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2015 GLOBAL FORUM ON DEVELOPMENT

POST-2015 FINANCING FOR SUSTAINABLE DEVELOPMENT

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Summary Record

The 2015 OECD Global Forum on Development

On 1 April 2015, the OECD convened the 2015 Global Forum on Development, the final in a three-year cycle on *Preparing for Post-2015*. This year, ministerial and senior-level participants from developing countries, multilateral institutions, foundations and non-governmental organisations, OECD countries and the OECD Secretariat gathered to discuss "Post-2015 Financing for Sustainable Development". Preparatory, technical debates involving policy makers and practitioners from a wide range of countries and institutions took place on 31 March, dealing *inter alia* with the financing challenges of least developed countries, the role of official development assistance and broader development finance in the post-2015 era, the role of remittances, the importance of the international tax agenda, approaches to mobilise private sector investment, and climate finance.

As the international community gets together in support of the UN General Assembly to endorse a new framework for development — the Sustainable Development Goals (SDGs) — in September 2015, the means to implement this new agenda must be in place to facilitate its success. At the Third International Conference on Financing for Development, to be held in Addis Ababa, Ethiopia, in July 2015, senior officials and development experts are expected to agree the financing framework to support the impact and outcomes set forth in the proposed SDGs. The Global Forum on Development allowed high level practitioners and policy makers to reflect on how best the OECD can contribute to the Addis Ababa Conference and ensure that the global-national articulation of policies, tools and incentives is optimised in support of financing and achieving the SDGs in the years to come.

Participants recalled the critical importance of the main components of development finance — aid, investment, tax/domestic resource mobilisation, trade, climate finance, remittances, etc. — and shared views and country-level experiences on the challenges that developing countries face in harnessing and co-ordinating these various sources of finance while weighing policy trade-offs to maximise the impact of finance. Discussions highlighted the need for enabling conditions, both internationally and domestically, such as the importance of the international tax agenda, greater policy coherence and a domestic environment conducive to mobilising investment. Participants stressed the need for better understanding the implications of the new, universal sustainable development agenda in terms of financing and, more broadly, means of implementation. The complexity of implementing the ambitious SDGs calls not only for finance but also for more inclusive partnerships that involve relevant actors, while further leveraging the potential of new tools and innovative instruments. Several action points to address key hurdles were put forth, by drawing *inter alia* on the perspective of state and non-state actors.

Participants emphasised the importance of tailoring responses to the specific needs and conditions of countries at different levels of development, recognising the challenge of countries graduating to higher income status which can reduce access to concessional resources. The peculiar context and multiple vulnerabilities facing Least Developed Countries and Small Island Developing States were emphasised. In this respect, participants called for broadening opportunities for knowledge sharing and policy dialogue among developed, emerging and developing economies to identify and share good practices on policies to spur development and on development financing, including at the OECD.

The forum recognised the role of the OECD in supporting the financing and implementation of the SDGs through:

- providing an accountability framework for development aid that includes not only the measurement of official development assistance (ODA) but also the development of the new statistical measure, total official support for sustainable development (TOSSD) to complement, not replace, the ODA measure;

- developing and sharing knowledge and data on tax and investment to help developing countries navigate their own financial systems;

- providing tailored policy advice to diagnose key development bottlenecks and sustaining multi-stakeholder dialogue to address the trade-offs between different financing mechanisms at the global and country levels and to help countries set appropriate policy frameworks as a result; and

- helping to broker or convene more inclusive and innovative partnerships which draw on the comparative advantages of a wider range of actors — public and private (companies and foundations), bilateral and multilateral, developing and developed — to optimise and leverage finance and, ultimately, the impact of the SDGs.

Participants called on the OECD to support its Member countries and partners to implement the SDGs, once agreed at the UNGA. In concluding, the OECD Secretariat acknowledged the importance of joining up efforts within the Organisation to set out a proposal for such work that, if requested by Member countries, could be presented to them for consideration in 2016.

The 2015 Global Forum on Development "Post-2015 Financing for Sustainable Development" looked at the financial resources and other Means of Implementation necessary to deliver the Sustainable Development Goals (SDGs), ahead of the International Conference on Financing for Development which will be held on 13-16 July 2015 in Addis Ababa.

Green Finance for Climate Action (Pre-forum breakfast session)

With limited international public finance available for action on climate change and development, it is crucial to realise the potential synergies existing between climate and development finance, and understand that actions on climate and development are intrinsically linked and should be mutually reinforcing.

Needs and Challenges in Financing for Development (Session 1)

The new SDGs will encompass a broader and deeper agenda than the Millennium Development Goals. As such they will require a larger volume and a wider range of financial resources. Drawing on the results of technical sessions held on 31 March, panellists called for renewed commitments to development finance, to better organise and channel aid flows, as well as to create an enabling environment to allow the private sector and new emerging actors such as philanthropic foundations to effectively engage in development financing. Enhancing the potential of both domestic resource mobilisation by building capacity in developing countries to address international tax avoidance and migrants' remittances for development will be key in achieving the SDGs.

