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Development cooperation to ensure that none be left behind

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ABSTRACT

The development cooperation system is undergoing a dramatic process of change. New actors are on stage, new instruments (beyond ODA) are being used, and the fields of work have been clearly widened. The enlargement of the development cooperation system is in line with the ambitious and comprehensive 2030 Agenda. However, those changes also imply massive tensions and challenges to the current development cooperation system in terms of its objectives, procedures and narrative. This paper presents some of these challenges in light of the "leaving no-one behind" mandate. The paper discusses, firstly, how the development cooperation system can be brought up to date, taking into account massive changes in the international landscape; secondly, it argues why development cooperation may be still useful and effective in supporting an Agenda that goes beyond ODA; and finally, it discusses some dilemmas around the way in which resources should be allocated in order to preserve the distributive purpose of development cooperation.

Keywords: foreign aid, development cooperation, South-South cooperation, financing for development, 2030 Agenda

JEL Classification: F02, F35, O10, O15, O19, O20

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1 Introduction

The 2030 Agenda for Sustainable Development obliges the international community to move towards a radically new Financing for Development framework. Tentative estimates put the amount of resources required for meeting the Sustainable Development Goals (SDGs) at between one and four trillion dollars annually[1], a magnitude unattainable from current official flows (SDSN, 2015; UNCTAD 2014). In accordance with its ambition and complexity, the 2030 Agenda will require a mobilizing of resources and capabilities from highly distinct sources, public and private, domestic and international. The Addis Ababa Action Agenda, approved at the Third International Conference on Financing for Development, follows in this line when stating that achievement of the Agenda "will require an equally ambitious, comprehensive, holistic and transformative approach with respect to the means of implementation, combining different means of implementation and integrating the economic, social and environmental dimensions of sustainable development".[2]

In this holistic approach, development cooperation policy (a concept wider than, and distinct from, official development assistance, or ODA) is expected to play a modest but relevant role (see Box 1 for a clarification of these concepts). Its contribution could be significant, particularly if resources and policies are to address the demand of those social sectors and countries most in need, to guarantee that "no one is left behind". But in order to do that, the development cooperation system will have to undergo radical changes, given the new levels of complexity and interdependency in the world. The realm of "donors and recipients", unilateral transfers of concessional funds frequently under conditionality, and rather vertical decision-making structures (all characteristics of ODA) seems to have come to an end[3]. The emergence of new official providers from the South, the more active involvement of private actors in development activities, the advent of new instruments in fields heretofore insufficiently considered (such as environmental finance), and the shrinking relative weight of official funds in total development financing are all factors in the tectonic process of change that the system for development cooperation is currently undergoing (a process analysed by Severino and Ray, 2009, Alonso, 2014, Kharas and Rogerson, 2012 and Lin and Wang, 2017, among others). In the presence of emerging actors, new priorities, procedures, and narratives have won traction in development cooperation policy, challenging the traditional discourse and practices of ODA.

The aforementioned changes offer a valuable opportunity for building a more open, inclusive, and complex system of development cooperation that embraces all providers across more horizontal and cooperative relations, aligning resources and efforts around a set of shared goals. That is what the 17th Goal of the 2030 Agenda proclaims when it seeks to "revitalize the global partnership for sustainable development". However, making this change a reality will further imply massive tensions and challenges for the current development cooperation system. As the number of involved agents and instruments increases, the process of international coordination will become more difficult, and the definition of common standards and rules for shaping individual actions more arduous. Moreover, the enlargement of the development cooperation ecosystem is making it more difficult for recipient countries to govern the flows of international support received. Additionally, severe trade-offs can emerge between the objectives of engaging new actors in the development cooperation system and preserving its focus on people and countries most in need. Finally, in the new international context, certain dilemmas arise around how resources and means of support should be allocated among countries and sectors.

1 The estimates are still too rough, although they coincide in placing the resources required for meeting the SDGs in an order the magnitude of "trillion" dollars annually. For example, the Sustainable Development Solutions Network (2015) estimated this amount in 1.4 trillion dollars; and the UNCTAD (2014) climbed this amount up towards a figure between 3.3 and 4.5 trillion dollars.

2 http://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf (par. 11)

3 The Paris Agenda has tried to transform these kinds of relationships with very partial success.

This paper attempts to present some of these dilemmas and challenges in light of the "leaving no-one behind" mandate that the 2030 Agenda advances. The text is organized into three main sections following this introduction. In the second section, we discuss how the development cooperation system can be brought up to date, taking into account massive changes in the international landscape; the third section is oriented toward answering whether ODA is still useful and necessary; and the fourth section considers certain dilemmas related to the way in which resources and means of support should be allocated. A brief concluding section offers some final remarks.

2 Reshaping the development cooperation system

A new international landscape

Over the past 15 years, countries have made serious efforts to reform the development aid system. They have established a shared agenda of minimum social standards (MDGs and SDGs); they have revised their practices to improve the effectiveness of aid (the Paris Agenda); they have brought innovation to the governance architecture of the system (the Global Partnership and Development Cooperation Forum); and they have launched a process of reviewing ODA and creating a new and wider complementary concept: Total Official Support for Sustainable Development (TOSSD). While most of these changes move in the right direction, taken as a whole they still fall short of what is needed for facing the development challenges of the 21st Century. In a word, the international reality is changing more deeply and rapidly than development aid has been able to do.

Conceived as a policy exclusive to rich countries, 'aid' was born as a response to a world characterised by a deep North-South divide. National poverty was considered a self-perpetuating phenomenon, with low income countries caught in a vicious circle of poverty, being required a massive investment effort (a *big push*) to break out the "low-level equilibrium trap" and achieve self-sustained growth. International financing (mainly through official channels) was thought an essential ingredient in funding the investment required for enabling the world's poorer countries to escape poverty. In accordance, aid was considered temporary: once a country overcame the poverty trap, aid would become unnecessary; additionally, aid transfers were left to discretionary decisions by donors, conditioned only by voluntary standards agreed to within a committee of the OECD (the Development Assistance Committee, DAC). Finally, aid was designed mainly as a bilateral policy, in accordance with the understanding that, in a somewhat fragmented world, development was the result of nationally based strategies (see Annex for a description of these characteristics).

A majority of these assumptions have been shaken by changes in the international landscape. Five changes deserve to be underlined here. First, the level of *heterogeneity* in the developing world has grown significantly. The North-South divide has given way to a more diverse and heterogeneous world where international inequalities remain, but along a more graduated spectrum of development levels (Alonso, 2014). As a consequence, development problems and capacities are diverse in accordance with countries′ conditions; and, consistently, any inclusive development agenda must be more complex and comprehensive than ever before.

Secondly, poles of international economic growth have moved as result of the dynamism of new powers from the developing world, creating a *more multipolar* world (Spence 2011; Subramanian, 2011, among others). This process challenges the existing global governance structures and demands a more equitable distribution of voices and responsibilities among countries at the international level. The emergence of South-South cooperation is part of this rebalancing in the distribution of political and economic power worldwide (Mawdsley, 2012).

Thirdly, there has been a notorious *enlargement of the international capital markets,* in a context of highly deregulated flows. This has increased the risks of episodes of financial instability and, in a context of low international tax cooperation, has made more difficult to combat tax avoidance, tax evasion and illicit flows. On the other hand, the process has also diversified the sources of development financing. Many (not all) developing countries now have easier access to private finance. As a consequence, the weight of ODA among international resources received by developing countries has shrunk significantly (OECD, 2014).

Fourth, extreme poverty has been markedly reduced at the global scale, and its location has changed, with the bulk of the world's most impoverished now found in middle-income countries (MICs) (Sumner, 2017). As a result, poverty has become an *increasingly national responsibility,* since some (not all) of those affected countries may have sufficient policy space and taxation power to redistribute wealth. This fact reinforces the role that fighting national inequalities should have on strategies to reduce poverty (not only in developing countries). On the other hand, current trends suggest that higher intensities of poverty will be increasingly located in fragile states, where international support faces more challenging contexts (Kharas and Rogerson, 2012 and 2017).

Finally, globalisation has expanded the reach of *international public goods*, some of which are closely linked to development goals. This means that national development agendas have to consider the international collective action necessary to define new global rules and governance. Of all public goods, those linked to environmental sustainability are perhaps the most challenging, because to a large extent they call into question the very idea of convergence that first inspired development theory. The issue is no longer one of developing countries 'catching up' with developed countries; instead it is about developing and developed countries taking different (and not well defined) paths toward an inclusive and sustainable model of development.

New actors in the field

Important mutations in the development cooperation system have accompanied these changes, as a consequence of the arrival of new players. Three emerging actors are particularly relevant here.

First, there has been an increase in the number of *official providers*, widening the spectrum of adopted models and practices of cooperation. Some of these providers include new European Union and OECD members (for example, some Eastern European countries) that have adhered to the DAC (which has enlarged its membership by a third, from 22 to 30, in the last ten years). Other providers (numbering about 20) are not part of the DAC but report to that institution regularly: many bring long-term experience as donors (as do some Arab countries) and some of them assume categories and standards defined by the DAC. But the most innovative group is formed by a heterogeneous array of Southern providers (of South-South cooperation, SSC) that call for new principles, priorities, and procedures, different from those adopted in North-South cooperation. Loosely based on the 1955 Bandung Conference Declaration, and on the 1978 Buenos Aires Plan of Action, these providers defend more balanced and horizontal relationships among partners, rejecting the application of policy conditionalities, demanding respect for the national sovereignty of partners, and insisting that action be based on the principle of "mutual benefits" (as opposed to charity).

