Who foots the bill after 2015? What new trends in development finance mean for the post-MDGs

Romilly Greenhill and Annalisa Prizzon

Working Paper 360
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### Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>AfDB</td>
<td>African Development Bank</td>
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<tr>
<td>AGF</td>
<td>UN Secretary-general’s High-level Advisory Group on Climate Change Financing</td>
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<td>CAFOD</td>
<td>Catholic Agency for Overseas Development</td>
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<td>CPA</td>
<td>Country Programmable Aid</td>
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<td>CPI</td>
<td>Climate Policy Initiative</td>
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<td>DAC</td>
<td>Development Assistance Committee</td>
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<td>DFID</td>
<td>Department for International Development</td>
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<td>EC</td>
<td>European Commission</td>
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<td>ECB</td>
<td>European Central Bank</td>
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<tr>
<td>ECOSOC</td>
<td>Economic and Social Council</td>
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<td>EU</td>
<td>European Union</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>GAVI</td>
<td>Global Alliance for Vaccines and Immunisation</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GNI</td>
<td>Gross National Income</td>
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<td>IFD</td>
<td>Innovative Finance for Development</td>
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<td>IFI</td>
<td>International Financial Institution</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>JICA</td>
<td>Japan International Cooperation Agency</td>
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<td>LIC</td>
<td>Low-income Country</td>
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<td>MDG</td>
<td>Millennium Development Goal</td>
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<td>MIC</td>
<td>Middle-income Country</td>
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<td>NGO</td>
<td>Non-governmental Organisation</td>
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<td>ODA</td>
<td>Official Development Assistance</td>
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<td>ODI</td>
<td>Overseas Development Institute</td>
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<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<td>PSG</td>
<td>Peace and State-building Goal</td>
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<td>SSC</td>
<td>South–South Cooperation</td>
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<td>UNECA</td>
<td>UN Economic Commission for Africa</td>
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Executive summary

This paper examines trends in development finance flows and their implications for efforts to reach agreement on a post-2015 framework. The financing model underpinning the original Millennium Development Goals (MDGs) focused largely on domestic resource mobilisation and official development assistance (ODA). The implicit underlying assumption was that, when countries were unable to mobilise sufficient domestic resources to finance progress towards the MDGs, the gap should be filled either with ODA or through debt cancellation. This implicit assumption about burden sharing underpinned the 2005 Gleneagles Commitment to increase aid and cancel multilateral debt.

The current development finance landscape is very different. Traditional ODA is under pressure. Actors in development finance are mushrooming, including non-Development Assistance Committee (DAC) donors, philanthropists and providers of climate finance. Middle-income countries (MICs) continue to rely heavily on cross-border private financial flows and are finding it increasingly easy to do so.

The aim of this paper is to assess the implications of this new financing landscape for the post-2015 negotiations. This is important because any post-2015 agreement is likely to require financing to be implemented successfully. While financial considerations should not be the dominant factor in considering the shape and structure of the post-2015 framework, they need to be borne in mind. Those likely to provide the finance are more likely to do so if the framework chimes with their own priorities and intentions; and those not included in initial discussions are unlikely to want to pay later. Those negotiating the framework are likely to do so with their own likely financial contribution in mind, and will seek assurances that there is a fair system of burden sharing within this new landscape.

This paper addresses this question as follows. Part 1 provides an overview of past and likely future trends in some of the most important sources of development finance, drawing on secondary literature and data sources. We show that:

- Developing and emerging economies have been driving global growth over the past decade and it is this, not ODA, that has been the main driver of poverty reduction at a global level.
- Developing countries have also been expanding domestic tax revenues at a rapid rate, giving much more scope for development to be funded domestically. The average tax ratio rose from 23% in 2000 to nearly 29% in 2011.
- All the main sources of development finance considered in this paper have been expanding rapidly over the past decade. Foreign direct investment (FDI) inflows and workers' remittances tripled in nominal terms between 2001 and 2010; philanthropic funding more than tripled between 2003 and 2009.
- The relative importance of ODA vis-à-vis other forms of finance has declined. In MICs, ODA/gross domestic product (GDP) ratios have nearly halved during the 2000s, whereas tax revenues, FDI and workers' remittances have all seen an upward trend.
- These trends are very uneven across countries, with private cross-border flows heavily concentrated in MICs, whereas low-income countries (LICs) remain much more dependent on ODA.
- While ODA is now under pressure, there has been rapid growth in new ‘aid-like’ forms of development finance, which are not classified as ODA but nevertheless have a public interest purpose. This includes South–South cooperation (SSC), philanthropy and other private development assistance and climate finance. All these flows have been growing at rapid rates over the past decade and are likely to continue to do so in future.

In Part 2, we summarise what we know about the interests and priorities of the main providers of development finance in the post-2015 negotiations, drawing on interviews with key
informants. These findings are quite tentative given the limited sample size, but provide some general pointers. In summary, we find that:

- The MDGs appear to have strong ownership and support from DAC donors and NGOs, but this is less true of non-DAC donors and philanthropists, who do not appear from our study to use the MDGs as a set of guiding principles for their work.
- Many of those interviewed identified the importance of results, value for money and having quantified, time-bound targets as part of the post-2015 agreement.
- Mutual responsibilities and burden sharing emerged as important issues for the DAC donors, who no longer want to be taking on the full burden of providing the financing to meet the MDGs. Stronger commitments from both developing countries themselves and from non-DAC donors will be expected.
- There appears to be a consensus on the need for stronger developing country leadership and to avoid perceived interference by external actors. This is a priority issue for non-DAC donors in particular and is a view developing countries are likely to share.
- There is strong agreement that the post-2015 process should be open and inclusive and incorporate all relevant actors.
- Some interviewees stressed the importance of differential roles for different groups of stakeholders: non-DAC donors and NGOs see themselves as having different roles and responsibilities from DAC donors.
- There is some convergence on sectoral themes, including growth and infrastructure.

Finally, Part 3 brings together the findings of the first two parts to draw up 10 recommendations as to how the post-2015 agreement should be structured and monitored:

1. It will be important for the post-2015 agreement to have an even stronger focus on, and foundation within, country-level leadership and priorities. Country-level targets, or a menu of options that countries can adopt, may be more appropriate than a single global set of targets.
2. It is important that the process of developing a post-2015 agreement is open and inclusive of a wide range of development actors, such as non-DAC donors, NGOs, philanthropic organisations and the private sector.
3. There appears to be strong support for a continued set of clear goals with measurable targets, along the lines of the current MDGs.
4. The post-2015 goals may be able to be more ambitious, but the limited contribution of aid should be recognised. Domestic tax revenues and cross-border finance flows are now much more important than ODA.
5. The post-2015 agreement should consider setting mutual goals and obligations for all countries, regardless of their income level, perhaps through an equivalent to the current MDG 8, which sets out the contribution that richer countries are expected to make towards the MDGs.
6. The post-2015 agreement could consider how it can help countries attract, retain and better utilise domestic and private sources of development finance, for example measures to counter illicit flows or to support domestic revenue collection.
7. The post-2015 agreement will be stronger if it includes better provisions to measure both finance and results and to ensure value for money.
8. The post-2015 framework may have greater traction if it is couched more explicitly in terms of mutual interest as well as poverty reduction.
9. In terms of sectoral focus, our interviews suggested a congruence of interests around the private sector; infrastructure; agriculture; climate change; health; and growth.
10. The post-2015 agreement could consider including an innovation element, which explores how new goals could be achieved or progress towards existing goals accelerated, through innovative solutions involving different groups of actors.
Introduction

In 2015, the world will reach the target date for the Millennium Development Goals (MDGs), and debate is starting now as to what, if any, framework should replace them. The purpose of this paper is to explore current and future trends in development finance and their implications for efforts to reach agreement on a post-MDG framework.

The financing model underpinning the original MDGs discussed in Monterrey in 2002 focused largely on domestic resource mobilisation and traditional official development assistance (ODA). The assumption was that, when countries were unable to mobilise sufficient domestic resources to finance progress towards the MDGs, the gap should be filled either with ODA or through debt cancellation. Detailed costing exercises were carried out and the ‘resource gap’ was identified (e.g. Devarajan et al., 2002; Millennium Project, 2005). This was the basis of the 2005 Gleneagles commitment to increase aid flows by $50 billion by 2010 and to cancel multilateral debts. The evidence suggests that this approach was relatively successful in reinforcing the upward trend in aid flows during the late 1990s and 2000s (Bourguignon et al., 2008; Melamed and Sumner, 2011; Moss, 2010). Private finance, either profit or philanthropy oriented, contributions from non-Development Assistance Committee (DAC) donors and climate finance were either non-existent or considered much less important than ODA and domestic resources.

The current development finance landscape is very different. Traditional ODA is under pressure. Actors in development and sources of development finance are mushrooming, including non-DAC donors such as China and India, philanthropic foundations such as Gates and non-governmental organisations (NGOs). Middle-income countries (MICs) continue to rely on private flows to finance their development efforts, and are finding it increasingly easy to do so. Emerging economies attracted more foreign direct investment (FDI) than developed economies in 2010, and MICs are both sources and recipients of development finance. Domestic tax bases have expanded significantly in many developing countries, meaning development can increasingly be financed from internal resources. There are now myriad ‘innovative’ sources and mechanisms of development finance, many of which seek to combine public and private resources in non-traditional ways to meet development needs. There is now a largely shared optimism on the future of economic growth in most emerging and developing countries, although this may be somewhat dampened by recent concerns regarding the growth prospects for emerging economies as a result of the unfolding euro crisis and home-grown asset bubbles. Nevertheless, it is indisputable that the current economic outlook for developing countries contrasts strongly with the pessimism of the ‘lost decade’ of the 1990s that shaped the current MDGs. These trends are only likely to be magnified in the years up to 2015 and beyond.

