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Diversification and fragmentation of public financing for development

Reducing the opacity and rationalising the fragmented structure of development financing

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Abstract

The fragmentation of public financing flows for developing countries appears to be an essential characteristic of the international financial architecture. This document explores the reasons for the proliferation of various institutions and funds and analyses its consequences in terms of efficiency, which are not all positive. After listing the various initiatives intended to reduce the harmful effects of the fragmentation of funding, such as the reduction in the number of funds, the search for greater transparency, a reform of multilateral institutions, the coordination of donors, it proposes the creation of a group of analysis, sharing, construction of common thought, fed by «scientific» information and in-depth comparative evaluation, which would bring together contributors and recipients. The possible locations of this instance are discussed.

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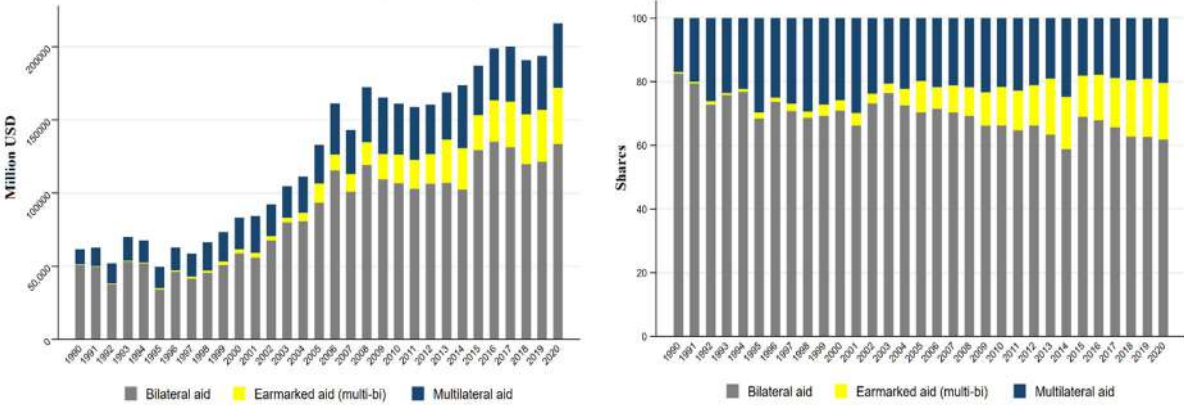
The considerable and almost continuous increase in the volumes of official development assistance (ODA) and the fragmentation of this assistance over the last two decades appear to be two major developments in the transformations of the international development financing system.

After giving a measure of these two phenomena, we explore the reasons behind this growing fragmentation, then its consequences in terms of aid effectiveness, and finally draw up some areas for reform.

1/ Fragmentation of public development financing

Expressed in constant prices, ODA has risen from USD 80 billion (USD at constant 2011 prices) in 2000 to USD 210 billion in 2020 (see Figure 1). The OECD CRS database distinguishes between bilateral aid, multilateral aid and multi-bi aid. Multi-bi aid refers to earmarked funds whose management bilateral donors entrust to multilateral institutions. The increase in aid is the result of the growth of bilateral aid (from 59 to 130 billion), multilateral aid (from 21 to 44 billion) and the emergence of multi-bilateral aid, especially over the last decade. Thus, multi-bilateral aid, which was practically non-existent until the 2000s, now represents more than 15% of total aid flows recorded by the OECD (more than 32 billion constant 2011 dollars). However, it is notable that bilateral aid has grown (in absolute terms) more slowly than other forms of aid, leading to a relative decline in this form of aid: consequently the development of multi-bi aid seems to be at the expense of bilateral rather than multilateral aid (see Figure 1).

Figure 1: Changes in bilateral, multilateral and multi-bi aid



Source: Earmarked Funding Dataset (Eichenauer & Reinsberg, 2017; Reinsberg et al., 2023)

Note: aid refers to commitments and is expressed in millions of USD at constant prices (2011 prices)

This increase in the overall volume of aid has been accompanied by a high degree of fragmentation, not only due to an increase in the number of donors but also, and more importantly, to an increase in the number of intermediaries and agencies through which these funds are channelled and with which recipient countries are in direct contact. For example, the number of bilateral donors increased from 25 in 2000-04 to 43 in 2015-19, due to the emergence of donors outside the Development Assistance Committee (DAC), while the number of agencies from these bilateral donors increased from 145 to 411 over the same period (World Bank, 2021; see Figure 2 for the number of donors). It should be noted that the DAC does not list all bilateral donors and in particular China, which has become a very important player (see box 1).

Box 1: China's contribution to development financing.