It is not clear that these characteristics fit well with what the Southern providers actually do, but the claims and activities of this group of countries challenge the monopoly that OECD donors have enjoyed in development cooperation policy up to now, improving the bargaining power of recipient countries and widening the available options they have for international support (Waltz and Ramachandran, 2011; Zimmerman and Smith, 2011; Chaturverdy et al., 2012; Muhr, 2016; Santander and Alonso, 2017). At the same time, they have incorporated interesting innovations into their procedures, operating in a more resolute manner and with lighter bureaucracies than traditional donors. Moreover, they are prone to sharing experiences and technical capacities, and to employing a wide range of means that go beyond the narrow perimeter of ODA. An influential exponent of this group is China, which implements development cooperation through a complex mix of instruments including investment, turnkey projects, debt cancellations, loans with low or zero interest, scholarships, and grants (Xu and Carey 2015; Zhou et al., 2015).

It is worth mentioning that beside their contributions, the new providers have also raised some criticism, basically for their lack of transparency, their limited concern about recipients′ ownership and their tendency to use different kinds of "tied aid". This last problem particularly affects some Chinese investment projects, in which inputs, managers and sometimes workers come from China, limiting the spillover effects of the development cooperation initiatives on the recipient country; but the problem could also affect some training and technical assistance programmes promoted by other providers (Brazil, for example). As a consequence, some recipient countries have begun to demand greater space for decision-making and more balanced outcomes in South-South cooperation interventions as well.

Secondly, the *private sector* has also become a more important actor in the development cooperation system. Traditionally, the private sector has been directly implied in the provision of goods and services for development investments and more indirectly in funding development projects through the activity of corporate foundations (such as the Bill and Melinda Gates Foundation, the Rockefeller Foundation, and many others). Resources mobilized for these foundations have followed a clear upward trend in last years. The latest data confirm that private philanthropy accounted for close to $64 billion in 2015, nearly half of what DAC donors channeled as net ODA ($137 billion) (Hudson Institute, 2016). Along with their financial contributions, these actors have brought to the development field new priorities, a different organizational culture, and new ways of working. Especially concerned with practical results, they operate under management criteria closer to those applied by private companies, and the instruments and procedures they employ are more flexible and resolute than those used by traditional development actors.

Additionally, in recent decades, companies have directly supported development initiatives through different means, such as Corporate Social Responsibility programmes, investment in goods and services adapted to the needs of the poor (base of pyramid, BoP, markets), and other activities with social or environmental impact (impact investment). Moreover, some companies are increasingly locating development goals much closer to their core business strategies, more willing to use blended finance in their business activities, and to see public-private partnerships as opportunities. This holds particularly true regarding the investment in areas (such as green technology, infrastructure or energy provision) where such partnerships appear to be based on win-win approaches. As a consequence, a growing number of CEOs have adopted the SDGs as a useful framework for their business. The report of the Business and Sustainable Development Commission offers arguments and experiences from this segment of the business sector.[4] While many see this process with positive eyes, as a way to overcome traditional limitations of public development agencies, others underline the risks that the process may involve, in terms of subordinating public resources and purposes to private interests.

Finally, the range of *multilateral actors* has also widened in the last decade. On the one hand, new regional development banks (RDBs, such as the Asian Infrastructure Development Bank or the New Development Bank) created by developing countries have appeared, with promising projection, alongside already existing multilateral banks from emerging economies that have strengthened their activities

4 http://report.businesscommission.org/uploads/BetterBiz-BetterWorld_170215_012417.pdf

BOX 1

CLARIFICATION OF DEFINITIONS

1. ODA

Originally, official development assistance was defined as flows from OECD countries to countries and territories that appear on the DAC List of ODA Recipients, and to multilateral development institutions, this assistance being: i) provided by official agencies, including state and local governments, or by their executive agencies; and ii) each transaction of which: a) is administered with the promotion of the economic development and welfare of developing countries as its main objective; and b) is concessional in character and conveys a grant element of at least 25 percent (calculated at a rate of discount of 10 percent). After 2018, concessional loans will be registered as ODA only through their grant equivalent (not through their facial values), using thresholds of concessionality and discount rates adapted to countries´ levels of income.

2. Development cooperation

As Alonso and Glennie (2015) suggest, development cooperation can be defined as those international interventions and activities (public and private) that: i) specifically intend to support development; ii) operate through actions that would not be promoted (or at least not in the same way) by the market alone; iii) differentiate in favor of developing countries, particularly the poorest, in order to widen their opportunities for progress; and iv) are based on cooperative relationships that try to enhance developing country ownership. Development cooperation includes flows of ODA, but goes further, embracing non-concessional funds and other in-kind activities oriented to development. Additionally, it considers not only official funds but also private resources provided under non-for-profit purposes (such as those channeled by foundations, NGOs and companies within their Corporate Social Responsibility programmes, for example)

3. TOSSD

TOSSD is a new measure, wider and complementary to ODA, proposed by the OECD. It includes all officially supported resource flows to promote sustainable development in developing countries and to support development enablers or to address global challenges at regional or global levels. Regarding ODA, TOSSD is a wider concept because it includes all official flows, concessional or non-concessional, as well as private resources mobilized with official support (probably including export credits), while ODA only registers official funds that are concessional in character. At the same time, TOSSD is different from the concept of development cooperation, because the former includes private resources at market conditions if mobilized by official funds while the latter considers only those private resources (whether supported or not by official funds) outside the market (i.e., private grants from foundations, or CSR programmes). Even though the process of defining TOSSD is still open, some of the initial criteria on which the concept was based have been subject to criticism (Alonso, 2016; Griffith, 2016).

(such as CAF, Latin American Development Bank, or the Islamic Development Bank). The increasing profile of these institutions shows not only the new balance of power at the international level, but the frustration from emerging economic powerhouses in the global South with the incapacity of more traditional RDBs to deliver change (Bhattacharya and Kharas, 2016; Prizzon et al., 2017).

On the other hand, new vertical funds have emerged for encouraging public-private partnerships at the international level, and channeling resources towards some specialized purposes in a more operative way (particularly, in the fields of health and environment). Some of these initiatives (like the Global Fund and GAVI) have shown a capacity not just for managing a large volume of resources, but also for the application of innovative initiatives.

The emergence of all these new actors has brought new resources and capacities to development cooperation policy, but at the cost of hindering coordination among players, and of increasing the complexity of the system as a whole. As a consequence, it has made it more difficult for recipient countries to govern the flows of development cooperation received. In spite of their differences, all the aforementioned "new" actors present two additional common features: i) their activity and procedures challenge the dominant position that traditional official donors have held in the development cooperation system; and ii) their instruments frequently go beyond those registered as ODA.

New fields of action

At the same time, there has been a diversification in the financing instruments of development cooperation. This process has been driven in part by the mentioned emergence of new players in the field, and by enlargement of the development agenda as it discovers new areas insufficiently attended to by ODA in the past. Among these new areas with potential impact on the 2030 Agenda, four deserve to be underlined.

Firstly, there is among donors an interest in promoting a stronger *engagement of the private sector* in development policy (Benn *et al*., 2016). Some of the efforts in this field have been carried out through financing mechanisms (such as credit, quasi-equity investment, collective investment vehicles, guarantees, and blended finance) that are only partially recognised by the ODA framework. Many signs show the central role that donors want to give to these mechanisms in the future development financing landscape. The AAAA includes extensive references to blending along the document; blending is a central part of *From billions to trillions*[5], the document that seven international financial institutions launched with their plans to finance the 2030 Agenda; and encouraging the use of blending and other private sector instruments is a core part of the process of reviewing ODA that the OECD is carrying on.

Additionally, traditional donors have set up specialist bilateral institutions to promote this type of action: the *Development Finance Institutions* (DFIs), including the CDC, Proparco, FMO, and KFW, among others. Multilateral financial institutions operate alongside these in this field, the most active being the International Finance Corporation and the European Bank for Reconstruction and Development. Other new development suppliers have involved similar institutions that frequently adopt the form of a development bank, operating nationally as well as internationally (for example, Brazil's BNDES or the China Development Bank).

There are reasons to justify that part of official funding be oriented to mobilize private resources through blended finance or public-private partnerships. In some areas (such as big infrastructures or energy plants) this is probably the only way to muster sufficient resources for filling investment gaps in most developing countries. But there are also threats that should be taken into account. As

5 http://siteresources.worldbank.org/DEVCOMMINT/Documentation/23659446/DC2015-0002(E)FinancingforDevelopment.pdf

some studies suggest, it is doubtful in many cases that official funds are truly additional to private ones – rather, they seem to support investments that would have happened anyway –, there is the risk that operations follow private interests rather than public purposes and perverse incentives may arise if public support for certain investors harms competition in markets, or provokes problems of moral hazard, thus encouraging less responsible behaviours among private investors. A recent analysis of three major blending facilities found that the majority are not designed in a way to contribute to the ownership of developing countries, they are hardly aligned with national plans and strategies and they lack of appropriate mechanisms of participation of developing countries governments and other stake-holders in the decision-making process (Pereira, 2017)

Another field of work that has gained in profile is connected to the *promotion and management of sustainable infrastructure* in developing countries (Miyamoto and Chiofalo, 2015 and 2016). The role of ODA in this area is minor, while other instruments of development financing seem more appropriate for mobilizing the magnitude of resources needed. Multilateral development banks operate very actively in this field, as do institutions specialized in mobilizing blended resources and designing public-private partnerships. The bulk of the financing that these institutions channel is far beyond the scope of ODA but could play a crucial role in development cooperation in support of the new 2030 Agenda.

