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Geneva, 4–6 November 2019

Report of the Intergovernmental Group of Experts on Financing for Development on its third session

Held at the Palais des Nations, Geneva, from 4 to 6 November 2019
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Introduction

The third session of the Intergovernmental Group of Experts on Financing for Development was held at the Palais des Nations in Geneva from 4 to 6 November 2019. The President of the Trade and Development Board opened the third session.

I. Action by the Intergovernmental Group of Experts on Financing for Development

A. Financing for development: International development cooperation and interrelated systemic issues

Agreed policy recommendations

The Intergovernmental Group of Experts on Financing for Development,

Recalling General Assembly resolution 70/1, Transforming our world: the 2030 Agenda for Sustainable Development, of 25 September 2015,

Recalling also General Assembly resolutions 68/204, 68/279, 69/208, 70/192 and 71/217 on the follow-up to and implementation of the outcomes of the International Conferences on Financing for Development, and resolution 70/299 on the follow-up and review of the 2030 Agenda for Sustainable Development at the global level,

Reaffirming General Assembly resolution 69/313 of 27 July 2015 on the Addis Ababa Action Agenda of the Third International Conference on Financing for Development, which is an integral part of the 2030 Agenda for Sustainable Development, supports and complements it, helps to contextualize its means of implementation targets with concrete policies and actions, and reaffirms the strong political commitment to address the challenge of financing and creating an enabling environment at all levels for sustainable development in the spirit of global partnership and solidarity, including climate change and related global challenges,

Recalling the Nairobi Maaifikiano (TD/519/Add.2) in which member States reiterated their will to strengthen the role of the United Nations Conference on Trade and Development (UNCTAD) on financing for development and 2030 Agenda implementation, as the focal point in the United Nations system for the integrated treatment of trade and development and interrelated issues in the areas of finance, technology, investment and sustainable development,

Recalling also paragraph 100 (r) of the Nairobi Maaifikiano, which called for the establishment of an Intergovernmental Group of Experts on Financing for Development,

Recalling further the importance of the 2030 Agenda for Sustainable Development, the Addis Ababa Action Agenda and, as appropriate, the Paris Agreement under the United Nations Framework Convention on Climate Change, the Programme of Action for the Least Developed Countries for the Decade 2011–2020 (Istanbul Programme of Action), the New Partnership for Africa’s Development, while reaffirming the importance of supporting Agenda 2063 of the African Union, the Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014–2024 (Vienna Programme of Action) and the SIDS Accelerated Modalities of Action (SAMOA) Pathway,

Acknowledging the written and oral contributions from participants that enriched the debate during its third session (TD/B/EFD/3/3), and taking note of the documentation prepared by the secretariat of UNCTAD for the third session,

1. Recognizes the important work of UNCTAD on financing for development and the relevance of the UNCTAD contribution to the Inter-Agency Task Force on Financing for Development;
2. **Notes with concern** that, almost four years into the implementation of the 2030 Agenda, the financing gap to meet the Sustainable Development Goals by 2030 remains very substantive across developing countries, requiring more effective scaling up of financial resource mobilization, including through international development cooperation and the important role that international public-finance and private-sector sources play in complementing domestic efforts;

3. **Recognizes** the need for strengthened international coordination on policy coherence to enhance global financial and macroeconomic stability; in this regard, it is crucial to continue with the efforts to address global systemic issues in order to reform and strengthen the international financial system;

4. **Reiterates** that international development cooperation should be in line with the principles of national ownership, alignment with national development strategies and systems, harmonization of donor actions, managing for development results and mutual accountability;

5. **Reiterates** that countries support multilateralism and avoid any sort of unilateralism that adversely affects overall growth prospects further, and urge, in this regard, avoiding unilateral coercive measures, including illegal sanctions, that are an impediment to development, especially for developing countries, taking into account United Nations General Assembly resolutions, including resolution 58/198 of 23 December 2003, as well as the report to the General Assembly (A/60/226) of 12 August 2005 on the aforementioned matter;

6. **Notes with concern** the negative trend of net transfer of financial resources to developing countries, and calls for appropriate policy reforms to reverse this trend;

7. **Stresses** the importance of strengthening national, regional and multinational development financing institutions, taking into account the interests of all their member countries and support measures to enhance the financial and lending capacity of development banks and financing institutions;

8. **Acknowledges** that middle-income countries still face significant challenges to achieve the Sustainable Development Goals, underscores that official development assistance and other concessional finance are still important for these countries and, in that sense, reaffirms the need to ensure that the diverse and specific development needs of middle-income countries are appropriately considered and addressed;

9. **Invites** relevant actors to consider, inter alia, environmental and economic vulnerability as relevant criteria when determining eligibility for their official development assistance and concessional lending facilities;

10. **Notes with concern** that, in 2018, net official development assistance from Development Assistance Committee members amounted to only 0.38 per cent of gross national income, on average, and net bilateral official development assistance by Development Assistance Committee members to least developed countries fell by 2.7 per cent and to Africa by 4 per cent, and are furthermore concerned that illicit financial outflows from Africa have been estimated to have been equivalent to all of official development assistance received by Africa between 1970 and 2008;