For China, the mapping done by Custer et al. (2021) on Chinese-financed projects in developing countries (including grants and loans) estimates a minimum of 657 projects started in developing countries in 2017 alone, representing a total financing volume of about USD 73 billion. One of the main difficulties in estimating the volume of aid provided by China, however, lies in the diversity of stakeholders present, which is itself a source of fragmentation. Thus, according to the same data, of the 657 projects started in 2017, 474 were financed by a government agency (ministry or embassy, the main one being the Ministry of Commerce), 51 by a public commercial bank (in particular the Industrial and Commercial Bank of China), 115 by a "policy bank" (in particular the Export-Import Bank of China and the China Development Bank), 17 by other state-owned enterprises and 5 by dedicated funds (the 4 funds identified by the database being the China-Mongolia Culture and Education Fund, the China-Mongolia Cultural Education and Social Development Foundation, the China-Africa Development Fund and the Silk Road Fund).

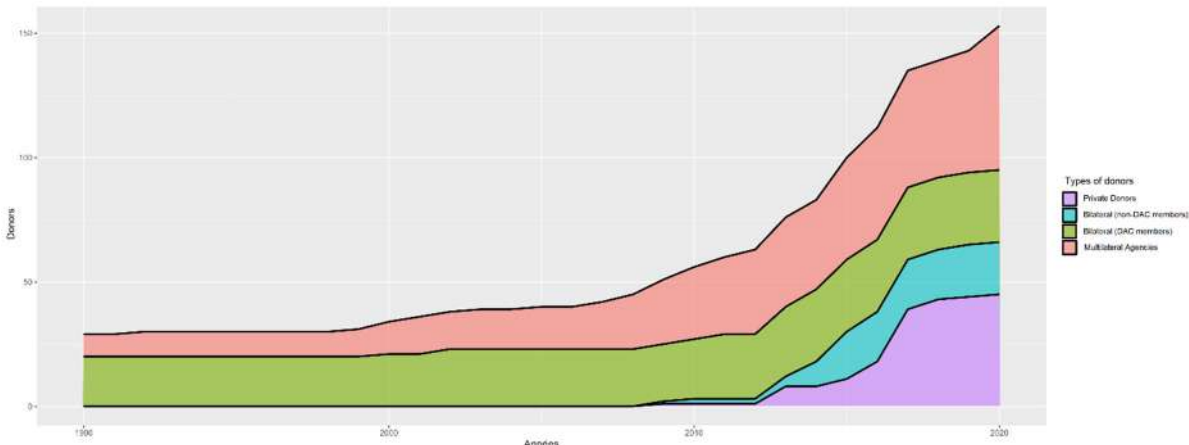
Sources: Custer *et al.* ((2021)) and Dreher *et al.* (2022).

A similar trend can also be observed for multilateral donors, whose number has generally stagnated over the period, while the number of entities within these donors has doubled from 46 to 91 (World Bank, 2021).¹ Indeed, there is already a high degree of fragmentation among multilateral institutions: UN (which is fragmented in its funding among UNDP, UNEP, UNICEF, FAO, WFP, IFAD, etc.), IMF, World Bank (IBRD, IFC, IDA, etc.), the other numerous multilateral development banks (African Development Bank, Asian Development Bank, Islamic Development Bank, West African Development Bank, etc.), regional institutions such as the European Union, etc. In addition to these multilateral institutions, there are numerous funds such as the Global Fund to Fight AIDS, Malaria and Tuberculosis, the Global Environment Facility, the Green Climate Funds, etc.

In total, the number of bilateral and multilateral donors is estimated to have increased from 191 in 2000 to 502 in 2019, while the average amount of public donations has decreased from USD 1.5 million to USD 0.8 million.

¹ The figures for these various public financing are largely compiled by the OECD DAC (Development Assistance Committee) and are available in the report, "Multilateral Development Finance - OECD 2022," but these figures do not include the very significant contributions from China or the Arab Funds (such as those of the Islamic Development Bank).

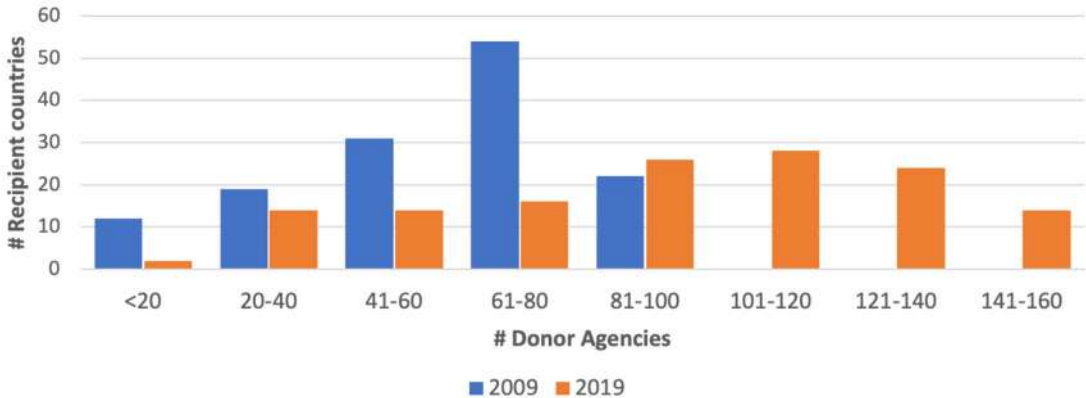
Figure 2: Number of donors reported in CRS database (OECD) by category



Source: OECD Creditor Reporting System (CRS)

The proliferation of donors is unevenly observed at the level of recipient countries: whereas in 2009, 22 countries were engaged with more than 80 agencies at any one time and 12 countries with less than 20, in 2019, 92 countries were engaged with more than 80 agencies at any one time and only one with less than 20 (see Figure 3).

