

# Financing Development

**Dennis George**, General Secretary – Federation of Unions of South Africa

## Contents

Definition: Official Development Aid (ODA) ..... 2

ILO Global Jobs Pact ..... 2

Global Environment..... 2

Commitments and Partnerships ..... 3

Mobilizing international resources for development: foreign direct investment and other private flows ..... 3

International trade as an engine for development ..... 4

Increasing international financial and technical cooperation for development..... 4

External debt ..... 5

### **Definition: Official Development Aid (ODA)**

Flows of official financing administered with the promotion of the economic development and welfare of developing countries as the main objective, and which are concessional in character with a grant element of at least 25 percent (using a fixed 10 percent rate of discount). By convention, ODA flows comprise contributions of donor government agencies, at all levels, to developing countries (“bilateral ODA”) and to multilateral institutions. ODA receipts comprise disbursements by bilateral donors and multilateral institutions.

### **Introduction**

1. Mobilizing financial resources for development and the effective use of all those resources are central to the **global partnership for sustainable development**, including in support of the achievement of the **internationally agreed development goals**, including the Millennium Development Goals.
2. The effective **use of trade and investment opportunities** can help countries to **fight poverty and create decent work** locally and globally.
3. National development efforts need to be supported by an **enabling international economic environment**.

### **ILO Global Jobs Pact**

1. “Increasing investment in infrastructure, research and development, public services and “green” production and services as **important tools for creating jobs** and stimulating sustained economic activity”.

### **Global Environment**

We express our **deep concern** that the international community is now challenged by the severe impact on development of multiple, interrelated global crises and challenges, such as:

- a. **increased food insecurity,**
- b. **volatile energy and commodity prices,**
- c. **climate change and**
- d. **a global financial crisis,**

- e. **as well as the lack of results so far in the multilateral trade negotiations;**  
and
- f. **a loss of confidence in the international economic system.**

## **Commitments and Partnerships**

**All commitments to and by Africa should be effectively implemented** and given appropriate follow-up by the **international community and Africa** itself. We underscore the urgency of addressing the special needs of Africa based on a **partnership among equals**.

In the years following the Monterrey Conference, a number of developing countries have **made significant progress** in the implementation of development policies in key areas of their economic frameworks, often contributing to increased mobilization of domestic resources and higher levels of economic growth.

**Human development** remains a key priority, and human resources are the most precious and valuable asset that countries possess. The realization of full and productive employment and decent work for all is essential. We will continue to **invest in human capital through inclusive social policies**, inter alia, on **health and education**, in accordance with national strategies.

### **Mobilizing international resources for development: foreign direct investment and other private flows**

We recognize that private international capital flows, particularly **foreign direct investment**, are vital complements to national and international development efforts.

**Capital flight**, where it occurs, is a major hindrance to the mobilization of domestic resources for development.

We acknowledge the need to particularly assist those countries that have been at a particular disadvantage in attracting such flows, including a number of African countries,

least developed countries, landlocked developing countries, small island developing States and countries emerging from **conflict or recovering** from natural disasters.

Human resources, transport, energy, communications, information technology and other physical, environmental, institutional and social infrastructure

### **International trade as an engine for development**

We reaffirm that **international trade is an engine for development and sustained economic growth**. We also reaffirm that a universal, rules-based, open, non-discriminatory and equitable multilateral trading system, as well as meaningful trade liberalization, can substantially stimulate development worldwide, benefiting all countries at all stages of development. We are encouraged that international trade, especially **the trade of developing countries as a group**, has expanded at a fast pace in the current decade. Trade among developing countries has now become one of the most dynamic elements in world trade.

**Aid for Trade** is an important component of the measures that will assist developing countries in taking advantage of the opportunities offered by the international trading system, the outcome of the Doha round and regional trade agreements. A critical aim of Aid for Trade should be to **enhance trade capacity** and international competitiveness while ensuring ownership and alignment with national development strategies of individual developing countries. **Aid for Trade should aim to help developing countries, particularly least developed countries**, with trade policy and regulations; trade development; building productive capacities; trade related infrastructure; trade-related adjustment and other trade-related needs.

### **Increasing international financial and technical cooperation for development**

We recognize the severe impacts that the current financial and economic crises are having on the ability of developing countries to mobilize resources for development. We stress the importance that ODA plays, leveraging and sustaining financing for

development in developing countries. In this regard, **we recall our commitments to the internationally agreed development goals**, including the Millennium Development Goals, and call for the international community to redouble its efforts to facilitate the achievement of these goals.

We reaffirm the essential role that ODA plays, as a complement to other sources of financing for development, in facilitating the achievement of development objectives, including the **internationally agreed development goals**, in particular the Millennium Development Goals. For many African countries, least developed countries, small island developing States and landlocked developing countries, ODA is still the largest source of external financing. ODA can play a catalytic role in assisting developing countries in removing constraints to sustained, inclusive and equitable growth, such as enhancing social institutional and physical infrastructure; promoting foreign direct investment, trade and technological innovation; improving health and education; fostering gender equality; preserving the environment; and eradicating poverty.

The fulfilment of all ODA commitments is crucial, including the commitments by many developed countries to achieve the target of 0.7 per cent of GNP for ODA to developing countries by 2015 and to reach the level of at least 0.5 per cent of GNP for ODA by 2010, as well as a target of 0.15 to 0.20 per cent of GNP for ODA to least developed countries.

### **External debt**

The debt stock of developing countries as a group continues to increase, while key debt sustainability indicators have improved significantly since Monterrey, but care needs to be taken to avoid a recurrence of unsustainable levels of debt. Debt repayment by several developing countries, debt relief under the Heavily Indebted Poor Countries Initiative (HIPC), the Multilateral Debt Relief Initiative (MDRI) and the Evian treatment in the Paris Club, together with other debtor countries' efforts and ongoing initiatives, such as the World Bank/IMF Debt Sustainability Framework, have contributed to achieving such progress.