

**DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE****Unleashing the Potential of SDG Alignment for FfD in the Era of COVID-19 and Beyond****Towards a DAC Action Plan for the 76th Session of the United Nations General Assembly**

This document is submitted for DISCUSSION under Item 5 of the Draft Annotated DAC Agenda [DCD/DAC/A(2021)7]. It aims to give members ample time to prepare the discussion to be held at the July DAC meeting on whether the menu of policy options could be translated into a DAC Plan of Action or Principles for Sustainable Financing of Development, approved ahead of the 76th Session of the UNGA in September 2021.

This document follows from calls at the November 2020 DAC and High-Level meetings, and April 2021 Thematic Discussion on FfD, for a menu of DAC policy options for actions in support of the FfD agenda in the era of COVID-19 and beyond, including SDG Alignment. The menu in Annex 1 reflects comments made by members in the discussions, distinguishing between what depends on the DAC and where the DAC has a role as “influencer” (November 2020 MPI), and actions to increase the quantity and the quality of financing (see DAC Chair’s 19 April 2021 Follow up message to FfD Thematic Discussion). The Secretariat remains at members’ disposal to refine the menu of policy options for action and translate them into an Action Plan or Principles ahead of the June and July meetings.

Questions to the DAC:

1. Does the DAC agree that the enclosed menu of policy options for action which emerged from the FfD and SDG Alignment discussions could be a way forward to guide sustainable financing of the recovery?
2. Could the menu of policy options be translated into an action plan or principles for sustainable financing for development that the DAC could put forward at UNGA as its FfD offer?
3. Could the menu of policy options serve as a useful basis for the DAC to more effectively engage with other communities, both public (e.g... Finance ministries) and private, and increase coherence and effectiveness of holistic or whole-of-government actions in support of the 2030 Agenda and its financing?

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Unleashing the Potential of SDG Alignment for FfD in the Era of COVID-19 and Beyond

1. Background: Strengthening DAC work and dialogue on the Financing for Development (FfD) Agenda

1. According to its **mandate**, “the Committee shall analyse and help shape the global development architecture with a view to maximise sustainable development results, to support the implementation of the 2030 Agenda for Sustainable Development and stimulate mobilisation of resources according to the Addis Ababa Action Agenda on financing for development”. Following discussions at a November 2020 MPI, Global Outlook launch and High-Level meetings, the **April DAC Thematic Session on Financing for Development (FfD)** helped unpack this element of the mandate, with a view to seek guidance and ensure ownership of relevant segments of the Program of Work and Budget (PWB), and identify issues to be further discussed among members, as well as channels of discussion among members in the absence of a dedicated network. [[DCD/DAC/M\(2020\)10/FINAL](#)]
2. During the Thematic Session, **DAC members confirmed the importance of the FfD discussion**, including in response to the COVID-19 crisis, and stressed the need for the DAC to actively contribute to ongoing processes shaping the future global development and FfD architecture (“influence and be influenced”). They reiterated that delivering their mandate will require a holistic approach to ensure the development community can support **greater quantities and better qualities of all resources** – domestic, international, public and private – called upon in the Addis Ababa Action Agenda (AAAA).
3. DAC members suggested there is a **need to clarify and agree a position on the entirety of the DAC’s offer in support of the 2030 Agenda and AAAA**. A DAC offer should add unique value to international efforts while avoiding duplication with other actors. To do so, members requested that the secretariat provide regular communication on FSD activities and updates on collaborative work within international FfD processes to help members understand the policy opportunities, protracted recovery needs, key risks and mitigation strategies.
4. To ensure DAC work on FfD provides timely input in major international fora, the Secretariat has prepared a **forward timeline for delivery of FSD action points**, including options for DAC thematic discussions (i.e. MPIs), delivery and discussion of a mapping of the inputs and channels on FfD (i.e. UN, G7, G20, OECD, DAC direct/indirect), and opportunities to work toward and agree a common DAC action plan/principles to help foster a more strategic approach to mobilising greater quantities of resources and improving their qualities, for recovery over the short and medium- to long-term. The timeline proposed aims to ensure uptake of the DAC offer and value-added at major international FfD events in support of the 2030 Agenda and AAAA.
5. The **action points below** expand upon the full spectrum of actions raised by members in the November 2020 and April 2021 meetings to strengthen the DAC’s role in the FfD Agenda.