11. **Reiterates** that the fulfilment of all official development assistance commitments remains crucial; official development assistance providers have reaffirmed their respective official development assistance commitments, including the commitment by many developed countries to achieve the target of 0.7 per cent of gross national income to official development assistance, and 0.15 to 0.20 per cent of gross national income to official development assistance for the least developed countries; and urges all others to step up efforts to increase their official development assistance and to make additional concrete efforts towards official development assistance targets;

12. **Recognizes** that blended finance represents a part of the available toolbox of resources for financing the attainment of the Sustainable Development Goals, taking due account of its limitations and risks in implementation;
13. **Stresses** the need to understand not only the mobilized quantities of blended finance and the regions and sectors they are benefiting, but also how these modalities are being applied, and, more broadly, how the financing for development architecture is evolving and supporting developing countries, in particular the least developed countries, to meet the Sustainable Development Goals and ensure no one is left behind;

14. **Requests** that UNCTAD measures the impact on developing countries of different modalities of financing for development, including blended finance, at the regional and national levels, taking into account the work that has been done by other organizations, with a view to this analysis being used as an input for planning and policymaking;

15. **Underlines** the importance of intensifying global efforts, led by developed countries, to mobilize climate finance from a wide variety of sources, instruments and channels, which continue to fall short of the identified needs of developing countries;

16. **Stresses** the need for transparent methodologies for reporting climate finance, and welcomes the important work in the context of the United Nations Framework Convention on Climate Change in this regard;

17. **Recognizes** the core contributions made by the Green Climate Fund since its inception, and reaffirms the importance of continued support to address the remaining gaps in the capacity of developing countries to gain access to and manage climate finance;

18. **Reiterates** the need to address the impacts of climate change and environmental and debt vulnerabilities of small island developing States, which constitute significant impediments to the sustainable development of these countries, and reaffirms the need for the international community to broaden its focus from the short term to include long-term debt sustainability concerns;

19. **Encourages** UNCTAD to continue its participation in the Inter-Agency Task Force on Financing for Development and on 2030 Agenda implementation;

20. **Recognizes** that South–South cooperation is an important element of international cooperation for development as a complement to, not a substitute for, North–South cooperation, and, in this regard, welcomes the outcome of the Second High-level United Nations Conference on South–South Cooperation;

21. **Welcomes** efforts to design, strengthen and improve knowledge-sharing platforms to share best practices and lessons learned from South–South and triangular development cooperation, to promote a better understanding of this cooperation;

22. **Encourages** UNCTAD to continue incorporating South–South cooperation and triangular cooperation into policies, strategic frameworks and other planning instruments, including appropriate indicators and methodologies, as agreed by the governing bodies, and to provide support for the exchange of good practices on innovative policies and approaches between developing countries, while taking into account the 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda of the Third International Conference on Financing for Development;

23. **Emphasizes** that development partnership under South–South cooperation should equally be a vehicle for sharing cutting-edge technology, especially digital technology, taking account of country ownership;

24. **Reiterates** that, in accordance with TD/519/Add.2 of UNCTAD, General Assembly resolutions 72/203, 69/313 and 63/303 and Economic and Social Council resolution 2011/39, and within the scope of the International Conference on Financing for Development and of UNCTAD quadrennial conferences, the policy focus of the Intergovernmental Group of Experts on Financing for Development of UNCTAD is on core financial resource mobilization for sustainable development action areas in sections A to C, E and F of chapter II of the Addis Ababa Action Agenda, within the UNCTAD mandate and limiting duplications;

25. **Recalls** the request by the General Assembly for the Intergovernmental Group of Experts to present the outcome of its work as a regular input to the forum on
financing for development follow-up (General Assembly resolution 72/204, paragraph 27) and, in this regard, recommends that the policy recommendations of the work of this Intergovernmental Group of Experts be presented, through the Trade and Development Board, as a regular input to the Economic and Social Council forum on financing for development follow-up.

Closing plenary meeting
6 November 2019

B. Other action taken by the Intergovernmental Group of Experts on Financing for Development

Financing for development: International development cooperation and interrelated systemic issues

1. At its closing plenary meeting, on 6 November 2019, the Intergovernmental Group of Experts on Financing for Development adopted a set of agreed policy recommendations, prepared for the consideration of the Trade and Development Board (chapter I, section A).

2. The draft policy recommendations were presented by the Vice-Chair-cum-Rapporteur of the third session of the Intergovernmental Group of Experts on Financing for Development, noting that they represented the best possible agreement resulting from several rounds of thorough consultations and open and detailed negotiations, and that they were consistent with the matters discussed during the current session of the Intergovernmental Group of Experts. The representative of one regional group expressed the concern of his group that, in their view, there had not been a sufficient number of technical experts participating in the session and that all expert panels had suffered from one-sided selection that had contributed to a politization of the discussions as well as negotiations. He affirmed that some draft policy recommendations were thought not to arise from expert contributions but from other United Nations forum outcomes. The regional group therefore did not want to be seen as a party to the adoption of the policy recommendations. Another regional group and some other delegations stated that more expert participation would be welcome and that the substantive inputs of experts informed the final wording of the draft documents, and diplomats negotiated the final draft. Moreover, the number of experts from capitals in the room, particularly from the least developed countries, had been influenced by the available funding, which had not been provided for the 2019 session. Increased funding for the Intergovernmental Group of Experts on Financing for Development was therefore important and requested by member States.

