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Focal Point: Tim Molyneux, Head of Communications and Influence, tim.molyneux@devinit.org

Chapeau

The eradication of poverty and inequality remains among the greatest global challenges. Efforts to achieve the Sustainable Development Goals are off track, and current financing for development and the provision of global public goods falls far short of need. To meet these challenges and reaffirm the UN Charter, the Universal Declaration of Human Rights, Agenda 2030 and the three pillars of the UN, reform of the global financial architecture is required to make it more inclusive, equitable and sustainable. To achieve this, greater investments are needed in inclusive, nationally owned data systems to strengthen transparency and accountability and leave no-one behind.

Chapter I. Sustainable development and financing for development

Preventing the diversion of Official Development Assistance from poverty reduction

Global challenges such as climate change and pandemic preparedness are driving aid away from targeted development investments in the countries with greatest poverty.[i] Official Development Assistance (ODA) has expanded to include a range of expenditures in donor countries, most notably refugee costs, and more diverse objectives such as addressing climate change and other global public goods and a desire to leverage private sector funds.

This has led to an erosion of trust in claims of donor effort, and concerns that the original purpose of ODA – stimulating economic growth and reducing poverty – is losing ground. It has also undermined the purpose of defining ODA targets, by making it easier to increase ODA budgets by including existing spending rather than increasing actual expenditure.

To reverse this trend, the 0.7% GNI target for ODA embraced by some countries should be reimagined as a larger, two-tier target that gives credit for a greater range of activities contributing towards climate change goals and global public goods, while also protecting highly concessional development spending in line with ODA's original aims.[ii] For example, a 1% target could be agreed for Sustainable Development Goals-related spending with two components:

- A traditional development-spending target, which could be set in country-programmable aid (CPA).[iii] This is a more tightly defined measure which includes only real transfers to low- and middle-income countries that are predictable and can be planned for.
- A target for a broader range of other activities such as funding to support climate mitigation goals, funding for loss and damage and other global public goods.

Counting the full value towards one aggregate target would reduce the scope for double-counting, which is prevalent given the disjointed ODA and climate finance targets currently in place. Tracking spending towards each component would provide greater transparency on the extent to which poverty reduction goals remain underfunded.

Targeting ODA and climate finance to leave no-one behind

Global poverty and inequality have increased since the Covid-19 pandemic, however, data sources are incomplete, and much of the world lacks post-Covid poverty data. Inequality and poverty are likely to be further exacerbated by climate change as people are forcibly displaced and lose their livelihoods, and low-income countries which did the least to cause it will face the biggest costs to adapt or pay for loss and damage.[iv] Understandings of how climate change will impact poverty are insufficient, even in the near-term. Given this, and the threat to the goal of limiting global warming to 1.5°C, it is imperative that data on present-day poverty estimates and forward-looking assessments of climate vulnerability are improved,[v] and that ODA is better targeted to support the most vulnerable and those living in greatest poverty.[vi]

The need for an integrated approach to tracking climate finance alongside humanitarian and development finance

Reporting of climate finance flows is neither timely, accurate or consistent.[vii] It is difficult to get a comprehensive and coherent picture of what constitutes climate finance,[viii] how it sits alongside other flows, and whether it is truly additional.[ix] Consequently, there are challenges in understanding whether commitments are being met, how much is being invested in the poorest and most at-risk communities, and whether these investments are working. These challenges are likely to be exacerbated as new finance mechanisms and flows, such as the newly established Loss and Damage Fund, come to fruition. To drive effective and fair climate action, ambitious spending targets and pledges must be underpinned by a robust and transparent tracking and reporting mechanism. Donors, including signatories of the UN Framework Convention on Climate Change (UNFCCC), should:

- Establish a single repository of comparable data on both international public and private climate finance as well as establishing internationally agreed data standards. This would allow users to assess the overall levels of climate finance in a consistent fashion, rather than needing to piece together secondary sources that are difficult to amalgamate, based on different assumptions, and not universally trusted by stakeholders.
- Insist on more detail on the different modalities, types of support and varying means of implementation when tracking climate finance. When reporting loans, the full terms of

the loan should be provided, and where the modality is listed as ‘other,’ a description of the exact instrument should be required. This will ensure they are held accountable for actual fiscal effort as well as headline figures: if some countries provide more concessional loans than others, this needs to be recognized.