1.1. Action points

- ▶ The secretariat prepared a **summary timeline** suggesting a way forward for DAC actions, meetings and inputs to major international events in support of FfD. Ahead of the **United Nations 76th General Assembly** meeting in September 2021, there is an urgent need to develop a clear high-level political message on the role of the DAC and its comparative advantage to mobilise and align financing in support of the 2030 Agenda and in the COVID-19 era and beyond.
 - The summary timeline was presented by the Secretariat at the **2 June DAC Bureau Meeting**.
- ▶ To clarify horizontal work and narrative on FfD, the secretariat has prepared a **big picture mapping** of the OECD's inputs across major international for a (UN, G7, G20, etc.), **whole-of-OECD** (across directorates) **and DAC specific contributions** to the 2030 and FfD agendas (see DAC Chair e-mail of April 19 following on Thematic Discussion).
 - The **mapping** and underlying value-added narrative will be presented for discussion at the **23-24 June DAC meeting** (see companion document [DCD/DAC\(2021\)25](#)).
- ▶ To identify the DAC's value-added in the FfD agenda, the secretariat produced a **Menu of Options of DAC direct and indirect actions for FfD** distinguishing between areas where the DAC can act directly to mobilise more and better financing and where it has a role to influence and ensure policy coherence with others (see November 2020 MPI discussions). The list of actions is based on the proposed DAC Action Plan for SDG Alignment, shared at the November 2020 MPI, which highlights commitments made in the AAAA and the policy actions discussed in the UN High-Level Initiative on FfD in the Era of COVID-19 and Beyond convened by the UN Secretary-General, Canada and Jamaica. The list of actions highlights opportunities for the DAC to expand efforts to align financing provided by other actors all along the SDG investment chain, and build bridges between development co-operation and finance tracks.
 - The **menu of options** will be presented for discussion at the **23-24 June DAC meeting** and refined with members' inputs (see Annex 1)
- ▶ Building on the **Menu of Options**, the DAC could agree to an **Action Plan or Principles for Sustainable Financing of Development** that could clarify its FfD value-added, and further signal its commitment to promote co-operation that helps developing countries navigate the FSD landscape and promote country-ownership of development finance strategies, including challenges of the debt crisis and access to sustainable finance in the short and long-term. The principles should build on existing DAC work, such as the modernised GPEDC Effectiveness Principles.
 - The **DAC Action Plan/principles** will be presented for discussion/approval at the **DAC meeting 5-6 July 2021**.
- ▶ Members agreed to carry out targeted thematic **Major Policy Issues (MPI) meetings** focused on specific FSD issues that are not currently addressed in other DAC networks. Several members welcomed targeted MPIs on the following areas:
 - The donor role to **improve job creation and private sector engagement through work on the qualities of Foreign Direct Investment (FDI)**, the broader **Policy Framework for Investment (PFI)** and **Aid for Trade** in developing countries, building on joint work with other OECD committees and external partners. Ongoing or planned work (subject to funding availability) was presented at the **MPI held in May 2021** that outlined a number of follow-up actions to deliver on the DAC mandate and commitments.
 - The DAC approach to the **multilateral development co-operation and finance**. The Secretariat will prepare a concept note building on findings and recommendations from the Multilateral Development Finance Report and bring together perspectives from across DCD (effectiveness, peer reviews, etc.). The MPI is scheduled on **22 June 2021**.

- **Discussion on domestic resource mobilisation and debt.** The discussion called for by members could address challenges and opportunities to ensure that increased fiscal space is converted into investments supporting more sustainable and inclusive development. This meeting hasn't been scheduled yet. However, a session of the DAC will be dedicated to joint work with CTP in September 2021.

2. Positioning the DAC and development cooperation in the global recovery and Financing for Development (FfD) agenda

6. **The work of the DAC to develop an Action Plan or high-level principles for sustainable financing of development would signal and help to ensure coherence with broader and quickly advancing international alignment exercises.** As demonstrated in the accompanying mapping document, the UN and G7/G20 (SFWG) processes provide the main channels that are advancing the broader SDG Alignment Agenda. These actors are reshaping the international FfD mechanisms and priorities e.g. creation of the Global Investors for Sustainable Development (GISD) or agreement to work on harmonising measures of sustainability criteria with the private sector (G20 SFWG). The DAC's commitment to support these broader SDG alignment processes and mechanisms, building on its value-added and unique offer, would help avoid duplication and clarify its role to bring the development perspective and to better mobilise and align development finance accordingly.
7. **In order to respond to the COVID-19 crisis, act as a bulwark against development finance collapse, and contribute to recovering better for sustainability, the full potential of the DAC should be unleashed.** Political leadership at the highest levels is needed to translate unprecedented levels of ambition into concrete action.¹ DAC Members have an opportunity to champion global efforts to “build back better” to support an inclusive, sustainable and green future. The OECD's high level priorities are also in a state of transition, and the DAC could better anticipate future strategic orientations and narratives in relation to ODA (see **Box 1**).