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

3. Also at its closing plenary meeting, the Intergovernmental Group of Experts decided, due to the lack of time to fully consider the agenda item, to annex to the report of its third session the proposed topic and guiding questions for the provisional agenda of its fourth session (annex I), as contained in the non-paper made available in the room, thus allowing member States to review them further, and with a view to their endorsement at the next executive session of the Trade and Development Board.

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1 Following the representative’s statement, all members of the regional group withdrew from the conference room.
II. Chair’s summary

Financing for development: International development cooperation and interrelated systemic issues
(Agenda item 3)

4. Under the agenda item, the Intergovernmental Group of Experts on Financing for Development held five panel discussions from which agreed policy recommendations were drawn (see chapter I, section A, above).

Opening plenary meeting; international development cooperation and financing for development – the current landscape and future challenges

5. Representatives of the United Nations Department of Economic and Social Affairs and the UNCTAD secretariat introduced the agenda item.

6. The Director of the Financing for Sustainable Development Office at the United Nations Department of Economic and Social Affairs welcomed the thematic focus on international development cooperation of the third session of the UNCTAD Intergovernmental Group of Experts on Financing for Development. A slowing world economy, rising debt challenges and trade tensions made international development cooperation more important than ever. Expressing concern that official development assistance (ODA) had declined, he briefly outlined core priorities in the area of international development cooperation from the Department’s perspective.

7. As recent research by UNCTAD, the International Monetary Fund and others had shown, the financing gap to achieve the Sustainable Development Goals was too large for developing countries to close on their own, thus making scarce public finance and ODA all the more indispensable and requiring strong efforts to increase quality, impact and effectiveness. The first priority was thus boosting ODA. The second priority was support for South–South and triangular cooperation, with a view to seeing developing countries learn from one another, especially through non-financial technical cooperation. The third priority was that continued access to concessional finance should also be considered crucial for graduating least developed countries that nevertheless remained highly vulnerable. While the exceptional access by small island developing States to the International Development Association and the research by the Inter-Agency Task Force on Financing for Development on identifying gaps for graduating countries was encouraging, further analysis in that regard was required. Finally, the use of official flows to raise additional finance to deliver the right finance for the right problem and at the right time needed tailoring. While private finance was essential, it was not a panacea. Blended finance, using scarce public resources to leverage private finance, was best suited to projects that yielded financial returns to repay private partners. Country ownership, local capacities, appropriate project design and development additionality were key for the effectiveness and efficiency of blended finance. He emphasized the relevance of the outcomes of the Intergovernmental Group of Experts on Financing for Development to inform the 2020 Inter-Agency Task Force on Financing for Development report on financing for sustainable development and the work of the Department of Economic and Social Affairs in support of the Economic and Social Council forum on financing for development follow-up and the Development Cooperation Forum.

8. Presenting the background note for the session, the Director of the UNCTAD Division on Globalization and Development Strategies noted that international development cooperation was an integral part of the Addis Ababa Action Agenda and reminded the participants of the pioneering efforts of UNCTAD in that regard. Referring to the second United Nations Conference on Trade and Development in 1968, he highlighted that the original call was for a yearly resource transfer of 1 per cent of gross national product from the North to the South, which was subsequently negotiated down to the 0.7 per cent of gross national income (GNI) target for ODA. The original resource transfer target was

2 Via video link.
nestled in a wider understanding of growth targets and the need to find a self-sustaining growth path for developing countries. The governance of aid was linked to the governance of the international financial system, specifically to special drawing rights, to ensure adequate liquidity was created for a growing global economy, and to long-term planning for adequate development financing. Like trade, aid used to be seen as a means to an end (development) and part of wider discussions on net resource transfers, not as a matter of charity or reward for good behaviour. Finally, aid was also clearly defined as a public not-for-profit good and was not a handmaid of private finance.

9. In many ways, the current retreat from multilateralism might have begun with ODA, when scepticism towards ODA and aid fatigue took centre stage, a trend that had only partially been countered by the adoption of the Millennium Development Goals and the Sustainable Development Goals. He stressed that the trend needed to be overcome if aid was to regain a more central role in development financing. The research from a range of organizations providing substantial evidence of the gap between welcome ambitions with regard to aid and development financing and actual delivery made that all the more necessary.

10. Regarding ODA, current concerns extended to changes in its composition towards loans rather than grants, measurement issues and double counting of some aid, the potential for the dilution of core developmental aid and alignment with national budgets and priorities. While blended finance could be seen as a legitimate response to the perceived shortfall in aid, uncertainty remained over the ability of blended financing instruments to mobilize the "trillions rather than billions", needed to attain the Sustainable Development Goals, and ensure that finance raised through those instruments were channelled to where it would have the greatest developmental impact. The idea behind blended finance was that developmental goals could be converted into an asset class that would attract private finance by using public funds to de-risk the asset class. That, in turn, led to concerns, given recent experiences with the role of similar financing instruments in triggering the global financial crisis.