Figure 3: Number of donors (bilateral and multilateral) by recipient country (2009 vs 2019)



Source: World Bank (2022)

In addition to public development financing, there are also various sources of private financing (notably via foundations), whose numbers have also increased considerably and now account for almost a third of the total number of donors officially identified by the DAC (Figure 2). The fragmentation of aid is well illustrated by climate finance (see box 2).

Box 2: Fragmentation of climate finance

The OECD publication, "Climate Fund Inventory - Report to the G20 Climate Finance Study Group" (2015), which is one of the few official initiatives to compile an inventory of green funds, lists 91 funds. Other useful resources on green funds include the Climate Funds Update, updated by ODI, which provides an incomplete picture, with only 28 active funds listed. To date, no less than 94 "climate funds" have been created since 1991. The Global Environment Facility was the first fund to be created in 1991, while the Climate Finance Partnership (CFP) fund, created in 2022, is the most recent. An internet search suggests that 13 of these 94 climate funds have "disappeared" (due to termination and/or lack of recent information or signs of their existence on an active website). This leaves a range of 81 active climate funds to date.

Source: Le Houérou P. (2023) Climate funds: time to clean up, Ferdi Working Paper P320, March.

2/ What are the reasons for this fragmentation?

International development financing is fragmented because of the ever-increasing diversity of its missions, institutions, models and beneficiaries. (See Reinsberg, B. Michaelova, K. and Eichenauer, V.Z., (2015)). This fragmentation is widely documented in the literature and several causes have been suggested to explain it. It should be noted that the proliferation of the number of stakeholders may simply result from the need to respond to the number of problems to be solved. Accordingly, it may be tempting to create a new fund or institution when a new problem arises, rather than relying on existing funds, as was done when UNAIDS was created. Similarly, where it is necessary to increase the total volume of funding for a type of activity but it may be complicated (for technical, legal or political reasons) to change the form or amount of funding of a fund, it may appear simpler to simultaneously create another fund with different funding terms. Moreover, it is often politically impossible to close obsolete funds, whose perpetuation increases the dispersion of the system.

It should also be noted that the characteristics of international development financing, which are very different from those of national public policies, contribute in a systemic way to fragmentation. Indeed, international development financing is not the responsibility of its beneficiaries (in a national policy, everyone is a taxpayer, even the homeless, through VAT, etc.). As a result, accountability is both strongly biased in favour of contributors and subject to their point of view. Payers and beneficiaries are also several thousand kilometres apart, which makes it very difficult for the contributor to assess and take ownership of performance, which in any case is intermediated by expertise or politics. One of the consequences is the ease with which the beneficiary can feel victimised or in a tense situation in relation to an abstract contributor that is visible mainly through ideology and geopolitics. This situation creates a dynamic strongly favourable to the fragmentation of the system: modes of governance are necessarily more complex and more subject to divergent visions than on a national territory, where this fragmentation is also characteristic of public policies. The very political nature of international development financing and its inclusion in a field of geopolitical tensions makes the discourse on effectiveness (essential to try to justify transfers in the eyes of contributors) both very significant and subordinate to the geopolitical perspective.

3/ Is this fragmentation synonymous with ineffectiveness?

This situation, however systemic it may be, nevertheless raises three sets of questions:

- Is the system incoherent, in the sense that contradictory missions are assigned to different institutions and lead to errors from which the theoretical beneficiaries suffer?
- Is the system inefficient, in the sense that despite possible coherence, the same missions are conducted in different and possibly contradictory ways by different institutions?
- Is the cost of the system excessive in relation to the volumes involved?

The most common answer is that this substantial fragmentation of public development financing, the result of history and not of rational reasoning, is necessarily a source of incoherences, duplications, additional costs and at least sub-optimal efficiency, both on the part of donors and recipients, who often do not have the capacity to deal with a large number of stakeholders.

Many studies have measured the mixed assessment of the contribution of different funds to sectoral policies. The fragmentation of the funds has resulted in a lack of transparency in the allocation of funds, making it difficult to estimate precisely where the funding granted goes, but also to measure the effectiveness of projects (e.g., see for the health funds, Mathonnat and Audibert, AFD 2016).