This paper aims to explore the implications of this new development finance landscape for efforts to reach agreement on, and subsequently fund, a post-2015 framework. Any new agreement will need to reflect the new development finance landscape both in the way it is agreed on and in the nature of the goals to be set. If future trends suggest that a large share of the finance potentially available to support development is likely to come from developing countries themselves, then their role in the process is critical. If DAC donors are likely to be the predominant funders, the post-2015 framework may be more successful if it ‘goes with the grain’ of DAC donor thinking. This is not to say that the post-2015 framework should be developed only with the interests of funders in mind. Other detailed work is being done alongside this paper to develop concrete proposals for the framework based on need and evidence of what has worked. But the specific contribution this paper aims to make is to highlight that the post-2015 framework is likely to be more successful if the process and proposals developed have at least some resonance with the key providers of finance, and to suggest how that might be done. It does this in three ways.

First, we provide an overview of the sources of development finance that might potentially be available to fund a post-2015 agreement, either directly or indirectly, and summarise key trends. For the public or quasi-public flows, we also discuss the policy and political factors


shaping such trends. There is no agreed definition of ‘development finance’, so we define it here as all financial flows that are, or could be, spent in developing countries. This means it includes sources that are public and private, domestic and external. These sources of finance will be only partially substitutable, and different forms of finance may be more relevant to fund different elements of any agreed post-2015 framework (in general, private finance is more likely to support productive investments and growth, whereas public finance is more likely to fund public services, although this of course varies by country and there are different views on the appropriateness of this breakdown). Different forms of finance are also likely to vary in terms of their spillovers and other impacts (e.g. on knowledge transfer, macroeconomic impacts and so on). There are also myriad sources of finance for development, from personal household expenditure on health (e.g. over-the-counter medication or user fees) to budget support or large-scale FDI.

Given this complexity, to keep the scope of this paper manageable, here we focus on three main categories of development finance:

- **Domestic revenues in developing countries.** We focus on this source because, under any likely post-2015 scenario, some of the funding to meet agreed goals is likely to need to come from government budgets in developing countries and thus domestic revenues will be a key source of finance.

- **Private cross-border flows** that either have a clear profit motive, including FDI and portfolio flows, or are largely outside government control, such as remittances. We focus on these flows because they are large in scale and are likely to have considerable impact on countries’ development prospects, while being unlikely to be directly targeted towards attainment of the post-2015 goals.

- **ODA and ‘aid-like’ flows.** This is a category of finance that is provided not purely in the interests of securing returns for the provider but also fully or partially with some developmental or environmental purpose in mind, although profits and other interests of the provider (e.g. commercial or geopolitical) may also exist. It includes ODA, and many of the newer non-ODA flows such as South–South cooperation (SSC), climate finance and philanthropy, as well as longer-standing contributors such as NGOs. We also include some innovative sources of finance in this category. We focus on these flows separately because, unlike the private flows described above, they are more likely to be affected by a post-2015 framework. This is because the post-2015 framework is likely to shape agreed ideas about what ‘development’ means, and this group is more likely to be directly or indirectly impacted by that global consensus.

Of course, the boundaries between these categories are not clear cut: private FDI may come with corporate social responsibility elements that have specifically developmental purposes; and, increasingly, public funding now comes in the form of guarantees and other mechanisms to promote private, profit-oriented investment. Nevertheless, we feel this is a useful organising framework for our paper. Note that we are not focusing here on domestic private sources of finance, as these are too varied and complex, and are also less likely to be directly or indirectly impacted by any post-2015 agreement.

Second, the paper discusses the interests and motivations of those actors likely to provide the major sources of finance in any post-2015 framework, including by asking to what extent these providers have responded to the current MDG framework. Again, we focus predominantly here on providers of ODA and ‘aid-like’ flows, as outlined above. This is because, as noted, it is actors in this group that are most likely to change their behaviour on the basis of a post-2015

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1. We do not do this for the private flows, as this would require a full discussion of the policy environment and how it impacts on private finance, which is a rather separate topic and too complex to be covered in this paper.
2. For a more detailed discussion of the role of the private sector in the post-2015 discussion, see Lucci (2012).
framework. The interests and engagements of purely private sector providers are covered in a separate ODI paper (see Lucci, 2012).

Finally, the paper brings the first two sections together to make recommendations as to how a post-2015 agreement would need to be structured and monitored in order to incentivise the key players to provide the finance required.

The paper draws on a variety of sources, including a thorough review of the literature on past and future trends in development finance and quantitative analysis of trends using secondary sources. To inform Parts II and III in particular, we also carried out 30 interviews, with representatives of key providers of development finance as well as third party experts. We attempted to interview the three largest providers from each of the following categories: DAC donors; non-DAC donors; NGOs; and philanthropic organisations, as well as those knowledgeable about these organisations, although this was not possible in all cases. Moreover, the limited interviewee list makes it difficult to make firm generalisations about the positions of each of these groupings, given the breadth of the topic. The findings reported should therefore be interpreted as reflections to inform the findings of the paper rather than statistically rigorous conclusions.
Part 1: Trends in key forms of development finance

This part describes key trends in development finance. We start by presenting the global economic picture and giving an overview of trends in development finance. We then move on to discuss domestic revenues, private cross-border flows and aid and aid-like flows in more detail. We consider recent trends since 2000 as well as review projections and forecasts for most of the development finance flows, on the basis of secondary sources.

In summary, we show in this section that

- Developing countries have been driving global growth and expanding domestic tax revenues at a rapid rate, giving much more scope for development to be funded domestically. The average tax-to-gross domestic product (GDP) ratio rose from 23% in 2000 to nearly 29% in 2011.
- All the main sources of development finance considered in this paper have been expanding over the past decade, but the relative importance of ODA vis-à-vis other forms of finance has declined.
- Workers’ remittances have increased since the year 2000; since 2005, their amount has been twice as high as aid flows.
- These trends are very uneven across countries, with private cross-border flows heavily concentrated in MICs. Low-income countries (LICs) remain much more dependent on ODA.
- While ODA is now under pressure, there has been rapid growth in new ‘aid-like’ forms of development finance, which are not classified as ODA but nevertheless have a public interest purpose. This includes SSC, climate finance, philanthropy and other private development assistance. All these flows have been growing over the past decade and are likely to continue to do so in future.

1.1 Overview of trends in the global economy and development finance

Over the past decade, emerging and developing countries have been driving global growth (OECD, 2010; World Bank, 2011a), and it is this, not ODA, that has been the main driver of income poverty reduction at a global level. This sustained growth performance in large emerging countries – notably China – lifted more than 900 million people out of poverty between 1990 and 2005.

The macroeconomic context and the development finance ecosystem have both largely evolved since the definition of the MDGs in the early 2000s in several dimensions, and this will shape the assessment of both needs and resources for any post-2015 scenarios.

Emerging and developing economies3 are expected to continue driving global economic growth and trade flows in the next two decades. In purchasing power terms, non-Organisation for Economic Co-operation and Development (OECD) economies are already contributing more than half of global GDP. The OECD (2010) estimates that, by 2030, emerging and developing countries will account for two-thirds of global GDP (with Chinese GDP estimated to reach 28% of global GDP and Indian GDP 11% of global GDP), compared with one-third in 1990. A similar story is apparent with respect to trade flows, with developing countries expected to have a higher share of global exports than developed countries by 2025 (World Bank, 2011a). The financial and economic crisis has, if anything, accelerated these trends (OECD, 2011d).

3. In this paper we consider two country classifications. Emerging and developing countries refer to the International Monetary Fund (IMF) World Economic Outlook Classification (available at http://www.imf.org/external/pubs/ft/weo/2012/02/weodata/groups.htm); LICS and MICs follow the World Bank income classification.
Sustained growth performance in a large group of emerging and developing countries during the past decade has also contributed to the widening of the tax base and an expansion of fiscal revenues (see AfDB et al., 2010). Together with declining debt ratios and lower debt service, fiscal space in a large number of developing and emerging economies has on average expanded. The propensity to save and national savings have also expanded (OECD, 2011d). Looking at cross-border flows, FDI inflows were the largest source of development finance to developing countries in 2010 ($514.3 billion), followed by net flows on debt ($495.2 billion), workers’ remittances ($325.3 billion), ODA ($130.9 billion), portfolio equity flows ($129.7 billion) and philanthropic funding ($53 billion in 2009). All these sources of development finance have expanded rapidly over the past decade, albeit at different speeds. FDI inflows and workers’ remittances tripled in nominal terms between 2001 and 2010; total ODA increased by less than 50% over the same period; philanthropic funding more than tripled between 2003 and 2009.

While ODA still has to play a catalytic role in development and in crowding in other sources of development finance, its relative weight vis-à-vis other sources of development finance – especially private sources such as workers’ remittances and FDI – is low for developing countries as a group (see Table 1 in Section 1.3). At the same time, the financial and economic crisis in 2008/09, together with the current euro crisis, has imposed fiscal consolidation measures on most of the members of the DAC, with aid budgets the first victims of cuts.

The distribution and importance of the different development finance flows are highly uneven across income categories, as shown in Figure 1. For MICs tax revenue is significantly higher than ODA, FDI or remittances, whereas for LICs ODA is close to, or in some years even higher than, tax revenues. LICs received ODA totalling 9.7% of GDP in 2010, whereas for MICs the comparable figure is only 0.3%. Other sources of development finance were and will continue to be concentrated in MICs. FDI inflows to MICs in 2010 were $501.2 billion, whereas LICs received $13 billion. Workers’ remittances to MICs were $300.7 billion in the same year, and grew by an annual average rate of 13% from 2000; LICs received only $24.6 billion – increasing at annual average rate of 17% from 2000.