11. During the first panel discussion, on the current landscape of international development cooperation, some panellists pointed out that, while a handful of donor countries met the internationally agreed target of 0.7 per cent of GNI for ODA, others should be encouraged to meet their outstanding commitments and ensure that ODA, as a critical source of development finance, could deliver on the transformational ambition of the 2030 Agenda for Sustainable Development. Some panellists said the current retreat from multilateralism was a concern that needed to be addressed by the international community, not least in view of the vast financing gap to achieve the Sustainable Development Goals. One panellist noted that, at the same time, the Sustainable Development Goals and the 2030 Agenda offered a unique opportunity to rekindle enthusiasm among donors and recipients of ODA and to overcome latent scepticism and failed commitments. A revived and serious ODA agenda should be one in which recipient countries assumed the leadership role. Currently, principles of aid effectiveness were given more consideration than the alignment of aid with national development strategies and capacity-building requirements, whereas a return to the practice of more ODA being assigned to budget support and less for project financing would be welcomed.

12. Some panellists noted that ODA flows needed to be considered from the broader perspective of the international financial system as a whole and in the context of a fragile financial environment and sluggish global growth. They highlighted the ongoing net resource transfers from developing to developed countries (the difference between net capital inflows and net income payments to foreign capital, including net changes in international reserves); those flows exceeded ODA inflows. One panellist said the negative outflow was worse when illicit financial flows, on differing estimates, were also taken into consideration. Some panellists said coordinated efforts in strengthening international tax cooperation could provide one remedy. Strengthening the role for development finance institutions, such as national and regional development banks, to scale up public development finance, could enhance their lending capacities and address fragility.

13. One panellist said that, while blended finance could also be a mechanism that contributed to increased financial flows to developing countries, at levels of $26 billion to
S$81 billion per year, it was not adequate to address existing gaps in development and Sustainable Development Goal-related financing. He and the moderator noted that less than 6 per cent of the blended finance flows measured between 2012 and 2017 had reached the least developed countries. Providers of blended finance needed to engage with host countries at the strategic level, to ensure that priorities in their project portfolios aligned with national priorities, respecting the principle of country ownership and leadership. Careful consideration therefore needed to be given to the appropriate structure and use of blended finance instruments to ensure that projects involving blended finance, including public–private partnerships, shared risks and rewards fairly, included clear accountability mechanisms and met social and environmental standards.

14. Some panellists raised the issue of climate finance. They recalled that developing countries tended to be the biggest losers from climate change, though they were not the main producers of pollution or emissions. Thus, climate finance additionality and aid to build national resilience in developing countries were paramount, and climate finance to developing countries should be substantially increased. Another panellist noted that the Green Climate Fund was welcome and considered a promising financial vehicle for developing countries, though there were some reservations about its use of conditionalities. Strengthened national and regional development finance institutions could assist climate financing.

15. Some panellists and the moderator emphasized the special challenges faced by middle-income developing countries in achieving sustainable development, also referred to explicitly in the Addis Ababa Action Agenda. Eligibility criteria for access to concessional finance needed to be reconsidered. In the case of small island developing States and other environmentally vulnerable developing countries, urgent consideration of access to concessional finance was needed.

General statements and comments by member States

16. The representatives of many regional groups and some delegates underlined the need to meet the full 0.7 per cent ODA target and the role of ODA as a critical source of financing to achieve the Sustainable Development Goals. Several experts from member States referred to the UNCTAD estimated average annual financing gap to achieve core Sustainable Development Goals of approximately $2.5 trillion per year for the period 2015–2030. While net ODA had grown steadily in nominal terms over the previous decade, it had declined again since 2016, with net bilateral ODA by Development Assistance Committee members to the least developed countries falling by 2.7 per cent in 2018 and average ODA flows from Development Assistance Committee members reaching only 0.31 per cent of their GNI in 2018. One regional group proposed that national financing and budget plans should serve as a guide to discussions on aid priorities between donors and recipients and attention should be given to supporting integrated financial frameworks developed by recipient countries.

17. One delegate stressed the need for ODA flows to be considered more generally in the context of the workings of the international financial system, to help ensure greater financial stability and mitigate capital flow volatility. Many delegates raised concerns, generally, about the destructive role played by the fast-expanding use of unilateral and coercive measures for multilateralism and particularly for the affected countries’ development prospects and ability to access essential finance.

18. One regional group and some delegates emphasized that alignment of ODA, concessional finance and blended finance with national priorities and strategies and that country ownership and leadership were essential. Some delegates expressed some disappointment and concern regarding limited and inadequate amounts raised through blended financing instruments. They raised the poor record of public–private partnerships in most least developed countries, which therefore required closer engagement with host countries at the strategic level. One regional group suggested that blended financing mechanisms required further study. Another regional group noted that climate finance flows remained below the commitment by developed countries to jointly mobilize $100 billion per year by 2020 from a range of financing sources. Several experts from member States stressed the inequality in developing country exposure to environmental
deterioration and disaster, compared to the role of developing countries in causing those situations and called for urgent action in building national resilience and substantially increasing disaster relief and reconstruction aid in those countries. Another delegate reminded participants of the agreed principle of shared but differentiated responsibilities.