¹ Among others, the consultations of joint UNSG-Canada-Jamaica initiative on *Financing Sustainable Development in the Era of COVID-19 and beyond* – and in particular its “cluster” groups 1 “sustainability and climate action”, and 3 “finance and technology”, provided key policy options emerging for the international community.

Box 1. Positioning the DAC and development cooperation at the centre of whole of OECD efforts to finance recovery and resilience

Part I of the Ministerial Council Meeting 2021, virtually took place on 31 May to June 1, under the chairmanship of the United States, with the Republic of Korea and Luxembourg as vice-chairs. Members met for discussions around the theme "Shared Values: Building a Green and Inclusive Future". Part I of the CMC marked a transition of leadership at the OECD, with Mathias Cormann taking office as the Sixth Secretary-General of the organization after being appointed by Members to serve a five-year term. Part II of the MCM will take place in the fall and will focus on medium- and long-term challenges including the future of the OECD, transforming shared values and policy priorities into action and the adoption of deliverables that reinforce our shared values and articulate our plans for building a green and inclusive future.

The DAC should prominently feature in the future OECD wide narrative and strategy given its role to promote shared values beyond OECD borders and build a green and inclusive future through development cooperation. For the international community, the 2030 Agenda remains the blueprint for a more sustainable future, and the DAC is uniquely positioned in OECD and development community to spearhead its implementation, including -but not only- through its financing. In his [Vision Statement](#), the new Secretary General of the OECD identified five priorities that are presented below, with initial reflections on the role of the DAC and development finance to respond to shifting organisational priorities.

- **Strengthening economic resilience.** The Agenda 2030 is a blueprint for a more resilient global economy. The COVID-19 crisis re-affirmed the interconnectedness of economies and that no one is safe until everyone is safe. Economic resilience requires a better and more systematic management of risk – development cooperation is a major risk management tool, e.g. from prevention in fragile and conflict-affected countries to mitigation in natural/climatic disaster-prone countries, or from prevention or management of debt crisis to financing of transition to more sustainable economic pathways. Development cooperation is a catalyst of SDG finance, at the heart of financing of global public goods.
- **Achieving sustainable and inclusive growth in living standards.** Development cooperation works towards leaving no one behind. The capacity of OECD countries to make progress towards the SDGs and increase their wellbeing and living standards depends on the performance of other countries as well (e.g. impact of population displacements driven by inequalities or conflicts, global health or climate crises). Global inequalities drive inequalities within OECD countries due to cross-border movements of capital, goods, services and labour – by levelling the playing field, development cooperation contributes to raising OECD living standards. SDG alignment of private finance is a major step towards putting global financial assets at work for better lives.
- **Expanding global trade and investment.** Trade and investment are global to the benefit of consumers who can access cheaper better quality products. Development cooperation is essential to the creation of markets and economic diversification of developing countries, promotion of trade integration through technical assistance and capacity building (e.g. infrastructure, SME promotion), improvement of investment climate and business environment through the diffusion of better rules, etc. Aid for trade and private sector development represent the bulk of aid, with an increasing focus on

the qualities of trade and investment, i.e. the “development footprint” of trade and investment through the diffusion of higher standards within global and regional value chains. Greater policy coherence is needed along the development cooperation-investment-trade nexus that is the backbone of economic diplomacy.

- **Setting standards for the digital economy, facilitating innovation.** Inequalities have increased as a result of unequal access to technologies (e.g. remote working or schooling, digital trade), and the recovery will depend on countries’ capacity to innovate. Development cooperation is a main driver of diffusion of new technologies and reduction of the digital divide. The acquisition of new technologies by developing countries is a condition of success of their global deployment and profitability, with ongoing regulatory and technological race between OECD and emerging countries.
- **Designing more effective, efficient and equitable taxation systems.** The emergence of global risks and the need for funding of global solutions or global public goods calls for a new global tax model. Development cooperation plays a key role in the mobilization of domestic resources and convergence of tax to GDP ratios, and fight against tax evasion. This includes the promotion of BEPS, initiatives such as the Tax Inspectors without Borders or the Global Tax Platform, tax reforms in developing countries, all financed in part by official development assistance. Development cooperation is also a tool to tackle informality, corruption and other governance issues negatively impacting government revenues.