This observation raises significant doubts about the effectiveness of aid based on three criteria: (i) the coherence of the system, with the risk of contradictory objectives despite the same funders, (ii) the cost of the system (management costs in relation to the amounts managed) and (iii) the opacity of the system, leading to insufficient control but also difficulties of access for beneficiaries. Thus, fragmentation would:

- Contribute to an increase in total costs via the multiplication of fixed costs (Gehring et al., 2017; OECD, 2022) or to the loss of economies of scale via the reduction in the average size of funds/institutions involved in aid (Anderson, 2012).
- Lead to a multiplication of recommendations and injunctions, sometimes contradictory, to recipient countries (Severino and Ray, 2010). This phenomenon can lead to a decline in the legitimacy of the main institutional stakeholders (World Bank, UN, etc.) and *ultimately* a decline in the legitimacy of the aid system as a whole.
- Undermine the quality of the investment due to the overlapping of donors, with each donor feeling less responsible for the success of the projects since they are financed by a multitude of stakeholders, while at the same time pushing for the maximisation of short-term benefits to the detriment of the long-term because of the need for each donor to justify its usefulness in relation to the other donors (Severino and Ray, 2010).
- Generate significant administrative costs for recipient countries, especially those with weak administrative capacities (Easterly, 2007).
- Make it more difficult to accurately estimate the total amount allocated to a specific sector and country (Mathonnat and Audibert, 2016) and thus to convincingly assess the effectiveness of interventions and projects. As a general rule, it is becoming increasingly difficult to estimate the number of stakeholders in a sector or operating in a country, thus undermining the transparency and quality of information.

Academic work suggests that fragmentation of funding is associated with lower economic growth rates (Kimura et al., 2012; Gehring et al., 2017) or a deterioration in the quality of bureaucracies (Knack & Rahman, 2007) in recipient countries, with this negative impact often increased in countries where the quality of institutions is initially lower (which tends to be the case for countries with lower per capita income).

However, while there are clear indications that the system is dysfunctional due to fragmentation, these are not sufficient to close the debate. Indeed, there may also be advantages in this fragmentation and extreme centralisation poses insurmountable problems. First, the proliferation of the number of stakeholders is not necessarily a problem in itself, but can also help improve the effectiveness of the international aid system. Indeed, if this proliferation is simply the result of the multiplication of the number of problems identified and that the international community would seek to solve, then it can be a source of efficiency by encouraging the specialisation of funds (one fund for each problem) allowing the acquisition of skills and expertise by these funds. Moreover, this increase in the number of agencies and donors can encourage healthy competition among donors, and thus the search for efficiency on their part (OECD, 2022), while encouraging innovation in financing methods and policy instruments (Gehring et al., 2017). For recipient countries, it should also be noted that, while this proliferation of agencies can increase negotiation costs, it also increases their bargaining power, and thus better appropriation of the funding provided by donors.

Above all, it remains to be proven that centralising international funding would be more effective than this fragmentation: In a theoretical world, one could imagine a single institution, endowed with absolutely consensual governance, providing international financing, based on universally agreed criteria and raised on absolutely fair bases. It is obvious that this vision is doubly utopian, first because of the political economy, but also because there cannot be a single "fair" version of good governance, good allocation criteria and good funding criteria. It is therefore a question of comparing the current situation with what could be achieved not by absolute centralisation, but by "an acceptable degree of fragmentation", which would address four concerns:

- The need for competing models of governance that reflect the necessary terms of ownership of public action: this is the classic situation of the World Bank compared to regional development banks, or of the Bretton Woods institutions compared to the United Nations.
- The need to combine different forms of social justice: since no single allocation or funding model can embrace all notions of social justice, several organisations with the same purpose but different allocation and funding criteria could achieve greater 'social efficiency', even if this entails operational coordination costs.
- The promotion of a useful competition between institutions: thus, if the Bretton-Woods system appears to be more efficient operationally by consensus than the United Nations system, the major conceptual and political breaks of the last few decades, such as global public goods, for example, originated from the latter.
- The desire to broaden the base of international development financing, by proposing different ways of contributing to the common good based on diverse but combined logics towards the same beneficiaries.

Conceptual and political concerns must therefore focus more on the question of what is the right fragmentation, based on which criteria it should be designed, and to what extent its advantages outweigh its disadvantages. The answer to these questions is both a matter of economic and technical work, but also of political philosophy, all of which is ultimately determined by concrete political power relations, etc.

Since this is a summit devoted to vulnerable countries and the consequences of climate change, it seems appropriate to look at the extent to which the three main categories of ODA, and in particular multi-bi ODA, take into account the vulnerability of recipient countries in their allocation (see box 3). It appears that multi-bi aid is more climate change oriented than bilateral and especially multilateral aid, which is directed towards the most vulnerable countries (both in general and in relation to climate change) than bilateral and especially multilateral aid.

Box 3: Which type of public financing is most oriented towards poor and vulnerable countries?

Rather than speeches and good intentions, it is better to look at behaviour. We want concessional development financing to benefit the poorest and most vulnerable countries. To ensure this, it is sufficient to compare the average profile of recipient countries for the different sources of financing with regard to a vulnerability criterion, but also a poverty criterion, because the same vulnerability indicator does not have the same meaning depending on the level of development of the country (if, however, the vulnerability indicator itself does not include this level of development or per capita income among its components).