19. Some experts from member States further underlined the need to take systematic account of the structural challenges faced by middle-income developing countries in discussions on concessional financing mechanisms, to reconsider and broaden existing eligibility criteria and to strengthen national, regional and multilateral development finance institutions, with a view to enhancing the role of publicly led initiatives in scaling up development finance. Several regional groups and one delegate highlighted that South–South cooperation was a promising and important element for attaining the objectives of the 2030 Agenda, complementing but never replacing North–South development cooperation.

Official development assistance – reform and policy options

20. During the second panel discussion, the four-member panel agreed on the vital importance of ODA for developing countries, even those newly graduated to middle-income status, though ODA flows had continued to fall short of the 0.7 per cent of GNI target set in 1970 by Development Assistance Committee countries. Some panellists noted that approximately 25 of the 30 Development Assistance Committee countries regularly failed to meet the target. For least developed countries, ODA continued to be the most important source of development finance in both volume and stability. For all other developing countries, ODA remained an important source of funding for persistent and expanding development needs. They also emphasized the efficacy of ODA in delivering development outcomes.

21. One panellist noted that financing for development had expanded to systematically link domestic resource mobilization, foreign direct investment/private finance, blended finance, remittances and other official flows, but that posed challenges for transparency and alignment regarding the use of public, private, domestic and external resources. All panellists underlined the need for ODA and development resources to be aligned with national priorities and strategies and the attainment of the Sustainable Development Goals.

22. One panellist suggested opening donor contracts to partner (recipient) country firms to help increase the developmental impact of ODA, by channelling it into economic development, sectoral growth and associated linkage effects. ODA was often informally tied. In 2016, while 16 per cent of ODA was reported as tied, over half of ODA contracts that year were awarded to donor-country firms, suggesting a much higher level of tying. Spreading ODA procurement to recipient country firms could build local supply chains for essential goods, such as food and medicine, and could encourage local economic growth and increased productivity of local small and medium-sized enterprises.

23. Another panellist said that new institutional and accounting frameworks for ODA were currently being further developed, in particular the framework for total official support for sustainable development, while another panellist noted that failures of the existing system had not yet been adequately addressed, and transparency, accountability and commitment to environmental and human rights remained a concern. Another panellist noted that guidance around the use and definition of blended finance was being developed. Several panellists said that, while blended finance was seen as a mechanism to fill gaps in Sustainable Development Goal financing, there was considerable concern that ODA was being diverted to the private sector to de-risk investments that might not be delivering development outcomes. Higher-income countries absorbed the greater share of blended financing, while least developed countries and fragile States were largely left out.

24. Some panellists called for a more cautious and evidence-based approach towards blended finance, with another panellist suggesting the approach was especially important in the least developed countries, where investment constraints were particularly challenging and increasing fiscal space for public investment remained critical. One panellist said that specific examination of the debt implications of blended finance and the rise of public–private partnerships was necessary. More rigorous and binding guidelines and safeguards were needed to mitigate the risks and opportunity costs of using ODA for blended finance.
projects. He expressed caution regarding the degree to which de-risking techniques could benefit fragile States, which were dealing with larger systemic issues such as conflict, climate change and extreme poverty.

25. One panellist emphasized the need to consider ODA and development finance within the context of global considerations such as conflict within and between countries, pandemics, climate disasters, environmental sustainability and illicit financial flows. Another panellist noted that not only innovative technical solutions, but systemic solutions, needed to be found within the unique framework and mandate of the United Nations. In that regard, recent UNCTAD work on the Global Green New Deal was welcome.

26. Regarding definitions of innovative finance, one panellist suggested that its original definition, in the Doha Declaration of 2008, as “financing which represents new and additional sources of financing to supplement but not substitute traditional public sources” should be remembered. New public sources of finance were also needed to provide much needed additional resources for development. Another panellist suggested considering the creation of a Sustainable Development Goal development fund, at least partly financed by unfulfilled ODA contributions and along the lines mentioned in the UNCTAD Trade and Development Report 2019. He noted that the cumulative loss of ODA in terms of both volume and impact was significant and that since developing countries had gained considerable capacities, compared to decades ago, in terms of articulating and managing their own development agendas within the context of the Sustainable Development Goals, the time was ripe. The shortfall in ODA contributions to least developed countries was approximately $184 billion per year. He highlighted the need for tightening financial regulation, as in many developing countries, particularly in Africa, illicit financial outflows exceeded the size of ODA flows.

27. One delegate asked how Development Assistance Committee countries could be held accountable for upholding their ODA commitments. One panellist responded that use of data and evidence that tracked the impact of ODA funds and their outcomes should be encouraged. Another delegate raised concerns about ODA to least developed countries falling, highlighting the need to align ODA with national priorities. Moreover, least developed countries required additional support to graduate from least developed country status and work towards achieving the Sustainable Development Goals.

Blended finance – taming expectations with standards

28. During the panel discussion, some panellists clarified that blended finance had no standard definition but could be seen as the strategic use of development finance for the mobilization of additional finance towards sustainable development in developing countries. Another panellist added that blended finance involved mixing public finance (concessional and non-concessional) and private finance, with ODA sometimes used to leverage private finance. All panellists felt that exaggerated claims about blended finance had been made.

