before they strike, and to incorporate disaster risk reduction in national sustainable development strategies.

## 6.1 Addressing disaster risk

In light of the growing frequency, intensity and economic impact of disasters, disaster risk reduction should be an integral part of sustainable development planning, as called for by the Paris Agreement and Sendai Framework for Disaster Risk Reduction.[63] This requires an increase in resilience, as the capacity of a society to cope and adapt, together with a reduction of its vulnerability to hazards.[64] While the level of disaster risk exposure can be reduced by regional and urban planning—through minimizing the location of people and tangible assets in hazard-prone areas, for example—the resilience of a society depends on physical, social and economic factors that are also foci of sustainable development strategies. Funding for climate and disaster resilience thus needs to be considered as part of the integrated national financing frameworks discussed in chapter II.



### Box 3

### International initiatives to lessen disaster impact

Early interventions can help save lives, mitigate suffering and significantly lower the cost of responding to the humanitarian consequences of shocks. With forecasting and communication of early warnings improving over the years, work has advanced on translating early warning into early action.[a]

The Central Emergency Response Fund (CERF) of the United Nations is developing a formal approach to finance anticipatory humanitarian action to help support early action at scale. This could include slow-onset emergencies such as droughts, as well as imminent sudden-onset disasters like cyclones and floods, and potentially also infectious disease outbreaks, with a focus on reducing or preventing humanitarian consequences. By providing a degree of assurance of access to early action funding, CERF could also incentivize domestic actors to invest in preparedness activities, such as collective risk analysis, contingency planning and other anticipatory actions.

The Contingency Fund for Emergencies (CFE) of the World Health Organization (WHO) was set up in 2015 in response to the Ebola outbreak in West Africa. It allows WHO to respond rapidly to disease outbreaks and health emergencies, often in 24 hours or less, saving lives and reducing long-term costs. Donors contributed $38 million in 2018, more than three times the level of 2017, which has allowed WHO to respond rapidly to 20 disease outbreaks, 6 disasters deriving from natural hazards and 2 complex emergencies in 2018 alone.

The Green Climate Fund (GCF), responding to calls from African countries, has invested in climate information services and early warning systems to help vulnerable communities, particularly farmers, choose the right crops and avoid a lost growing season and the risk of famine. For instance, in the Zambia, a joint GCF climate information services project with the United Nations Development Programme will help farmers who rely on rain-fed agriculture better plan as rainy seasons become more erratic. Monitoring stations will be combined with "last mile" communications to ensure crucial information reaches those most impacted by climate-induced seasonal variations.[b]

a United Nations, Report of the Secretary-General on international cooperation on humanitarian assistance in the field of natural disasters, from relief to development (A/73/343).
b Green Climate Fund, "Strengthening Climate Resilience of Agricultural Livelihoods in Agro-Ecological Regions I and II in Zambia." Available from https://www.greenclimate.fund/projects/fp072.

Through ex ante resilience building, Governments and their international partners can expect to save on large recovery costs, in addition to reducing human suffering and economic and social disruptions and environmental degradation. These savings can be substantial for small states with high vulnerability to natural hazards. Preliminary results from the International Monetary Fund (IMF) for six small island developing States find average savings—net of amounts spent on building resilience—of 10 per cent of initial GDP over a 20-year period, based on the historical frequency of disasters. These savings could increase to up to 14 per cent of recipient's base-year GDP if the frequency of disasters increases.

The international community, including multilateral financing institutions, can support countries in this effort through financial support and technical assistance in identifying, planning, sequencing and implementing measures embedded in multi-year disaster risk reduction strategies and plans. The Global Risk Financing Facility, set-up by Germany, the United Kingdom of Great Britain and Northern Ireland and the World Bank, and the Global Facility for Disaster Reduction and Recovery are initiatives in this regard. The IMF can help with the macrofiscal elements of a disaster risk reduction plan, including helping countries to generate fiscal revenues and improve public financial management systems. The joint IMF/World Bank Climate Change Policy Assessment currently being conducted on a pilot basis helps to identify key policy gaps in adaptation and mitigation policies.

The United Nations is moving towards a joint approach to environmental and social standards in its programming on climate change mitigation and adaptation and disaster risk reduction, among others. The joint approach aims to minimize greenhouse gas emissions from supported activities and ensure all programming is sensitive to and informed by climate change and disaster risk considerations.[65]

Tracking official cooperation geared towards disaster risk reduction is difficult, but efforts are being made to improve relevant statistics, focused on project and programme information captured in the DAC database (box 4).

