

Official development assistance (ODA)

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Official development assistance (ODA) was first invented as a statistical concept in 1969 by the Development Assistance Committee of the Organization for Economic Cooperation and Development. It is regarded as the ‘gold standard’ of governmental foreign aid that promotes the economic development and welfare of developing countries and shapes the relations between developing and developed countries (Bracho et al. 2021: 1).

The international society started debating ODA as one of the core financial sources for achieving the Sustainable Development Goals (SDGs). SDG 10.b aims to encourage ODA and financial flows, including foreign direct investment, to states where the need is greatest. Notably, SDG 17.2 re-endorses developed countries’ commitment to achieving the target of 0.7% of gross national income for ODA (a UN resolution in 1970) (United Nations General Assembly 2015: 21, 26). Since then, the SDGs have become the backbone of ODA policy. The interlinkage between ODA and the SDGs has shown some positive effects. For instance, the contribution of climate-relevant ODA contributes to achieving multiple sustainability policy targets simultaneously, such as agriculture and water (Iacobuță et al. 2022).

Nevertheless, the current global volume of ODA is far behind in fulfilling developing countries’ needs to achieve the SDGs for several reasons. First, the number of eligible ODA providers is limited – that is, 32 members of the Development Assistance Committee of the Organisation for Economic Cooperation and Development. Second, even if all these countries were to satisfy their duty of paying 0.7% of their gross national income, it is insufficient to reach all the SDGs with 169 targets (Mawdsley 2021). The United Nations Conference on Trade and Development estimated that between 2023 and 2030, USD 5.4–7.6 trillion per year is needed to achieve all goals, which represents a personal cost of USD 1,179–1,383 per year. However, many donor countries often fail to reach the 0.7% threshold (United Nations 2023).

Against this backdrop, how to catalyze money to narrow the financial gap became a primary policy issue. It sheds light on multiple types of financing routes, such as philanthropy, remittances, foreign direct investment and South-South flows, in addition to traditional ODA – including both public and private, national and international financing. The debate now centres on ‘blended finance’, aiming at unlocking private finance by utilizing ODA to de-risk private capital flows (Organisation for Economic Cooperation and Development 2021).

The increasing role of private finance in modernizing ODA via blended finance has brought many concerns, such as the risks of ‘SDG washing’ (Biermann et al. 2022). First, ODA, closely integrated with private finance, could serve market interests through the SDG business model aligned with ‘neoliberal development’ (Mawdsley 2021: 54). Blended finance is likely to support projects benefiting private investors’ interest. Regarding climate change-related ODA, it tends to support more mitigation projects than the ones for adaptation, due to a lack of profitability (Iacobuță et al. 2022). Second, transparency is another controversial issue regarding what ODA information should be made public. ODA blended with private finance can worsen the transparency problem because of the private sector’s confidentiality obligation (Mawdsley 2021). Third, the privatization of ODA could weaken the norm of the 0.7% gross national income as donor countries’ national obligation.

In sum, the above-mentioned emerging challenges show a huge governance gap in the current ODA-SDG finance structure that doesn’t fulfil developing countries’ needs. The gap includes a risk of the emerging ‘blended finance’ approach wherein the private sector’s role increases, and their interests could be centred within ODA projects. It could weaken the legitimacy and accountability of the current ODA system. Building inclusive institutional settings reflecting the demands of the Global South would be significant to realizing just and transformative governance of the SDGs.

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Orchestration

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Orchestration has emerged as a prominent conceptual approach in the global governance literature, which foregrounds the importance of agency and actor dynamics in addressing complex global challenges. In essence, orchestration involves a principal actor with