- Agree on a consistent way to use the Rio Markers and an objective grounding to determine what counts as a significant or principal climate focus. Project documentation should be included in data submissions so that others can assess this.
- Require that both commitments and disbursements to date against those commitments are reported. Proper accounting of climate financing should be based on monies or resources that transferred hands, rather than on committed or pledged funds. This will allow for an accurate picture of the support provided. New pledges should also be accompanied by a delivery plan and a timetable of disbursements.
- Take steps to clearly define additionality. While there may be crossover between some climate and development objectives (adaptation in particular), the lack of clear identification allows development finance to be redirected away from life-saving programmes. One solution would be to assign projects ODA and climate coefficients. At a minimum, it should be possible to identify ODA projects reported to the UNFCCC in other data sources, otherwise it is impossible to tell whether they are genuinely new.

Improving gender-responsive climate finance

Women and girls are often on the front line of the climate crisis, including as environmental defenders, food producers and care givers. Women, girls and indigenous communities are structurally vulnerable to climate change,[x] which will worsen the gender-based inequalities that keep them impoverished and marginalized. Existing markers used to tag ODA projects that are targeting gender and climate interventions are inconsistently interpreted and applied. This prevents adequate analysis of funding volumes to gender-responsive climate projects or funding trends over time. The little evidence that we do have shows that volumes are clearly low; according to data from the Organisation for Economic Co-operation and Development, in 2021 only 3.0% of climate ODA incorporated gender equality as a principal objective.[xi]

In addition, there is currently no way of accurately collecting data and building a comprehensive gender responsive climate data eco-system that captures women’s experience of climate change and their contributions to climate action. This means that resources cannot be well targeted. To improve this, institutions, donors and governments must:

- Develop a shared and more coherent understanding of climate financing and how it should be categorized.
- Ensure the inclusion of and leadership from women in conceptual definitions to ensure that gender-responsive climate finance meets the needs of those at the forefront of tackling the climate crisis.

- Strengthen accountability mechanisms based on these inclusive definitions to ensure consistent and transparent reporting of commitments and disbursements.

The need for holistic financing for countries in protracted crisis

Complex protracted crises are becoming the norm – driven by conflict, socioeconomic fragility and climate change.[xii] The humanitarian caseload has grown ever larger, with resources failing to keep up with rising needs.[xiii] Coordinated humanitarian, development, peacebuilding and climate finance is essential to increase resilience to future shocks, preserve gains made through development financing, address the root causes of crises and uphold basic services. However, countries in protracted crisis are increasingly relying on humanitarian assistance[xiv] and the scope and expectations of humanitarian response have expanded. This highlights the need for greater ODA financing to support longer-term development objectives in these countries. Furthermore, in the countries most vulnerable to climate impacts, many of which are in protracted crisis, climate finance represents a smaller proportion of ODA than the global average.[xv] To address some of the underlying causes of crisis, as well as providing humanitarian assistance, donors should provide greater support for longer-term development assistance for countries in protracted crisis, alongside investments in peacebuilding and addressing the impacts of climate change.