## 6.2 Climate finance flows

Developed countries committed in 2009 at the Fifteenth Conference of Parties (COP15) of the United Nations Framework Convention on Climate Change (UNFCCC) in Copenhagen to jointly mobilize $100 billion a year by 2020 from multiple sources for climate action in developing countries. At the Paris Conference on Climate Change in 2015, developed countries agreed to maintain that target through 2025 and to consider raising it for ensuing years.[66] In December 2018, at COP24 in Katowice, Parties agreed to initiate deliberations on the new target in November 2020.

### Box 4

### Measuring cooperation for disaster risk reduction

While there are established reporting mechanisms and standards, however incomplete, for measuring public and private climate finance flows, it is harder to identify resources designated specifically for disaster risk reduction, including resilience building. In the past, it was only possible to estimate concessional flows for disaster risk reduction from Organization for Economic Development and Cooperation (OECD)/Development Assistance Committee (DAC) member countries by reviewing official development assistance (ODA) purpose codes and project descriptions on a case-by-case basis, which made it difficult to obtain reliable statistics and compare trends over time or between country groups.

One recent attempt to estimate these flows by the OECD and World Bank sought to identify ODA financing for climate and disaster risk reduction in small island developing States (SIDS) during 2011–2014. Concessional finance in support of climate and disaster risk reduction nearly doubled over the study period, representing 14 per cent of the total concessional finance for SIDS during this period. Resilience finance was dominated by investments in resilient infrastructure in just a few countries and tended to follow large disasters. Predictable, long-term financing was scarce,[a] making it difficult for SIDS to integrate flows into longer-term planning for disaster risk reduction, in the broader context of an integrated national financing framework.

In January 2018, the DAC approved a policy marker for aid projects that address disaster risk reduction, developed in collaboration with the United Nations Office for Disaster Risk Reduction (UNISDR).[b] By accurately tracking the incidence of disaster risk management projects and programmes in development cooperation, the policy marker can encourage the mainstreaming of disaster risk reduction into development planning. It can also provide a reliable means of gauging disaster risk reduction mainstreaming within development cooperation and, over time, provide an incentive to increase risk-informed development investments. The marker thus supports the achievement of target (f) of the Sendai Framework. Reporting on the disaster risk reduction marker will start in 2019, for spending in 2018.

a OECD and World Bank, "Climate and Disaster Resilience Financing in Small Island Developing States", pp. ix-xi. (Washington, D.C., World Bank, 2016).

b OECD, "Proposal to Establish a Policy Marker for Disaster Risk Reduction (DRR) in the OECD DAC Creditor Reporting System (CRS)", DAC Working Party on Development Finance Statistics (OECD, December 2017).

While the target has not yet been reached, climate finance has been growing significantly. According to the latest estimates from the Standing Committee on Finance of the UNFCCC, total climate financial flows from developed to developing countries—including public flows and mobilized private flows—reached $71 billion in 2016, an increase of almost 20 per cent over 2015. Both public and private flows increased, from $49 billion to $56 billion and from $11 billion to $16 billion, respectively. On a statistically comparable basis with earlier data collection, total global climate finance flows increased 17 per cent from 2013–2014 to 2015–2016, with public flows increasing 26.5 per cent.[67]

Public flows from bilateral, regional and other channels, as well as multilateral climate funds, increased from $31 billion in 2015 to $36 billion in 2016.[68] MDBs are another important source of public climate finance, with MDB climate flows from developed to developing countries of from $17 billion to $20 billion in 2016, up from $16 billion to $17 billion in 2015.[69]

The 24 national and regional development banks of the International Development Finance Club (IDFC) made $220 billion of climate finance commitments in 2017, an increase of $47 billion over 2016.[70] Many of these investments were made domestically, including by the China Development Bank and Banco Nacional De Desenvolvimento Economico e Social (BNDES) of Brazil, as well as by Kreditanstalt für Wiederaufbau (KFW) in Germany. As IDFC members invest both nationally and across borders, it is difficult to identify the share of flows from developed to developing countries.

