

2024 LACRP MEETING ON DEVELOPMENT CO-OPERATION

Madrid, 10 July 2024

CONCEPT NOTE

The world is facing unprecedented global challenges that put hard won development gains at risk of being lost. Uneven economic growth, the rapidly worsening impact of climate change and conflicts and geopolitical tensions are fertile ground for rising poverty, inequality, insecurity, public debt, and, more generally, a widening trust deficit that undermines multilateralism and inclusive dialogue.

Within this context, and with the deadline for the 2030 Agenda and the Sustainable Development Goals (SDGs) fast approaching, international development co-operation must keep pace with growing demands and respond in coherent and impactful ways to the 'sustainable development crisis' (2024 FfD Forum).

The credibility and relevance of international development co-operation depends on this. Its ability to chart new pathways to support and catalyze sustainable transitions, respond to new shocks and threats, scale up financing, improve its allocation and use, and co-ordinate better and align to changing country priorities requires introspection – to rethink and renew approaches and practices – and a culture and mindset of humbleness, openness and willingness to exchange among providers and with partners to deliver in ways that support partner countries' and local actors' ambitions and priorities. This comes with tough choices and existential questions that go beyond development co-operation itself, for instance, around how to align development and climate agendas, mobilise private sector resources aligned with the SDGs and without exacerbating inequalities, reconcile development with foreign policy, trade and security interests, or coordinate among providers to reduce burden and have a collective impact larger than the sum of each individual provider's contribution.

This is also linked to calls for reform of the international financial architecture to promote democratic and inclusive governance, alongside ongoing MDB reforms, to bolster efforts to generate more and more effective financing for sustainable development while devising and testing new solutions to ensure sustainability of partner countries' economic development and debt levels.

Exploring these questions is essential at this decisive moment and as the international community prepares to forge new consensus on how to mobilise more resources for sustainable development and what impactful development co-operation looks like at the Fourth International Conference on Financing for Development hosted by Spain in 2025, but also in the context of the Summit of the Future and the COP 29.

The 1st LACRP Meeting on Development Co-operation

Providers of development co-operation from Latin America and the Caribbean and members of the OECD Development Assistance Committee (OECD-DAC) have a long history of dialogue, partnership and mutual learning based on shared values and principles. Recognizing their respective challenges and stages of development, they are called upon to mobilize more resources – financial, technical, knowledge and others – and to amplify the impact of their development co-operation as providers, uphold their roles as reliable and trusted partners and advance shared goals in the pursuit of sustainable development and leaving no one behind.

The LAC Regional Programme Meeting on Development Co-operation offers a unique platform to align priorities, shape joint political priorities and establish joint, time-bound follow-up actions. This is paramount to reaffirm shared values, converge around established and tested practices, foster substantive collaboration and mutual learning and gain fresh perspectives on how to manage and implement policies, programmes and partnerships to better deliver and be fit to navigate evolving challenges and emerging needs. With this, it can contribute to a renewed spirit of global solidarity and multilateralism.

The Meeting will bring together senior-level officials of providers from LAC countries and DAC members, as well as representatives of multilateral and regional organizations and development banks to share knowledge, experiences and practices among providers. It aims to harness the collective strength of all these participants, which lies in the complementarity of their experiences and approaches - guided by their own histories, mandates and self-understandings of what their development co-operation can and should achieve. As the 1st Meeting under the aegis of the OECD's LAC Regional Programme, it will also benefit from synergies with it,¹ bring

¹ LACRP priorities for 2023-25 are: social inclusion, governance, environmental sustainability and productivity.

messages to the upcoming LACRP Ministerial Summit on Social Inclusion in Colombia (22 October 2024),² and build on lessons learned from previous LAC-DAC Dialogues.

The ambition of this 1st LAC Regional Programme Meeting is to identify solutions and agree on follow up actions that can contribute to:

- Supporting providers to prepare and reform their systems to make them fit for purpose to enhance actions at the quality, speed, scale and coherence required to deliver on the SDGs, responding to shocks and directly contributing to where needed most.
- Scaling up the increasingly diverse resources for sustainable development, improving and innovating allocation and use, and aligning them to priorities to minimize partners' burden and yield lasting impact.
- Building lasting capacities and skills in provider agencies and partner countries.
- Broadening the knowledge base to respond to urgencies and local priorities and
- Identifying good practices that respond to risks and avoid negative effects of policy actions to maximise development impact, notably for vulnerable populations.

The Meeting will feature three interrelated sessions:

- Financing for Sustainable Development in a Changing Context: Joining Forces ahead of the 4th International FFD Conference (FFD-4)
- LAC Providers in Transition in a Changing Global Context
- New Pathways to Leverage Development Co-operation: How to Promote Social Inclusion in Partner Countries amid New Headwinds?