Figure 1: Domestic and cross-border flows as a share of GDP, LICs vs. MICs

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4. Average gross savings ratio as a share of GDP has been higher than 50% in China since 2006 and higher than 30% in India since 2003.
5. For a critical discussion on the catalytic role of aid, see Rogerson (2011).
1.2 Mobilising domestic tax revenues

Fiscal revenues represented and will continue to play one of the largest roles in financing development. General government revenues expanded by more than four times between 2000 and 2011 in all emerging and developing economies, going from $1.5 trillion to $7 trillion. This positive trend is set to continue in line with forecasts of GDP growth and of the expansion of the tax base: the IMF expects that general government revenues will reach $10.7 trillion in 2017 in emerging and developing countries (IMF, 2012). In MICs, tax revenues stood at more than five times the level of FDI inflows and nearly forty times the level of ODA in 2009, whereas in LICs it stood at nearly four times FDI and 20% higher than ODA in 2008.

Looking into the overall performance of emerging and developing countries at aggregate level, general government revenues expanded rapidly in nominal terms between 2000 and 2009 and pre-crisis levels had bounced back already in 2010 – still in nominal terms. As a share of GDP, even though the nearly 30% peak of general government revenues in 2008 has not been recovered yet (where the OECD average is approximately 35% of GDP), the average general government revenue ratio rose from 23% in 2000 to nearly 29% in 2011 in emerging and developing countries (on the basis of IMF, 2012).

Resource-rich economies6 benefited from the commodity price super-cycle between 2002 and 2008 and on average their resource-related tax revenues increased: resource taxes in Africa, for example, rose from an average of 6% of GDP in 1996 to 13% in 2007 (AfDB et al., 2010). However, in African resource-rich economies, total tax revenue as a share of GDP did not increase, as the rise in resource-related tax revenue nearly matched the fall in other tax revenues (ibid.). However, with more and more countries discovering natural resource deposits (e.g., it is estimated that oil reserves in Uganda will generate $2 billion per year, corresponding to two-thirds of the national budget of $3 billion,7 and oil reserves have recently been discovered in Kenya), this is an area requiring further investigation.

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6. Resource-rich economies include LICs and MICs classified as resource rich according to Collier and O’Connell (2007). All figures are unweighted averages.
In summary, this section shows that domestic tax revenues will continue to be an important source of finance for any post-2015 agreement: general government revenues and tax revenues have been one of the largest sources of development finance in the past decade, and they are expected to expand in the next years given the widening of the taxation base. Strengthening tax administration by increasing efforts and efficiency towards tax collection, and reforming fiscal policy to increase revenues through income and profit-related taxes, could further accelerate these trends.

1.3 Cross-border development finance flows: the dominance of private sources in middle-income countries

Private cross-border development finance flows have also expanded in the past decade. First of all, total net private and official inflows (including both equity and debt-related flows) to emerging and developing economies grew approximately five times between 2000 and 2010 (World Bank, 2012b). Net equity flows (FDI and portfolio equity flows) have been the most dynamic component, increasing by four times over the past decade; workers’ remittances and ODA (excluding technical cooperation) expanded more than three times in the same period. Short-term debt related flows have been the most volatile component. For instance, in 2010, their amount totalled $268.5 billion, the second flow to developing and emerging economies after net FDI, skyrocketing from $14.7 billion in 2009.

Table 1: Sources of development finance by income level of destination country (US$ billions in current prices)

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<td>FDI, net inflows</td>
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<td>152.1</td>
<td>151.2</td>
<td>204.9</td>
<td>312.4</td>
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<td>Portfolio equity, net inflows</td>
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<td>8.3</td>
<td>26.3</td>
<td>36.9</td>
<td>67.4</td>
<td>107.6</td>
<td>132.8</td>
<td>-53.3</td>
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<td>129.7</td>
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<td>Workers’ remittances, received</td>
<td>75.6</td>
<td>85.3</td>
<td>101.6</td>
<td>127.3</td>
<td>146.8</td>
<td>177.1</td>
<td>208.8</td>
<td>261.8</td>
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<td>284.3</td>
<td>300.7</td>
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<tr>
<td>Net ODA, received</td>
<td>27.3</td>
<td>29.1</td>
<td>31.9</td>
<td>33.2</td>
<td>38.5</td>
<td>66.0</td>
<td>59.5</td>
<td>51.0</td>
<td>57.4</td>
<td>54.6</td>
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<tr>
<td>Net flows on debt</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>135.2</td>
<td>186.3</td>
<td>461.0</td>
<td>257.1</td>
<td>158.9</td>
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<tr>
<td>LICs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>FDI, net inflows</td>
<td>2.4</td>
<td>2.6</td>
<td>3.2</td>
<td>4.4</td>
<td>4.6</td>
<td>4.5</td>
<td>5.3</td>
<td>10.4</td>
<td>11.2</td>
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<td>13.0</td>
</tr>
<tr>
<td>Portfolio equity, net inflows</td>
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<td>0.0</td>
<td>0.1</td>
<td>0.0</td>
<td>0.1</td>
<td>0.1</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
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<td>Workers’ remittances, received</td>
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<td>4.5</td>
<td>6.0</td>
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<td>7.9</td>
<td>9.9</td>
<td>12.7</td>
<td>16.4</td>
<td>21.7</td>
<td>22.6</td>
<td>24.6</td>
</tr>
<tr>
<td>Net ODA, received</td>
<td>10.4</td>
<td>12.1</td>
<td>15.5</td>
<td>21.6</td>
<td>21.4</td>
<td>22</td>
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<td>5.1</td>
<td>7.3</td>
<td>7.3</td>
<td>7.8</td>
<td></td>
</tr>
</tbody>
</table>


In the remainder of this section we provide a more detailed analysis of income levels of destination/recipient countries and a brief discussion on future trends for the main cross-border development finance flows (Table 1), focusing on FDI and workers’ remittances inflows. We do not discuss trends in portfolio equity flows – as these flows are typically highly volatile and pro-cyclical (see also Spratt, 2009) – or net flows on debt – whose trends are described in World Bank (2012b), for instance.

1.3.1 Foreign direct investment

FDI inflows have progressively expanded as a source of finance that is potentially available for development, especially in MICs. Net FDI inflows to MICs rose from $146 billion in 2000 to more
than $500 billion in 2010, after having achieved their pre-crisis peak of more than $621 billion in 2008. For LICs, the increase was from $2.4 billion in 2000 to almost $13 billion by 2010. Nonetheless, it is worth recalling that FDI inflows are highly concentrated: Prada et al. (2010) estimate that 70% of global FDI to developing countries goes to 10 countries (see also Figure 2). On the basis of Figure 2, more than 50% of total FDI inflows to developing and emerging economies were concentrated in three countries in 2010, namely, China, Brazil and the Russian Federation.

Figure 2: FDI inflows to emerging and developing countries, distribution across countries, 2010 share

![Figure 2: FDI inflows to emerging and developing countries, distribution across countries, 2010 share](image)

Source: UNCTAD (2011a).

Looking forward, projections are usually available only in the medium term up to 2013. The UN Conference on Trade and Development (UNCTAD, 2011b) predicted global FDI flows would recover to pre-crisis levels at the end of 2011 ($1.4-1.6 trillion). In the case of developing and emerging economies UNCTAD (2011b) forecasts a positive trend, whereby FDI inflows should be close to $750 billion in 2013. Nonetheless, this increase is very likely to be concentrated in emerging economies rather than in other MICs and LICs. For example, a forthcoming UNCTAD survey on top host economies reflects a large preference of investors for China, India, Brazil and the Russian Federation. Therefore, while private commercial flows have been rising over the past decade, and they are set to increase further in the medium term, they are concentrated in a narrow number of countries, mainly following opportunities for market expansion, exploitation of natural resources and comparative advantage in labour-intense industries.

### 1.3.2 Workers’ remittances

Workers’ remittances have expanded rapidly since the beginning of the past decade: since 2005, their amount has been twice as high as aid flows (World Bank, 2005). Workers’ remittances grew from $4 billion in 2000 to almost $25 billion in 2010 in LICs (a more than five-fold increase) and from $75 billion in 2000 to nearly $300 billion in 2010 in MICs (a more than three-fold increase), both in nominal terms.

Looking to medium-term projections, Ratha and Silwal (2012) estimate that workers’ remittances received in developing and emerging economies will grow by 7-8% between 2012 and 2013 and will reach $467 billion by 2014 – with a slower path compared to the 20% annual growth rate recorded before the financial and economic crisis. In particular, Ketkar and Ratha (2009) estimate the potential diaspora bond market for the Sub-Saharan African region to be between $5 and $10
billion, or 15-25% of ODA to the region. However, remittances are not necessarily pro-poor, that is, they do not necessarily benefit to a larger extent the poorest in the income distribution. For example, in a study by Fajnzylber and López (2008), on average only 10% of households receiving remittances belong to the lowest quintile of the income distribution in the case of 11 Latin America countries.

As they are associated with increased household resources devoted to investment and improved education and health outcomes (Ratha and Mohapatra, 2011) and are channelled directly to households with lower overhead costs than ODA flows, being more resilient than aid flows to business cycles (see Table 1), and given their size and relative importance especially in LICs, workers’ remittances can play a determining role (complementary to ODA) in supporting a post-2015 scenario, as we explore in more detail in Parts II and III.

1.4 Greater complexity and innovation in aid and new forms of ‘aid-like’ flows

As we have seen, domestic resource mobilisation and private financial flows have become much more important sources of development finance compared with in the early 2000s. However, this has not been the only change to the development finance landscape. Even within the more traditional ‘aidscape’, there has been what Severino and Ray (2009) have described as a ‘triple revolution’, in actors, goals and tools. New actors are mushrooming, including non-DAC donors such as India and China, philanthropists such as Gates and new vertical funds set up to address global challenges such as climate change. The development of new and complex innovative finance instruments has created new opportunities to mobilise additional funds and to use these in more effective ways, but also concomitant risks.