8. **Anticipating heightened demands coupled with increased political influence of developing countries, and recognising growing inequalities within and between countries, DAC members have expressed their conviction to strengthen an offer to remain at the forefront of the global FfD agenda.** As raised at the DAC Thematic FfD meeting, the relative geopolitical weight of the DAC has shifted in recent years (e.g. UN, G20, etc.). Furthermore, the share of ODA in developing country total external finance continues to decline. The DAC role is effectively shrinking by measures of ODA alone. However, the importance of the DAC’s efforts to mobilise broader sources of financing, including through promotion of standards for transparency, effectiveness and quality dimensions (SDG footprint) of financing have risen up the agenda (see the FfD outcome 2021).
9. **There is greater urgency to address the “missing middle” of the Mobilisation-Alignment-Impact (MAI) narrative (see Figure 1. “G7 Leaders’ Communique 2019 – the initiation of the SDG alignment agenda”).** The MAI core narrative has strengthened a common approach to the FfD Agenda as demonstrated by its uptake at key international FfD processes (e.g. G7 Biarritz Declaration). Across the mobilisation and impact pillars, the DAC has taken action and agreed principles and standards (e.g. Blended Finance Principles, Tri Hita Karana Roadmap, Kampala Principles and OECD-UNDP Impact Standards). However, the DAC has yet to tackle the question of SDG alignment of financing and its role to advance the agenda, i.e. to better target and prioritize DAC efforts and resources for COVID-19 recovery. Several emerging high level principles are provided in **Box 2**, which summarise the menu of policy options for consideration in Annex 1, building on the policy pillar of the OECD-UNDP SDG Alignment Framework that was presented at the 2020 Paris Peace Forum (see **Annex 2 – OECD-UNDP SDG Alignment Framework**).

Box 2. Summary DAC high-level principles emerging from international dialogue on FfD menu of policy options

In the short term:

1. Recommit to support the UN-led Financing for Development Agenda, including with other major international fora (e.g. G20, G7) and the Canada-Jamaica High Level Initiative for FfD in the COVID-19 era.
2. Target scarce concessional finance to where needs are greatest (LDCs, SIDS, LLDCs, MICs) based on evidence and analysis on FfD financing needs to build resilience in the COVID-19 era and avoid a “great divergence” and ratchet effects.
3. Promote debt relief (e.g. by DFIs) and other debt management that contributes to improved fiscal space and increased resources for the SDGs over the long-term, i.e. the sustainability of financing.
4. Support coordination of country-level financing strategies across actors, including via INFFs, transition finance, etc. in order to match supply and demand of FfD. Avoid inefficient use of development finance and ensure the value-added of the DAC role in terms of instruments, actors and thematic approaches as countries transition.

Over the medium to long-term

5. Foster policy coherence of domestic “build back better” and external “development” policies for a more inclusive global recovery. Namely, ensure domestic stimulus and recovery strategies fully integrate SDG17 and development considerations.
6. Embed recommendations on FfD into concrete policy and operational guidance for the DAC effectiveness agenda, evaluation criteria and peer reviews.
7. Promote transparency of (debt) financing across actors, public and private, DAC and non-DAC. Share DAC best practices on ODA and OOF reporting (e.g. terms and conditions, grants vs loans) as the gold standard for transparency.
8. Strengthen dialogue and build bridges with broader communities of actors, particularly the private sector (i.e. asset managers, institutional investors, banks, businesses, etc.), to promote the SDG alignment of financing through better standards, policies and tools that translate the SDGs for other actors and protect against SDG washing (e.g. engage BIAC, SDG Alignment community profiles)
9. Support the design of a formal international mechanism to provide technical assistance and capacity building for partner countries to better access the increasingly complex landscape of FfD instruments and funding options.