The third field where there has been a widening of public financing mechanisms is related to the *environmental sustainability agenda* (Shine and Campillo, 2016; Drutschinin and Ockenden, 2015). Here international commitments have been coupled with the creation of new funds or financial facilities in areas such as climate change, water and sanitation, preserving fragile ecosystems and protecting the ozone layer and biodiversity. A broad range of "environmental financing" has been created that is only very partially in the field of ODA, but which fits largely within the parameters of development cooperation. The emergence of this area, important though it is, involves the risk of absorbing a portion of resources that donors had previously dedicated to other components of ODA (Michaelowa and Michaleowa, 2005). However, ODA has increased in recent years at similar rates to the growth in climate funds, so such a crowding-out process does not appear to have taken place.

The final field worth mentioning is related to the promotion of *innovation and cooperation in science and technology*. Beyond financing, this sphere includes instrumental mechanisms to facilitate the exchange of experience and knowledge, networking among international teams, the mobility of researchers, and the joint implementation of capabilities for shared projects. Not all these initiatives lead to a mobilization of resources that can be counted as ODA, but all could prove useful for the new development agenda.

One line of this last field – the so-called Dev-Tech revolution – has been particularly transformative, as new technologies widen the opportunity for innovative responses to current development challenges. Dev-Tech is associated with the use of big data, mobile phones, smart cards, and satellite imagery applications, among others, employed in the interest of building development-oriented solutions. Taking full advantage of these new possibilities implies a serious challenge for development agencies, demanding a dramatic change in staff capabilities required and moving managers to place more strategic attention on the possibilities (and risks) of Dev-Tech.

Additionally, new technologies have opened space for more direct and demanding relationships among development stakeholders, which should improve levels of transparency and the effectiveness of interventions. For example, funders are now able to choose initiatives that they want to support and to transfer money directly to the projects chosen (through internet sites such as *globalgiving or kiva*[6]).

6 See https://www.globalgiving.org/; and https://www.kiva.org/

New technologies also allow beneficiaries to monitor activities and to assess results (via, for example, mobile phone), likewise encouraging the effectiveness of interventions.

Rebuilding development cooperation policy

All the aforementioned changes compel the international community to move beyond the narrow sphere of ODA to the much wider and more diverse (albeit less precise and harder to measure) field of development cooperation (see again Box 1). Thus, the first step in driving international support to serve the 2030 Agenda would be to "upsize and democratize" the development cooperation system; that is, to transform it into a wider and more comprehensive system that belongs to all countries (providers, recipients, and dual countries), rather than an exclusive domain of developed countries, based on ODA categories.

In other words, the new development cooperation system should be able to embrace all countries and agents involved in developmental activities, through more horizontal and cooperative relationships. Instead of being based on unilateral relationships of a small group of countries, it should be an inclusive and global system oriented to incentivize collective action in favor of sustainable developmental prospects. If ODA was seen as a temporary support to countries trapped in poverty, development cooperation policy must be conceived as a permanent mechanism of global governance, able to address the distributive asymmetries and market failures that constrain development progress; those asymmetries and market failures that are difficult for developing countries to overcome by their own (see Annex).

Going beyond the important goal of fighting poverty, development cooperation should pursue three main purposes. Firstly, *guaranteeing minimum social standards* for all people, wherever they live. This would be a way to reduce poverty and vulnerability, promote social justice and realize human rights. A vital achievement of this line of action would be that all people have access to *universal social protection* programmes throughout their lives. Currently, 55% of the world population (nearly 4 billion persons) are unprotected; and that proportion climbs to 66% in the case of children (ILO, 2017). Building universal social protection programmes should be part of any national development strategy against poverty. But even though national governments carry the primary responsibility, the international community is responsible for supporting national efforts in this field, particularly in countries with fewer capacities and resources (Giovannetti, 2010). The Recommendations on Social Protection Floors Initiative, launched by the ILO in 2012 and adopted by governments, employers, and workers, provided a first step. This was followed in 2016 by creation of the Global Partnership for Universal Social Protection, for encouraging the efforts of public, private, national, and international agents around this purpose.

Another proposal in the same vein, oriented to guarantee that people are free of poverty and vulnerability, is the notion of *basic income*. The idea is that a monthly income should be paid, unconditionally, to every citizen, thus avoiding costly processes of eligibility and the stigma associated with selective transfers. This is a method of fighting chronic vulnerability, promoting social justice, and extending economic security to all people, without the dysfunctionalities that characterized certain social security systems. As this proposal is subject to controversy, several pilot studies have been launched in both developed and developing countries, wherein NGOs, governments, and multilateral institutions jointly participate. As with the proposal on universal social protection, the international community could (through financial and technical support) back national efforts for exploring and eventually applying this measure, even if primary responsibility in implementing basic income remains with the national governments.

The second general purpose for development cooperation policy should be the *reduction of international* *inequality*, encouraging the process of convergence in living conditions across countries. This was part of the original mission of ODA: give international support for developing countries to overcome poverty traps (and middle-income traps), in order to accelerate the process of economic and social convergence to the standards of developed countries. Environmental restrictions now require a change in this approach: reduction of international inequality remains the goal, but based on new models of production and consumption compatible with sustainability. Finally, reducing international inequality not only implies transfers of income between countries (such as ODA traditionally promotes), but also the promotion of an international framework (rules and incentives) that contributes to better distribution of development opportunities among countries. For example, sounder international tax coordination for avoiding tax evasion and capital flight, an agreement for managing orderly migration, or more balanced regulation of intellectual property rights are all parts of what development cooperation should do to promote economic convergence.

Some of the aspects above connect with the third purpose for development cooperation policy: providing *international public goods*, particularly those related to development achievements. In this regard, cooperation among countries is required due to the systemic interdependencies on which international public goods are based. International support is mandatory in this field for backing efforts by developing countries to contribute to global collective action, and for applying global standards and norms at the national level.

As defined, the new policy for development cooperation is no longer compatible with the traditional narrative on which ODA was founded, based on unilateral concessions (close to charity) and solidarity with other peoples' problems (see Annex again). Today, most development challenges are shared by developed and developing countries alike, as the 2030 Agenda suggests. Therefore the new narrative should be based on the principle of *common but differentiated* benefits and responsibilities, moving from the logic of concessions towards the logic of mutual commitments, adapted to the conditions of each country.

At the same time, the system needs inclusive and effective mechanisms of governance that do not as yet exist. Clearly, being an exclusive body of the OECD, the DAC lacks the required representativeness. The Global Partnership, an initiative born in Busan in 2011, has a similar problem, being considered an OECD initiative by many developing countries. Finally, the Development Cooperation Forum, located in the UN ECOSOC, is better placed to offer an inclusive body that can host providers, recipients, and dual countries. However, its level of effectiveness is low in terms of setting standards and monitoring policies.

3 Is still ODA required?

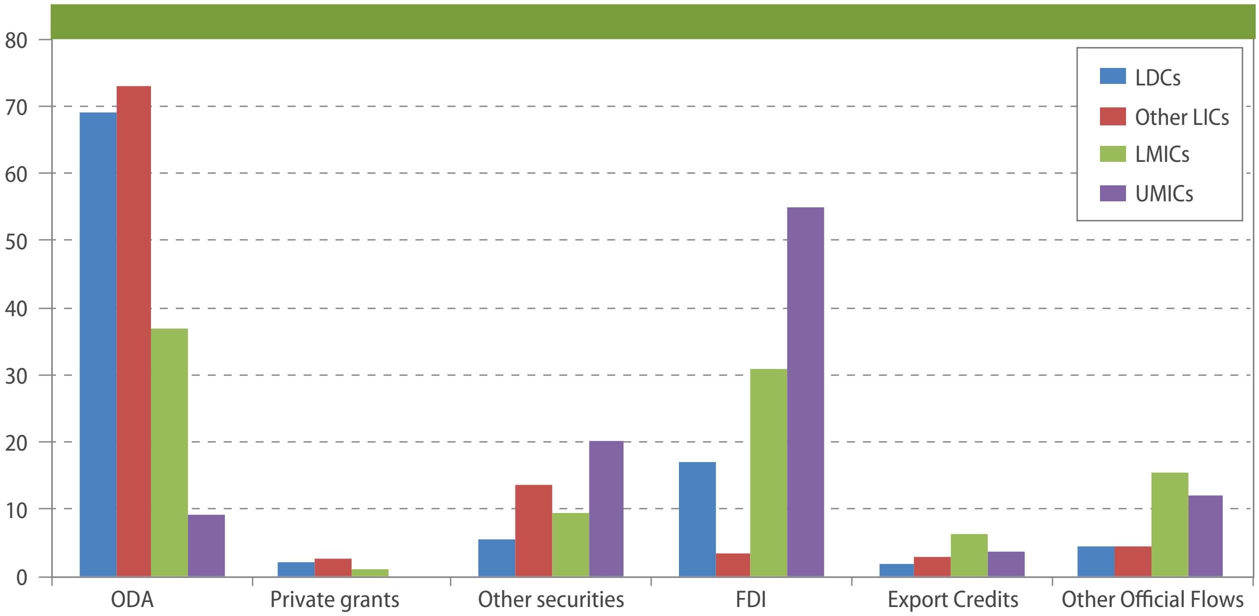
The role of ODA

Given the massive alterations in the international context, it becomes reasonable to question the relevance of ODA as a mechanism for financing sustainable development. That question admits two possible interpretations: i) is ODA still useful in the new international context?; and ii) is ODA an effective means for supporting development?