Possible Solutions: New Actors, New Tools (Session 2)

ODA in itself will not be enough to finance the ambitious SDGs but ODA will remain the key source of development finance in a number of least developed countries. Appropriate legal and regulatory frameworks, complemented by innovative mechanisms and stronger involvement of, and more targeted partnerships with the private sector and philanthropic actors can scale up development financing and ensure greater impact on the ground. Amongst the tools that are available to leverage additional resources for development, panellists also discussed the value added of sovereign and infrastructure bonds, pilot structured funds with different risk-adjusted share, carbon tax and blended finance.

Designing a Roadmap to Advance Effective Financing for Development (Session 3)

Panellists identified a number of elements where the OECD could support members and partners in implementing the SDGs: by securing aid flows to the poorest countries and enhancing its catalytic role to generate additional resources and more and better investment; by addressing non-financial means of implementation such as a strong enabling environment for the private sector and investors; by supporting developing countries' statistical capacity building and production; and by advancing the financing agenda and the implementation of the SDGs. Ensuring the mobilisation of more and better AIT (aid-investment-tax) is a top priority for policy makers in the months leading to the Addis Conference.

About the forum:

The 2015 OECD Global Forum on Development was organised by the OECD Development Co-operation Directorate and the OECD Development Centre, in co-operation with the Environment Directorate, the Directorate for Financial and Enterprise Affairs, and the Centre for Tax Policy and Administration. The forum gathered about 400 government representatives from both OECD and non-OECD member countries, as well as participants from the private sector, academia, foundations and civil society organisations.

Pre-Forum Breakfast Session

"Green Finance for Climate Action"

Action on climate change is an essential part of the post-2015 development agenda. Without this, the impacts of climate change will undermine development gains and unsustainable development pathways will contribute to more severe climate risks. This year, 2015, provides the international community with an unprecedented opportunity to chart a more inclusive and sustainable future for all. Research shows that achieving a sustainable, low-carbon and climate-resilient development pathway can bring greater stability, equality and can eradicate poverty[1]. Sustainable development is a universal agenda and all countries will need to finance and implement sustainable development policies and actions. With increasing pressure to ensure the effective mobilisation and use of all sources of public and private finance, across international and domestic channels, it is crucial to address the synergies between climate and development finance.

This breakfast event on "*Green Finance for Climate Action*" considered effective means to mobilise all financial resources to support climate action and sustainable development, taking into account the role of domestic enabling conditions and key policy reforms, and where learning from past development experiences can inform actions for both climate and sustainable development benefits.

Key messages from the session included:

- Climate and development actions are sustainable development actions, and climate and development finance are sustainable development finance - they are intrinsically linked.

- Financing for sustainable development has a role to play in financing the long-term transformation to a low carbon, resilient and sustainable future.

- All countries will need to translate the Sustainable Development Goals into their country planning and policies to ensure that finance can be effectively allocated to meet countries social, economic and environmental needs. Sustainable finance will need to be designed to focus on and deliver outcomes to improve peoples' lives and wellbeing. Investment needs to include building human capital, such as through education and awareness rising within communities, to ensure sustainability in actions addressing climate change.

- In making this transition to a sustainable pathway, OECD members, middle-income countries and least developed countries can learn from each other – no country has yet achieved sustainable development, and challenges such as adapting to the impacts of climate change are new to all. We must recognise different country starting points and contexts, and that each country has their own development aspirations.

[1] For example: 'Better Growth, Better Climate', The Global Commission on the Economy and Climate, 2014; Targeting Zero: Achieving zero extreme poverty on the path to zero net emissions, ODI, 2014; Zero Carbon Zero poverty the Climate Justice Way, Mary Robinson Foundation – Climate Justice, 2014.

Opening Session: Global Overview and Country-Level Visioning

Welcoming remarks:

Rintaro Tamaki, OECD Deputy Secretary General, opened the 7th Global Forum on Development, highlighting that development finance should now be viewed as evolving from aid to A-I-T for "aid, investment and tax". This essential shift does not mean that ODA will no longer play a key role, on the contrary, it will remain a crucial source of development financing in particular for very poor and fragile and conflict-affected states. Increasing investment - both foreign and domestic - through an integrated framework and enhancing a more transparent and fairer tax system through key reforms will be essential for all countries to meet the needs of the universal SDGs. More and better financing is a means to an end. Governments should continue to engage in dialogue and mutual learning to design policies for more inclusive development. In this respect, the OECD already engages with many developing countries and stands ready to step up its dialogue platforms at global and national levels in support of the SDGs. Renewed partnerships with non-state actors such as philanthropic foundations will be key in delivering innovative ways to leverage resources to implement the SDGs.