There is a relative consensus that the vulnerability that flows should be allocated to address is exogenous and multidimensional. Exogenous (or structural), i.e. independent of countries' current policies, to avoid any moral hazard. Multidimensional too, because it is increasingly clear that this exogenous or structural vulnerability has not only an economic, but also a climatic and social dimension. Such a multi-dimensional index exists: the Commonwealth Secretariat's index published in 2021 and another being finalised at the United Nations at the request of the General Assembly, which is likely to receive broad political support.

From such an index it is possible to see the extent to which a particular source of funding is most sensitive to countries' vulnerability. This is done by calculating the weighted average vulnerability index of countries receiving that type or source of funding, with the relative share of aid received from that source by each recipient country serving as a weight.

Since the composite vulnerability index in question was designed to be as orthogonal as possible to per capita income, it is relevant to also consider low income or poverty levels as another desirable criterion for directing flows, especially since a given level of the vulnerability index does not have the same meaning depending on the level of development to which it is applied: the most complementary and consensual indicator may be the low human development index, the weighted average of which will be used. If, therefore, the extent to which allocation among countries of a particular type or source of financing is directed towards poor and vulnerable countries is sought, it is logical to consider for this type of flow or source of aid both the weighted average vulnerability index of the recipient countries and the weighted average low human development index.

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Consider the three sets made up of multilateral ODA, bilateral ODA, and what can be called multi-bi (included in multilateral aid). The following results are obtained:

Table 1 - ODA funding selectivity by vulnerability (USVI) (2018)

Type of funding	Selectivity (USVI)	
	(I)	(II)
Bilateral	49.6	51.5
Multilateral	46.5	50.4
Multi-bi	51.5	51.9

Source: Ferdi calculations (I) unadjusted and (II) adjusted for the population of the recipient country

We note that multilateral flows are less oriented towards vulnerable countries than bilateral flows, but that multi-bi flows are more favourable to vulnerable countries than the other two. Since multilateral flows include multi-bi, we can deduce that the difference between multi-bi and "pure multi" (i.e., excluding multi-bi) is greater than what appears in the table. Although these are only provisional estimates at this stage, they provide an indication of some capacity of multi-bi to satisfy the need to provide for more aid to vulnerable countries.

Of course, the calculation of this indicator should be differentiated according to the different sources included in each of these three categories, or according to the different dimensions of vulnerability, or even using another method suggested in Amprou, Guillaumont and Guillaumont Jeanneney 2007, which involves calculating the elasticity of funding in relation to the criteria, in this case vulnerability and low level of development.

But the main thing is certainly to have a simple method to see to what extent the orientation of the allocation is guided by the recipient countries' vulnerability and low level of development... or by one or other dimension of each of the two criteria selected. A similar calculation was made taking physical vulnerability to climate change (as measured by the PVCCI indicator) as the sole criterion, which gives similar differences if selectivity is not measured by correcting for the population of the recipient country (but which is insignificant if there is correction).

Source: Guillaumont P. (2023c)

4/ Does the state of ideas allow us to envisage credible ways of increasing coherence and rationalisation?

This sub-optimal efficiency has naturally led for many years to ask basic questions such as:

i) How can we ensure greater rationalisation and coherence of the multiple interventions and how can we ensure greater transparency?

ii) Can multilateral institutions be brought closer together and, in general, how can these institutions and Independent Funds work better together?

iii) How can we ensure that the decisions taken at the highest level by donors and recipients are respected and in particular that recipients' vulnerability criterion is given priority?

The many avenues explored in recent years to address these questions can be broadly grouped into four categories.

Proposals for reducing the number of Funds

Reducing the number of Funds is obviously the most radical solution to reduce fragmentation, but it is also undoubtedly the most difficult. At least it is advisable to encourage the elimination of old funds that have become obsolete (Spicer et al., 2020; OECD 2022) and to avoid the creation of new funds before a better rationalization is in place. This is regularly recommended when an existing fund could effectively carry out a mission that is being proposed for assignment to a new fund. A good recent example is the decision of the 15th Biodiversity Conference to increase the role of the Global Environment Facility (GEF) in this area (albeit with a specific compartment). On the other hand, the current international financing architecture includes a cascading fund system (i.e., some funds collect resources that are then passed on to other funds): simplifying the system by eliminating funds that only have an intermediary role without eliminating operational funds could therefore be an avenue to explore.

There are technical difficulties with these solutions. On the one hand, it is sometimes complicated to identify whether there is an old fund that can respond more effectively to a new need than any new fund. Because of the overlapping of activities within each fund, it can sometimes even be difficult to distinguish between resource-raising funds and “operational” funds. Moreover, the creation of a fund is most often the result of a compromise between several stakeholders; thus, it is sometimes easier in negotiations to agree on the creation of a new fund than to change the financing rules of an old fund. Finally, it is important to ensure that the elimination of funds does not result in a loss of the overall volume of aid, and thus that the fund’s financing is effectively reallocated elsewhere.

Another possibility is to encourage the merger of existing funds/institutions in order to allow for returns of scale across broad sectors, but this may also face the same negotiating difficulties between donors (e.g., if the financing rules of the two funds to be merged differ).