Chapter III. Science, technology and innovation and digital cooperation

Investing in national data ecosystems to harness emerging technologies for public good

While new and emerging technologies such as Artificial intelligence (AI) are creating new opportunities for development, they also risk exacerbating existing power imbalances due to underlying digital inequality. Closing the digital divide to accelerate social inclusion is crucial. Development actors must ensure that strong principles of ethical data production and use are upheld through all stages of the data lifecycle. This includes the protection of personal data, tackling algorithmic bias, investing in digital transformation and digital literacy, strengthening transparency around the ownership and use of data and algorithms, and regulation to balance commercial interests with the use of data for public good.[xvi]

In the cases of data creation and analysis by AI, good quality data is vital. AI-generated data should not be seen as a replacement for other sources. Instead, we need to approach this from the angle of joining up datasets to provide innovative solutions and gain a more comprehensive and inclusive picture of people's lived experience. In many low-income countries, foundational administrative data simply does not exist. Greater investments are needed in inclusive, nationally owned data systems to harness the benefits of emerging technologies while leaving no one behind.

Chapter V. Transforming global governance

The global financial architecture is not fit for purpose. It was designed at the end of the Second World War for a completely different set of development challenges. It has also failed to provide sufficient and easily accessible resources to the least resilient and most in need against the impacts of global crises. In some cases, hard-won global and national development gains have reversed, and fiscal space has been eroded. An impending debt crisis will be compounded by the exponential costs of adapting to and mitigating climate crises and the consequences of loss and damage. Many stakeholders in developing countries argue that the current aid system perpetuates power imbalances between 'donors' and 'recipients.' To meet these challenges, reform of the global financial architecture is required to make it more inclusive, equitable and sustainable, and to redefine the role of international concessional and grant financing.[xvii]

Global Public Investment (GPI) is a new approach to highly concessional international public finance which is gaining significant support.[xviii] GPI proposes a model for funding global public goods in which all contribute according to their means and responsibilities, all benefit according to their needs and priorities, and all decide equitably. All stakeholders should support such approaches to modernising international public finance for the 21st century, which:

- Raises the ambition of international mobilisation of public finance.
- Focus on the quality of financing as well as the quantity.
- Shift from a north-south, donor-recipient model to one where all countries contribute according to ability and benefit according to need.
- Shift from a closed governance system to a more democratic and accountable process.
- Shift away from a charity narrative towards one of investment for social and environmental impact.

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[ii] Development Initiatives, 2023. Scenarios for a 1% GNI external public finance target. Available at: https://devinit-prod
static.ams3.cdn.digitaloceanspaces.com/media/documents/Scenarios_for_a_1_GNI_external_public_finance_target.pdf

[iii] Ritchie, E. 2022. Why we should target country-programmable aid instead of ODA. Available at: https://devinit.org/blog/target-country-programmable-aid-instead-oda/

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[xii] Development Initiatives, 2023. Key trends in humanitarian need and funding: 2022 (Global Humanitarian Assistance Report 2023: Chapter 1). Available at: https://devinit.org/resources/global-humanitarian-assistance-report-2023/key-trends-humanitarian-need-funding-2022/#bf97fc92

[xiii] Ibid, figure 1.4: https://devinit.org/25160d#c85808b5

[xiv] Development Initiatives, 2023. Beyond humanitarian funding: Addressing cycles of crises, figure 4.1. (Global Humanitarian Assistance Report 2023: Chapter 4). Available at: https://devinit.org/a552e2#9a9d8c93. Between 2017 and 2021, the volume and proportion of development assistance received by countries in protracted crisis reduced (by US$0.6 billion; from 50% to 48%), while the volume and proportion of total aid received as humanitarian assistance increased – reaching 41% in 2021, compared to an average of 37% over the past five years.

[xv] Ibid, figure 4.3. Available at: https://devinit.org/a552e2#6d722d73

[xvi] Wells, C. Development Initiatives, 2023. Artificial intelligence for public good. Available at: https://devinit.org/blog/artificial-intelligence-for-public-good/; Anderson, B. 2023. Data Governance: Do all global problems require global solutions? Available at: https://devinit.org/blog/data-governance-does-it-require-a-global-solution-/; Wells, C. 2021.Data, language, and the power to change norms, available at: https://www.data4sdgs.org/blog/data-language-and-power-change-norms

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