Keynote speech:

Wu Hongbo, United Nations Under-Secretary-General for Economic and Social Affairs, welcomed the work of the OECD and its member countries in supporting "the cause of development" ahead of the Addis Ababa Financing for Development Conference (FfD). He insisted on the global community being "equally ambitious on financing and means of implementation", highlighting that current investment patterns will not deliver sustainable development. While poverty eradication will remain at the core of the new Sustainable Development Goals, with ODA being key in leveraging both public and private financing, both developed and developing countries will have to work together to propose a comprehensive financing framework that encompasses innovative financing mechanisms and relies on the role of domestic revenue mobilisation in support of national sustainable development strategies. International co-operation on tax matters and a greater focus on supporting tax authorities and institutions in developing countries will be necessary to achieve those goals. While urging member countries to fully implement their ODA commitments, praising the good examples of Denmark, Luxembourg, Norway, Sweden and the United Kingdom, Mr. Wu called for high-level participation from OECD countries in the FfD Conference in Addis Ababa in July.

Moderated discussions:

H.E. Ralava Beboarimisa, Minister of Environment, Ecology, Sea and Forests of Madagascar, insisted on integrating both the climate and development components in one single agenda in order to enhance their effects. Madagascar is trying to incentivise the private sector to engage in sustainable development and biodiversity preservation through carbon tax that benefits local communities. As ODA will not by itself finance the SDGs, Madagascar is actively looking at new mechanisms to leverage and gradually reduce its dependency on foreign assistance. For example, the government worked with its development partners to set up a basket fund where donor agencies can pool their resources to leverage additional climate finance.

H.E. Kaifala Marah, Minister of Finance and Economic Development of Sierra Leone, underscored the sharp contrast existing between the objective to eradicate extreme poverty by 2030, and the growing number of fragile and conflict-affected states where two-thirds of the world's population will live by that date. There is a need to understand clearly what fragility really is to know what challenges to address. Drawing on his country's example, Minister Marah demonstrated that while Sierra Leone's economy was one of the fastest growing on the African continent and was on the path of resilience, it was severely hit by the Ebola crisis. According to him, this shows that both strong institutions and human capacities were lacking. He therefore insisted on fragile and conflict-affected states being given a specific consideration in the financing for development agenda, while underlying the importance of private sector-led growth and special facilities, as well as strong mutual accountability frameworks.

La June Montgomery Tabron, President and CEO of the W.K. Kellogg Foundation, highlighted philanthropy's positive footprint in support of development over the past 10 years, which she said represented USD 16 billion in investments in 2012, made by the world's top 35 private foundations. She welcomed the OECD's engagement with Foundations, notably through its Network of Foundations Working for Development (netFWD). Philanthropy can act as a catalyst toward influencing social change in three distinct ways. By being independent, risk takers and human capacity builders, foundations can fund social innovations and support non-state actors. While they cannot replace governments, foundations have an ability and willingness to further partner with governments, the private sector and civil society to help deliver on the global development agenda and in particular to ensure social, gender and racial equity, which are at the heart of the W.K. Kellogg Foundation.

While insisting on the importance of driving inclusive growth and development at the local level, **Judith Karl, President of the UN Capital Development Fund (UNCDF),** presented three ways to bolster effective investment for development. First, ODA, if smartly directed, can help unlock domestic resources to enable local capital formation and help extend the fiscal space, therefore contributing to inclusive growth. Second, by promoting inclusive finance through a market-development approach that helps "activate dormant resources". Third, by "localising" the flows of public finance and investment in local infrastructure through local bodies and local governmental institutions. UNDCF works as an early stage investor to de-risk opportunities that can later be scaled up by institutional partners and local actors. In this scheme, ODA has an exponential effect in activating resources that already exist by making them productive.

Session 1: Needs and Challenges in Financing for Sustainable Development

Countries' expectations are high, as underlined by the **Minister of Environment of Madagascar**. It is not only about needing more aid, but rather about needing a better "organised" aid in order to address the main challenges faced by developing countries, in particular regarding climate change. If countries are turning to new approaches and partnerships to compensate or leverage declining official development assistance, as Madagascar does with carbon funds which benefit local communities, it is crucial that the new development agenda and its financing scope encompass those innovative solutions and that it invests in human capital. "The private sector will also have to play its part", said Minister Beboarimisa, highlighting the importance of responsible business conduct. Remittances might also be pivotal in mobilising additional resources for development, while supporting the role of diasporas will be essential to better channel these private flows and increase their potential for development.

According to **Debapriya Bhattacharya**, **Chair of Southern Voices on Post-MDG International Development Goals and Distinguished Fellow at the Centre for Policy Dialogue**, Addis Ababa will not be a pledging conference, rather an opportunity to decide whether or not to re-commit to promises which have thus far not been kept. Different and more productive ways of targeting issues are needed and the role of the private sector will be key in enhancing adequate and effective development financing. Highlighting that most of the progress in advancing the MDGs was financed by domestic resources, Mr. Bhattacharya insisted on enhancing domestic resource mobilisation to effectively implement the SDGs, while ensuring adequate levels of ODA. He stressed the specific development and financing challenges facing vulnerable countries, such as the Least Developed Countries (LDCs), and the need of ensuring greater interlock among key international processes (e.g., FfD, mid-term review of the Istanbul Programme of Action for the LDCs, the 21st Session of the Conference of the Parties and the United Nations Framework Convention on Climate Change, and SDGs).