The aforementioned difficulties undoubtedly explain why, despite repeated calls to reduce the number of funds (Paris Summit, 2005; Accra Summit, 2008; World Bank 2005 and 2021; OECD, 2022, etc.), fragmentation has continued to increase since the 2000s (OECD, 2012; Nunnenkamp et al., 2013).

Proposals for improving transparency

There have already been many initiatives to improve transparency. However, there has been little evaluation of attempts at multilateral institutions, whereas there is more information on attempts at donor countries, whose transparency is often encouraged by multilateral institutions.

Thus, since 2010, various reforms and modernization processes in aid accounting systems have been carried out by the OECD/DAC, with a view to improving transparency, which involves in part standardizing definitions and measurement systems among donor countries²:

- Clarification in the accounting system for peace/security related expenditures in 2016 (e.g., military training expenditures).
- Clarification in the accounting system for expenditures on refugee costs in donor countries in 2017.
- Measurement of aid by grant equivalent formally adopted in 2019 for all DAC countries.
- Standardization of the accounting method for debt relief operations in ODA.
- Creation in 2022 of the Digital Platform for Transparency in the Tax Treatment of Development Aid to improve transparency on tax exemptions claimed by development aid partners for their participation in ODA³.
- Work underway to determine how to measure the degree of orientation towards the Sustainable Development Goals (SDGs) of ODA-related activities.

Other initiatives taken include:

- The International Aid Transparency Initiative (IATI), which brings together governments, multilateral institutions, private sector and civil society organisations to strengthen transparency and open access to data on resources for developing countries. This initiative is based on the principles of the Accra Agenda for Action 2008 and the Busan Declaration on Aid Effectiveness 2011.
- The NGO "Publish what you fund", which annually publishes a ranking of the most transparent donors (bilateral and multilateral) through its "Aid Transparency Index" (in 2022, nine of the top ten rankings are multilateral).

A new avenue to explore could be the development of an analysis grid applicable to all types of funds and which would ensure transparency on a set of criteria such as the fund's objectives, the choice of beneficiaries, financing sources, amounts received and disbursed and the measurement of impact. The aim here is to ensure transparency, not standardisation of choices, bearing in mind that there are already attempts to standardise impact measurement methods. The OECD could be asked to participate in the development of this analysis grid.⁴ An additional approach would be to introduce a clause upon the creation of any new institution to re-evaluate its relevance after ten years, including the terms for its potential dissolution.

Proposals related to reforms affecting multilateral institutions

It is worth mentioning here the "UN delivering as one" initiative launched after the 2006 United Nations General Assembly, even if it did not fulfil all the hopes placed in it. This initiative was based on four pillars: "One Leader, one Programme, one Budget and one Office." The central idea was

² But the lack of data on China's interventions makes a credible synthesis difficult.

³ (<https://www.oecd.org/fr/fiscalite/traitement-fiscal-aide-publique-au-developpement/>).

⁴ The implementation of standardised definitions/standards/measurement tools on which the various actors involved would agree in order to facilitate coordination as well as comparability and information sharing between actors is recommended by Annen & Moers, (2017); G20, (2018); WHO, (2019).

therefore that in the member countries of the initiative⁵, the various UN agencies present and their partners would agree to provide financial assistance to the countries via a single intermediary agent. The objectives of such a project were multiple: reduce negotiation costs for recipient countries, strengthen their control over funds received, improve programme evaluation through the implementation of harmonised measurement tools, avoid duplication of programmes and reduce competition for funding (UN, 2012). However, the independent evaluation of this initiative commissioned by the UN has come to very mixed conclusions as to the effectiveness of this mechanism (UN, 2012). Indeed, the implementation of the four pillars (including a common budget) has been very uneven from one country to another. On the outcome side, five of the six indicators measured were found to have produced weak or moderate results, while transaction costs even appear to have increased in the short term due to frequent meetings between the various partners. The only indicator that showed strong progress was that of recipient country control in the allocation of the resources obtained.

The range of questions posed remains immense.

i) Can we envisage "rectifying the boundaries" between the various multilateral institutions and increasing specialisation? What would be the best division of roles between the United Nations and the multilateral development banks?

ii) What should be the role and therefore the respective importance of multilateral and bilateral aid? Could the priority role of these multilateral development banks be to fill the gaps left by the rest of multilateral aid?

iii) Should a leader, a major multilateral institution/key player per sector be appointed to set both priorities and standards? For example, could the World Bank be given a role in setting standards for the GHG emission effect of contemplated measures, as envisaged by Arezki and Le Houérou (2022)? However, this proposal runs the risk of conflicts of interest if the chosen institution is itself an operator in the sector in question.

Proposals on coordinating stakeholders

This objective has been the subject of many initiatives. This is of course the role attributed to major UN conferences, such as Climate COP or Biodiversity COP. In the field of health, we can cite the case of UHC2030 (Universal Health Coverage 2030 or CSU2030), which is a platform that brings together many partners, governments, international organisations, philanthropic foundations and private sector organisations to promote the sharing of information, resources and knowledge. However, the results and impact of UHC2030 still have to be evaluated.