29. One panellist emphasized the role of blended finance as a means to crowd in the private sector and thus advocated minor revisions and improvements to generate development outcomes. Several other panellists noted that blended finance had so far largely taken the form of standard subsidies, with high returns to the private sector for already bankable projects in middle-income countries and suggested substantial revision.

30. All panellists were concerned that least developed countries received very little blended finance, with well over 90 per cent flowing to middle-income countries. Some panellists noted that blended finance was becoming more effective and better use of structures and markets was evolving. Blended finance had been growing since 2008, with almost 200 blended finance vehicles currently launched. In that context, one regional group stated that the group had been experimenting with blended finance since 2007 and that up to 25 per cent of blended finance originating within its auspices flowed to least developed countries. While blending finance would not fill the financing gap, it was part of the puzzle, especially if locally adapted and complemented by other tools.

31. Some panellists noted that growing levels of blended finance implied a greater opportunity cost of using ODA for blended finance, effectively subsidizing the private
sector without sufficient transparency in the value for money of such subsidies. If ODA was used for blended finance, that could dent the credibility of development finance, when actual mobilization turned out to be on an order of magnitude smaller than expectations. Another panellist said that reliance on securitization tools to scale up blended finance should be treated with caution, given the role of securitization in the Latin American debt crisis in the 1980s and the sub-prime crisis of the United States of America in 2008. In both cases, the fragility of the securitized structures led to financial collapse. Some panellists and some delegates raised questions about links between the use of blended finance and its impact on developing country indebtedness. Another panellist also noted that using securitization to upscale blended finance created an upper tier of claimants who were first in line. When claims came due, that could asset-strip developing country wealth and generate austerity.

32. One panellist warned that the emphasis of blended finance on bankability tended to misdirect priorities, as blended finance involved a redirection of scarce international public resources towards a concentrated group of private-sector players. Some panellists said that the value for money in adopting that stance was not clear, given that information regarding the nature of the subsidy and what it leveraged were unknown. One panellist said that using public finance (both concessional and non-concessional) as a proxy for subsidy, showed that for every $1 of public money, only $0.75 was leveraged, on average, from the private finance sector. Some panellists noted that while the leveraged finance might not otherwise have been available, that kind of leverage ratio was below expectations.

33. One panellist said that, regarding the impact of blended finance, a positive impact on job creation could be shown (for example, in 2017, blended finance was supporting up to 5.4 million jobs), but who was employed, and for how long, and the quality of the jobs were not clear. Another panellist stated that, while blended finance was associated with an improvement in access to infrastructure, that was not necessarily more affordable for ordinary citizens. Another panellist said that if subsidies came from basic social budgets, blended finance could reduce the accessibility and quality of health services.

34. Some panellists recommended that blended finance should be directed to least developed countries rather than upper-middle-income countries, while other panellists said blended finance solutions should involve smaller, more useful and locally sensitive investments in local currency. One panellist suggested that blending should be rationed, time-limited, priced by investment professionals and used where it could be clearly justified. Blending could not make an unprofitable project profitable. Some panellists and one regional group stated that the profit expectations of blended finance should be tempered. One panellist said that the bulk of social sectors and services could and should be financed by the public sector. Some panellists stated that the lack of transparency in the blended finance industry, including from multilateral development banks, needed to be addressed.

Environmental protection and climate change mitigation – challenges for international development cooperation

35. During the panel discussion, one panellist stated that the systemic nature of climate change was being felt across the globe and needed urgent attention. *The Economics of Climate Change: The Stern Review* and work under the New Climate Economy project, as well as high-level forums, such as the World Economic Forum, Group of 20 and Group of Seven meetings, had marked important steps forward to that end. Some panellists noted that unless climate change was addressed, the notion of Sustainable Development Goals would be nullified by the existential crisis of the planet.

36. All panellists focused on the two components of climate finance, climate change mitigation and climate change adaptation, and recognized as a matter of priority the importance of jointly addressing them. One panellist said that mitigation and adaptation were twin goals which constituted prerequisites to any further discussion.

37. Some panellists noted that funding for climate change mitigation tended to be spent in the North, housed offshore and channelled to the private sector, whereas finance for climate change adaptation tended to be spent in the global South and channelled through
the public sector. One panellist said that adaptation was described as the greatest concern, as it received the least funding, and the ability of countries – particularly the least developed countries – to mobilize private capital to that end was still limited. While private capital should be mobilized for climate change mitigation and adaptation, it was unclear to what extent private capital could be expected to address the scale of environmental and climate challenges and obtain expected rates of return or meet other enabling economic conditions. In that regard, the need for coordinated macroeconomic policy frameworks (to address, for instance, inflation, currency volatility, debt vulnerabilities and credit ratings) to take account of climate risk more systematically was considered a matter of urgency.