Given the limited volume of funds that this type of assistance mobilizes, ODA is called on to play a modest role in the total resources required to realize the 2030 Agenda. As mentioned, the resources needed to feasibly meet the Sustainable Development Goals (SDGs) are measured in trillions of dollars, but ODA has scarcely exceeded $140 billion annually ($142 billion in 2016).

However, even if the resources mobilized by ODA are limited, its impact need not be irrelevant. For many poorer countries, international aid will remain among the most significant and reliable sources of international financing, at least in the time frame

Figure 1
Composition of financing flows by income groups (2015)



Source: DAC (OECD).

addressed by Agenda 2030. This is particularly true for the case of the Least Developed Countries (LDCs) and other low-income countries (LICs) where such flows make up more than 70% of international financing received (Figure 1). Even in middle-income countries (MICs), aid may play a significant role, not so much for what it finances directly but because of the role it can play in incentivising changes and mobilizing additional resources for development.

There are other qualitative factors that make international aid particularly useful. Firstly, it is a highly concessional source, which could be appropriate for financing investments with limited economic returns, or countries with constrained access to other financial sources. Secondly, it mobilizes not just financial resources but also technical capacities and experiences, which could be important to support of the 2030 Agenda[7]. Finally, it channels resources that are official in nature, which means that they can be oriented toward ends that have been socially agreed upon. That is, those services with higher social returns or for which universal access is crucial. This combination of characteristics is unique to ODA (and other ODA-like resources) and makes it a source of support that is particularly useful for many countries facing structural restrictions to their development processes.

The role of ODA is frequently underestimated because of the higher dynamism and volume of some private flows, such as remittances or grants from philanthropic foundations, for example. It is also underlined favourably that these kinds of resources operate “above political influence” and without complex bureaucracies. However, the official origin of ODA resources and the implication of public institutions in their provision have a positive consequence, as they establish a base for public accountability and strengthen the relationship between States and individuals on which the concept of citizenship is based (something that does not happen with private funds).

7 In spite of its potential contribution to the 2030 Agenda, technical assistance is one of the more problematic modality of aid, as evaluations confirm (see Riddell, 2014).

Beyond ODA's utility, it must be considered whether aid is truly effective, given that concerns about it are well documented. The specialized literature on this subject is largely inconclusive, with some studies finding positive effects of aid on the economic growth of recipients (e.g., Dreher et al., 2008; Arndt, et al., 2010; or Clemens *et al*., 2012), others finding negative or null effects (e.g., Rajan and Subramanian, 2008; Nowak-Lehmann et al. 2012; or Doucouliagos and Paldam, 2011), and many others considering the effects to be conditioned by different mediating factors, such as recipients´ policies (e.g., Burnside and Dollar, 200 and 2004) or other circumstances (e.g., Guillaumont and Chavet, 2001 or Collier and Dehn, 2001). These frustrating results are in line with the methodological difficulties that empirical research faces in this area, and with the variety of conditions in which aid is allocated and managed[8].

Though far from conclusive, recent studies have shed more positive light on the subject, tending to confirm a small but positive effect of aid on recipient countries' economic growth (e.g., Galiani *et al*., 2014; or Minoiu and Reddy, 2009). Additionally, this more optimistic image is reinforced by estimates that consider the effect of certain components of ODA on the social dimensions (i.e., education, health, water supply, or poverty reduction) in which those components operate (among others, Dreher *et al*., 2008; Christensen *et al*., 2011; Mishra and Newhouse, 2009).

In any case, there remains much room for improving the effectiveness of aid. Here, three obstacles appear to condition achievements, particularly in the poorest countries. Firstly, these poorest countries continue to present high levels of aid dependency, although the ratios of ODA over GDP have fallen in the last ten years. As many studies have shown, aid dependency has negative effects, harming the quality of aid, damaging institutions and governance, or reducing international competitiveness in recipient countries (Moss *et al*., 2008; Rajan and Subramaian, 2008, among others). Secondly, despite limited institutional capacity, recipient countries have to deal with a wide array of donors with different requirements and limited coordination. A survey published by the DAC showed that levels of aid fragmentation and donor proliferation are considerably higher in the poorest countries (LDCs and LICs) than in MICs[9]. And thirdly, many poor countries suffer from fragile states with poor governance, high risks of conflict, and related problems, making aid management still more difficult.

All these factors suggest that donors should be more cautious around plans to increase aid without considering its potential effects on the country (not always "more is better"). As a consequence, in those more aid-dependent countries, they should establish plans to gradually downsize aid when feasible, meanwhile seeking and backing alternative sources for financing the country's development. In this line, it is important to pay closer attention to existing routes for mobilizing domestic resources (e.g., strengthening tax systems) but also international changes (e.g., tackling tax avoidance, tax evasion and capital flight). At the same time, aid interventions should be more politically informed, more context-sensitive and less supply-driven oriented, as Both (2011) pointed out. Finally, donors should dedicate more resources towards the provision of crucial international public goods related to developmental objectives (such as agricultural R&D or infrastructure for international connectivity), because such projects are unlikely to exacerbate national problems derived from aid dependency.

The evolution of official financing resources

Beyond ODA's effectiveness, it is important to know if ODA and other official funds are capable of reaching the volume required for effectively supporting the 2030 Agenda. Antecedents are not promising:

8 As Bourguignon and Sundberg (2007: 316) pointed out, the unclear and ambiguous results of this empirical literature are not surprising "given the heterogeneity of aid motives, the limitations of the tools of analysis, and the complex causality chain linking external aid to final outcomes".

9 See http://www.oecd.org/dac/effectiveness/47823094.pdf

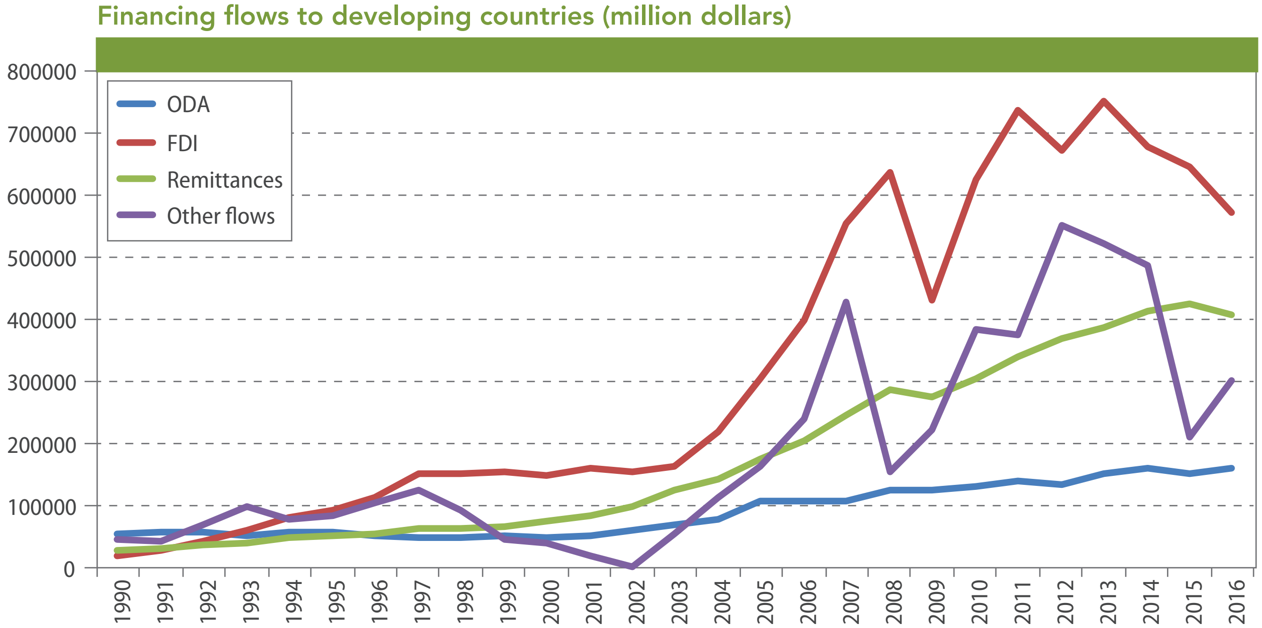
the average rate of annual growth of ODA was barely 2.28% between 1961 and 2015. In other words, overall flows through the period multiplied by 3.5, from $42 billion to $146 billion, at 2014 prices. That is a limited expansion considering that the number of donors in the DAC rose from 17 to 28 over the same period, and that the GDP of OECD donors increased 5.2 times, also at constant prices.

In fact, ODA flows have proven rather stagnant at a time when international financial markets have grown significantly and become more accessible to many developing countries. As a consequence, the relative share of ODA in total international financing flows aimed at developing countries has fallen in the last two decades (Figure 2). In fact, the financing structure of these countries has suffered a double change: on the one hand, there has been a significant increase in the share of private flows as compared to official flows (including ODA); on the other hand, there has been a diversification of the instruments of development financing funded by official sources, beyond ODA (Alonso, 2016b).

In contrast with repeated reassurances, most donors still fail to meet their commitments in relation to aid. In 2016, only six countries met the requirement to dedicate 0.7% of GNI to international aid: Denmark, Germany, Luxembourg, Norway, Sweden, and the United Kingdom. The DAC average was below half that target: around 0.32%. Furthermore, only seven countries met the criterion to dedicate 0.15%-0.20% of their GDP to the LDCs: Denmark, Finland, Ireland, Luxembourg, Poland, Sweden, and the United Kingdom. The DAC average in this regard was barely 0.09%.