Each session will be introduced by speakers with specific knowledge on the topic at hand from the LAC region, the DAC or international organizations. Their interventions and short discussion, similar to a 'kick-off panel', will be followed by contributions from, and Q&A with participants, drawing on their own experience and expertise. Each delegation will have one seat at the table, with additional seats available in the meeting room. To promote a dynamic discussion, participants are requested to keep any intervention to 3 minutes.

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² <https://www.oecd-events.org/lac-social-inclusion/en>

Session 1: Financing for Sustainable Development in a Changing Context: Joining Forces ahead of the 4th International FFD Conference (FFD-4)

Why the topic?

- To develop a deeper common understanding of the shared priorities in development finance and identify strategic opportunities to collaboratively pursue in lead up to FfD-4.
- To share insights and experiences in mobilising additional development financing from private investors and discuss how to improve the use of available tools
- To identify proposals for collaboration of LAC and DAC providers.

What is important to know for this session?

Progress towards the 2030 Agenda and the SDGs has stalled or is backtracking. Poverty, inequalities - within and across countries -, and vulnerabilities are on the rise. Extreme poverty rose for the first time in twenty years in 2020, resulting in a loss of three years' progress, and leaving 724 million people living in extreme poverty. If current trajectories continue, this number is expected to remain above 575 million by 2030. Additionally, 1.1 billion people still endure multidimensional poverty, with 4 billion people lacking adequate social protection. Global inequalities between countries have surged, particularly affecting women and girls. The recurrent crises threaten the livelihoods of millions, especially of those most marginalized, and many low- and middle-income countries grapple with mounting debt and instability.

SDG financing remains below expectation, with access to new sources of finance constricted in many contexts. The annual SDG financing gap for developing countries surged by 56% in 2020, reaching at least USD 3.9 trillion,³ a sharp increase since 2015. Projections by UNCTAD/IMF suggest that the SDG financing gap could have reached USD 4.3 trillion p.a. from 2020-2025, an increase of USD 400 billion over OECD estimates in 2019-20. Shortfalls in investments persist across various sectors.⁴ Access to affordable finance has been hampered by elevated cost of capital, exacerbated by the impacts of the COVID-19 crisis and geopolitical tensions. Projections for global economic growth, cost of capital and its implications for debt servicing, as well as foreign direct investments also remain bleak, so that this situation is unlikely to change in the near future.

International development co-operation is a powerful driver but faces an unprecedented stress test. While it has grown considerably in volume, knowledge and ambition since Monterrey in 2002, the principal actors in development co-operation, including bilateral partners and international and regional financial institutions are faced with unprecedented needs and multiple, concurrent challenges. This has two dimensions:

The volume of financing and the magnitude of all types of development co-operation is growing, but not enough: While Official Development Assistance (ODA) has reached a new high (USD 223.7 billion in 2023) for the fifth year in a row, and, according to Total Official Support for Sustainable Development, USD 441 billion is mobilized annually for sustainable development investment, only USD 62 billion of this are derived from private funds. Allocating more ODA to LDCs while using it to catalyse other flows and create enabling environments, and responding to the urgent needs of different partners while addressing global challenges at the same time with ODA are some of its challenges. South-South Co-operation, with its long history, has considerably expanded its scope, diversified and innovated its modalities and approaches, and connected its ambitions with many policy areas relevant for sustainable development. Triangular co-operation remains a vital modality to amplify the ambitions of all engaged providers for sustainable development, including LAC Providers and DAC members, in particular where needed the most. Non-financial development co-operation, including technical assistance, knowledge sharing and policy dialogue, remains an important dimension to deliver results. All this holds significant potential in unlocking and catalyzing other sources of finance, while building long-term relationships, capacity and relevant pools of skills.

Providers have generated unique insights and lessons in how to better deliver and align to partners' priorities. Quality, effectiveness and impact are paramount to foster long-lasting results and rebuild trust. All providers have an interest in strengthening their systems, instruments and partnership approaches by shoring up existing institutional capabilities to be influential and deliver at country level. This spirit is enshrined in the Addis Ababa Action Agenda and underscores the importance of development effectiveness, including country ownership, alignment to national priorities, results, inclusive partnerships, and collective accountability. Renewed

³ OECD Global Outlook on Financing for Sustainable Development 2023

⁴ For instance, partner countries require approximately USD 1.7 trillion annually for renewable energy investments, but only attracted USD 544 billion in clean energy FDI in 2022 (UNCTAD 2023 World Investment Report)

engagement in dialogue with local partners is crucial to navigate changing dynamics and understand the challenges and trade-offs they are facing. The evidence from the 2023-26 GPEDC monitoring and its follow-up dialogues will generate a wealth of data and perspectives that enrich this debate.