Anna Maria Chitembo Kawimbe-Chunga, **Principal Planner for Zambia's National Planning**, emphasised the importance of involving the private sector in human and economic development, and in the post-2015 development agenda. The enabling environment is a fundamental condition to allowing both domestic and foreign investors to effectively engage in financing development. In order to do so, it will be crucial to address the main impediments that prevent the private sector, and especially SMEs, from investing in developing countries, and to create coherent and consistent policy environments. Responsible business conduct will also count to ensure a long-term private sector contribution to development; with the right incentives and policy conditions, businesses can further act as enablers of local SMEs and economic development by strengthening local value addition. Zambia has used the OECD Policy Framework for Investment (PFI) as it embodies such good practices.

For tax to fulfil its crucial role in effectively financing the SDGs, some critical international tax challenges will have to be addressed, noted **Grace Perez-Navarro, Deputy Director of the OECD Centre for Tax Policy and Administration.** Developing countries need support to contribute to and benefit from the OECD/G20 BEPS Project in the fight against international tax avoidance. The 126-member Global Forum on Transparency and Exchange of Information for Tax Purposes champions greater tax transparency and has adopted a new global common standard on automatic exchange of information to curb tax evasion. Developing countries face difficult policy trade-offs between attracting investments through tax incentives and securing sufficient tax revenue. Finally, attention needs to be paid on developing capacity on pursuing economic crimes through the OECD Tax and Crime Academy as well as on tax auditing through the innovative Tax Inspectors Without Borders.

On the other hand, philanthropy can play a leveraging role in financing innovative projects with high rates of social return that the private sector might not yet be willing to finance, said **Julie Morrow**, **Head of Communications and Reporting at the Novartis Foundation**. Social entrepreneurship, innovative technologies and finance are an important way forward while implementation will take time. Philanthropic foundations need to invest in infrastructure and not only in programmes in order to maximise their impact. The example of the health sector is salient. While philanthropy financed health programmes, infrastructure was collapsing. Strong partnerships with local partners will thus contribute to scaling up innovative projects.

Remittances will play a key role in development financing, said **Secretary Imelda Nicolas from the Commission of Filipinos Overseas**. In order to enhance their potential for development, specifically at the local and rural level, where they have the greatest impact, more needs to be done to lower transaction costs, including through greater market transparency. On the receiving end in developing countries, better financial literacy and consumer protection through targeted programmes to remittance receivers is important to reduce the gap that separate them from formal credit mechanisms.

Main takeaways

1) ODA is key in financing development – but other financing mechanisms and opportunities are needed to complement or leverage foreign assistance and reduce developing countries' dependency on aid and to promote a greater catalytic role for aid.

2) Long-term sustainable development will require looking at the development and climate change agendas together – they are complementary and mutually reinforcing, not contradictory.

3) It is crucial to create the enabling environment to allow the private investment to effectively promote human, environmental and economic progress. This involves a sound legal and regulatory framework, addressing bottlenecks, providing the right incentives to promote local value addition, while ensuring that the private companies act responsibly.

4) Domestic resource mobilisation needs to be enhanced to sustainably finance development at the national level. Reforming the international tax rules through the OECD/G20 BEPS Project and supporting innovative initiatives like 'Tax Inspectors Without Borders' will strengthen tax capacity in developing countries to finance development.

5) Philanthropy can play an important leveraging role in financing innovative and riskier projects that the private sector would for instance not yet be able to finance – while engaging in multi-stakeholder partnerships.

6) Other resources are available for development financing: Remittances have a major potential for development if recipients receive financial literacy trainings and transaction costs are reduced.

Session 2: Possible Solutions: New Actors, New Tools

Monica Asuna, Senior Economist at the National Treasury of Kenya, described her country's long-term development plan called *Kenya 2030*, which followed a series of government financing reforms which started in 2006, by highlighting one major goal: developing a regional transport corridor through Sudan. Mrs. Asuna indicated that most projects are done through public-private partnerships (PPPs), while flagging the need for clearer frameworks to better engage with private investors.

A climate change unit within the national treasury has been created, as climate change financing will be crucial. Similarly, Kenya is issuing sovereign and infrastructure bonds, as infrastructure is the number one priority for Kenya's development strategy. This is partly because ODA is not consistent or timely, so it was necessary for the government to think outside the box. Some countries whose development budgets are largely based on ODA tend to be vulnerable to the unpredictability of ODA.