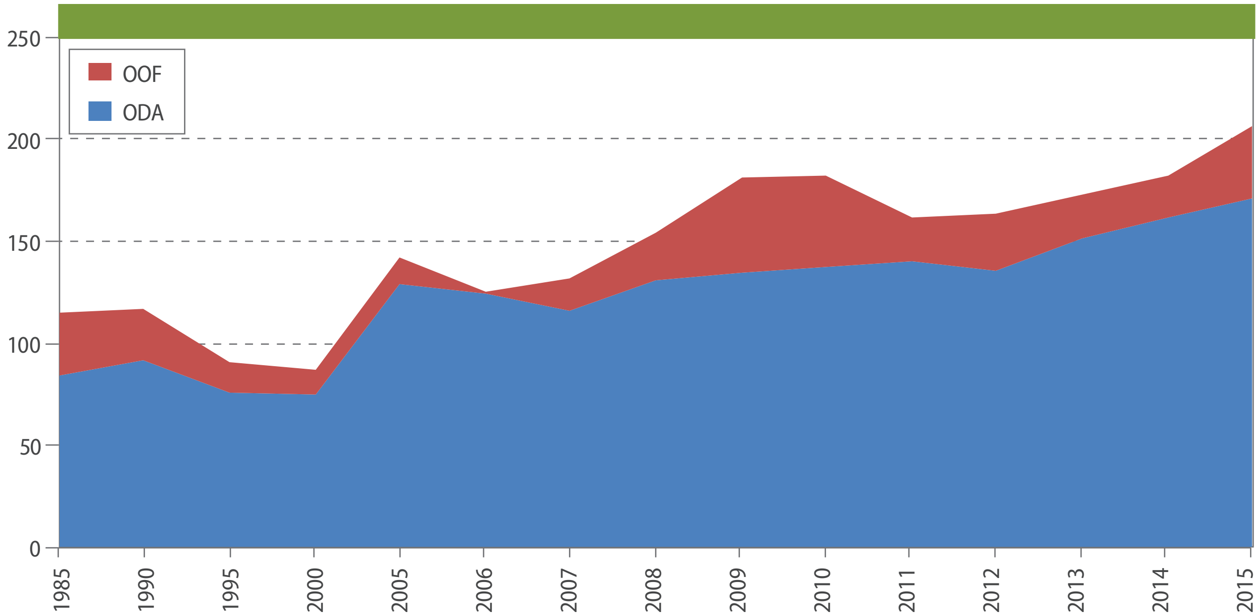
This double breach highlights a moral debt that donors have acquired with the developing countries. Specifically, meeting the 0.7% commitment would have meant mobilizing $312 billion in the form of ODA in 2015 ($181 billion more than was actually mobilized that year); and fulfilling the agreement on priority to LDCs would have mobilized $69 billion in ODA to such countries ($32 billion above was actually mobilized in 2015). Besides that, a significant part of ODA does not get through developing countries, being consumed in donor countries: this

Figure 2
Financing flows to developing countries (million dollars)



Source: World Bank.

Figure 3
Evolution of ODA and Other Official Flows (billion dollars)



Source: DAC (OECD).

part has significantly increased as a consequence of the current refugee crisis.

It is worth asking whether the limited growth in ODA might be complemented by the more expansive tendencies of other official resources provided by traditional donors. However, data do not confirm this possibility: even where resources are poorly reported and registered, the so-called "other official flows" follow the same basic tendency as ODA (Figure 3).

More dynamism is shown by the contribution to official funds by new providers outside the DAC. Data are clearly incomplete, as many countries do not report development cooperation figures, while others use criteria for reporting that are not easily standardized. If we consider only those (20) countries that report to the DAC and those (10) for which the DAC makes regular estimates, the total of ODA-like resources mobilized by non-DAC countries approached 19% of total ODA in 2014 ($31.7 billion mobilized by non-DAC countries, and $137 billion by traditional donors) (Table 1). It is interesting to highlight that, contrary to contributions from DAC members, contributions by non-OECD countries have shown a clear upward tendency, with resources doubling between 2010 and 2015. As a consequence, the composition of aid flows is now more complex than ever before (Figure 4).

It is also worth noting that these data clearly underestimate the contribution of the new providers, referring only to those flows equivalent to ODA. As mentioned, many emerging donors use a broad set of instruments to engage with developing countries, including instruments that are clearly beyond the DAC definition of ODA. The limited transparency on such contributions makes it difficult to arrive at a figure that reflects all the resources mobilized for so many mechanisms and sources. However, the OECD offered a provisional figure when presenting a first estimate of the order of magnitude of TOSSD, using 2014 data: while official bilateral flows from DAC providers reached $109 billion, those from emerging market economies tripled that amount, climbing to $330 billion[10].

10 The OECD does not inform about the procedure followed in this estimate, which makes difficult to give an opinion about its accuracy.

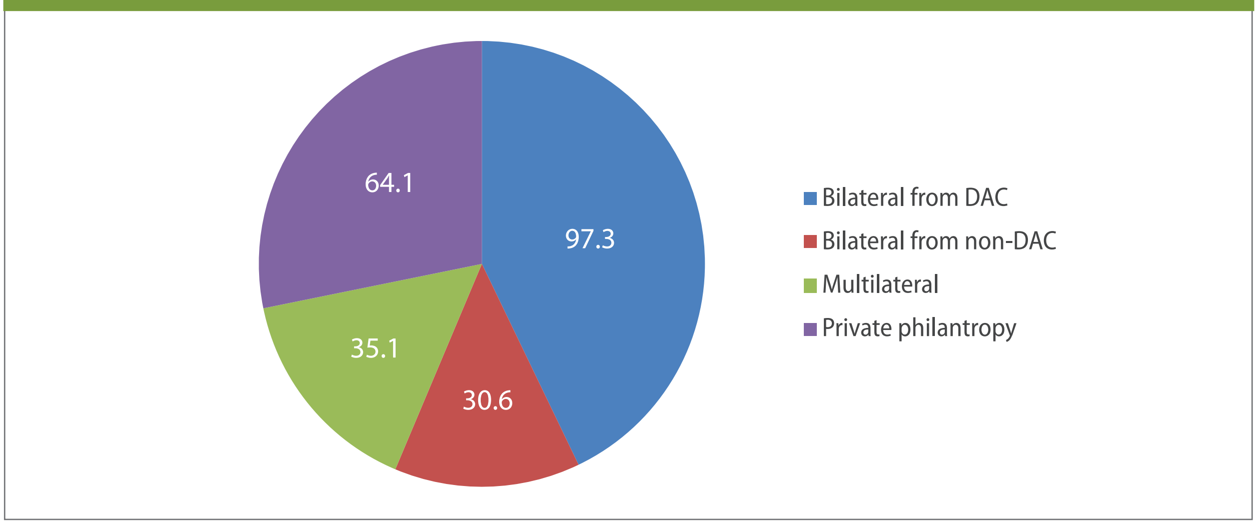
Table 1

Estimated global development co-operation flows, 2011-15, net disbursements, current prices

	2011	2012	2013	2014	2015	2015 (% of total)
ODA from 28 DAC countries	135.0	126.9	134.7	137.4	131.4	84.2%
ODA from 20 reporting countries beyond the DAC	8.9	6.2	16.4	24.7	17.7	11.3%
Estimated development co-operation flows from ten non-reporting countries beyond the DAC	5.2	5.6	6.8	7	6.9	4.4%
Subtotal flows from non-DAC providers	14.1	11.8	23.2	31.7	24.6	15.8%
Estimated global total	**149.1**	**138.7**	**157.9**	**169.1**	**156.0**	**100%**

Figure 4

The new composition of development cooperation (billion dollars)



Source: Author's elaboration based on Hudson Institute and the DAC (OECD).

In sum, in spite of deficiencies in transparency and reporting, data confirm that: i) the development financing landscape has changed significantly in recent decades with the emergence of the private sector and new providers; and ii) ODA still represents an important component of flows received by developing countries. Additionally, more official resources will need to be mobilized if many of the SDGs are to be fulfilled, as these goals remit to public purposes that should be funded mainly with official means. Therefore, if development cooperation is to play a more active and significant role in supporting Agenda 2030, ODA will need to grow much more dynamically. The OECD donor forecasts, however, give no grounds for optimism, suggesting stagnation (or even contraction) of aid figures for the next few years. A pesimit forecast that is reinforced for the existence in many countries of a backdrop of growing populism, inward-looking policies and scepticism about the advantages of international cooperation and multilateralism. In the opposite sense, we should emphasize that, because the world is more complex, interdependent and unpredictable than before, more international cooperation is needed now and in the next future. In fact, achieving the goals the 2030 Agenda proclaims will require a variety of actors and countries working in concert, which means that the complementary contributions of other development cooperation providers (different from radiotional donors) will be absolutely needed".