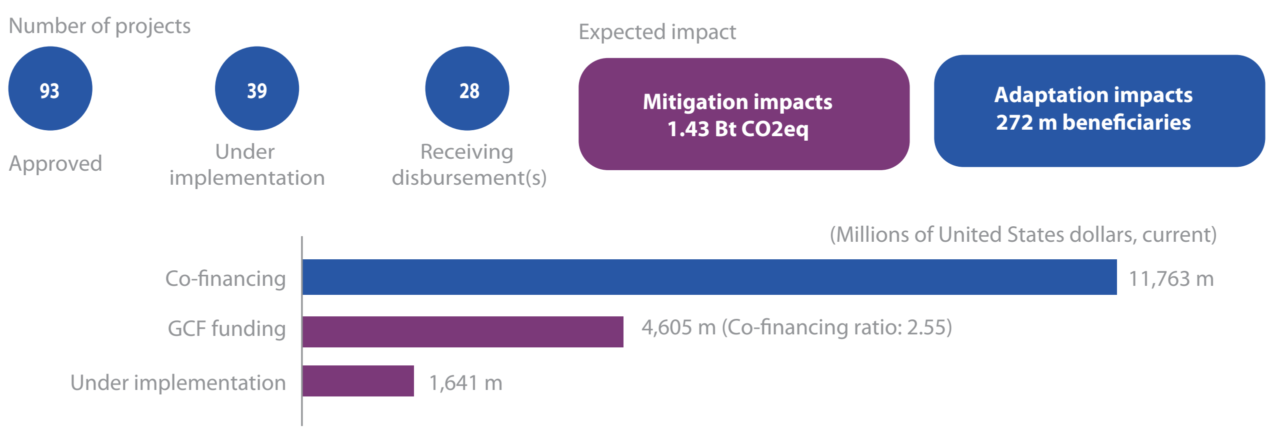
The UNFCCC Standing Committee on Finance finds that 24 per cent of bilateral climate flows went to LDCs and 2 per cent went to SIDS. For both country groups, which are among the most vulnerable to the effects of climate change, about half of these flows were allocated to adaptation projects, which can also have a developmental impact. Of the approved financing from multilateral climate funds, 21 per cent went to LDCs and 13 per cent to SIDS, and more than half of this was allocated to adaptation. Fifteen per cent of MDB climate finance went to LDCs and SIDS together, with 41 per cent of that total allocated to adaptation.[71]

The Green Climate Fund (GCF) was established in 2010 and serves as a primary operating entity of the financial mechanism of the UNFCCC and the Paris Agreement. In 2015, it received pledges for $10.3 billion, although only $7 billion has materialized. As of October 2018, GCF had approved $4.6 billion to 93 projects and programmes (figure 11). In October 2018, GCF launched its first formal replenishment process, to be finalized in 2019.

All developing-country parties to the UNFCCC are eligible to receive resources from the GCF. However, many developing countries have noted that the accreditation process is difficult to navigate and requested GCF to facilitate direct access. In response, GCF has included a readiness programme and preparatory support programme, engaging with 122 countries (as of February 2019). Of the $140 million approved for readiness support, just under 50 per cent was for the formulation of National Adaptation Plans (NAPs) or other adaptation planning processes.[72] GCF support for adaptation planning processes is also being used to design financing strategies for countries to implement adaptation priorities, including with private investment, public resources, and a pipeline of projects and programmes for consideration by GCF and other climate funds.



Figure 11
**Project financing by the Green Climate Fund, 2015–2018**




Source: Green Climate Fund, "Portfolio Dashboard". Available from https://www.greenclimate.fund/what-we-do/portfolio-dashboard.

# 7. Quality, impact and effectiveness of development cooperation

## 7.1 National development cooperation policies

Developing countries have adopted national development cooperation policies (NDCPs) to help mobilize and align development cooperation with their national sustainable development goals. According to recent Development Cooperation Forum (DCF) survey results, 39 of 58 responding countries reported they had NDCPs or a similar policy in place.[73] While NDCPs vary in form and scope across countries, they generally (i) set a vision on the role and use of development cooperation to achieve national sustainable development plans; (ii) establish guiding principles and policy guidelines; (iii) identify key policy objectives and commitments; (iv) outline partnership and dialogue arrangements; (v) set out the responsibilities of implementing institutions and mechanisms; and (vi) outline monitoring and evaluation arrangements. NDCPs have proven to be an effective tool to help ensure broad-based country ownership and leadership; improve the quality of development partnerships; and get better results from development cooperation, including through increased transparency and accountability. NDCPs are an integral part of developing countries' integrated financing frameworks (see chapter II).

In response to the changing development cooperation landscape, NDCPs have evolved. They are covering an increasingly diverse range of finance sources and development actors beyond ODA. For example, NCDPs increasingly integrate South-South cooperation and make linkages to domestic resource mobilization and the engagement of the private sector (figure 12).