In this section, we present the major trends in ODA and ‘aid-like’ flows – defined above as those provided with a purpose that it is not purely profit oriented (although it can be partially profit oriented or designed for the benefit of the providing country). Because of the public nature of many of these flows, we describe in detail here the political and policy trends shaping some of these flows.

Table 2: Aid composition 2000 vs. 2010 (US$ billions)

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>ODA: DAC donors (bilateral and multilateral)*</td>
<td>78.7</td>
<td>128.5</td>
</tr>
<tr>
<td>Philanthropic assistance*</td>
<td>3.1*</td>
<td>56.0**</td>
</tr>
<tr>
<td>New development partners: ODA-like disbursement</td>
<td>-</td>
<td>15.0</td>
</tr>
</tbody>
</table>

Notes: Net disbursement, constant prices US$ 2010.*

1.4.1 Official development assistance

While ODA remains a small proportion of development finance in MICs, as we have seen, levels remain high in LICs, much higher than FDI inflows and workers’ remittances. Overall ODA from DAC donors has increased progressively in recent years, reaching its highest level ever of almost $128.5 billion in 2010, partly in response to the aid commitments made in Gleneagles in 2005. However, ODA levels fell by nearly 3% in 2011 and are likely to fall further in the years to come, largely as a result of the global financial crisis and fiscal austerity in many of the key donor countries. The US, for example, has recently seen large cuts to its aid budget, with aid taking the brunt of cuts to the state/foreign affairs budget (Veillette, 2011). In Japan, too, aid budgets were cut by some 10% in 2011 and diverted into post-tsunami reconstruction (Mungcal, 2011).

Fiscal austerity in donor countries is motivating a number of policy trends in traditional ODA. The first is a widespread desire to focus more on results, transparency and value for money. This is a trend that cuts across both traditional donors (the UK Department for International Development
(DFID), the US) and newer entrants (e.g. Gates.) The US Agency for International Development (USAID) has stated that it will make a ‘relentless commitment to measuring results’ (USAID, 2010) and will push for a greater results focus in the multilaterals it supports. It is also heavily focused on monitoring and evaluation. The UK has also been pushing heavily on the results agenda, with aid to country programmes now allocated on the basis of specific ‘results offers’. A linked agenda is the push for greater transparency in aid spending: the International Aid Transparency Initiative, which brings together donors, developing countries, foundations and NGOs to agree on new standards for aid transparency, now has considerable momentum behind it, particularly with the 2011 announcement by US Secretary of State Hilary Clinton that the US will be supporting the initiative.

The second trend resulting from the financial crisis is the increasing pressure among traditional donors to better justify aid to their electorates by linking it more explicitly to commercial and foreign policy objectives (Evans, 2010). This is not a new trend, but one that is likely to be magnified in the coming years. For example, in the US, development has been clearly linked to national security objectives in the Quadrennial Diplomacy and Development Review, with development now seen as a central pillar of national security strategy, equal to diplomacy and defence (US Government, 2010.) Despite, or perhaps because of, this elevation, development spending has nevertheless lost out relative to security, with only 60.2% of the foreign affairs budget devoted to development in 2012, compared with 63.9% in 2010 (Veillette, 2011.) In Japan, too, aid has been explicitly linked to post-tsunami reconstruction, and in the UK, the former Secretary of State for International Development was criticised for alleging that aid to India was ‘also about seeking to sell Typhoon [fighter jets]’ (Shipman and Reid, 2012). Kharas and Rogerson (2012) suggest the growth of SSC will create further pressures to accelerate this trend, predicting that by 2025 bilateral foreign trade interests will be ‘powerful and transparent determinants of “development” cooperation for most countries’.

Third, there has been greater risk aversion in development spending, in particular with regard to general budget support. DFID, for example, is planning to reduce general budget support by 43% over the coming years and will tighten up the principles on which budget support agreements are made (DFID, 2011a). European Union (EU) member states have raised concerns about the European Commission’s (EC’s) use of general budget support, pushing for greater levels of political conditionality (Faust et al., 2012). The World Bank’s new Programme for Results, which takes a more programmatic approach to sectoral funding, has faced strong resistance from the US Congress and as a result is limited to only 5% of World Bank operations over the first two years (Alexander, 2012). Sweden has also announced that it will no longer provide budget support (Carlsson, 2012). This is related more broadly to fatigue with the Paris aid effectiveness agenda (Wood et al., 2008), which emphasises giving more control over the use of resources to developing countries and making greater use of country systems. Progress in implementing this agenda has been slow on the donor side, despite improvements in the quality of developing country systems (OECD, 2011c).

Another consequence of the pressure on aid budgets is that many DAC donors are now more focused on the private sector. There is a strong interest in blending ODA with private or non-concessional financing, and using aid to catalyse the involvement of the private sector. The EC is putting a strong emphasis on blended finance, working, for example, through the Energy for All initiative in order to attract private investment into the renewables sector in Sub-Saharan Africa. It has also set up an EU platform for coordinated action on blended finance on climate change and infrastructure. Interviews with officials in Germany indicated that the country is planning to significantly expand the financing of the government-owned development bank, including through
the provision of new guarantees and investments aimed at encouraging private investment. The coalition government in the UK has also developed a strong focus on private sector development.\textsuperscript{11} A further important trend among DAC donors has been the debate on country selectivity, with many donors struggling with how to deal with the new landscape of poverty. The UK has radically reduced the number of countries it provides aid to (DFID, 2011b), and is struggling to justify the continued provision of aid to India to its parliament and public. The EC has proposed cutting aid to 19 MICs, shifting instead towards blended finance in these countries (Gavas, 2012). The US is also aiming to reduce aid to countries that move into higher income categories (Veillette, 2011), while Germany is increasingly focused on providing ODA to LICs, with MICs receiving a greater proportion of funding at near-market rates. With a high proportion of poor people now living in MICs, this will make it difficult for many donors to justify that they are responding to poverty need, although recent analysis by Kharas and Rogerson (2012) suggests that poverty may shift back to being a low-income phenomenon as many of the MICs grow their way out of poverty.

In terms of sectoral focus, there are different trends among the major donors, with some common themes, including economic growth; the private sector; infrastructure; agriculture; health; and climate change. In the US, for example, one of the centrepieces of President Obama’s new development policy is a set of new initiatives on sectoral issues: the Global Health Initiative ($63 billion); Feed the Future, focused on food security; and the Global Climate Change Initiative (US Government, 2010). Economic growth and democratic governance are priorities for the US, the EC and the World Bank. The World Bank is very focused on infrastructure, which now accounts for nearly half of all new lending (Griffiths, 2012). Japan, while maintaining its traditional focus on infrastructure, also puts a strong emphasis on ‘human security’, an agenda pushed by the former Japan International Cooperation Agency (JICA) President Madame Ogata (Rocha Menocal and Wild, 2012). The human security agenda includes cooperation to target freedom from fear; social vulnerability; protecting and empowering people; and addressing global risks.

1.4.2 Philanthropy/private grants and non-governmental organisations

As noted in the introduction, philanthropy and other forms of private development assistance have been growing substantially in recent years in both absolute and proportionate terms. Data on philanthropy are essentially based on data for US foundations and extrapolated for the rest of the developed countries. The Hudson Institute estimated US philanthropy to developing countries at $39 billion in 2010\textsuperscript{12} and a total of $56 billion including another 13 developed countries. Kharas estimates that, when compared with DAC Country Programmable Aid (CPA) – the share of ODA that actually reaches countries – contributions from philanthropic organisations and NGOs may equal or even exceed the contribution of DAC donors (Kharas, 2007).

NGOs also raise funding from private sources that is additional to ODA. According to the OECD (2011a), flows raised privately by NGOs amount to $22 billion – corresponding to 70\% of their total sources of financing.

Person-to-person giving has also grown over the past decade. While still small compared with other sources of development finance (on average less than $30 million per year), Kiva has experienced a steep expansion curve since mid-2007, reaching a monthly transaction of $3.5 million at the end of 2009. Since 2005, roughly $285 million has been disbursed through Kiva (Kiva, 2012). There are also consumer-to-consumer donations, for example the Oudin-Santini tax

\textsuperscript{11} Former UK Secretary of State for International Development Andrew Mitchell said in October 2010, for example, ‘It is my intention to recast DFID as a government department that understands the private sector, that has at its disposal the right tools to deliver and that is equipped to support a vibrant, resilient and growing business sector in the poorest countries’ (DFID, 2010).

\textsuperscript{12} The largest contribution came from private and voluntary organisations (36\%), corporations (19\%) and foundations (12\%).
in France, which makes it possible for local authorities and water agencies to allocate up to 1% of water and sanitation budgets to decentralised cooperation projects in water and sanitation (Severino and Ray, 2009).

Philanthropists have tended to be more involved in social sectors such as health and education, and are also playing a growing role in crosscutting issues such as transparency. The Gates Foundation, for example, has spent more than $15 billion out of its $26 billion total grants since 1994 on global health programmes, with only $3.6 billion spent on other global development programmes (Bill and Melinda Gates Foundation, 2012). Foundations traditionally have also taken on more risky ‘venture capital’-style investment, and tend to have a strong focus on innovation and scientific research, and on bringing private sector expertise and models into development cooperation. Results, value for money and accountability are also key issues (Bond, 2008).