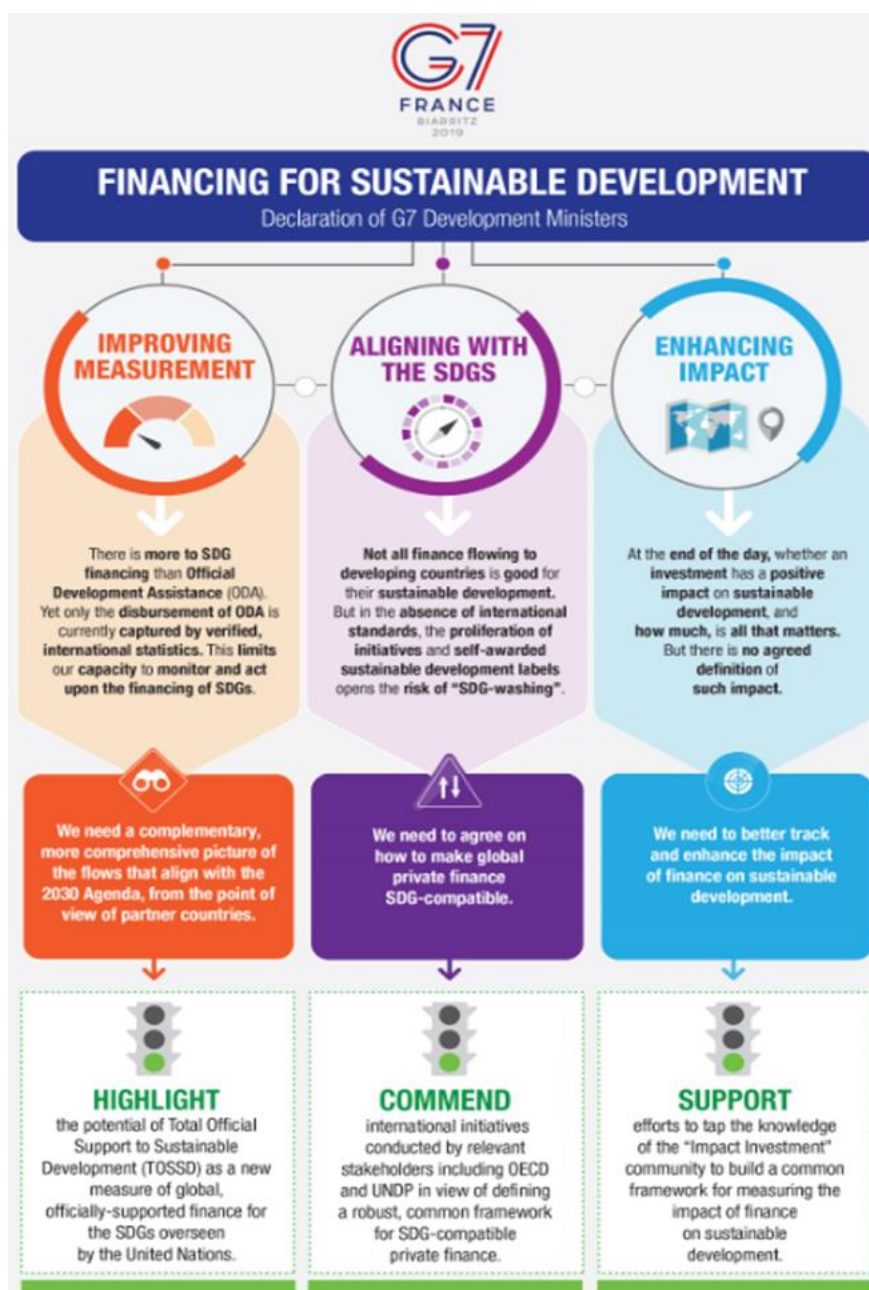
Source: Authors’ summary of DAC policy options presented in Annex 1