Annette Detken, **Head of Competence Centre Sustainable Economic Development, Education and Health at KfW**, acknowledged that achieving the SDGs requires many times more resources than the public sector can provide, additional financing sources are therefore necessary. To this end, KfW has created pilot structured funds, with both public and private investors, who are offered different risk-adjusted shares. Although it takes time to get private actors interested and, KfW mobilises private actors to invest in areas they would not usually consider, given the good risk-return profiles they are offered.

But there are different levels of mobilisation. Domestic sources are a major source of funding, and so instruments are necessary to enable domestic sourcing and domestic private funds. Governments often need to reflect on how to attract private investors who are looking for a return. KfW has established a fund that collects revenue from infrastructure to payback investors. Successful examples of projects include ports and housing construction.

Andreas Ernst, Head of Impact Investing at UBS, agreed that public financing and philanthropic resources are limited. On that basis, UBS has started to channel investment money into projects that encompass a social and a financial objective, through its impact investment efforts. Mr. Ernst highlighted the importance of risk and in particular the perceived risks that investors see, given that some might be more tangible than others. He thus highlighted the importance of having actors such as public ones, foundations or multilaterals "de-risk" some investments to help crowd-in private investment. From the perspective of private sector efforts, providing "synthetic liquidity" could be one of the sector's added values. For instance, funds such as KfW's provide first-loss cash, by guaranteeing investors part of their capital and providing bridge security.

Ricardo Fuentes-Nieva, Head of Research at Oxfam UK, placed the question of financing in the broader picture of achieving inclusive development. In this respect, the international community needs bold, radical new approaches to re-establish the social contract at the national level. If the current trend continues, the richest 1% will own half of the world's wealth next year which brings the issue of inequality to the forefront. In addition, the issue of premature industrialisation leads one to question whether manufacturing really is the best way to develop and to support more inclusive growth. Finally, Mr. Fuentes-Nieva suggested that the introduction of a carbon tax is a great opportunity to create revenue for national governments.

While noting that the private sector plays a pivotal role in financing development, **Keiko Honda**, **Executive Vice President and Chief Executive Officer at the Multilateral Investment guarantee Agency (MIGA)**, highlighted that the vast majority of foreign direct investment goes to environments of limited risk. She asserted that the challenge of bringing private funding to more fragile countries, but with a possible higher return rate, can be resolved by focusing on blending financial support, by linking both sovereign and private financial flows such as in Colombia where MIGA works with KfW, and by supporting sovereign-level financing.

Ms. Honda presented MIGA's guarantees as a promising approach to enhance financing for development, and a catalyser of private sector finance for infrastructure projects in countries that investors and commercial banks would otherwise have judged too risky. She concluded that Financial Institutions together with private actors offer coverage for a number of types of political risk, thereby playing a key role in rethinking partnerships for greater impact in support of the Financing for Development agenda.

Philippe Orliange, Director of Strategy, Partnerships and Communication at the Agence Française de Développement (AFD), urged participants to look not only at *what* can be done better, but also at *where* it should be done. He stressed that it is of paramount importance to reconsider the role that can be given to local stakeholders, as municipalities are at the heart of public financing for development.

Secondly, he drew attention to an improved use of the tools being implemented (i.e. regional banks and ODA supporting private and public actors, respectively). As for blending finance, he suggested that the right mix of grants and loans should be further developed. Anything implying risks requires guarantees- which is important to note for the forthcoming events in Addis Ababa and New York on financing for development, as well as for the climate conference in Paris at the end of the year.

Pierre Habbard, Senior Policy Advisor at the Trade Union Advisory Committee to the OECD (TUAC), agreed on the importance of increasing private sector participation in development but stressed the need for good procurement systems when putting public funding in private hands. In PPP arrangements, binding contracts defend investors' interests, often leaving protections for human and labour rights as voluntary; therefore further public ownership and expertise are needed. Financial Development Institutions (FDI) and private infrastructure will create jobs, only if a stakeholder approach to contract enforcement and rule of law, involving local communities, is adopted.

John Sullivan, Executive Director of the Centre for International Private Enterprise (CIPE) and Vice-Chair at the BIAC Development Task Force, stressed the key role of the private sector in development and the need for adequate investment frameworks to mobilise more resources in developing countries. He recalled the prevalence of the informal sector in many developing countries and the specific challenges associated with this reality.

Throughout this session, participants strongly acknowledged the role of the private sector in financing development, and the need to strengthen the legal and regulatory frameworks to better engage it. Other comments related to: 1) the compelling need to pull investment philanthropists into the financing for development equation; 2) the fact that donor governments should concentrate ODA to the most vulnerable countries and segments of society; 3) the necessity to prioritise sound public procurement, which has been so far missing from the post-2015 agenda; and 4) placing gender budgeting at the core of development negotiations.

During the second round of interventions, panellists insisted on the following key points:

- Good governance will be essential in achieving the SDGs.

- International Financial Institutions, such as the World Bank Group, should set pre-objectives in order to co-ordinate internally their various tools and windows for financing development.