1.4.3 Non-Development Assistance Committee (DAC) donors

This section aims at presenting an illustrative picture rather than an exhaustive review on the progressively large literature on assistance provided by non-DAC (re)emerging development partners. Data are extremely patchy and rely on anecdotes; in most cases, definitions of aid and aid-like flows differ among estimates as well as countries included (e.g. in some estimates OECD but non-DAC members and new EU partners [members of neither the OECD nor the DAC] are excluded). Estimates of assistance from new emerging partners range from $9.5 billion to $15 billion for 2008 (ECOSOC, 2008; Park, 2011; Prada et al., 2010). Based on global growth projections from the Wolfensohn Centre for Development, if all non-DAC G20 donors commit 0.15% of GDP to ODA in 2015, this would represent $26 billion. EU members that are non-members of the DAC (the Czech Republic, Hungary, Poland and the Slovak Republic) committed to increase ODA to 0.17% by 2010 and 0.33% by 2015 as a percentage of gross national income (GNI).

Assistance from non-DAC countries reporting to the DAC has expanded progressively, from $2.4 billion in 2000 to $7.3 billion in 2010 – more than tripling in real terms in 10 years. On the basis of Park (2011) the five largest non-DAC donors in 2008 were Saudi Arabia ($5.6 billion), China ($3.8 billion), India ($1 billion), Turkey ($780 million) and Brazil ($437 million in 2007).

As Zimmermann and Smith (2011) point out, non-DAC donors are far from being a homogenous group. The authors divide the non-DACs into three categories:

- Emerging donors, which are the most similar to the DAC donors although smaller. This group includes non-DAC EU Member States and donors such as Israel and Turkey. The European donors in particular tend to adhere to the European Consensus on Development and seek to emulate the behaviour of DAC donors.
- Providers of SSC, which see themselves more as peers of other developing countries and are heavily influenced by the Bandung Conference of 1955, including China, India and Brazil. This group accounts for the bulk of the non-DAC donor contribution, with China alone contributing nearly $2 billion in 2009.
- Arab donors, including Kuwait, Saudi Arabia and the United Arab Emirates (UAE), which have long experience of development cooperation. This group is comfortable with being labelled as donors, but tends to take a different approach from the DAC donors. While as a group these countries are less important than the SSC providers, volumes of finance from individual members can be large. For example, Saudi Arabia provided $3.3 billion in 2009, more than 12 out of the 23 DAC donors.

As noted above, so-called ‘emerging donors’ tend to seek to emulate the DAC model and as such can be expected to behave in similar ways to DAC donors, albeit with smaller volumes. In contrast, the narrative around SSC tends to emphasise the contrasts between this group and the DAC
donors. For example, the SSC narrative tends to focus more on mutual benefit, solidarity, reciprocity and non-interference than the dominant ‘poverty reduction’ discourse of the DAC donors.\textsuperscript{13,14} SSC providers are very clear that their cooperation is not ‘aid’ in the traditional sense and strongly oppose the vertical, provider–recipient hierarchy they perceive to underpin the traditional aid relationship. They tend to see it as particularly important that their specific contribution is recognised and that their nature and contribution is clearly differentiated from that of DAC donors. SSC is also heavily focused on technical assistance and knowledge sharing as well as financial aid, with peer learning around successful development experiences a key element.\textsuperscript{15} SSC is much more likely than DAC aid to be linked to other deals, for example as part of commercial packages or loans. Solidarity is also an important principle in SSC. In some cases, this is explicitly seen as solidarity in resistance to what is seen as the northern-driven ‘Washington Consensus’ model (Reality of Aid, 2010). SSC providers, like Arab donors, also tend to support countries in the near neighbourhood and to see regional solidarity as important. In terms of sectoral focus, SSC is heavily focused on infrastructure and growth. The social sectors, which have been the greater focus for the MDGs and for many DAC donors, are not a big area of focus for most SSC providers.

Arab donors are not new entrants to the aid landscape. For example, Saudi Arabia has been the single largest aid donor in the world since 1973 when measured in terms of the ODA/GNI ratio (Reality of Aid, 2010). Other key Arab donors include Kuwait and the UAE. As Zimmermann and Smith (2011) note, these groups are comfortable with the donor label, but take a different approach to the DAC donors. Key objectives include solidarity among Arab countries and religious activities. Almost all is provided bilaterally.

1.4.4 Financing for global public goods, including climate finance

With a growing focus on global public goods, including climate change, food security, health and security, it is likely that a growing share of aid will be allocated to these areas in future. In particular, it is likely that a large share of the climate change financing that has been committed will be taken from, rather than additional to, current ODA budgets.

It is rather challenging to track climate finance flows and in particular their relationship with ODA, which means that some of the climate finance flows presented here may also be included in the ODA figures in earlier sections. Estimates of climate finance are based on the pledges and targets set at the summits in Copenhagen and Cancun – with commitments from developed to emerging and developing economies of $30 billion for 2010-12 and $100 billion per year by 2020, with a wide range of resources to be mobilised, public and private, bilateral and multilateral, including innovative sources. The dominant scale of global private capital markets and growing fiscal challenges in many developed economies also suggest that the large financial flows required for climate stabilisation and adaptation will, in the long run, be mainly private in composition. There is as yet no clear agreement or understanding of the proportion of the $100 billion commitment that may potentially come from ODA budgets.

13. See, for example, the statement made at the High-level Event on South–South Cooperation and Capacity Development, Bogota Statement, March 2010, which emphasises that ‘SSC … promotes mutual benefit and win-win outcomes and horizontal partnerships’ (http://api.ning.com/files/CNxxyk6Uu-fQ7gkQ4EIN9DXytfH2Hy6-IwWriBqGuta38Mm9Ec1HsIsaDxhcmppqOKI8tUwnIsVRPaR7/MQoaB6aA+g9EYAYYt/Bogota_Statement_FINAL1.pdf)
14. Similarly, the Ministerial Declaration of the 33rd Annual Meeting of the Ministers of Foreign Affairs of the Member States of the Group of 77 and China, 25 September 2009, includes the following:
\textit{g. South–South cooperation is based on a strong, genuine, broad-based partnership and solidarity; h. South–South cooperation is based on complete equality, mutual respect and mutual benefit; i. South–South cooperation respects national sovereignty in the context of shared responsibility’ (G77, 2009).}
15. For example, the December 2009 Conference on Promotion of South–South Cooperation for Development recognised that ‘developing countries tend to share common views on national development strategies and priorities when faced with similar development challenges. The proximity of experience is therefore a key catalyst in promoting capacity development in development countries’ (in OECD, 2010).
According to the Climate Policy Initiative (CPI, 2011) climate finance would total $96.9 billion per year, 56% coming from private sources; $5.4 billion is considered bilateral aid disbursed by DAC countries in 2009, less than 5% of total ODA. Looking into future flows, in 2010 the UN Secretary-general’s High-level Advisory Group on Climate Change Financing (AGF, 2010) released a report on potential sources to finance the $100 billion target by 2020 for the Green Climate Fund. Innovative potential sources of climate finance include: carbon pricing for international aviation and maritime transportation (‘bunker taxes’) $10 billion per year; removal of fossil fuels subsidies $8 billion per year; and estimates for financial transaction taxes from $2 to $27 billion in 2020 (ibid.). Finally, the World Bank (2011b) provides estimates of public and private sources of climate finance, drawing from the AGF and the OECD. In particular, instruments to leverage private and multilateral flows would be estimated at between $150 billion and $340 billion in 2020, although, as much of this is private flows, it is likely to have already been included in the projections provided in earlier sections of this paper.

1.4.5 Growth of other innovative sources of finance

The debate on innovative mechanisms for mobilising additional sources of development finance has been revamped over the past decade to explore new ways of supporting achievement of the MDGs – also recognised in the International Conference on Financing for Development in Monterrey in 2002 – to finance development and climate change mitigation and adaptation, as well as to compensate for the slowdown in external assistance from some traditional donors in the aftermath of the 2008/09 financial and economic crisis.

Innovative finance for development (IFD) tends to be divided into two elements, both of which are potentially relevant to the post-2015 debates. The first element focuses on innovative sources of development finance, that is, the potential to raise revenues in ways other than relying on direct contributions from donor budgets. Examples include airline ticket levies and a potential financial transactions tax. As well as having the potential to scale up volumes, flows raised in this way may be more reliable and better insured from some of the pressures on traditional aid outlined above than traditional ODA (including the need to achieve results and link aid to geostrategic and commercial objectives.) Girishankar (2009) estimates that innovative sources of development finance raised an estimated $57.1 billion between 2000 and 2008, approximately 4.5% of ODA and international financial institution (IFI) bond proceeds over the period, although this includes $10.7 billion in funds from emerging donors as discussed elsewhere in this paper. Growth of these IFD sources has been rapid, from $2.9 billion in 2000 to an estimated $12.5 billion in 2008.

The other type of IFD focuses on innovative uses of development finance. The funds used in such mechanisms may be raised through traditional ODA or innovative mechanisms, but are spent in innovative ways. This can include bringing the public and private sector together in ways that maximise the contribution of each to development, for example thorough pilot advanced market commitments, which promise a future donor co-payment, contingent on vaccine delivery, creating incentives for the private sector to engage in research on specific vaccines (OECD, 2011b). It can also involve shifting the time profile of development spending to meet shifting needs, for example through the International Finance Facility for Immunisation initiative, which is front-loading aid in order to fund vaccine research now, in order to save the costs generated by the burden of disease in future. Girishankar (2009) estimates that at least $52.7 billion of official flows, or 5.7% of total

16 ODA flows contributing to ‘climate change only’.
17 The breakdown would be the following: i) carbon market revenues (comprised of proceeds from sales and auctions of carbon assets to cap-and-trade compliance buyers, and originating from carbon-constrained economic sectors or countries) $2 billion; ii) EU emission trading system $1.4 billion; iii) assigned amount units between countries bound by the Kyoto Protocol $0.6 billion; iv) ODA sector climate finance $5.4 billion bilateral aid from DAC countries in 2009; and v) estimates for private finance go from $37 to $72 billion in 2009/10.
official flows to developing countries, were utilised in these ways between 2000 and 2008, mostly in MICs.