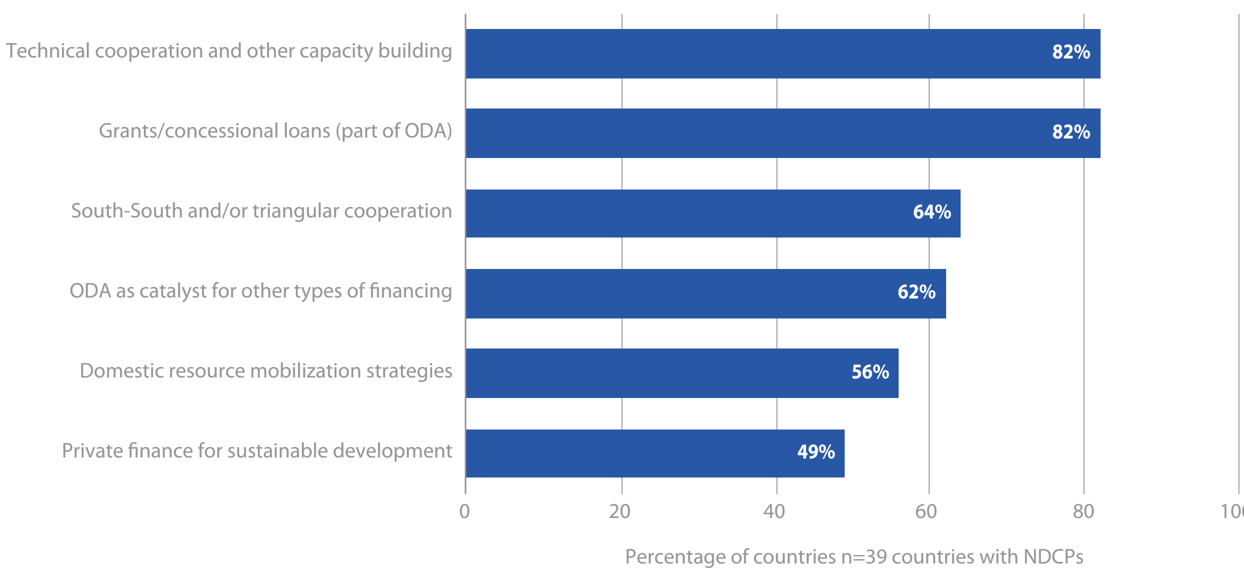
Most developing countries have also institutionalized policy dialogues as a platform for engaging a wide range of stakeholders, including those who will be directly affected by specific development cooperation projects.[74] In this spirit, a number of countries have taken or are currently taking steps to enhance the participation of stakeholders in their national policy coordination dialogues. For example, Kenya has reformed its multi-stakeholder dialogue platform to ensure inclusion of the full variety of partners, including county governments.[75]

Nonetheless, meaningful and effective participation of the private sector and community-based organizations at the subnational level remains limited, and discussions in national coordination bodies largely involve traditional Government partners.[76] Going forward, beyond reaching out to a broader set of development actors, it will be important to ensure a more effective participation of beneficiaries. The latter will be key for making sure the voices of the poor, marginalized and vulnerable groups, and minorities are heard and that their needs are understood and reflected in national development cooperation policies and priorities.

## 7.2 Monitoring and review of development cooperation

At the global level, more detailed and transparent information on development and humanitarian flows is being published. In 2018, over 250 additional orga-

Figure 12
**Coverage of development cooperation instruments in NDCPs, 2018**
*(Percentages)*




Source: UNDESA, "National mutual accountability and transparency in development cooperation: Study on the findings of the Fifth DCF Survey", p. 8.

nizations began reporting to the International Aid Transparency Initiative (IATI), bringing the number of publishers that regularly report data to more than 900 donor Governments, multilateral agencies, foundations, non-governmental and private sector organizations.[77] The number of published cooperation activities increased to well over one million.

Developing countries are reporting an increased use of IATI data to inform the planning and coordination of development and humanitarian resources. Despite this progress, they continue to face challenges in collecting, managing and using data and information on development cooperation, due in part to late or non-reporting of donor organizations. Additional work, including capacity-building, is also needed to generate improved data and make better use of existing data (see also section 2.3 above).

Over half of the developing countries participating in the 2018 DCF Survey had adopted country-led development cooperation results frameworks, to encourage use of their own country systems and to reduce the administrative burden caused by multiple donor reporting systems. Only 12 per cent of countries reported that development partners still had completely parallel results frameworks.[78]

Nonetheless, only 38 per cent of the countries that had country results frameworks in place reported that monitoring had "highly improved" the alignment of partners' activities with national priorities.[79] Moreover, while many developing countries have set targets for what information they need to provide in their national results frameworks, bilateral donors have adopted targets in less than a third of the countries that have these frameworks.[80] A rising challenge is also to monitor donor engagement with local private sector partners, the overwhelming majority of which do not include the national Government as a partner.