The coordination of stakeholders in assisted countries has been the subject of several experiments through the "country platforms" called for by the G20. We can cite several examples:

- "Just Energy Transition Partnership" (South Africa) => coordination between South Africa and various fund providers with the aim of helping to decarbonise energy (Hadley et al., 2022)

⁵ Eight countries have agreed to be pilots for the initiative: Albania, Cape Verde, Mozambique, Pakistan, Rwanda, Tanzania, Uruguay and Vietnam.

- "Development Partner Coordination" (Rwanda) => coordination mechanism within the Rwandan government's development strategies (5-year plans) => positive evaluation (G20, 2018)
- "National Slums Upgrading Program" (Indonesia) => urban infrastructure financing in Indonesia (G20, 2018)
- "Sustainable Development Goals Performance Fund" (Ethiopia) => coordination between Ethiopia's many partners in the health sector (public stakeholders, companies, NGOs, etc.) => success in achieving health system improvement objectives

It is possible to continue developing this type of platforms regionally such as the "Africa Investment Forum" supported by the AFDB and the "Western Balkans Investment Framework" supported by the EU. They are part of a partnership logic (grouping various sources of development aid), a specific sector (health, etc.), or even focus on specific projects (e.g., infrastructure projects).

But the condition for the success of these initiatives is that these donor coordinations leave the recipient countries with the power to decide how to use the funds (their "ownership"). Another condition is that the trade-offs do not contradict the major options taken internationally, such as the balance to be maintained between "climate projects" and "development projects", and that the choice of recipient countries takes into account as a priority their respective multidimensional vulnerability.

The main requirement of the reform of the financing architecture for development is that *the various interventions are integrated into the objectives defined by the most legitimate bodies*. This is the subject of the conclusion.

5/ Concluding remarks: towards a body for analysing development financing

There will be no great evening or radiant dawn for international governance.

The ever-increasing complexity and multiplicity of global issues of common interest, the diversity of political viewpoints and international conflicts, the multiplicity of ethical visions of distributive and contributory justice and the institutional competition and governance failures of both donor and recipient countries will continue to produce new international institutions and processes. There will be ongoing attempts to solve the problems generated by this creativity either through strategic and operational convergence mechanisms, coordination mechanisms or attempts at institutional rationalisation (mergers, takeovers, etc.).

As a result, there is probably no point in imagining what a single ideal and coherent architecture would be. Rather, a reasonable combination of the contradictions or divergences that would remain acceptable to manage through these correction mechanisms should be sought in order to achieve a reasonably dysfunctional system: this would in fact be perceived as fair because it would meet the aspirations of ownership of both beneficiaries and contributors to the system.

This kind of assessment can only be made on an ongoing basis. Decision-making processes relating to architecture and governance are likely to apply only to parts of the international system, as no process has the potential political power or conceptual capacity to think about the whole system.

Moreover, they will be continuously challenged by new events (new subjects, new stakeholders, new institutions, etc.), which will lead to the need to constantly adjust this architecture.

It would therefore be useful to think of a forum for analysis, sharing and the construction of common thinking, driven by "scientific" information and in-depth evaluation. This forum would be distinct from the political decision-making forums, in the way that, in France, by way of illustration, the pension policy board "COR" (Conseil d'Orientation des Retraites) produces analysis shared between the different stakeholders in the institutional system (administrations, trade unions, government, parliamentary bodies, etc.), who remain masters of their political position, which is ultimately debated in the political arena.

This body would therefore bring together contributor and beneficiary countries, or a representation of them, third-party stakeholders (foundations, NGOs, civil society) and the private sector around a common reflection process. It would be supported by a secretariat that would draw on its own resources, academic contributors and the development institutions themselves, which would be required to provide transparent figures. It would therefore remain modest in size: it would be a body for programming work and analyses, setting methodologies and standards, and synthesising and supporting the debate between stakeholders. It would aim both to help reach a consensus on the state of the system and to identify the various alternatives for its development, by assessing their costs and benefits. Its work would extend to the entire United Nations and Bretton Woods system, but also to regional institutions and bilateral stakeholders, as well as to the private sector (foundations, NGOs, companies).

The mission of this body, both political in objectives and technical in substance, would include five dimensions:

- Produce ongoing analytical work on flows and institutions.
- Conduct performance evaluations of the system based on geographical and thematic dimensions and systematically benchmarking institutions.
- Develop consistent accountability frameworks that allow for comparability.
- Develop an international charter for institutional accountability, evaluation and transparency.
- Highlight inconsistencies.

All the work and conclusions of this body would be public, but no political proposals would be made, only alternative scenarios of what is possible could be produced. The different protagonists of the system would have to assume their own political positions, with the various decisions being taken in very different institutional circles, such as the United Nations, the Bretton Woods institutions, national governments or the private stakeholders themselves.