Future trends in IFD are hard to predict and are mostly based on piecemeal information. For instance, the Global Alliance for Vaccines and Immunisation (GAVI) has committed $7.2 billion in programme support to LICs until 2016, and there are several proposals under discussion or advocated at global level, including one for a global currency transaction tax with an estimated total of $25-34 billion for the four major currencies; shipping and aviation fuel taxes with potential revenues of between $37 billion and $27 billion; and a widely implemented tobacco tax that could generate $11 billion. In sum, while the amounts both raised and spent through IFD mechanisms to date are relatively small compared with the volume of ODA, there is potential for considerable scaling-up in the years to come, which will have implications for the post-2015 debates. It should also be noted that there may be a degree of fungibility in terms of revenue sources raised, with governments and/or taxpayers deciding that potential to raise greater revenue through IFD mechanisms means there could be less need for ODA, meaning that funding may not be strictly additional.

1.5 Conclusion to Part 1

In Part 1 of this paper, we have shown that the landscape of development finance has changed dramatically since the MDGs were agreed in 2000. The financing model underlying the MDGs was one in which it was assumed that, where countries were not able to mobilise sufficient resources to meet the MDGs, the balance should be provided by the international community through aid and debt cancellation.\(^{18}\) This implicit burden-sharing model was reasonably successful in both mobilising resources through aid and debt cancellation and allocating them to MDG sectors, although the links to outcomes are less clear (Melamed, 2012).

The development finance landscape has now changed dramatically, and the post-2015 framework will need to be designed in such a way that it reflects this. In particular, as the trend analysis in Part 1 shows, it will need to recognise that:

- The significant growth in domestic revenues in developing countries will enable a larger share of development to be financed domestically, either through taxation or through financial deepening, particularly in MICs and resource-rich countries.
- For MICs at least, where a large proportion of poor people are currently located, private cross-border flows continue to be much more important than aid. This is particularly the case given that many DAC donors are cutting aid to MICs.
- Non-DAC donors, particularly Arab states and providers of SSC, who were minimal in volume terms at the time of the Millennium Declaration, are now much more important sources of development finance and knowledge transfer. This is a trend that is likely to accelerate in the coming years.
- ODA is likely to decrease in relative importance as a source of development finance, apart, perhaps, from in the poorest countries. A growing share of that decreasing pot is likely to be earmarked for global public goods, particularly climate finance. At the same time, ODA providers are becoming increasingly risk averse, and there is likely to be a stronger emphasis on aid linked to commercial and geopolitical objectives of the donor country.

\(^{18}\) For example, the communiqué of the G8 Summit in Gleneagles in 2005 does note that some of the additional resources required from development can and should come from developing countries’ domestic resources, FDI and other flows, including remittances. However, it goes on to note that ‘A substantial increase in overseas development assistance, in addition to other resources, is required to achieve the internationally agreed development goals and objectives, including … the Millennium Goals’ ([www.unglobalcompact.org/docs/about_the_gc/government_support/PostG8_Gleneagles_Communique.pdf](http://www.unglobalcompact.org/docs/about_the_gc/government_support/PostG8_Gleneagles_Communique.pdf))
- Philanthropy is likely to continue to grow as a source of development finance, albeit from a low base. There may also be scope for technological innovations to promote greater person-to-person giving, with progressive disintermediation from traditional channels, although this remains untested at present.
- Innovative finance mechanisms are creating alternative mechanisms for both raising and spending resources, although their implications for the overall resource envelope remain unclear. This may have advantages in terms of reducing the reliance of development finance on donor aid budgets and enabling investments to be ‘front-loaded’ where there is an economic rationale for doing so. However, the need to repay funding generated through IFD mechanisms (whether through bond issues or other private mechanisms) may also lead to a reduction in the amount of funding available for direct expenditures.
Part 2: Implications of the changing landscape of development finance for post-2015 debates

As we saw in Part 1, the new development finance landscape means a much larger group of actors is involved in providing and spending development finance. Here, we consider the main groups in turn, examining their level of ownership and engagement with the current MDG agenda, and what they are likely to be interested in for a post-2015 agreement. The key aim is to identify those issues that need to be taken into account when considering how a post-2015 agreement would need to be structured and monitored, in order to incentivise the desired input of the key players. Within each grouping, it is difficult to generalise: therefore, we focus on the largest players and, where general trends are evident, we also focus on the group as a whole. We do not focus on the private sector here, because this is the subject of other work by ODI (Lucci, 2012); however, the overall trends in private finance, and the conclusions of the Lucci paper, are reflected in our discussion and conclusions in Part 3.

Box 1: How will the post-2015 goals be agreed?

It is currently envisaged that the post-2015 goals will be agreed through a complex, multi-year process, including the following elements:

- A UN high-level panel on the post-MDGs, running from 2012 to 2013, although it is possible that the timeframe will be extended up to 2015 and beyond
- A series of UN-organised country and thematic consultations, running from 2012 to early 2013
- A ‘global conversation’ running throughout the period 2012-2015 (scope to be confirmed)
- An MDG Review Summit in the UN General Assembly in mid-2013
- A process of inter-governmental negotiations in the UN General Assembly throughout 2015
- Possibly, a UN General Assembly post-MDG summit in 2015

Source: CAFOD (2012).

The main research methodology used for this part of the paper was a series of semi-structured interviews with key informants. We approached the three largest actors in each grouping (DAC donors, non-DAC donors, NGOs and philanthropists) for interviews, although we were not able to secure interviews with all of these. Where representatives from these organisations were not available, we approached independent experts who were closely involved in monitoring or advising them. We also interviewed independent development finance experts. We did not interview developing country government representatives, as their views on post-2015 are being sought through a thorough consultation process and we did not wish to duplicate: the findings of this paper will therefore need to be reviewed after the results of those consultations are clear. We indicate which stakeholders we spoke to in the relevant sections. As we noted in the introduction, the fact that we could not always speak to the largest actors in volume terms and the small sample size mean our conclusions must be taken as general impressions rather than hard ‘facts’ about the views of key stakeholder groupings. Further evidence on the views of these groups will become clearer throughout the consultation process on post-2015.

2.1 Development Assistance Committee (DAC) donors

In researching this section, the Overseas Development Institute (ODI) conducted interviews with DAC donors (EC and Germany); those involved in influencing or monitoring donor behaviour (ODI’s European Development Cooperation Strengthening Programme; the Bretton Woods Project; Oxfam Japan; DFID’s former advisor on US policy; Interaction); and the OECD. We were unfortunately unable to directly interview Japan, or the US, although both were approached. We also reviewed relevant secondary literature on the topic.
ODI’s research showed that most DAC donors are at least nominally committed to the MDGs, and some are strongly supportive. Even the US, previously reluctant to embrace the MDG framework, has now done so. As noted earlier, across DAC donors as a group, the MDGs have had traction in helping mobilise resources and allocate them to priority MDG sectors (Melamed, 2012). Those interviewed noted the continued support for the MDG agenda among DAC donors.

Interviewees expressed the following as likely priorities for the post-2015 agenda for their own organisation or the organisation about which they were knowledgeable:

Given the focus on results, value for money and transparency outlined above, stakeholders expected that a continued focus on quantified, time-bound targets and clear objectives, which can demonstrate impact and value for money, and which would be rigorously monitored, would be important. It was felt that this was likely to be important for the US, Japan, Germany and the EC at least.

Another common theme expressed was the importance of placing mutual responsibilities on developing countries and non-DAC donors as well as DAC donors. It was felt that some DAC donors might seek to reduce the degree of donor country responsibility for meeting the MDGs, with a stronger focus on action by others. Linked to this issue is a potentially stronger focus on domestic resource mobilisation and developing country leadership. This was expected to be a priority for the US and the EC in particular. There is likely to be a strong focus on seeking to secure commitments from non-DAC donors and philanthropic organisations, and recognising a stronger role for private sector finance in development. In other words, the old implicit burden-sharing agreement, in which the DAC donors were responsible for funding the share of the MDG costs that could not be reasonably borne by the countries themselves, needs to be replaced by one in which LICs and MICs take a stronger share of the financial responsibility. Given the restrictive resource environment described above, it was felt that some DAC donors might resist an agreement that places an explicit or implicit financial obligation on them. More traction may come from an agreement that recognises the diversity of financing sources, including those from the private sector.

In sectoral terms, in line with the sectoral priorities outlined above, the following potential areas emerged: climate change; health; growth; agriculture and food security; and infrastructure. For some donors, such as the EC, governance is also a priority. Within these sectors, there is likely to be a focus on innovation, including the ability to stretch existing aid budgets to get results, with some donors particularly interested in IFD. Given the strong priority some of the major donors place on these sectors, we may also expect a greater degree of ear-marking of aid in future.

2.2 Non-Development Assistance Committee (DAC) donors

To inform this section on non-DAC donors, ODI carried out interviews with governmental or non-governmental representatives in India, Brazil and Colombia. We also spoke to the UN Development Programme (UNDP) and the International Poverty Reduction Centre in China; to experts on the behaviour of the G20 at Oxfam; and to an independent consultant working primarily on Latin American finance issues. The relatively small number of interviewees, the challenges involved in talking directly to government officials and the diverse nature of non-DAC donors mean it is difficult to generalise about positions. However, the tentative findings from our interviews were as follows:

- Unlike the DAC donors, few if any non-DAC donors use the MDGs as a guiding framework for their activities. As noted above, other principles, including non-interference,
mutual benefit and sovereignty, are considered much more important. ‘Poverty reduction’ as a frame is not even relevant for most non-DAC donors. Interviewees also felt there had been limited focus on the post-2015 agenda to date in these countries.