- The private sector plays a key role in financing development but it is often discouraged from high (real or perceived) risks; other financing tools and mechanisms, including guarantees and social impact bonds, are needed.

- Though costly, carrying out impact studies to measure the social impact of investments, helps understanding the specific needs of dry markets and how best to attract foreign investment.

- Greater mobilisation of domestic and international investment, a strong legislative and regulatory framework, and more effective public sectors are required.

Main takeaways

1) The private sector will remain a pivotal player in contributing to the delivery of the SDGs. Still, perceived risks and uncertainties deter greater investment from emerging.

2) There is a general agreement and enthusiasm on the need for a more systematic and innovative use of new financial tools, including to leverage ODA and attract private capital.

3) Effective public and corporate governance frameworks should be in place to enable tools to function effectively.

4) The OECD is well-equipped to support developing countries in their efforts to improve investment frameworks and promote socially-responsible private investment.

Panellists recommended the following tools and methods in support of financing for development:

- Strong legal and regulatory frameworks to support investors, SMEs and the private sector overall (Kenya, BIAC)
- Sovereign and infrastructure bonds (Kenya)
- Pilot structured funds with different risk-adjusted shares, with demonstrated use for addressing infrastructure needs (KfW)
- Develop local financial markets and contribute to de-risk investment, also through the use of guarantees and smart ODA (UBS)
- Introduce a carbon tax (Oxfam)
- Blending financial supports- leveraging different actors (MIGA)
- Finding the right mix of grants and loans (AFD)

Session 3: Designing a Roadmap to Advance Effective Financing for Development

H.E. Seth Terkper, Minister of Finance of Ghana, noted the importance of developing an implementation strategy for aid, finance being only part of the equation. He highlighted the situation of countries such as Ghana, which are transitioning from a low to a middle income status - and losing access to concessional development finance. He called for delivering a "blueprint" for those countries in transition that need specific tools to access the market and attract investment, while they are still facing significant structural and social challenges.

Juan Manuel Valle, AMEXCID Executive Director, recommended targeting the high number of poor people living in MICs rather than an approach focusing on specific countries. Remembering the commitments made in Busan, he insisted on the importance of country ownership, transparency and accountability. The transversal work of the OECD will help generate resources, he said, highlighting the positive work carried out by the OECD in the areas of tax, development co-operation and investment that are key in proposing an effective development financing agenda. Both ODA and south-south co-operation are crucial elements to achieve the Sustainable Development Goals in the coming years.

Mr. Valle also stressed the importance of the Global Partnership for Effective Development Co-operation (GPEDC), as a major vehicle to achieve more effective co-ordination and dialogue amongst development stakeholders, and the leadership of the OECD Development Centre in convening non-state actors such as foundations. He stressed the importance of implementing the Guidelines for Effective Philanthropic Engagement (GEPE) agreed at the 2014 GPEDC High-Level Meeting in Mexico. He recalled his country commitment to pilot the GEPE.

Betty Ngoma, **Assistant Director of Debt and Aid Management in the Malawi Ministry of Finance**, agreed that ODA will remain relevant to finance the SDGs and achieve sustainable development for all, but other resources can complement ODA. In fragile states, such as Malawi where 40% of the national budget comes from ODA, ODA is a critical tool to leverage other resources. It is not only critical for state-building but also for domestic accountability.

Making it easier to blend finance for growth and development will require partners to engage in economic growth and support domestic resource mobilisation. ODA can play a major role in supporting private sector development but developing a strong domestic sector will require a legal framework, FDI and the support of partners such as the OECD. Principles of effective development co-operation, as set out in the Busan and Paris Declarations, should be at the core of the new post-2015 development agenda. The Global Partnership for Effective Development Co-operation should be recognised as an exchange platform to discuss the post-2015 development agenda and the implementation of the SDGs – it is inclusive and has a unique monitoring framework. The OECD Development Assistance Committee can also provide strong quality dialogue at the country level, which is key in helping country offices to take part in the decision process.

"Sustainable Development Goals require sustainable statistics," said **Martine Durand, OECD Chief Statistician and Director of the Statistics Directorate.** Highlighting the importance of statistics in monitoring SDG implementation, Ms. Durand called for stronger financing of statistical production in developing countries. She insisted on the role of the OECD in helping to capture data on domestic resource mobilisation, supporting statistical capacity building in developing countries, and analysing the impacts of the different finance mechanisms.

Okko-Pekka Salmimies, **Permanent representative of Finland to the OECD and UNESCO,** outlined the OECD contribution to the Financing for Development discussion as aid, investment and tax. Foreign direct investment (FDI) to developing countries representing five times total ODA, he insisted on the need to unlock the potential of investment to effectively deliver the SDGs. Indeed, development aid, if properly channelled, has the potential to mobilise private investment if it is spent to reduce risk. The OECD Policy Framework for Investment (PFI) is key in helping countries to find the right policy mix to attract private investment. An enabling environment encompasses specific investment rules and trade negotiations, but goes beyond them.

