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Item 2 of the provisional agenda
Adoption of the agenda and organization of work

Provisional agenda and annotations

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II. Annotations

Item 1
Election of officers

1. In accordance with established practice, it is suggested that the Intergovernmental Group of Experts on Financing for Development elect a Chair and a Vice-Chair-cum-Rapporteur.

Item 2
Adoption of the agenda and organization of work

2. The Intergovernmental Group of Experts on Financing for Development may wish to adopt the provisional agenda reproduced under chapter I above.

3. It is proposed that the opening plenary meeting of the third session of the Intergovernmental Group of Experts, which will start at 10 a.m. on Monday, 4 November 2019, should be devoted to procedural matters (items 1 and 2) and opening

statements. The closing plenary meeting on Wednesday, 6 November 2019, will consider the adoption of the report of the third session of the Intergovernmental Group of Experts to the Trade and Development Board, including agreed policy recommendations, and the provisional agenda of its fourth session (agenda items 4 and 5), to be held in in the final quarter of 2020, as stipulated in the terms of references for the Intergovernmental Group of Experts (TD/B(S-XXXI)/2, annex IV, II.6).

4. The remaining meetings will be dedicated to substantive discussions of issues under agenda item 3.

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Item 3
Financing for development: International development cooperation and interrelated systemic issues

5. At the second session of the Intergovernmental Group of Experts on Financing for Development, held on 8–10 November 2018, member States agreed that the topic of the third session should be international development cooperation and interrelated systemic issues.[1]

6. The year 2015 was a landmark year for multilateralism and international decision-making that reflected the intention to fundamentally shape the post-2015 policy agenda for development. Member States reached consensus on several major development agreements that include the Addis Ababa Action Agenda on financing for development (July 2015), the 2030 Agenda for Sustainable Development (September 2015) and the Paris Agreement on climate change (December 2015). These agreements substantially established and expanded the work of the United Nations to pursue a bold global development agenda. In particular, the 2030 Agenda identified 17 Sustainable Development Goals, spanning 169 targets, that aim to end, among other things, poverty, improve education and health, reduce economic inequalities, spur economic growth and tackle climate change. These international agreements renewed the discourse surrounding the important role of official development assistance (ODA) and the need to mobilize additional sources of development financing to support this ambitious undertaking.

7. The expansion of the international agenda has significantly increased the estimated costs and total investment needs in developing countries. UNCTAD estimates that the average annual financing gap to achieve the Sustainable Development Goals amounts to approximately US$2.5 trillion per year from 2015 to 2030.[2] Nonetheless, the boldness of the Addis Ababa Action Agenda has not yet begun to be reflected in development outcomes, with time running out fast.

8. The Addis Ababa Action Agenda stresses that “the fulfilment of all ODA commitments remains crucial” (A/RES/69/313, annex, para. 51). ODA has as its basic principle the economic development and welfare of developing countries and plays an important role in providing funding for developing countries, especially for the least developed economies. While the original Development Assistance Committee countries committed to donating 0.7 per cent of their annual gross national income (GNI) to ODA in developing countries, and 0.15 to 0.20 per cent of their GNI to ODA in the least developed countries, apart from a handful of countries, the target has not been reached. Instead, ODI has languished at less than half of that commitment, with Development Assistance Committee donors reaching 0.31 per cent of GNI, on average, in 2017. While ODA flows drifted upwards marginally in 2016, they moderated in 2017 and the latest estimates for 2018 by the Organization for Economic Cooperation and Development (OECD) and the

[1] Corresponding to action area C of the Addis Ababa Action Agenda of the Third International Conference on Financing for Development (A/RES/69/313); TD/B/EFD/2/3, annex I, p.15.
[2] UNCTAD, 2014, *World Investment Report 2014. Investing in the [Sustainable Development Goals] SDGs: An Action Plan* (United Nations publications, Sales No. E.14.II.D.1, New York and Geneva).

United Nations Capital Development Fund suggest that, at US$153 billion,[3] ODA flows are only marginally above their 2013 levels.

9. This broad picture has been complicated by a number of developments that would seem to potentially undermine the core developmental impact of ODA. There has been a gradual shift in the direction of concessional loans rather than grants, with concessional loans and long-term capital growing to 23 per cent of ODA in 2017, up from 16.2 per cent in 2008. For some time, there has been a debate regarding the extent of concessionality related to such loans as the full face value of a loan is considered ODA, even if only 25 per cent of the loan had concessional terms. Current definitions of ODA also allow a significant portion of ODA to be spent in the donor country itself, such as housing for refugees and costs associated with their integration. country programmable aid removes some of these elements, and this figure stood at US$103.7 billion in 2018 (down from US$105.6 billion in 2014), compared to US$153 billion in overall ODA. Growing concerns have moreover been raised over double-counting ODA funds, for example, regarding “new and additional” climate finance, a substantial part of which has, in practice, come directly from ODA budgets. Finally, ODA delivery systems currently also remain misaligned with national budgeting processes, which reflect domestic policy priorities.

10. A wider and long-standing discussion concerns current eligibility criteria for concessional financing for development that reflects, in particular, the special challenges faced by many middle-income countries (A/RES/69/313, annex, para. 72).