- **Non-DACs strongly resist attempts to group them along with DAC donors and to encourage them to adopt similar principles and approaches to the DACs,** as demonstrated by the difficulties in encouraging non-DAC donors to sign up to the recent Busan Partnership for Effective Development Cooperation. Interviewees reported that non-DACs express antipathy to the OECD-DAC, which is seen as a ‘rich man’s club’ from which they are excluded. There is also little evidence that non-DAC donors are likely to change their behaviour directly as a result of any post-2015 agreement: most non-DACs are guided by commercial and strategic considerations in providing development cooperation, even more explicitly than the DAC donors. It is also rare for non-DACs to have explicit policies on development cooperation in the way that DAC donors do, although China may be leading the way with its new White Paper.

- The strong belief in non-interference and sovereignty on the part of SSC providers is also likely to **mitigate against any MDG agreement that is seen as interfering in the internal affairs of recipients,** and the focus on demand-driven cooperation will make SSC providers **reluctant to agree to anything that appears to be setting targets and goals from outside.** Moreover, SSC providers tend to focus more on mutual benefit, solidarity and peer learning rather than traditional donor–recipient hierarchies, which means the next iteration of MDGs may need to reflect a more mature international partnership based on equality rather than hierarchy.

- **Domestic policy experiences will be important in shaping positions on post-2015.** This is partly a result of the emphasis on peer learning and knowledge sharing in the discourse on SSC. It is also because non-DAC donors will want international attention to focus on areas where they have a strong story to tell, for example Mexico on universal health care and Brazil on agriculture and social policy. Interviewees felt that China in particular would want to promote its own strong performance on the MDGs, and India may wish to showcase progress on economic growth and reducing income poverty. Conversely, it was felt that non-DACs would be reluctant to sign up to targets in areas where their domestic performance is weak.

- In terms of sectoral focus, there is likely to be a strong focus on growth and infrastructure, as these are key parts of the G20 agenda. The non-DACs may also promote an approach to development policy that encourages stronger state engagement in the economy, rather than relying largely on markets. Some non-DAC donors are likely to **strongly resist attempts to focus the post-2015 agenda on democratic governance or human rights.** Given its role in hosting the Rio+20 negotiations, Brazil is also likely to favour goals linked to sustainable development, and is also reported to be prioritising agriculture, health and social policy.

- Like the DAC donors, interviewees suggested that Brazil and China are likely to favour **quantified targets,** although interviewees suggested that Brazil may advocate a more humble approach to what can be achieved.

### 2.3 Developing country governments

The views of developing country governments on post-2015 are not yet known, and it was beyond the scope of this paper to carry out detailed consultations with these actors. There will be widespread consultations to better understand the views and priorities of these actors. This will be particularly important given that, as noted above, the lion’s share of resources to finance development are likely to be generated from domestic revenues in future. In addition, some of the large external providers of development finance are pushing for developing countries to be given a stronger leadership role. The conclusions of this paper may need to be re-examined in light of the findings from the developing country consultations.
One grouping of developing countries about which ODI was able to gather more information was the g7+, which represents fragile states. Interviews with a g7+ representative indicated that the grouping is likely to be pushing for the Peace and State-building Goals (PSGs), agreed as part of the New Deal for Fragile States in Busan in November 2011, to be part of the post-2015 framework. The aim would be for the PSGs to complement the MDGs in fragile states, in recognition of the fact that they are a precursor to meeting the MDGs in situations of fragility and conflict. Other key priorities of the g7+ are likely to be flexibility to set country-level rather than global targets, making progress more tangible. Further work is needed to assess whether this view is shared across a wider group of countries.

2.4 Non-governmental organisations

As noted above, NGOs are becoming increasingly important as sources of development finance and as development actors, and are likely to be heavily involved in the post-2015 negotiations. Like many non-DAC donors, however, NGOs have often expressed reluctance to be seen as ‘donors’, arguing that the different nature of their assistance means that standards adopted by official donors do not apply to them. This has been the case in the aid effectiveness dialogue, for example, with many NGOs extremely reluctant to apply the Paris principles to their own development cooperation.

Interviews with Save the Children (UK) and CARE (US), however, did not raise any concerns about the MDG framework as applied to NGOs: on the contrary, both organisations felt that the MDG agenda was core to both programme and advocacy work. Save the Children observed that meeting MDG 4 (on reducing child mortality) was its ‘number one priority’. CARE also noted that its internal strategic plan referenced the extent to which it was contributing to meeting the MDGs, setting organisational goals within the overall framework. This finding was reinforced by an interview with Interaction, the umbrella body for US NGOs, which felt that the MDGs had been important in helping mobilise the NGO community, and other stakeholders, around particular goals. Further interviews with other NGOs are needed to assess whether this view is shared across other NGOs.

In relation to the post-2015 framework, Save the Children argued for the need to build more equity into the system for the MDGs and to make the goals more country specific. We could envisage NGOs being more supportive of the post-2015 framework if it is developed in a more inclusive way (with NGOs more actively engaged in the process and given a seat at the table); if it prioritises issues where NGOs have a comparative advantage, particularly the social sectors and agriculture; and if it focuses on cross-cutting issues NGOs see as important, including gender, equality and sustainability.

2.5 Philanthropy

There is mixed evidence on the extent to which philanthropic organisations see the MDGs as relevant to their work. Interviews with Gates and the Hewlett Foundation indicated that neither uses the MDGs as a guiding framework, and the MDGs do not directly shape their allocation or policy decision, although both noted that the MDGs were important in their external advocacy and stakeholder engagement. In the case of Hewlett, this was felt to owe to its small size, meaning that it does not feel it contributes enough to be able to attribute progress towards the MDGs to its contribution. Gates feels it can influence international development issues without making specific reference to the MDGs, although its advocacy is often stronger in referencing international commitments like the MDGs. For both foundations, programmatic work is driven by the interests and priorities of their founders, rather than the MDGs, although in some cases these priorities are
closely aligned. ODI approached the Ford Foundation and the Rockefeller Foundation for interview, but neither was able to respond on this topic.

Asked about their views on priorities for a post-2015 agreement, Gates and Hewlett stressed a number of issues, particularly the need for greater transparency and better information about how aid is spent and its impacts. Recognising the power of the MDGs as a ‘scorecard’ for progress, Gates felt that the quality of reporting could be improved, for example by better disaggregating data by country or gender and generating a better baseline against which to measure progress. Gates also emphasised the importance of the MDGs in representing a global consensus on development. Both organisations suggested that the MDGs move away from a framing in which the ‘rich North’ does something for the ‘poor South.’ Gates felt strongly that the MDGs should remain focused on a limited set of priorities and not become a ‘Christmas tree’ of development issues.

2.6 Conclusion to Part 2

Part 2 has shown that some common themes emerged from the interviews with the different stakeholder groupings, but there are some areas where views differ:

- The MDGs appear to have strong ownership and support from DAC donors and NGOs, but this is less true of non-DAC donors and philanthropists, who do not appear from our study to use the MDGs as a set of guiding principles for their work.
- Many of those interviewed identified the importance of results, value for money and having quantified, time-bound targets as part of the post-2015 agreement.
- Mutual responsibilities and burden sharing emerged as importance issues for the DAC donors, who no longer want to be taking on the full burden of providing the financing to meet the MDGs. Stronger commitments from both developing countries themselves and non-DAC donors will be expected.
- There appears to be a consensus on the need for stronger developing country leadership and to avoid interference by external actors. This is a priority issue for non-DAC donors in particular and is a view developing countries are likely to share.
- There is strong agreement that the post-2015 process should be open and inclusive and incorporate all relevant actors.
- Some interviewees stressed the importance of differential roles for different groups of stakeholders: non-DAC donors and NGOs see themselves as having different roles and responsibilities from DAC donors.
- There is some convergence on sectoral themes, including growth and infrastructure.
Part 3: How does a post-2015 agreement need to be structured and monitored in order to encourage key providers of development finance to contribute?

In this paper, we have examined the major sources of development finance and considered the interests and priorities of the key players in a post-2015 agreement. This analysis leads us to conclude by making 10 recommendations about how a post-2015 agreement would need to be structured and monitored in order to incentivise the participation of the key providers of development finance.

1. The rapid growth in domestic resource mobilisation means it will be important for the post-2015 agreement to have an even stronger focus on, and foundation within, country-level leadership and priorities. This is important for several reasons. First, the evidence on aid effectiveness tells us that country-led approaches are likely to lead to development outcomes that are much more sustainable. Second, as development is increasingly being funded through domestic resource mobilisation and private finance, budget decisions in country will be critical elements in determining resource allocation and poverty reduction priorities. This chimes well with the stated desire of many developing countries to exit from aid and be more self-reliant. A focus on stronger country leadership also fits well with SSC providers’ desire not to interfere in internal affairs; and with the US push for greater self-reliance in country. It will also accord with the general climate of aid scepticism within many of the DAC donor countries. Furthermore, as most poor people now live in MICs, what those countries do is likely to be much more important than the role of the international community in securing development progress.\(^{19}\)

In practice, this means involving all developing countries, both MICs and LICs, much more strongly in the debate from an early stage and responding much more directly to their needs and priorities: the currently predominantly Northern-dominated debate on post-2015 is somewhat concerning in this regard. It also suggests a global target-setting approach is unlikely to be successful: country-level targets, or a menu of options that countries can adopt, may be more appropriate. Country-level targets will also be important to help promote domestic accountability, where governments can be held more directly accountable for progress towards country-relevant goals. There are of course risks to this approach, however, as one of the strengths of the MDGs was to help bind together countries in a common global framework.