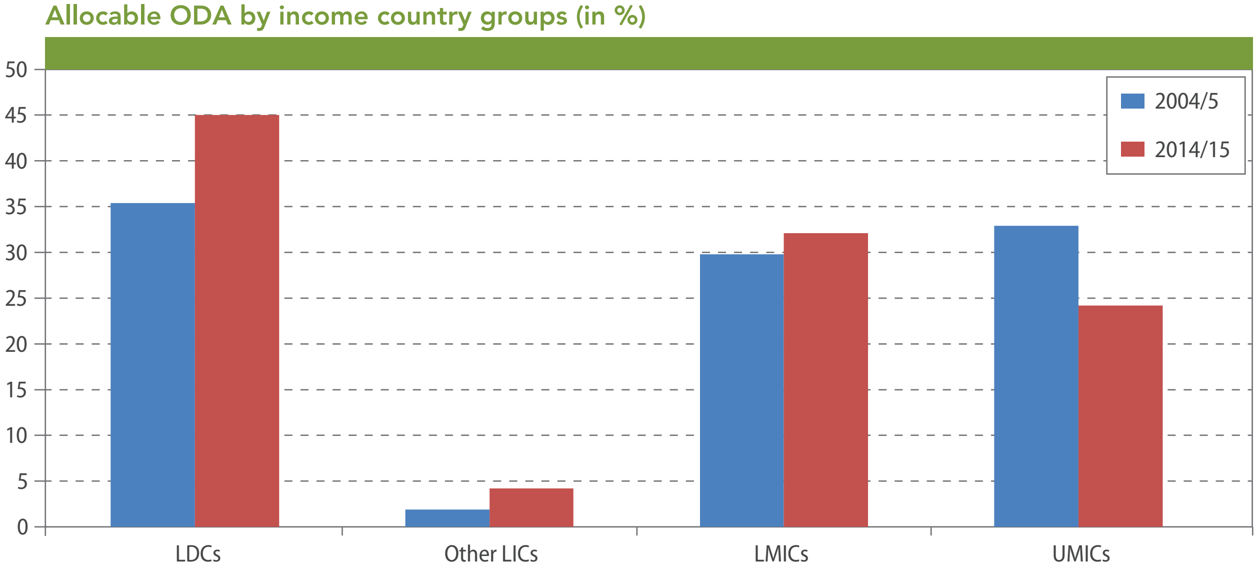
Allocation of resources

Alongside the amount of the resources mobilized, another relevant aspect is the way in which official resources are distributed among countries. The empirical literature confirms two general features. Firstly, despite the convergence of donor cooperation policies encouraged by the DAC, there is clear diversity in donors´ aid allocation models: something that had been underlined by McGillivray (1989) thirty years ago. It is nonetheless possible to identify certain 'patterns' shared by groups of countries (van der Veen, 2011; Neumayer, 2003). Secondly, there is a mix of factors in explaining the allocation criteria followed by donors, some of which are related to the needs of recipient countries (levels of shortage and poverty), or to donors' interests (economic, political, or strategic), while others are associated with elements of identity between countries (past colonial ties, a shared language) or with shared goals (international public goods). What varies is the importance given to the combination of these factors in donors' policies. Nevertheless, as empirical studies unequivocally show, donors' interests seem to have a strong presence in the process of aid allocation (Alesina and Dollar, 2000; Berthelemy, 2006).

The data confirm this. Aggregate data show that ODA is divided almost equally between that given to low-income countries (LDCs and LICs) and that given to middle-income countries (LMICs and UMICs). During the past decade, there has been some improvement in this distributive pattern, and aid aimed at LDCs has grown, fundamentally at the expense of the UMICs (Figure 5).

The picture is slightly improved if ODA is compared to domestic variables of the recipient countries. In this case the relative share of aid is higher for the lowest income level countries (Table 2). The ratios are equally higher than average where countries face

Figure 5
Allocable ODA by income country groups (in %)



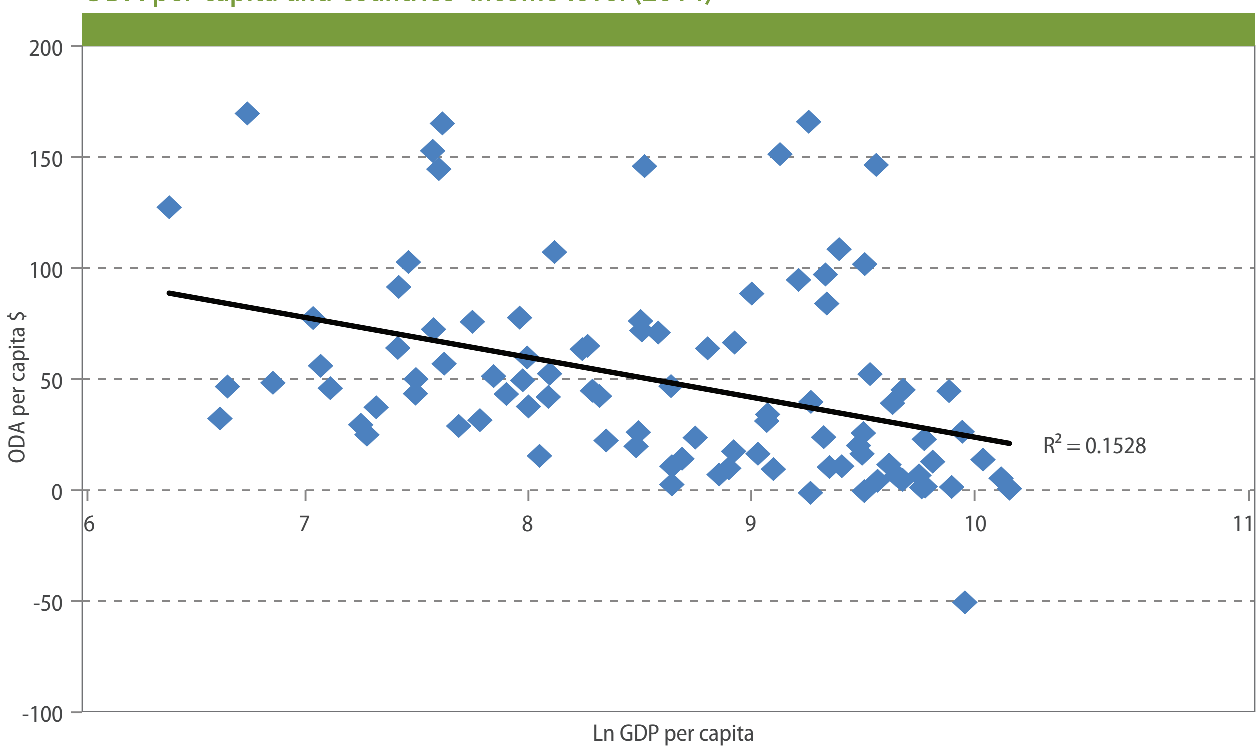
Source: DAC (OECD).

Table 2
ODA over recipient countries´ variables

	ODA/GNI %		ODA per capita		ODA over gross capital formation %		ODA over import of goods and services %	
	2004/05	2014/15	2004/05	2014/15	2004/05	2014/15	2004/05	2014/15
Income groups								
UMICs	0.35	0.08	10.18	6.40	1.21	0.22	1.10	0.29
LMICs	1.44	0.82	11.56	16.75	5.14	3.03	4.21	2.62
LICs	13.67	8.74	40.11	54.59	65.07	31.07	33.96	20.31
Countries in need								
LDCs	9.0	4.8	34.5	46.0	39.2	18.6	23.9	12.8
HIPC	12.3	6.1	49.2	53.0	51.4	22.8	30.2	15.2
Fragile and conflicto	9.6	4.2	68.7	67.5	60.6	16.5		10.5

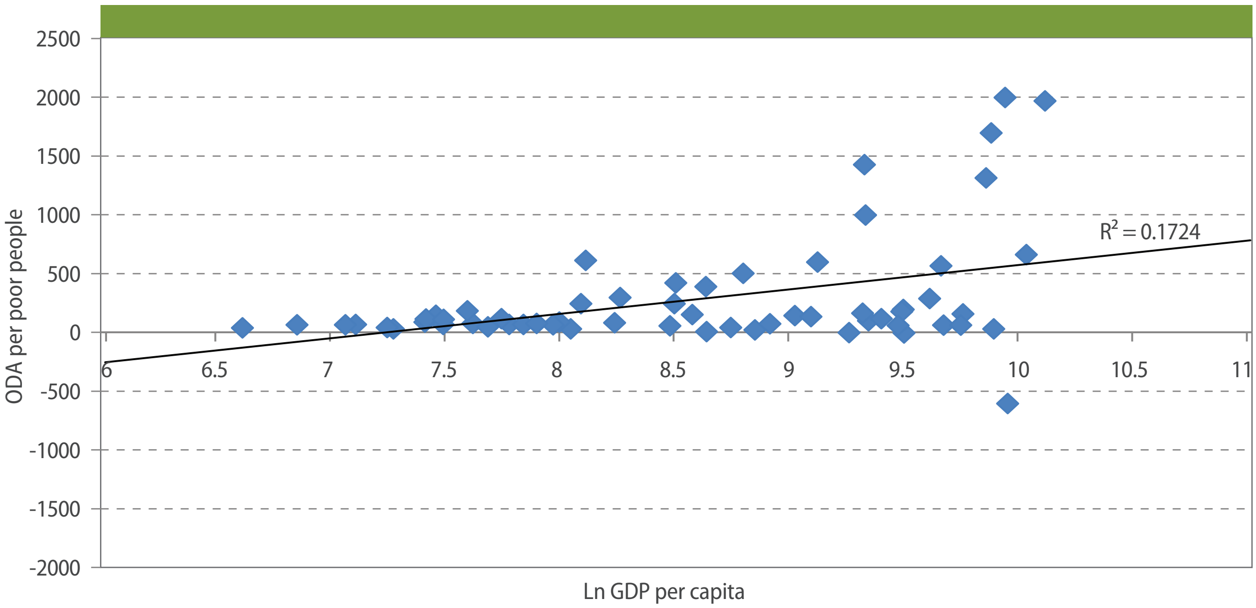
Source: Author´s elaboration on data from DAC and World Bank.