38. Some panellists noted that ODA was insufficient to deal with the challenges of climate mitigation and adaptation. One panellist stated that from 20 to 25 per cent of climate change-related contributions were counted as official ODA instead of as additional. Another panellist said that the use of ODA in blended financing instruments was controversial and could lead to “windfall waste”, whereby public money was used to subsidize already profitable activities. Some panellists said that filling the current trillion-dollar-sized financing gap to address climate collapse was unlikely to emerge spontaneously and would require legal and regulatory intervention.

39. One panellist recommended the use of environment and climate change-related special drawing rights, to directly prioritize existing needs, and a solidarity fund that could be replenished in part by unfulfilled ODA donor commitments. Some panellists stated that the discussion on how to finance a Global Green New Deal in the UNCTAD Trade and Development Report 2019 provided relevant proposals, such as tackling illicit financial flows, leveraging corporate tax reforms and more systematic use of capital controls in developing countries.

40. Several delegates highlighted issues of inequality between those most affected by climate change, particularly in the least developed countries and small island developing States, and those responsible for environmental deterioration, primarily in advanced economies. Some delegates stressed the inability of any single country to address climate change alone. Another delegate emphasized the need to take account of regional challenges and their specificities and to promote exchange on best practices and related policy recommendations, while another delegate noted the importance of taking on board that climate change affected developing and developed countries alike.

41. In response, one panellist stressed that questions of liability and compensation for climate-related loss and damage were highly sensitive and a matter of climate justice, particularly for small island developing States. Another panellist noted that, at current levels of greenhouse gas emissions, large areas of the planet would become uninsurable, including in advanced economies. Meanwhile, the loss and damage mechanism elaborated under the Paris Agreement had not yet progressed in terms of establishing mechanisms of liability and compensation.

42. On the role of private contributions, one delegate recalled a recent memorandum of understanding signed between the United Nations Environment Programme and the Eastern and Southern African Trade and Development Bank, which established a framework of cooperation through which the two entities could collaborate in a number of areas critical to the global environmental agenda. The role of banks, as well as the role of South–South cooperation, had been recognized as crucial in addressing climate change.

South–South cooperation and development finance

43. One panellist noted that initiatives on South–South cooperation had gained renewed impetus with the growing participation of Southern countries in global trade, production and foreign direct investment. Two key milestones in the trajectory of South–South cooperation had been the 1978 Buenos Aires Plan of Action for Promoting and Implementing Technical Cooperation among Developing Countries and the second High-level United Nations Conference on South–South Cooperation, known as BAPA+40, in 2019. While the first had focused on technical cooperation, BAPA+40 placed special emphasis on partnerships, generating a substantive agenda for building productive capacities and regional value chains, promoting strategic infrastructure investment and
leveraging new digital technologies for development. The 2030 Agenda’s call for international mechanisms to facilitate development finance and South–South cooperation had played a significant role in that regard.

44. Another panellist said that South–South cooperation had become an important complement to North–South cooperation, especially in the area of development finance. While North–South cooperation could be seen as giving, South–South cooperation could be seen as sharing. Another panellist noted that, in terms of financial flows, South–South cooperation was still comparatively small relative to ODA but expanding quickly. National and regional initiatives were emphasized through national and regional development banks and other financing mechanisms. South–South cooperation included many areas, as coverage had evolved from traditional sectors, such as infrastructure, health and education, to frontier sectors, such as blue and digital economies. The full potential of South–South cooperation had yet to be attained.

45. One panellist noted that many countries still had weak or no systems in place to manage South–South cooperation. Therefore, more needs to be done to strengthen institutional capabilities, notably through the development of national ecosystems. Several participants stated that UNCTAD should engage further in South–South cooperation and continue work in the area.

46. One panellist said that China was a major supporter of South–South cooperation based on the principle of equal benefits. The Government had issued two white papers, and the country’s President had pushed South–South cooperation to a new level with the Belt and Road Initiative. South–South cooperation was guided by the view that the world was an interconnected space where people should join hands to achieve the 2030 Agenda for Sustainable Development. The Belt and Road Initiative was seen as vital for interconnectivity enhancement and for trade and investment. The Initiative covered 152 countries and international organizations from around the world.

47. Another panellist said that India had recently expanded its bilateral and South–South cooperation arrangements, with seven decades of positive interventions on the country’s part. Recent examples included the India–Africa Forum Summit established in 2008 and the India–United Nations Development Partnership Fund, a dedicated facility created in 2017 to support projects linked to the Sustainable Development Goals. The fund followed the guiding principles of South–South cooperation, including ownership, domestic capacity development and not attaching conditionalities.

48. Some delegates and one panellist also noted that Algeria had contributed to large cross-border infrastructure projects, notably the Trans-Sahara Highway linking Algiers to Lagos, the Trans-Sahara Optic Fibre backbone project and the Trans-Saharan gas pipeline linking Algeria to Nigeria. The country had done so in cooperation with international organizations, including the African Development Bank, to which Algeria was a major contributor. Morocco had also played an important role in South–South cooperation, and particularly triangular cooperation, stressing the importance not only of the availability of finance, but also to how to spend resources effectively.

49. Some delegates stressed the need to increase cooperation in the area of the digital economy to bridge the digital divide, and the important roles of technology and big data. Another delegate expressed the view that the Global System of Trade Preferences among Developing Countries needed to be revitalized. The moderator suggested that the Global System of Trade Preferences could broaden its scope to include investment flows and trade in services.