10. **Other actors have already pledged their support for the SDG Alignment Agenda and the OECD-UNDP Alignment Framework.** For example, Public Development Banks (PDBs) and the International Development Finance Club (IDFC) signed a declaration at the Financing in Common Summit in November 2020 pledging support to the Framework.²³ The OECD and UNDP are also working to bring more actors to actively contribute to the implementation of the Framework for SDG aligned finance, including in the private sector. Work to “operationalise” the Framework is ongoing with the creation of a platform for monitoring of progress of different actors on all recommendations, and a toolkit for implementation at country level to make SDG alignment work better for Integrated National Financing Frameworks (INFFs). Both deliverables should be presented at the Paris Peace Forum in November 2021.
11. **In light of the COVID-19 crisis, rising needs for sustainable development finance mean that every dollar should be targeted to alleviate debt distress and free fiscal space for SDG investments in developing countries.** The SDG Alignment Framework identifies challenges along the investment chain (from countries of origin, to international markets to destination countries) such as accountability, transparency and coherence of financing. It further provides key recommendations across standards, tools and policies that can help build a pipeline for SDG projects in developing countries. The Framework assesses financing according to the achievement of two objectives: i. build sustainability: resources should accelerate progress across the SDGs while doing no harm, and ii. increase equality: resources should be mobilised to leave no one behind and fill the SDG financing gaps.
12. **Alignment serves as the SDG “sorting hat” of the FfD triptych, assessing how all flows mobilised target SDG impact.** It seeks to leverage the DAC role to move from billions to trillions by aiming to align broader resources, e.g. by raising coherence of domestic and external policies and combatting SDG washing. More than 80% of the trillions in the system is held by banks, asset managers, insurers and pension funds in OECD countries. Linking international and domestic agendas is crucial to create the right market incentives to ensure sustainability and reduce inequalities. The DAC has a key role to be an international standard setter in this regard. A stronger approach is needed to reflect growing demands by citizens for transparency and quality of financing, integrating social and environmental criteria, and to avoid negative transboundary spill overs that risk further setbacks for developing countries. The alignment agenda can help make resources work harder for sustainable development and to improve ODA efficiency and effectiveness.

² <https://www.idfc.org/wp-content/uploads/2020/11/idfc-press-release-on-sdg-alignment-2.pdf>

³ <https://financeincommon.org/sites/default/files/2020-11/FiCS%20-%20Joint%20declaration%20of%20all%20Public%20Development%20Banks.pdf>

Figure 1. G7 Leaders' Communique 2019 – the initiation of the SDG alignment agenda



3. DAC preparation for the 76th Session of the UN General Assembly – a crucial milestone for the FfD Agenda and taking stock of COVID-19 efforts

13. This year's UN General Assembly's high level segment will serve as a milestone for DAC efforts to support countries most in need, MICs, LDCs and SIDS. The DAC has a full array of policies, statistics, tools and partnerships in support of financing for development in these countries. The DAC HLM communiqué 2020 emphasises the commitment to meet the special needs of LDCs and SIDS and to ensure that ODA targets

financing in response to the crisis.⁴ However, further work is required to clearly communicate the DAC offer to countries most in need in the context of the emerging SDG alignment agenda and in relation to the key UN and G7:G20 channels, including the ongoing work of OECD-UNDP SDG Alignment Framework in support of country-owned financing strategies (e.g. INFFs, transition finance) and to ensure coordinated technical assistance and capacity building in support of access to and SDG budgeting of the financing sources (e.g. tax, investment, debt, etc.).

14. **A clear DAC offer could strategically position the DAC in emerging whole of OECD narrative and strategy and respond to expectations raised in ongoing FfD discussions vis-à-vis development cooperation, including to reaffirm the position of the DAC at the heart of aid architecture in the area of COVID-19 and beyond.** The Agenda 2030 remains the global reference blueprint for a more inclusive and greener recovery. SDG alignment plays to the DAC strengths, including its leveraging and influencing capacities, and strategically positions the DAC in a whole of OECD offer.
15. The DAC could consider the menu of targeted policy options for action that is presented in Annex 1. The menu of options consolidates and collate a large array of policy options emerging from key international FfD policy commitments and agendas that are most relevant to the DAC, e.g. AAAA, 2030 Agenda, UN SG Roadmap, UN FfDI, the DAC HLM Communiqué, OECD-UNDP framework for SDG alignment, and the 2021 Global Outlook on Financing for Sustainable Development among others. They also build on existing DAC work, such as the modernisation of the GPEDC Effectiveness Principles. These policy options could provide a zero draft for DAC negotiation on a more in-depth common Action Plan to support sustainable financing of the recovery in developing countries.
16. **Work to develop an action plan could clarify the DAC FfD value-added in other key processes.** The DAC could build bridges with other communities of actors, including with the ongoing work of the G7 OECD-UNDP SDG Alignment framework, presented in the accompanying mapping document. It could also help the DAC more effectively engage with other public and private actors with a view to have more coherent and effective holistic or whole-of-government strategies in support of the 2030 Agenda and its financing. For example, many of the suggested actions require a close coordination of the ministries in charge of development cooperation and finance.
17. **This could be an opportunity for the DAC to agree to high-level principles on sustainable financing for development which demonstrate how the DAC can help developing countries navigate the increasingly complex FfD landscape and promote country-ownership of development finance strategies.** The DAC could identify key principles that address key challenges of the debt crisis and access to sustainable finance in the short and long-term. The DAC has taken action and agreed important principles and standards (e.g. Blended Finance Principles, Tri Hita Karana Roadmap, Kampala Principles and OECD-UNDP Impact Standards). Alignment remains the missing piece of the puzzle. High-level principles would complement and reinforce the existing mobilisation and impact pillars.