Figure 6
ODA per capita and countries´ income level (2014)



Source: World Bank. Countries with population under 2 million people excluded.

Figure 7
ODA per poor people and countries´ level of income (2014)



Source: World Bank. Countries with population under 2 million people have been excluded. Additionally, Ukraina , Serbia, Moldova and Central Africa have been excluded.

particular development difficulties, as is the cases of HIPCs, fragile states, small states, or LDCs.

Nevertheless, these results are the total outcome of a highly decentralised system in which donor countries set their priorities with notable freedom and, frequently, in ways that are inconsistent with the goals that aid is supposed to pursue. This can be more clearly seen when the data is disaggregated. For example, when per capita ODA is compared to the developmental level of the recipient countries, the result confirms the negative relationship we would expect (more aid per capita the lower the income), but the levels of dispersal are very notable, revealing inconsistent donor behaviour (Figure 6).

Looking at the volume of poverty in the recipient country yields even more contradictory results. Specifically, if we compare aid received per person below the poverty threshold ($3.1 of spending per day) with the developmental level of the country, the trend revealed contradicts expectation: countries with greater developmental levels receive more aid per poor person (Figure 7).

While not exhaustive, the data offered is sufficient to express: i) a high dispersal in donor models of aid allocation; and ii) the limited role that redistributive purposes play in these models. Both aspects should be corrected. Donors should revise their allocation models, setting out criteria based on the severity of countries' shortages and structural obstacles.

4 Some dilemmas on resources allocation

Quantity vs. quality

As mentioned above, in the past two decades, the development cooperation system has been transformed by the presence of new actors, instruments, and fields of work. While the widening of development cooperation may be in keeping with the content of the SDGs, it remains unclear whether that process serves the principle of "leaving no one behind", the inspiration for the agenda.

In a context of severe restrictions on public expenditures, traditional donors seek to define a new framework (wider than ODA) in which other, non-concessional official funds are counted, as well as private resources mobilized with public support. That is the rationale for the concept of TOSSD (see Box 1). In this new framework, the engagement of the private sector, through blended finance, public-private partnerships, or other market-like instruments, becomes crucial. This explains the donors´ insistence on using ODA as a mechanism for the mobilization and leveraging of resources from the private sector.

Given the ambitious nature of the 2030 Agenda, it is clearly desirable to direct as many resources as possible to support the SDGs, including those coming from the private sector. Additionally, the private sector can contribute to sustainable development not only via financial resources, but with technological and managerial capacity. The need to engage this sector more actively in development initiatives is undeniable. However, transforming this purpose in the main criterion for allocating ODA would be undesirable, due to the perverse distributive effect that might result, eroding the quality of resources channelled to developing countries.

Indeed, if mobilization of private resources becomes the main orientation of development cooperation, it is likely that donors could enlarge their reported figures on financing for development within the new OECD framework, but at the cost of reducing the focus on those countries and social sectors most in need. If international official funds are oriented to support the rights of the very poorest, it is unlikely that this orientation may offer much prospects of short-term commercial returns. Therefore, it will be difficult to achieve the alignment between public and private priorities on which blending instruments rely.

One of the main added values of official funds is that they can be oriented to investments with higher social returns, even if their private returns are low. This added value could be lost if ODA is conceived as a mechanism for private resources mobilisation. In sum, if development cooperation is to maintain its redistributive purpose, marginalized and excluded sectors will need to be placed at the highest level of priority, something that public funds can do, but that private resources do not necessarily pursue.

Poor people vs. poor countries

In order to approach that goal, two additional debates should be clarified. The first emerges as a consequence of the new geographical patterns of global poverty that have dissociated two terms that were traditionally linked: "poor countries" and "poor people". In the past, the terms were in basic agreement: the bulk of the poor population lived in countries that were likewise considered poor. Today, however, about two thirds of the poor population (defined under World Bank criteria) live in MICs; and this is likely to remain the case in the coming decade (Sumner, 2017). Bearing this transformation in mind, it is essential to ask whether development cooperation should be targeted at poor populations, wherever they live, or whether it should be targeted at countries suffering severe structural shortages – even if their poor populations are limited in absolute terms.

This debate echoes discussions among ethicists around the way in which national criteria for justice might be translated to the international arena. Two contrasting positions can be found here: those who argue that the responsibility of building a fair and equitable human society goes beyond national borders, and is independent of the segregation imposed by differentiated political communities (Singer, 2003; Pogge, 2002; among others); and those who argue that the political community formed around national States carries a special (and primary) responsibility for the condition of their citizens, including the determination of distributive patterns (Rawls, 1999; Sandel, 2009; among others).

This same debate has extended to specialists in the field of international aid. Some suggest the primacy of human rights makes it obligatory for aid to be targeted at poor people, wherever they live (Kanbur and Sumner, 2012), and such an approach would necessarily lead to the revision of aid allocation models and the strengthening of the aid targeted at MICs with large poor populations. Other specialists, however, insist that the purpose of aid is to support (and not to substitute) particular countries' efforts to overcome barriers to development, and that international support should take into account national capacities for facing development obstacles. From this perspective, development cooperation resources should be targeted mainly at those countries most in need; that is, those countries with greater limitations or constraints to tackling their own development challenges (Alonso *et al*., 2016).

For example, in the case of fighting poverty, limitation can be determined by the fiscal capacity for funding redistributive and social policies. In order to obtain a notional measurement of this variable, we might estimate the transfer of income that the fifth quintile (the richest) would have to commit to in order for all people living in poverty to be raised above the poverty line. As fiscal efforts usually rest on this fifth quintile, that ratio could be understood as a notional approach to the redistributive effort required for eliminating poverty (the ratio being dependent on the national GDP per capita, the level of inequality, the percentage of persons living in poverty, and the poverty gap). Estimates confirm that, to a large extent, LICs need to exert a greater effort in order to eliminate poverty than do MICs (see Figure 8). Therefore, as long as international aid aims to attend countries and social sectors in greater need, resources should be focused mainly on LICs (including LDCs), even if development cooperation with MICs should be maintained (Alonso *et al*., 2016).

In sum, national capacities and resources must be taken into account in the process of allocating resources and international support. That position seems in accordance with the content of the 2030 Agenda, since the primacy of countries' responsibility for their own development is acknowledged in different parts of the UN Declaration *Transforming our world: the 2030 Agenda for Sustainable Development*[11].

11 See https://sustainabledevelopment.un.org/post2015/transformingourworld

This approach tries to combine national self-determination in terms of defining redistributive policies within the country with international support for correcting structural asymmetries among countries. Adopting fiscal federalism as inspiration, this approach would assume that national governments rather than donors are principal responsible for vertical equity within their borders. At the same time, international official transfers would pursue to enhance fiscal equity at global level. In accordance, the objective of these transfers would be to enable national governments to provide comparable levels of public services at comparable tax rates, leaving them discretion to implement redistribution policies within their jurisdictions (Boadway, 2003).

Although this is a reasonable criterion, two remarks should be underlined. Firstly, the fact that a country may have greater capabilities for tackling its own poverty is no guarantee that sufficient resources will be effectively directed toward that goal. The international community has a role to play in encouraging countries to make social inclusiveness a public priority. Moreover, the international community has a subsidiary responsibility to meet the needs of the poorest populations in cases where States are not assuming their responsibility.