Increased ambition in mobilising domestic resources and enhanced international co-operation on tax are also needed. A global agreement on the OECD Base Erosion and Profit Shifting (BEPS) initiative is critical. The BEPS action plan and the PFI can be mutually supportive and compatible in order to ensure effective development financing.

Throughout the session, participants stressed the importance of enhancing domestic resource mobilisation to achieve strong and sustainable development. According H.E. Mr. Kazuo Kodama, Ambassador of Japan to the OECD, it is crucial to move from an exclusive focus on social sector-investment to support productive infrastructure and help spur long-term growth. Economic partnership agreements between the African, Caribbean and Pacific Group of States (ACP) and the European Union need to be reinforced in order to reconcile the opening of domestic markets with access to EU markets, underscored H.E. Mr. Ibrahim Sorie, Ambassador of Sierra Leone to Belgium and Representative to the European Union.

Participants also highlighted the need for data to effectively measure the impact of policies, as well as mid-term targets. H.E. Ms. Maria de Fátima Da Veiga, Ambassador of Cabo Verde to France, recalled her country experience in graduating from the LDC category and agreed that there is a need for a blueprint for countries to move to the middle-income country status.

Main takeaways

1) ODA, if well managed and channelled, has the potential to leverage other complementary resources such as private investment – it can help de-risk the investment. The OECD's Policy Framework for Investment supports channelling of aid to leverage investment for development and can help countries better attract private investment.

2) ODA will remain a critical tool to finance development – especially in LDCs. The OECD, with its work on an broader sustainable development measurement framework, Total Official Support for Sustainable Development (TOSSD), is at the forefront of efforts to better capture resource inflows and better target ODA to countries most in need.

3) Partnerships and blending opportunities will contribute to development financing and help achieve sustainable development. The Guidelines for Effective Philanthropic Engagement brokered by the OECD Network of Foundations Working for Development are welcome initiatives and participants look forward to the results of their pilots.

4) Funding is only one element of the equation – there is a need for an aid strategy – specifically in MICs to support countries to move up in development without losing access to a wide range of financing sources to address their persisting challenges.

5) The OECD has relevant tools and policy dialogue platforms to support both advancing the financing agenda and monitoring the implementation of the SDGs.

6) There is a need to strengthen statistical capacities in developing countries, including producing and using comparable tax revenue statistics, in order to effectively implement the SDGs and ensure an effective monitoring of the policies in place.

Conclusions and Wrap-Up

Mario Pezzini, Director of the OECD Development Centre, highlighted that the Forum had gone beyond the traditional aid discussions by looking at new types of financing and including a broader range of actors. The shifting wealth process towards developing countries, which took off in the 2000s, is now facing challenges that might undermine their strong growth in coming years. Productivity challenges in emerging economies add to the financial, environmental, demographic (ageing in parts of the world, youth bulges in others), unemployment and inequality issues that the post-2015 agenda will have to address.

The role of public policy is to give hope to citizens in these countries and propose innovative and adapted solutions without falling into ideological traps. Development concerns everybody. He encouraged participants to think in terms of the specific development challenges facing countries, as opposed to geographical and political divides (e.g. North-South). There is a need to analyse how policies interact with each other in a development strategy, and to create the necessary capacity in public administrations to implement them by being as inclusive of other actors as possible (e.g. foundations, private sector, trade unions). With this approach, institutions like the OECD Development Centre can help implement the upcoming SDGs by sharing knowledge and brokering dialogue for development, help diagnose the structural bottlenecks to design relevant strategies, not only with governments but with non-state actors.

Grace Perez-Navarro, Deputy Director of the OECD Centre for Tax Policy and Administration, called for smarter use of ODA to support tax systems development in developing countries. The OECD works with G20 and developing countries to reform the international tax rules through the Base Erosion and Profit Shifting (BEPS) Project, including identifying and addressing the most pressing BEPS-related issues for low income countries, such as tax incentives. The implementation by developing countries of the new global standard on automatic exchange of information to fight tax evasion and put an end to bank secrecy will also require strong support from international assistance providers.

Adrian Blundell-Wignall, Acting Director, OECD Directorate for Financial and Enterprise Affairs, and Special Advisor to the Secretary General for Financial Markets, emphasised that both quality investment—one that has positive *spillover* effects on developing countries—and the private sector play an increasingly pivotal role in financing for development. He stated that productivity, demonstrated by company-level data, is rising in developing countries. This, however, contrasts with value-addition, which is lagging behind in developing countries. More and better investment is needed, and the OECD Policy Framework for Investment (PFI) can help achieve this. The OECD Guidelines for Multinational Enterprises also provide useful guidance to countries to reap the gains of increased private investment and for business to act responsibly.