2. It is important that the process of developing a post-2015 agreement is open and inclusive of a wide range of development actors, including the private sector, non-DAC donors, NGOs, philanthropists, diaspora groups and so on. The experience of the aid effectiveness debate shows that non-DAC donors and NGOs tend to be reluctant to adopt pre-agreed targets or principles late in the process. The role of the DAC needs to be extremely limited, given perceptions of it as a rich donor club: this will be in contrast to the active role played by the DAC in developing the original MDG framework. Private sector actors, particularly multinational corporations, need to be involved in the process given the predominance of FDI in development financing; other work by ODI (see Lucci, 2012) has suggested various scenarios through which this involvement could take place. Given the importance of remittances as a source of development finance, diaspora groups also need to be included, and experiences, for example in diaspora bonds, need to be reviewed.

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\(^{19}\) Although recent research suggests that poverty may shift back to being a LIC and fragile states phenomenon by 2025 (Kharas and Rogerson, 2012).
3. **There appears to be strong support for a continued set of clear goals with measurable targets**, along the lines of the current MDGs. Those interviewed suggested that the quantified targets that underpin the current MDGs are a core strength, and this should be continued. Support for quantified targets appears to cut across DAC donors, non-DACs such as China and philanthropists such as Gates and Hewlett. A stronger focus on quantified targets could also help bring in private sector providers through mechanisms such as output-based aid. Moreover, the focus on outcome targets (rather than policy or process targets, for example) was also rarely challenged in our interviews.

4. **The post-2015 goals may be able to be more ambitious, but the limited contribution of aid should be recognised.** As we saw in Part 1, there is now much more optimism about the macroeconomic and growth prospects of developing countries, meaning that progress in reducing poverty is likely to be accelerated. The strong growth in domestic revenues and private cross-border flows, and the potential to mobilise additional resources through IFD, tends to reinforce this view. Aid is likely to make only a minimal contribution to this progress, given its falling share of overall development resources, particularly in MICs, where the majority of poor people can be found. In contrast to the view expressed in 2005 on the importance of ODA in meeting the MDGs, current trends suggest that poverty reduction – and hence progress towards the post-2015 goals – is likely to take place for reasons other than aid.

5. **The post-2015 agreement should consider setting mutual goals and obligations for all countries**, moving away from the model of a ‘rich North’ giving hand-outs to a ‘poor South’, which in turn implements policy reforms. As the Save the Children representative put it in an interview, ‘The forward MDG goals shouldn’t be something that one group is imposing on another. There should be something like a global compact which is similar for the UK, India and Congo, but with different levels of responsibility around financing.’ This will chime well with the more horizontal, peer-to-peer approach of the non-DAC donors, and the focus on stronger developing country leadership and ownership. Related to this, there should be a stronger focus on peer learning, which also fits well with the non-DAC approach. One option would be an expanded version of the current MDG 8, which sets out the obligations rich countries have in contributing to the MDGs, although this has received less attention than the other goals.

6. On a related note, **the post-2015 agreement could consider how it can help countries attract, retain and better utilise domestic and private sources of development finance**, given the growing importance of such flows. This could include, for example, measures to avoid illicit flows that undermine domestic revenue collection efforts, and regulation to ensure multinational corporations retain a further share of their profits in country. Similarly, targets for multinational corporations may be needed to ensure such external finance brings as many ‘goods’ and as few ‘bads’ with it as possible.

7. The post-2015 agreement will be stronger if it includes **better provisions to measure both finance and results, and to ensure value for money.** The results agenda cuts across DAC donors, non-DACs such as China and philanthropists such as Gates and the Hewlett Foundation. There is also considerable momentum behind the transparency agenda, to which many NGOs have also signed up. In practice, this may mean the international community agreeing to better ways of measuring both the contribution of different actors (financially and in-kind) and progress towards the targets. This includes better measurement of the contribution of all actors (including non-DAC donors, philanthropists and NGOs) to development outcomes. There will also need to be greater transparency about both the inputs provided by the different actors and the results achieved. Philanthropic and private sector organisations could be involved in developing innovative ways of measuring, reporting and communicating on these issues.
8. The post-2015 framework may have greater traction if it is couched more explicitly in terms of mutual interest as well as poverty reduction. While the altruistic poverty reduction focus of the MDGs was an important achievement, it may no longer be realistic, particularly given the interests of many of the non-DAC donors and the financial problems of DAC donors. Post-2015, there may need to be a stronger focus on meeting areas of common interest (e.g. global public goods) or enlightened self-interest. Even those DAC donors who have embraced the MDGs may be looking for a framework that helps them build public support for development in their home country. In practice, this may mean a greater focus on global public goods, including communicable diseases such as malaria and HIV/AIDS; climate change; and peace and security. It may also mean spending aid in ways that enable greater visibility for the donor country.

9. In terms of sectoral focus, our interviews suggested a congruence of interests around the private sector; infrastructure; agriculture; climate change; health; and growth. These are all key priorities as expressed by some of the major players. It is likely to be extremely different to secure any agreement around governance or rights, despite interests from key players such as the EC and the US, given the resistance of non-DAC donors to any interference in internal affairs. Couching the agreement in terms of global public goods, such as climate change or health, may make it easier to sell to domestic publics in donor countries; a focus on climate would also be helpful given that a share of ODA is likely to be reallocated towards climate finance. Focusing on areas in which multinational corporations are likely to make a direct contribution, such as economic growth, skills, employment and/or private sector development, may also make it more likely for an agreement to succeed, given the growing role of FDI.

10. The post-2015 agreement could consider including an innovation element, which explores how new goals could be achieved, or progress towards existing goals accelerated, through innovative solutions that are either directly implemented by the private sector or combine public and private sector efforts in innovative ways. This would allow for new goals and targets to be developed as time goes on, based on the experiences of different stakeholders working together.
Conclusion

This paper has reviewed the evidence on trends in development finance and conducted some preliminary interviews with key stakeholders from the major providers of development finance. This has led us to make 10 recommendations on how the post-2015 agreement would need to be structured and monitored to ensure that the key providers of development finance within the new development financing landscape are incentivised to participate and to fund the post-MDG goals.

In summary, we recommend that:

1. It will be important for the post-2015 agreement to have an even stronger focus on, and foundation within, country-level leadership and priorities. Country-level targets, or a menu of options that countries can adopt, may be more appropriate than a single global set of targets.
2. It is important that the process of developing a post-2015 agreement is open and inclusive of a wide range of development actors, such as non-DAC donors, NGOs, philanthropic organisations and the private sector.
3. There appears to be strong support for a continued set of clear goals with measurable targets, along the lines of the current MDGs.
4. The post-2015 goals may be able to be more ambitious, but the limited contribution of aid should be recognised. Domestic tax revenues and cross-border finance flows are now much more important than ODA.
5. The post-2015 agreement should consider setting mutual goals and obligations for all countries, regardless of their income level, perhaps through an equivalent to the current MDG 8, which sets out the contribution that richer countries are expected to make towards the MDGs.
6. The post-2015 agreement could consider how it can help countries attract, retain and better utilise domestic and private sources of development finance, for example measures to counter illicit flows or to support domestic revenue collection.
7. The post-2015 agreement will be stronger if it includes better provisions to measure both finance and results, and to ensure value for money.
8. The post-2015 framework may have greater traction if it is couched more explicitly in terms of mutual interest as well as poverty reduction.
9. In terms of sectoral focus, our interviews suggested a congruence of interests around the private sector; infrastructure; agriculture; climate change; health; and growth.
10. The post-2015 agreement could consider including an innovation element, which explores how new goals could be achieved, or progress towards existing goals accelerated, through innovative solutions involving different groups of actors.

This paper has focused very much on the supply side of development finance, looking at the interests and motivations of the key providers and the nature of finance they are able to provide, rather than directly focusing on needs. A companion paper, to be produced by ODI shortly, will review in more detail current proposals for the post-2015 framework and examine the financing implications of these proposals. It will examine how proposals can be financed and the advantages and disadvantages of the different financing options. Together with this first paper, we hope that this will make a useful contribution to the debate on the post-2015 goals.
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Appendix: List of interviewees

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<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Organisation</th>
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<tbody>
<tr>
<td>Oliver Babson &amp; Carol Welch</td>
<td>Deputy Director, Strategy, Planning &amp; Management Senior Programme Officer</td>
<td>Bill and Melinda Gates Foundation</td>
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<td>Luc Bagur</td>
<td>Head of General Coordination Unit</td>
<td>EC</td>
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<tr>
<td>Kevin Bohrer</td>
<td>Programme Officer, Global Development and Population Programme</td>
<td>Hewlett Foundation</td>
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<tr>
<td>Neil Bird</td>
<td>Research Fellow</td>
<td>ODI</td>
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<tr>
<td>Philippa Brandt</td>
<td>PhD Candidate</td>
<td>Formerly UNDP China</td>
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<tr>
<td>Jasmine Burnley</td>
<td>Global Economic Crisis Advisor</td>
<td>Oxfam GB</td>
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<tr>
<td>Helder da Costa</td>
<td>Director of the International Secretariat of the g7+</td>
<td>Ministry of Finance, Timor-Leste</td>
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<tr>
<td>Sameer Dossani</td>
<td>Asian Policy Coordinator</td>
<td>ActionAid International</td>
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<td>Lysa John</td>
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<td>Ruth Levine</td>
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<td>Hildegard Lingnau</td>
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<tr>
<td>Greg Ramm</td>
<td>Director of Programmes</td>
<td>Save the Children</td>
</tr>
<tr>
<td>Francisco Sagasti</td>
<td>Independent Consultant</td>
<td></td>
</tr>
<tr>
<td>Merriden Varrall</td>
<td>Assistance Policy Advisor</td>
<td>UNDP China</td>
</tr>
<tr>
<td>Samuel Worthington</td>
<td>Chief Executive Officer</td>
<td>Interaction</td>
</tr>
<tr>
<td>Takumo Yamada</td>
<td>Advocacy Manager</td>
<td>Oxfam Japan</td>
</tr>
</tbody>
</table>

20. Interviews took place between March and April 2012.