⁴ <https://www.oecd.org/dac/development-assistance-committee/dac-high-level-meeting-communique-2020.htm>

Annex 1 – Menu of Options: Towards a DAC Action Plan for sustainable financing of recovery

1. Building on policy options emerging from key international FfD policy commitments and agendas, e.g. AAAA, 2030 Agenda, UN SG Roadmap, UN FfDI, the DAC HLM Communiqué, OECD-UNDP framework for SDG alignment, and the 2021 Global Outlook on Financing for Sustainable Development among others, this Annex identifies areas where the DAC would need to strengthen cooperation and coherence with other parts of government and actors (**bolded**). Those areas that are **not bolded** reflect actions where DAC members could take or are already taking action directly.
2. This Action Plan includes both **quantitative** (equality pillar) and **qualitative** (sustainability pillar) dimensions of SDG alignment, as well as short to medium- long-term measures ensuring that financing can be sustained.

1. Leveraging ODA for quantity

1.1. Maintain ODA and innovative finance for sustainable development

Official Development Assistance

3. Recognize that ODA has an important counter-cyclical role to play and is an essential element of response to crises in partner countries with insufficient capacities to leverage domestic resources, and those, such as SIDS, that suffered a sudden drop in other forms of external financing in response to the COVID-19 crisis, and who face greater risks of a protracted recovery.
4. Note that ODA has been the most stable and resilient source of external financing for development in times of crisis, and the DAC succeeded in stepping up its efforts in response to the current pandemic, with ODA reaching record high level in 2020.
5. Reaffirm commitment made in its joint statement of 9 April 2020 to strive to protect ODA budgets, and support Least Developed Countries and other countries with specific needs via a coherent and coordinated humanitarian-development-peace response, as well as the importance of untying aid in accordance with DAC recommendation.

Innovative finance for sustainable development

6. In times of crisis where all sources of financing for development are under stress, and inequalities increase, stress the importance of identifying new sources of financing for development, and commend the work of the Leading Group on Innovative Financing for Development.
7. **Reaffirm support to the Financing for Development process led by the UN, and welcome the UNSG Strategy and Roadmap for financing the 2030 Agenda, as well as the joint UNSG-Canada-Jamaica initiative on Financing Sustainable Development in the Era of COVID-19 and beyond.**
8. **Recognize the need to better align domestic and international SDG financing strategies, and the importance of a formally established dialogue between ministers in charge of development cooperation and ministers of finance.**

9. **Call on international tax agreements to have a development and sustainability lens, support the financing of SDGs and international public goods, and increase collaboration between the development co-operation and tax communities.**

1.2. Deploy innovative instruments and holistic approaches, partnerships, and technologies

Private sector instruments

10. Reaffirm that both the billions from development cooperation and the trillions to be mobilized by the private sector are needed to finance the 2030 Agenda.
11. Increase efforts to mobilize private finance for the SDGs, in particular for the countries most in need.
12. Explore opportunities to increase the risk appetite for DFIs in order to work their balance sheet harder/ensure money goes to where it's most in need, with the objective to increase the amounts of private finance mobilized.
13. Implement the blended finance principles and impact standards, and increase the use of instruments that have been shown to have the biggest leverage potential in blended finance (e.g. guarantees), with the objective to increase the use of such instruments, and make all efforts to have more mobilized resources reach LDCs;
14. **Recognize the importance of the coherence of policies and the need for policies to accompany the growing demand from citizens for sustainable and ethical investment (including pensions), and support the OECD-UNDP call for review of our domestic legislation to remove (where possible) legislative barriers or increase incentives to achieve SDG alignment of finance.**

Innovation

15. Reaffirm commitment to fostering innovation in development cooperation and financing for sustainable development, both in its own practices and instruments, and in partner countries, for greater effectiveness.
16. Promote the use of SDG, green or other innovative bonds and instruments in support of sustainable growth, and increase DAC assistance to partner countries to develop their capacities to issue such bonds, while ensuring financial sustainability, as well as develop a pipeline of eligible projects, in particular in countries most in need, such as SIDS.
17. **Continue to support the reform of partner countries' financial market infrastructure and regulation to support financial inclusion, stability, market efficiency, transparency, and integrity.**
18. **Commend the work and call for action of the UN Task Force on Digital Financing of the SDGs.**
19. **Recognising that personal remittances represent an average of 33% of external financial flows to developing countries, support pledges of the international community to reduce the cost of remittances in accordance with SDG 10.1.c.**
20. Further explore and deploy innovative instruments to mobilize diasporas and better leverage and use remittances in support of financial inclusion.