50. One panellist raised the issue of use of blended finance in the context of South–South cooperation. Noting some meeting participants acknowledged that the financing mechanism could play an important role, she also said there was a concern that Governments ended up taking all the risk and facing growing contingent liabilities.

51. On reforms of the international financial architecture, one delegate said that South–South cooperation could strengthen the position of developing countries in discussions of the international financial architecture, but that had yet to be reflected in increased power for developing countries in the decision-making process.
52. Concluding, the moderator stated that, while South–South cooperation provided a possible path to achieving the Sustainable Development Goals, many countries, especially the least developed countries, still faced poverty, malnutrition, unemployment and serious deficits in their infrastructure and productive capacities. That demonstrated the urgent need to intensify support to enhance South–South cooperation. A change in attitude was equally vital, so that citizens of the South ceased to be seen as mere beneficiaries, became rights holders and key actors of development and were included as key decision-makers, planners, implementers, monitors and evaluators.

III. Organizational matters

A. Election of officers
(Agenda item 1)

53. At its opening plenary meeting, on 4 November 2019, the Intergovernmental Group of Experts on Financing for Development elected Mr. Mani Prasad Bhattarai (Nepal) as its Chair and Mr. Pedro Luis Pedroso Cuesta (Cuba) as its Vice-Chair-cum-Rapporteur.

B. Adoption of the agenda and organization of work
(Agenda item 2)

54. Also at its opening plenary meeting, the Intergovernmental Group of Experts adopted the provisional agenda, as contained in document TD/B/EFD/3/1. The agenda was thus as follows:

1. Election of officers.
2. Adoption of the agenda and organization of work.
3. Financing for development: International development cooperation and interrelated systemic issues.
4. Provisional agenda of the fourth session of the Intergovernmental Group of Experts on Financing for Development.
5. Adoption of the report of the third session of the Intergovernmental Group of Experts on Financing for Development.

C. Adoption of the report of the third session of the Intergovernmental Group of Experts on Financing for Development
(Agenda item 5)

55. At its closing plenary meeting, on 6 November 2019, the Intergovernmental Group of Experts authorized the Vice-Chair-cum-Rapporteur, under the authority of the Chair, to finalize the report on its third session after the conclusion of the session.
Annex I

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

The Intergovernmental Group of Experts on Financing for Development decided to refer the following proposed topic and guiding questions for the provisional agenda of its fourth session to the next executive session of the Trade and Development Board:

(a) Topic:
Addressing systemic issues – strengthening the coherence and consistency of multilateral financial, investment, trade and development policy.

(b) Guiding questions:
(i) Through which institutional reforms, and improvements in policy coordination and coherence, can regulatory gaps and misaligned incentives in the financial system be addressed so as to increase financial stability for long-term development and global economic prosperity?

(ii) How can the role of the United Nations in scaling up effective development finance, and in strengthening the international financial safety net, be rendered more effective?

(iii) Which policy tools and mechanisms, at the national, regional and multilateral levels, can best help to reduce excessive volatility in commodity prices and advance a development-friendly trade and investment regime that facilitates domestic financial resource mobilization in developing countries?

(iv) How can the voice and participation of developing countries in international economic decision-making and norm-setting be broadened and strengthened?

\[a\] Action area F of the Addis Ababa Action Agenda (see General Assembly resolution 69/313, annex, chapter II, section F).
Annex II

**Attendance***

1. Representatives of the following States members of the Conference attended the session:

   - Algeria
   - Argentina
   - Bahamas
   - Barbados
   - Bolivia (Plurinational State of)
   - China
   - Congo
   - Côte d’Ivoire
   - Cuba
   - Democratic Republic of the Congo
   - Djibouti
   - Egypt
   - El Salvador
   - Gabon
   - Gambia
   - Germany
   - Guatemala
   - India
   - Iran (Islamic Republic of)
   - Iraq
   - Jamaica
   - Jordan
   - Kenya
   - Lebanon
   - Madagascar
   - Malawi
   - Mali
   - Morocco
   - Namibia
   - Nepal
   - Niger
   - Nigeria
   - Pakistan
   - Panama
   - Peru
   - Philippines
   - Qatar
   - Russian Federation
   - Spain
   - Sri Lanka
   - State of Palestine
   - Sudan
   - Syrian Arab Republic
   - Togo
   - Trinidad and Tobago
   - Tunisia
   - Turkey
   - United Republic of Tanzania
   - Yemen
   - Zambia
   - Zimbabwe

2. The following intergovernmental organizations were represented at the session:

   - African Union
   - African, Caribbean and Pacific States
   - Organization for Economic Cooperation and Development
   - South Centre

3. The following United Nations organs, bodies and programmes were represented at the session:

   - International Trade Centre
   - United Nations University

4. The following specialized agencies and related organizations were represented at the session:

   - International Telecommunication Union
   - World Trade Organization

5. The following non-governmental organizations were represented at the session:

   - General category

   - Third World Network

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* This attendance list contains registered participants. For the list of participants, see TD/B/EFD/3/INF.1.