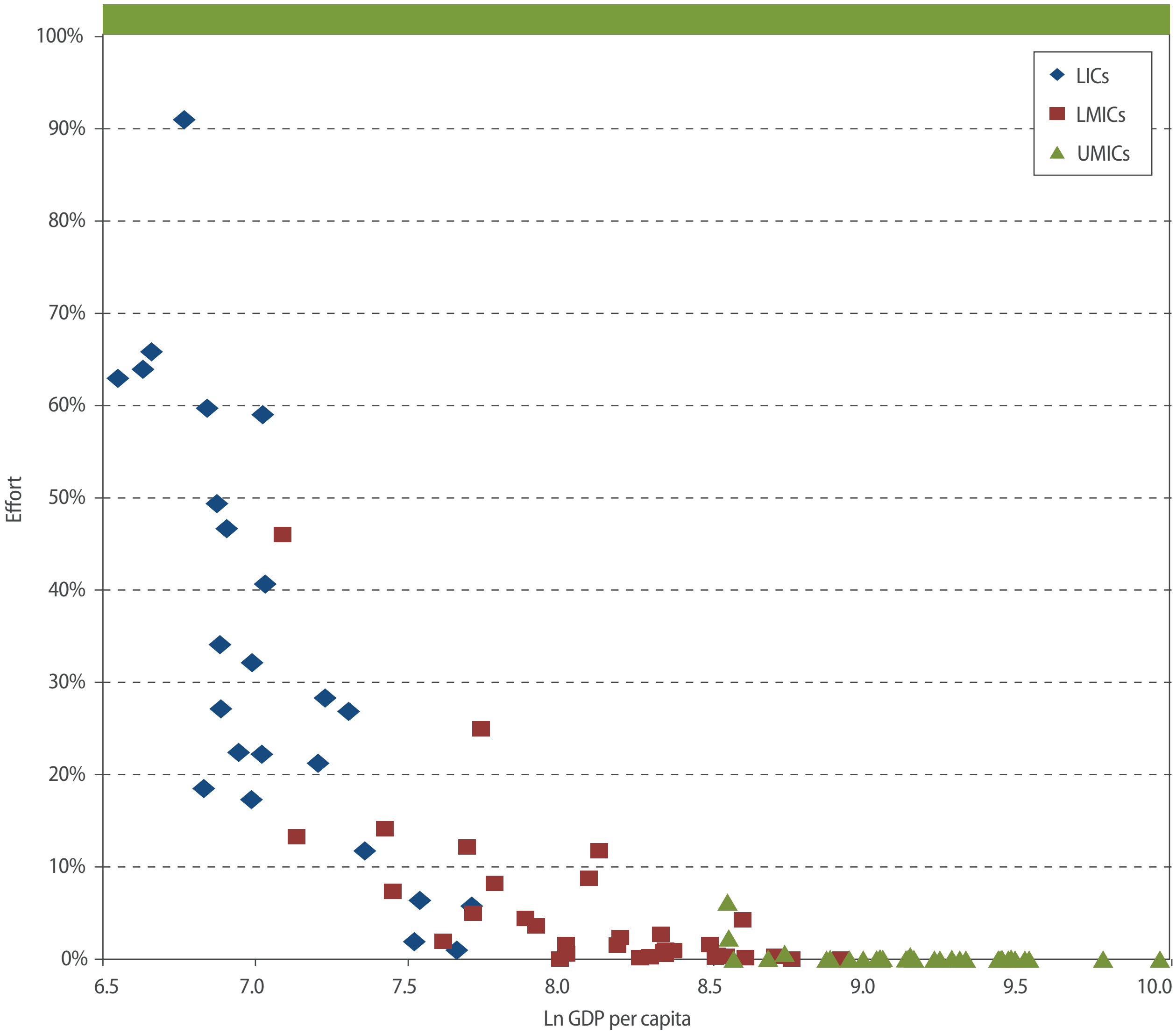
Secondly, if the principle of "leaving no one behind" is to be applied, donors should go beyond national averages, and use variables and indicators with information disaggregated by groups and regions. The level of information about subnational distribution of ODA is scarce, but some studies show that correlation does not always exist between resources received and the level of poverty of the region (Desai and Greenhill, 2017). Therefore, development cooperation providers should work more intensively to ensure a better distribution of resources, in line with needs of groups and regions across the country.

Efficiency vs. equity

An additional problem to solve is whether the international community is capable of setting up an optimal allocation model for aid based on shared criteria in the fight against poverty and exclusion.

Figure 8

Fiscal transfer from the fifth quintile's income required for eliminating poverty (2 dollars poverty line)



Source: Alonso (2016).

Differing positions exist on this question as well. Some argue that the allocation criteria should reflect the distribution of resources to maximise poverty reduction (Collier and Dollar, 2004). This argument (based on a utilitarian view) comes up against limited knowledge around the factors explaining poverty reduction, and the role that aid plays in those factors. Others argue, in contrast, for the creation of a model based on criteria of justice (rather than efficiency), with the aim of guaranteeing maximum equality of development opportunities between countries (Llavador and Roemer, 2001). Neither of these two options has led to convincing results; the utilitarian approach would deny aid to many countries that deserve it under other reasonable criteria, while the equal-opportunities approach, though more egalitarian, may lead to debatable results when implemented.

The creation of a universal allocation model faces a double problem: i) firstly, the diversity of goals that the resources aim to tackle, given the wide range of the developmental agenda; and ii) secondly, the limited knowledge available on the causal relationships underlying achievements in development. Given these difficulties, instead of searching for an optimal distributive model, it would seem more reasonable to define and agree, based on critical analysis and collective debate, on certain standards and norms among countries regarding the allocation of resources, in order to guarantee a better balance among the many goals that development cooperation pursues. One of those standards would be that of dedicating between 0.15% and 0.20% of GDP to aid targeted at LDCs. It is important for standards like this to be thoroughly discussed and collectively adopted in order to guarantee their effective application.

Social sectors vs. productive sectors

A final dilemma is related to the content of international aid. Here, too, changes have been visible during the period considered. In the 1980s and early 1990s, aid was directed fundamentally toward macroeconomic purposes, as a means of supporting structural adjustment plans agreed upon with the IMF and the World Bank. After the Millennium Declaration, more aid was directed at fighting poverty and at social sectors related to health and education, at the expense of supporting productive sectors. Finally, over the past decade, an attempt has been to correct aid distribution, in order to strike a better balance between the social and productive elements of development.

Once again, the weight that should be given to the different dimensions of development in the allocation of aid is debatable. Those who defend the primacy of social dimensions do so believing that these are more directly connected to the needs of the poorest sectors of society. By contrast, those who defend a readjustment in favour of productive and economic dimensions argue that such a route can generate employment and income opportunities for the poorest sectors, as a way to achieve sustainable achievements in social policy over time. Resolving this debate is difficult, because the share attributed to each of these dimensions depends on the specific conditions of each given country. Therefore, the most appropriate approach may be for development financing to serve the priorities of the recipient countries themselves in every case. The development of programmatic aid (such as budget support) and its subordination to the national development strategies of the recipients (as suggested by the Paris Agenda) may be the best ways to direct the content of aid.

This recommendation should be accompanied by two others, which are equally relevant. The first is the need to adapt both financial and non-financial instruments to the concrete areas where development cooperation intends to act. One basic task in the design of cooperation should entail selecting the instruments most suitable for each case. In this sense, the widening of the perimeter of development cooperation increases the number of available options. The second recommendation is that in each of the areas in which aid operates, it should strive to compensate for any distributive asymmetries, addressing above all those sectors and social groups that suffer from exclusion and marginalization. This is part of the very essence of aid and should not be lost during a period of "creative destruction" in the cooperation system (Kharas and Roggerson, 2012).

5 Concluding remarks

The development cooperation system is undergoing a dramatic process of change. New actors are on stage, new instruments (beyond ODA) are being used, and the fields of work have been clearly widened. Along with these changes, new priorities, procedures, and narratives have emerged that diverge from those traditionally adopted by DAC members. The enlargement of the development cooperation system is in line with the ambitious and comprehensive 2030 Agenda. However, those changes also imply important challenges for the development cooperation system in terms of the increasing difficulty in the process of setting standards, in coordination, and in monitoring policies. Additionally, as the diversity of the actors engaged increases, so does the heterogeneity of interests and visions at play, thus opening the space for new conflicts. To avoid such pitfalls, it has become necessary to design an inclusive and legitimate structure for development cooperation governance. Given its exclusive membership, the DAC may not adequately fill this function.

Even in a widened system for development cooperation, ODA will remain an important component of development financing, particularly for those countries and sectors in greater need. However, in order to improve contributions in support of the 2030 Agenda, it is important that donors meet their commitments in terms of resources channelled as ODA, and that criteria for allocation be more consistent with the structural impediments to development that countries face. The purpose of reaching sectors that are marginalized, vulnerable, or impoverished should form a necessary part of these criteria. As a consequence, development cooperation providers should go beyond national averages, looking for the regions and social sectors more vulnerable.

Finally, the international community must settle certain dilemmas in defining priorities and allocating resources. In this regard, we would underline: i) the redistributive purpose, which should inspire the overall content of development cooperation policy; ii) the need for improved transparency by all actors, and the collective definition of standards through open and critical deliberation; and iii) the subsidiary character of international support in relation to decisions, efforts, and priorities defined by developing countries.

In spite of its limitations, development cooperation policy can significantly contribute to making the 2030 Agenda a reality, and to putting into practice the principle of "leaving no one behind". To achieve that, the development cooperation system must be reshaped: it needs to escape the domain of developed countries and become an inclusive framework for promoting collective action in favour of sustainable development strategies at the national and global levels.

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ANNEX

Differences between ODA and a more comprehensive Development Cooperation

	ODA	Development cooperation
Meta-foundations	Two principles: *Differentiation*: North and South are two very different realities *Convergence*: South (with support) can converge to the North conditions	New principles: *Complexity and interdependency* among countries Instead of convergence, both North and South have *to move towards a new* (and unknown) *sustainable and inclusive* model
Framework	A *hierarchical and unilateral* North-South relation	Building *collective and cooperative action* at international level, through more horizontal relationships among all countries and actors
Diagnostic	*Poverty trap*: mainly the financial poverty trap (two gaps model)	Many kinds of *market failures* (including failures of coordination) *Distributive asymmetries* (systematically reproduced by market forces) Problems related with *international public goods* (systemic interdependency)
Response	*Temporary*: Big Push up to put countries on self-sustained growth Based on: *Financial and technical transfers* (concessional in character)	*Permanent*: correcting asymmetries and market failures Based on: *Financial transfers and support* (concessional and non-concessional) *Sharing experiences and building innovative capacities* *Defining incentives and rules*
Economic realms	*Redistribution* at international level Allocation (overcoming market failures): in the origin, but progressively missing	*Redistribution* at international and national level *Allocation* (overcoming market failures) *Provision of international public goods*
Objectives	Fighting *extreme poverty* (mainly after the 90s)	Assuring *minimum social standards* for all people (national inequalities) Reducing *development gaps among countries* (international inequalities) *Providing international public goods* (governing the interdependencies)
Narrative	*Based on a moral duty of solidarity* (charity): developed countries contribute to solve problems that affect developing ones	Based on the principle of *common but differentiated benefits and responsibilities*: shared problems and solutions that benefit all of the involved countries (mutual interest)
Governance	*Centralized* process *Coordination and standard setting* by the DAC (OECD)	*Decentralized* process *Inclusive and representative* body??