The road to FfD-4 is an historic opportunity to reform financing for sustainable development and rally behind the dual imperative of delivering more and better development co-operation. LAC Providers and DAC members share a vested interest in aligning their ambitions for FfD-4 and instilling a sense of urgency to mobilise, scale up and align all resources to close the SDG financing gap and better deliver amidst rising demands and needs. As world leaders prepare for the Fourth International Conference on Financing for Development hosted by Spain in 2025, LAC Providers and DAC members are called upon to deliver on their respective commitments made in the past, influence the reform of the international financial architecture and respond to diverse pressures with renewed energy at times of geopolitical tensions, conference fatigue and during a year of elections. Their contributions to the FfD-4 agreement including on how to drive impact at country level and policy change is vital, especially in the wake of successive global crises which have fundamentally changed the requirements for all types of development co-operation.

Guiding questions for the discussion:

1. In preparing for FfD-4, what insights can LAC Providers and DAC members draw from each other's lessons to scale up and improve the use of all types of development co-operation to address urgent needs since 2015?
2. What political priorities, narratives and concepts do they wish to promote together, with a view to leveraging finance, promoting quality, impact and effectiveness, and providing technical assistance, technology and capacity building support in ways that facilitate fair and equitable transitions in partner countries?
3. What are practical steps LAC Providers and DAC members wish to take in these and other areas together to learn from each other and improve their own systems and offers to partner countries?

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Session 2: LAC Providers in Transition in a Changing Global Context

Why the topic?

- To share knowledge on the strengths and opportunities related to applying diverse modalities and approaches in pursuit of advancing societal and economic transitions in partner countries, including triangular co-operation, South-South co-operation, cross-government innovation and emerging technologies.
- To identify practical steps to address the dual challenge facing LAC providers in advancing their own development and green transitions while maintaining their role as providers of development co-operation and in advancing effective development co-operation.
- To highlight examples and new opportunities for collaboration across sectors among LAC providers and DAC members to ensure LAC countries can benefit from their dual role as recipient and providers of development co-operation.
- To exchange on how to transition to more equitable and locally accountable co-operation with local actors in partner countries through North-South, South-South and triangular co-operation.

What is important to know for this session?

Countries face a wide spectrum of challenges and opportunities on their paths to sustainable development.

As the world is still recovering from the COVID-19 pandemic, and countries and regions are faced by compounding crises and interconnected complex challenges, including related to climate and biodiversity which pose existential risks for humanity, the development sector requires institutions that are fitted to respond to the big tasks of our times and help advance the required deep transformations and net-zero transitions needed. Diverse forms of innovation are needed for this to develop context-fit technologies, design better policies, business models and services, test and scale up what works and gain an understanding of emerging threats and opportunities, particularly those related to emerging technologies, including AI, and its impact on workforce and inequality.

This puts pressure on the co-operation systems of DAC Members and LAC Providers to deliver better results.

LAC providers and DAC members face similar challenges as many of the solutions and pathways to advance societal and economic transitions that are inclusive and equitable are not yet known. New opportunities often come with new risks for development co-operation to respond better and help advance complex transitions, and questions about how and with whom to partner, in particular when under pressure domestically. This speaks to providers' risk appetite and their ability to be agile and allow for experimentation, while partnering with different players, building on their respective strengths and driving whole-of-government and whole-of-society approaches. This raises questions about how provider policies, practices and partnerships can be best prepared and tailored to respond within this context and amid growing needs.

The quality, effectiveness and impact of all types of development co-operation is more essential than ever in this context. While development co-operation by LAC providers and DAC members is guided by different histories, mandates and political commitments (cf. AAAAA and BAPA+40), both can learn a lot from each other and benefit from coordinating efforts to be more influential and trusted partners at country level. Regardless of the type of co-operation, LAC Providers and DAC Members agree on the ambition to deliver results in support of country plans and programmes, promote good governance and improve development effectiveness. LAC Providers and DAC Members face similar choices, for instance, to determine the right mix of financial and capacity building support – from public and private sources, technical co-operation, policy guidance, knowledge sharing etc. – and tensions, such as making the right selection of local partners, supporting their ownership, capacity and agency in accountability processes while using country systems and strengthening public sector capacity, especially in complex country contexts.