1.3. Foster DRM and reform tax systems (reduce leakages)

21. Recognizing that the high return of investment Domestic Resource Mobilisation represents, with every USD 1 invested USD 100 mobilised, step up efforts in support of tax reforms and DRM, including through the promotion of the BEPS, and fight against illicit financial flows to provide developing countries secure long-term domestic financing.
22. Continue to increase our support to improving Public Financial Management, help partner countries with tax reforms (e.g. greening), and help partner countries with the budgetization of SDGs.

1.4. Explore new debt management strategies

23. Recognize the impact of the crisis on debt levels, and welcome the Debt Service Suspension Initiative and Common Framework of the G20.
24. Support the repurposing and restructuring of the debt to finance the SDGs, and promote debt-to-nature or debt-to-health swaps to enhance debt contribution to a more sustainable growth path.
25. Recognize the call from African Finance Ministers to increase debt relief, and the agreement on the ODA treatment of debt relief, and issue debt relief wherever possible and sustainable.
26. **In order to prevent partner countries getting into unsustainable levels of debt, commit to increase capacity building efforts in partner countries to better negotiate financing agreements, and call on the WB and IMF to step up their efforts on debt sustainability management.**
27. **Call on all debt providers to increase their transparency in reporting financing agreements that risk indebted nations.**

2. Leveraging ODA for quality

2.1. Better map and match demand and supply of SDG financing

28. With a view to reduce any potential waste in the ODA system, and better match demand and supply of SDG financing, build and expand on existing efforts to develop joint assessments of SDG financing needs in partner countries at different stages of transition.
29. Further build capacities of partner countries to develop and operationalize integrated national financing strategies, including through exercises of costing, budgeting, monitoring and measuring progress made towards the SDGs.
30. **Support ongoing efforts to map and match opportunities for financing sustainable projects in partner countries, at the regional or country level, or along value chains, in partnership with other stakeholders, and the private sector in particular.**
31. Build on current initiatives, such as Transition Finance Country Diagnostics, the Sustainable Development Investment Partnership, or the Global Partnership for Effective Development Cooperation to achieve these objectives.

2.2. Increase the qualities of trade, investment and infrastructure

32. Recognize that, in the current context, the qualitative dimensions of financing flows have become increasingly important, and stress the need to get the most SDG impact, including for climate objectives, out of each dollar flowing to partner countries.
33. Further use and leverage ODA to increase the qualities of other sources of financing, including trade, investment and infrastructure.
34. **Pursue efforts to contain and mitigate the impact of the investment volatility in partner countries, and reinforce the development cooperation-investment nexus to build the resilience of financing and ODA efforts.**
35. **Promote policy and regulatory reforms conducive to attracting or retaining sustainable investment, and engage with private sector in partner countries to upgrade SMEs and adjust business models and projects to the SDGs.**
36. Revisit the ambit of aid for trade, and make it contribute further to increasing the qualities of trade, including its environmental and social dimensions, and its contribution to the SDGs.
37. **Support the improvement of the qualities of infrastructure, including its environmental and social dimensions, and call for the adoption of guidelines that would require financing transparency and sustainability.**

2.3. Pursue the effectiveness agenda, including reform of the multilateral system to better manage international public goods

38. Pursue efforts to implement the Paris Declaration, Accra Agenda for Action and Busan principles on development cooperation effectiveness.
39. **In line with efforts to promote innovative finance for sustainable development, continue to strive for increased resources and better management of international public goods, including through the reform of the multilateral development finance system.**
40. Increase technical assistance and capacity building efforts to help partner countries access relevant vertical funds, including in the health, social protection, and green finance, and in countries most in need.
41. Continue to monitor and assess multilateral development finance, and work toward better coordination of shareholders of the multilateral system, provided it is a major channel for ODA, suggesting principles for better donorship and multilateral system reforms.
42. **Further explore the question of international public goods and their financing, including through reporting in TOSSD and peer review of our practices, as well as identification of new sources of financing.**

Annex 2 – OECD-UNDP SDG Alignment Framework