The institutional framework of this "body" is difficult to conceive and implement. Indeed, three ways can be suggested a priori:

- A broadening of the OECD DAC's mandate⁶. Non-member contributing countries, such as China, and non-governmental stakeholders, with their own operating rules, would be added to the body's current members for this mission alone. The OECD's Development Co-operation Division would serve as the secretariat of this body. This scheme gives technical credibility to this proposal, given the competence and experience of the stakeholders, but does the OECD's political colouring make this option credible? In any case this is the option of a GPEDC (Global Partnership for Effective Development) indicated below.
- A location within the United Nations, taking as a political basis an administrative entity such as DESA or UNDP, and creating within the United Nations a specific political forum for debate, ultimately reporting to the General Assembly. But is the UN circle sufficiently perceived as technically credible, and would the UNDP not be perceived as having a conflict of interest? This is the approach of the DCF (Development Cooperation Forum) discussed below.
- A base in the G20, which would create a specific secretariat on this occasion, and a specific forum for debate that would report to it politically. The modernity of the G20 makes it a politically attractive circle with a certain process, where geopolitical conflictuality can be expressed but also a process of convergence, but which doesn't ensure that the poorest and most vulnerable countries are represented. This would imply an ex-nihilo creation of an institutional arrangement that has never existed in the history or the genes of the G20. It would also be a new institutional creation... In order to coordinate, wouldn't it be better to avoid multiplying coordination bodies?

There are many dilemmas, as shown by the recent evolution of the high level dialogue on aid effectiveness, which has a similar purpose. In the early 2000s, two forms of high-level dialogue emerged with similar objectives: the OECD's Aid Effectiveness Forum, preceded by the Paris and Accra meetings and declarations, and the United Nations' Development Cooperation Forum (DCF) (ECOSOC). The consensus wisdom was that the former was probably more effective (the 2005 Paris Declaration on Aid effectiveness seems to have had some impact), while being less legitimate than the DCF, which is open to all UN countries.

This rather simple diagnosis must now be qualified. Not that the DCF, which continues to meet every two years (the last time in March 2023), has gained in effectiveness and visibility, but because of the very evolution of what the Aid Effectiveness Forum was, which from Busan onwards has aimed to involve all the countries of the world, and therefore to be more legitimate. At the Busan conference, this forum was transformed into a "Global Partnership for Effective Development Cooperation" (GPEDC), an association led by the OECD and joined by the UNDP, a UN component that was supposed to provide more legitimacy, and that developing countries, especially the largest ones, were invited to join (Guillaumont, 2011).

However, what was already somewhat apparent in the Busan Declaration, namely the reluctance of large countries such as China and India to join the partnership, later proved to be a persistent weakness, despite the fact that more than 90 countries have now joined. This weakness was revealed as early as 2014 at the Mexico City conference, which was the first of the Global Partnership as such, and was still a good space for discussing concrete issues of development cooperation. The

⁶ See Severino J-M. And Guillaumont Jeanneney S. (2023) "Financer des politiques mondiales : mais pourquoi donc ?" / "Financing global policies: But why?"

subsequent conferences in Nairobi in 2016 and the last in Geneva in December 2022 succeeded in bringing together many political figures from various backgrounds, but apparently without any important, clear and operational recommendations. At least they were not really visible. Indeed, the visibility of the GPEDC remains limited today. It seems that, without achieving the hoped-for legitimacy and representativeness, this praiseworthy attempt has lost some of what made it effective.

And yet the GPEDC benefited from the support of both the UNDP and the OECD, an institution with large competent teams dispersed within it, with the Development Co-operation Directorate, which feeds the work of the DAC, with its Development Centre, which conducts its programme independently and with the support of non-OECD countries, not to mention the Multilateral Organisation Performance Assessment Network (MOPAN), which is responsible for monitoring the activities of multilateral institutions. The internal fragmentation of cooperation policy analysis within the OECD may not result in an attempt to correct the excessive fragmentation of these policies. Undoubtedly what is missing is a real political mandate from OECD member countries and others who would like to join to make progress in monitoring and evaluating co-operation policies.

If current forms of dialogue on aid effectiveness have run into so many limitations, and if creating a new forum is a priori an unproductive project, is there another way?

With this in mind, existing public institutions could be allowed to evolve at their own pace and eventually find ways to converge, while giving a mandate to an ad hoc institution that the DAC/GPEDC and the DCF or private institutions such as think tanks would be invited to join, and thus in consultation with the OECD and/or the United Nations, to monitor and report annually on the policies implemented by public development financing agencies, as well as by private non-profit organisations on the basis of continuous criteria⁷. In the run-up to the June Summit, it would of course be appropriate for the body created to ensure that concessional public capital flows and philanthropic flows are directed to poor and vulnerable countries and insure they meet their needs. (Guillaumont (2023a and 2023b)). Each of these sources would be asked to provide the information necessary for this work.

⁷ To the extent that the OECD and the United Nations agree, reform could consist of a broadening and deepening of the DAC secretariat, which would mean a major reform of the DAC itself

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