LAC providers and DAC members can learn from each other to strengthen their systems. There is potential to explore these questions together to learn from each other on how to be flexible and adaptive, understand and manage different forms of challenges including to stagnate in a fast-changing world, deliver with speed and through multi-stakeholder approaches, uphold global standards and ambitions, and harness core strengths and coordinate better. Further distilling a typology of challenges and sharing of related good and emerging practices can be beneficial to improve and reform their own systems, strategies and practices to advance the effectiveness of their development co-operation. LAC providers and DAC members can help increase a common understanding of how to improve development effectiveness in view of the different institutional set-ups, types and channels of co-operation and political ambitions of LAC providers and DAC members.

Providers of development co-operation will also benefit from overcoming old approaches to respond to new challenges. Traditional, dichotomous labels (north-south, rich-poor etc.) are outdated and must make room for each partner to bring their unique insights and build on their own development experiences to drive a ‘race to the top’ to deliver forcefully for those furthest behind, help end poverty and reduce inequalities. This applies to DAC members as much as to LAC Providers in their role as ‘dual’ (provider-recipient) countries. Letting go of established ways of working is one of the hardest challenges in the context of innovation for any provider, also as there are few opportunities to exchange on what was and should be decommissioned and replaced with new practices, as providers adapt to the ever-changing contexts and challenges.

Triangular co-operation among LAC countries and DAC members contributes to shaping joint development agendas, building trust, learning from different ways of doing development co-operation and delivering high impact results, forging inclusive partnerships and pooling additional resources. LAC-DAC triangular partnerships go beyond just complementing South-South and North-South co-operation – bringing diverse constituencies together, drawing on strengths of different instruments, sharing in the spirit of solidarity, and broadening the knowledge and resource base. In times of scarce resources, triangular co-operation can amplify, leverage and scale up finance and expertise. The success of triangular co-operation depends on a collective and co-ordinated commitment of all partners to learn and all partners to share. LAC countries and DAC members can build on their successful experiences and share their lessons learned and challenges with other regions and interested partners to unlock the full potential of triangular co-operation, significantly boosting progress towards the SDGs of the 2030 Agenda.

Partnerships with the private sector in development co-operation are an important priority that can be explored more together. Since 2015, much effort has gone into using development finance to attract additional resources by drawing commercial capital towards fostering sustainable development while offering financial returns to investors. This holds the potential to increase the pool of resources available to partner countries, supplementing their own investments and inflows to bridge their financing gaps, but only 6% of private finance mobilized by development finance interventions between 2012 and 2018 benefitted LDCs, primarily concentrated within revenue-generating sectors such as energy, banking and financial services.⁵ This raises pertinent questions regarding additionality, both in terms of mobilizing finance and delivering development outcomes. The OECD Blended Finance Principles⁶ and the Kampala Principles⁷ provide guidance to providers to use transparent blended finance programmes and improve partnerships with the private sector in partner countries., and LAC providers and DAC members can build on their growing expertise to mobilise private finance for sustainable development through their development co-operation to improve their development additionality.

Guiding questions for the discussion:

1. What capabilities have LAC providers and DAC members identified that are crucial to support partner countries in steering inclusive transitions, fighting poverty and inequality, advancing peace and security, and promoting climate action and resilience through development co-operation?
2. Which specific practices, instruments and modalities are particularly promising in rebuilding trust and maximizing the contributions, expertise and innovation potential of each partner? Under what circumstances do these strategies prove most effective?
3. What common obstacles hinder the establishment of stronger partnerships between LAC providers and DAC members, and how can these be addressed to scale up solutions in line with agreed standards of development co-operation?

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⁵ 2020 UNCDF-OECD *Blended Finance in the Least Developed Countries* (LDCs)

⁶ [Blended finance guidance & principles - OECD](#)

⁷ [Explained: The Kampala Principles & Development Co-operation with the Private Sector | Global Partnership for Effective Development Co-operation \(effectivecooperation.org\)](#)

Session 3: New Pathways to Leverage Development Co-operation: How to Promote Social Inclusion in Partner Countries amid New Headwinds?

Why the topic?

- To identify and address bottlenecks in development co-operation that hinder efforts to reduce inequalities, enhance social inclusion, promote gender equality, and provide quality education for all.
- Encourage DAC members and LAC providers to share specific good practices and insights from their experiences with North-South, South-South, and triangular co-operation modalities.
- Formulate concrete joint initiatives for collaboration between DAC members and LAC providers to promote social inclusion in partner countries and
- Demonstrate the importance of the OECD LAC Regional Programme and its annual Ministerial Summits for both DAC and LAC development co-operation agencies.

What is important to know for this session?

