

CONCEPT NOTE: SESSION 4

Applying Effectiveness Principles to Financing for Sustainable Development: Integrated Approaches to Effectively Finance Sustainable Development

Tuesday, 13 December 2022, 14:30 – 15:30 CET

Background

The success of the 2030 Agenda and the Paris Agreement largely depends on countries' ability to mobilize resources. According to some estimates, the financing gap for achievement of the SDGs in developing countries increased by approximately [56% following COVID-19](#), and could increase by 10% in the coming years driven up by the inflation, underfunding and other challenges.¹² The [2022 Financing for Sustainable Development Report](#) recommends urgently addressing the financing gaps and rising debt risks, align financing flows with sustainable development and enhance transparency. As the world is facing multiple crises, mobilizing additional development finance is becoming increasingly difficult from both public and private sources for countries.

Equally important to increasing the quantity of financing for sustainable development is the quality and effectiveness of finance – ensuring all sources called upon in the AAAA work towards development that is sustainable and equitable.

[Evidence](#) shows that even before the crises, many developing countries struggled with challenges related to their access to finance, including proliferation of actors (countries and institutions) providing development finance and fragmentation of development activities resulting, for instance, in gradual reduction of average size of grants and loans. Rather than accelerating efforts to reform the global aid architecture, recent crises have exacerbated its fragmentation, as new funds continue to be created in response to emerging development challenges³. Today, we see that despite the [boom in supply and demand for sustainable finance](#), barriers (e.g. building markets, strengthening data, promoting policies, norms etc.) continue to persist which hinder equitable and effective distribution of financing for sustainable development that targets the poorest and most vulnerable countries.⁴ The role of ODA remains central to catalyze development finance to invest in the SDGs and to leave no one behind (LNOB).

The Addis Ababa Action Agenda acknowledged the importance of the principles of effective development cooperation and includes a number of commitments in this regard. Over the years, the members of GPEDC accumulated significant experience in using principles to enhance the impact of development finance at the country level while reducing fragmentation and improving alignment with national development priorities, helping countries manage its increasing complexity. For example, the joint programming between the members of the European Union helped streamline delivery of development cooperation improving alignment and ownership. The efforts are also underway in over 80 countries to establish/strengthen integrated national financing frameworks – the frameworks that orchestrate all sources of development finance. Together the OECD, the UN Department of Economic and Social Affairs, and the UN Development Programme launched

¹ OECD forthcoming (2022). Global Outlook on Financing for Sustainable Development 2023: No Sustainability without Equity. OECD Publishing, Paris

² UNCTAD (2022) Financing for Development: Mobilizing Sustainable Development Finance Beyond COVID-19: unctad.org/system/files/official-document/tdb_efd5d2_en.pdf

³ OECD forthcoming (2022), *Multilateral Development Finance 2022*, OECD Publishing, Paris

⁴ OECD forthcoming (2022). Global Outlook on Financing for Sustainable Development 2023: No Sustainability without Equity. OECD Publishing, Paris

the INFF Facility in 2022 to help developing countries design and deliver robust financing strategies for national development plans and the SDGs. Finally, almost 100 providers of sustainable development finance are reporting their contributions to the Total Official Support for Sustainable Development (TOSSD) international statistical standard, fostering transparency for recipient countries.

Objectives

The session “Effective Development Cooperation for Financing Sustainable Development” will discuss the role of effective development cooperation in defragmenting and scaling up finance for sustainable development at the country level. It will address how effective development cooperation principles can help partners work together to align and leverage all sources of finance to achieve the SDGs.

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