11. OECD and the United Nations are developing a new framework for monitoring and measuring development aid flows that aims at measuring all external financial flows from traditional and emerging donors (public/private/blended, concessional/non-concessional) that are delivered to support global public goods and sustainable development in developing countries. The stated purpose of the framework, referred to as total official support for sustainable development, is not to supplant ODA but rather to provide transparency on other financial flows that support the Sustainable Development Goals. Consultations raised a number of concerns about the framework, including about its transparency and clear and separate accounting of the longer-term costs and benefits of different types of financial flows and financing instruments, and their true developmental impact.

12. The Addis Ababa Action Agenda also highlights that the use of international public finance “is to catalyse additional resource mobilization from other sources, public and private”, including by using international public finance to “unlock additional finance through blended or pooled financing and risk mitigation, notably for infrastructure and other investments that support private sector development” (A/RES/69/313, annex, para. 54). This reflects concerns that, given the inadequacy of official resources – be they national or international – to meet the Sustainable Development Goals, the private sector needs to come to the rescue through financial innovation, broadly described as “blended finance”. In essence, this has come to mean that in order to meet a financing requirement amounting to trillions, billions of dollars in guarantees, sureties and co-financing from development banks, donors and recipient countries themselves will create the necessary private sector subsidies and incentives to generate the required finance. The general aim of the approach is de-risking the investment environment to overcome the inhibitors that exist, so that private sector financial institutions and investors from both within and outside the recipient countries will utilize innovations, such as lines of credit, securitization and special purpose vehicles, to unlock finance for development. This expectation is sometimes referred to as the “billions to trillions” narrative.

13. At present, however, there remains an evidence gap as to how effective blended finance has been to date, underlining the need for greater transparency and accountability relating to blended finance. Insofar as data has been made available through OECD and academic research, these suggest that private funds mobilized as part of blended financing

[3] OECD and United Nations Capital Development Fund**,** 2019, *Blended Finance in the Least Developed Countries*, OECD Publishing, Paris, available at http://www.oecd.org/dac/blended-finance-in-the-least-developed-countries-2019-1c142aae-en.htm.

instruments range from US$26 billion to US$52 billion per year. Leverage ratios also do not look encouraging. For example, recent research[4] finds that every US$1 invested by multilateral development banks and development finance institutions in low-income developing countries mobilizes only US$0.37 of private sector finance, US$0.65 in the case of upper middle-income countries and US$1.06 in lower middle-income countries. Currently, OECD data further suggest that less than 6 per cent of the blended finance flows measured between 2012 and 2017 have made their way to LDCs, and that this share is falling. This raises important questions about the reasons for these trends and to what extent blended finance can or should be expected to play a substantial role in closing the Sustainable Development Goal financing gap.

14. Further core issues and highlighted in the Addis Ababa Action Agenda regarding international development cooperation concern the importance of South–South cooperation "as a complement, not a substitute, to North–South cooperation" (A/RES/69/313, annex, para. 56) and the role of international development cooperation in the mitigation of environmental vulnerabilities, including responses to natural disasters (ibid., paras. 59–65).

15. Consequently, at the first substantive plenary meeting of the third session of the Intergovernmental Group of Experts on Financing for Development, on 4 November 2019, the scene will be set concerning the development imperative of the Sustainable Development Goals and the challenges posed, from the perspective of international development cooperation, to close the Sustainable Development Goal financing gap on time. At subsequent substantive sessions, the agreed guiding questions for the third session of the Intergovernmental Group of Experts on Financing for Development, listed below, will be addressed in detail:

(a) How can the commitment by the Addis Ababa Action Agenda to reverse recent declines in official development assistance be met and how can official development assistance play a more effective role in efforts to scale up development finance required to achieve the Sustainable Development Goals?

(b) How can the quality and impact of both concessional and non-concessional official flows be improved and coordinated to support these efforts, including through innovative financing models and tools?

(c) What institutional, policy and regulatory changes at the international level will be helpful to ensure that global economic governance appropriately supports effective international development cooperation, to facilitate domestic public resource mobilization?

16. To facilitate discussions, the UNCTAD secretariat has prepared a background note on the main trends in recent ODA and blended finance indicators, summarizing the main current channels through which international development cooperation operates and highlighting challenges arising from these, for deliberation at the third session of the Intergovernmental Group of Expert on Financing for Development.

Documentation

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Item 4
Provisional agenda for the fourth session of the Intergovernmental Group of Experts on Financing for Development

17. The Intergovernmental Group of Experts on Financing for Development, acting in its capacity as the preparatory body for the third session, is expected to agree on the provisional agenda for its next session, informed by the report of the Inter-Agency Task

[4] Attridge S and Engen L, 2019, *Blended Finance in the Poorest Economies: The Need for a Better Approach*. Overseas Development Institute, London, available at https://www.odi.org/publications/11303-blended-finance-poorest-countries-need-better-approach.

Force on Financing for Development and guided by the deliberations of the Economic and Social Council forum on financing for development follow-up.

Item 5
Adoption of the report of the third session of the Intergovernmental Group of Experts on Financing for Development

18. In accordance with the terms of reference for the Intergovernmental Group of Experts on Financing for Development (TD/B(S-XXXI)/2, annex IV), agreed policy recommendations, based on discussions and deliberations of the Intergovernmental Group of Experts on Financing for Development, will be prepared for adoption and submission to the Trade and Development Board.

19. Under the authority of the Chair of the third session of the Intergovernmental Group of Experts on Financing for Development, a report of the meeting will be produced and submitted to the Trade and Development Board. The Intergovernmental Group of Experts may wish to authorize the Vice-Chair-cum-Rapporteur to finalize the report after the conclusion of its third session.

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