Accelerating social inclusion through development co-operation promotes inclusive and resilient societies. For DAC members and LAC providers, SDGs 1-5 and 10 are opportunities to promote social inclusion across partner countries and, with it, stability and prosperity. For instance, progress on SDGs 1 (No Poverty) and 2 (Zero Hunger) can benefit from innovative agricultural practices and social protection systems, while SDGs 3 (Good Health and Well-being) and 4 (Quality Education) can benefit from coordinated efforts to improve healthcare infrastructure, share medical research, and enhance educational exchange programs. SDG 5 (Gender Equality) also calls for joint initiatives to dismantle systemic barriers and promote women's economic empowerment across borders. SDG 10 (Reduced Inequalities) underscores the necessity of reducing disparities within and between countries through policies that foster inclusive growth.

Domestic efforts to make social protection systems more resilient should guide development co-operation. Both DAC members and LAC Providers have ample experience in supporting policy reform to respond to diverse pressures in the sphere of social inclusion and protection. This refers to issues such as expanding coverage, preparing for the ageing of their populations, and formalising the informal sector. They can leverage successful domestic examples to guide partner countries in their ambitions to make social protection systems more robust and inclusive, to foster sustainable development and social equity. For instance, Brazil's Bolsa Família program demonstrates the impact of conditional cash transfers in reducing poverty and promoting education and health. Similarly, Costa Rica's universal healthcare system showcases the benefits of investing in comprehensive health coverage. Development cooperation can harness diverse tools to facilitate knowledge transfer, technical assistance, and financial support to replicate and adapt such models to different contexts, enhance the capacity of partner countries to address demographic changes and economic vulnerabilities, and ultimately increase social spending on education, health and social insurance schemes and

International public and private resources to strengthen social inclusion are critical. Enhanced investment in the social sectors is crucial for building resilient societies, promoting inclusive economic growth, and ensuring that all citizens can access quality education, healthcare, and social protection. Cross-border investments in human development are essential to reduce poverty, social exclusion and inequality over the long run, especially at times when high levels of debt, slow growth and fiscal constraints determine realities at country level. Development co-operation providers have often invested in these policy areas through budget support, knowledge sharing or capacity building, but innovative financing solutions, concerted efforts to mobilise domestic resources and fiscal policies that prioritize social spending are critical to respond to growing needs. As private portfolio investments are often focused on economic infrastructure (increasingly climate-related) an important consideration is how DAC members and LAC Providers can consider human development and social inclusion as part of them.

Promoting gender equality and women's economic empowerment in partner countries drives social inclusion. LAC Providers and DAC members can share knowledge with each other on how to design, implement and monitor initiatives that advance women's rights and their economic empowerment as part of their development co-operation programs and policies, in line with partner countries' priorities. Many important policy aspects could be prioritised, based on countries' own experiences, for instance in the context of reducing women's unpaid care work. A range of tools are available to support progress, including the DAC Guidance and Recommendation on gender equality and the empowerment of all women and girls. LAC Providers can benefit from using these tools to enhance the capacity to support gender-inclusive projects, foster cross-border collaborations that prioritize women's issues, and track progress towards gender equality.

Deliberations of this session can inform the LACRP Ministerial Meeting in Bogotá in October. Created in 2016 to promote high-level, whole-of-government policy dialogue between OECD and LAC countries, the [OECD's LAC Regional Programme](#) intends to advance reforms across four policy priorities: increasing productivity, enhancing social inclusion, strengthening governance and ensuring environmental sustainability. Each year, the LACRP organises a Ministerial Summit in the region alternating these priorities. In 2024, the LACRP Ministerial meeting will focus on social inclusion, and will be hosted by Colombia in Bogota on 22 October 2024. In 2025, the LACRP Ministerial meeting will focus on Governance and will take place in Paraguay. Brazil's G20 presidency has also placed the fight against hunger, poverty and inequalities at the core of this year's process.

Guiding Questions:

- What bottlenecks exist in current development co-operation frameworks and financing mechanisms that impede efforts to reduce inequalities, promote social inclusion and gender equality, and how can these be addressed?
- How can DAC members and LAC providers leverage their experiences in North-South, South-South, and triangular co-operation to scale up their ambitions in these areas in line with partner countries' needs?
- What joint initiatives can DAC members and LAC providers undertake to advance social inclusion in partner countries and how can the OECD LAC Regional Programme and its Ministerial Summit in October support social inclusion of DAC and LAC development cooperation agencies?

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During the closing session, Co-chairs and participants will collectively discuss elements that could be taken forward as part of the summary and as a *call for action* based on the main needs and ideas discussed throughout the meeting.

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