Efforts to strengthen the monitoring of the quality, impact and effectiveness of development cooperation are also ongoing as part of the Global Partnership for Effective Development Cooperation. Over 80 countries participate at the country level.[81]

Southern partners have stepped up their own cooperation assessment systems and processes. While they have stressed that a single definition and methodology for reporting on South-South cooperation is neither feasible nor desirable, a growing number of them are developing approaches to assess the quality, effectiveness and impact of their development cooperation, measured against their national circumstances and priorities.[82] Efforts are being made to share evaluation procedures and standards at the regional level, the most advanced example being that of the Ibero-American countries.

## 7.3 Progress in untying ODA

The DAC has long recognized that untying aid can allow countries to source more competitively priced inputs; support local or regional firms; generate local expertise and promote better alignment of ODA with the objectives and financial management systems of recipient countries.

In 2016, the share of untied aid reported by DAC countries accounted for 79.8 per cent of total ODA. For the countries covered by the 2001 DAC recommendation to untie ODA to LDCs and non-LDC Heavily Indebted Poor Countries (Untying Recommendation), this share was higher, reaching 88.3 per cent of ODA.[83] The reach of the Untying Recommendation was extended in October 2018, when the DAC agreed to add 10 countries to the list of covered countries.[84] It now covers 65 countries but still excludes many countries and key sectors.



### Box 5

### Total official support for sustainable development: progress in the methodology for measuring cross-border resource flows in support of the Sustainable Development Goals

Total official support for sustainable development (TOSSD) is a statistical framework initiated by the Organization for Economic Cooperation and Development to measure external officially supported finance for sustainable development and the Sustainable Development Goals (SDGs). TOSSD is a two-pillar framework that aims to track officially supported (i) cross-border resource flows to developing countries and (ii) global and regional expenditures in support of development enablers (e.g., global public goods) to address global challenges. It includes both official resources and resources mobilized from the private sector by official development finance interventions, regardless of their level of concessionality.

In response to the call of the Addis Ababa Action Agenda to develop TOSSD in an open, inclusive and transparent way, an International Task Force[a] was established in July 2017 to develop TOSSD Reporting Instructions, which define the main statistical parameters (definitions, measurement methods, taxonomies) of the two-pillar framework. In January 2019, the Task Force concluded the methodology to track cross-border resource flows to developing countries (pillar I). A data survey will be conducted in the first months of 2019 to start collecting TOSSD data at the activity level. The TOSSD Task Force has also started developing the methodology for pillar II and aims to complete it in 2019.

a OECD, "International TOSSD Task Force." Available from http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/tossd-task-force.htm.

DAC procurement statistics illustrate that "informal tying" remains a major challenge. In 2016, 51 per cent of the value of bilateral ODA contracts reported to the DAC flowed to firms in donor's own countries.[85] Development partners must take urgent action to remove barriers, to allow developing countries, including LDCs, to better tap into the important double dividend that local procurement can bring when economic conditions are right. This is particularly critical against the backdrop of ongoing efforts to scale up blended finance (see section 5). Without the appropriate regulatory or policy framework, increased reliance on blended finance poses a real risk of a proliferation of tied or "informally tied" aid.[86]

# Endnotes

1 Preliminary 2018 ODA data are published by the Organization for Economic Cooperation and Development (OECD) in April 2019, after this report goes to print. An update to this analysis is published in the online annex, available at https://developmentfinance.un.org/international-development-cooperation.

2 OECD, “Statistics on resource flows to developing countries,” table 31. Available at http://www.oecd.org/dac/stats/statisticsonresourceflowstodevelopingcountries.htm.

3 For an in-depth analysis of the nature and scope of ODA in SIDS, see OECD, “Making development co-operation work for small island developing States.” Available at https://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/OECD-SIDS-2018-Highlights.pdf.

4 The “other” category in figure 3 includes multi-sector and cross-cutting aid. Thus the identifiable sector allocations may understate actual outlays.

5 See also *Financing for Development: Progress and Prospects. Report of the Inter-agency Task Force on Financing for Development 2018* (United Nations publication, Sales No. E.18.I.5), p. 15.

6 Botswana (1994), Cabo Verde (2007), Maldives (2011), Samoa (2014) and Equatorial Guinea (2017).

7 See United Nations, Report on the twentieth session of the Committee for Development Policy (E/2018/33).

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9 OECD, *Global Outlook on Financing for Sustainable Development 2019* (Paris, OECD Publishing, 2019).

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