Simon Upton, Director of the OECD Environment Directorate, emphasised that achieving the SDGs will pose challenges for both developed and developing countries. He noted that developed countries do not necessarily have a head start in achieving sustainable development: the report on *Aligning Policies for the Transition to a Low-Carbon Economy* illustrates the ways in which developed countries' institutions and technologies have been hardwired for fossil-fuel intensive growth. Developed countries will need to change this wiring if they are to achieve sustainable development, while developing countries have the opportunity to get things right from the outset. The OECD needs to support these processes of wiring and rewiring across the range of sustainability topics, including water, biodiversity and climate.

Jon Lomøy, Director of the OECD Development Co-operation Directorate, closed the proceedings by noting that countries graduating from low to middle income status should be a reason for celebration. That is, the increasing complexity of issues and actors will translate into more complex financing packages, which also may open further windows of opportunities.

He reiterated that the measurement of success at the third International Conference on Financing for Development in Ethiopia next July would be the agreement of a comprehensive financing plan which spells out concrete actions. The challenge remains as to how to deliver a quality and comprehensive agenda in the lead-up for the Conference in Addis Ababa.

Presentation of the ***OECD 2015 States of Fragility: Meeting post-2015 Ambitions***

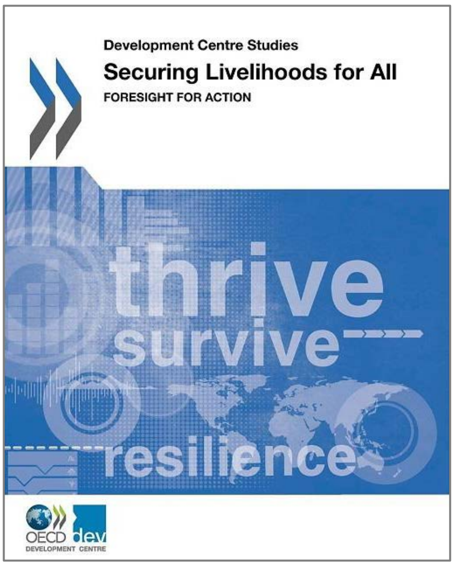
The OECD shared the findings of its new report **OECD 2015 States of Fragility – Meeting post-2015 Ambitions** at the 2015 OECD Global Forum on Development. The report introduces a new, broader approach to fragility, inspired by the proposed SDG 16, and analyses financing to fragile environments.

This 2015 OECD report on fragility contributes to the broader debate to define and implement post-2015 Sustainable Development Goals (SDGs). It points out that addressing fragility in the new framework will be crucial if strides in reducing poverty are to be made. It argues in favour of proposed SDG 16 – promoting peaceful and inclusive societies – which aims to reduce violence of all forms.

The 2015 report differs markedly from previous editions as it seeks to present a new understanding of fragility beyond fragile states. It assesses fragility as an issue of universal character that can affect all countries, not only those traditionally considered "fragile" or conflict-affected. To do so, it takes three indicators related to targets of SDG 16 and two from the wider SDG framework: violence, access to justice, accountable and inclusive institutions, economic inclusion and stability, and capacities to prevent and adapt to social, economic and environmental shocks and disasters. It applies them to all countries worldwide, and identifies the 50 most vulnerable ones in all five dimensions. The group of countries most challenged on all five fronts differs little from the traditional list of fragile states and economies. Still, several middle-income countries with disproportionately high levels of crime-related violence, sub-national conflict or poor access to justice move into the spotlight.

The report concludes that making headway on the targets will require building a new portfolio of tools and interventions, and an understanding of the role that the international community should and can play in assisting this process.

Launch of the *Securing Livelihoods for All: Foresight for Action* report



***Securing Livelihoods for All: Foresight for Action*,** uses a foresight approach to develop five possible livelihood landscapes for the world in 2030, shows that vulnerability and the risk of falling back into extreme poverty remain high in the face of a changing global context.

"The outlook for livelihoods is fragile. Emerging global trends are creating a lot of uncertainty, and we need to find innovative ways to ensure resilience of livelihoods", said Carl Dahlman, Head of Global Development Research at the OECD Development Centre. "Still, in all middle and low-income countries, people generally think that the future will be better than the past or the present. The greatest optimism is in the East Asia-Pacific region" he added.

Worrying global trends include:

- **Increasing inequality** as the benefits of economic growth are not shared equally. The poorest 66% of the world's population are estimated to receive less than 13% of world income, while the richest 1% receive nearly 15%. Around 70% of the world's undernourished live in middle-income countries.
- **Jobless growth** both in emerging and developing economies. The case of China is striking: between 1991 and 2012, GDP multiplied by a factor of almost nine (adjusted for inflation) while total employment remained almost static, and the workforce participation rate of 24-65 year olds fell from 85% to 77%.
- Jobs are further challenged by **rapid technical change and automation**. Even white-collar occupations such as accountancy, legal work and technical writing may eventually be phased out.
- **Persisting financial fragilities**: Policy measures taken in recent years to reduce the fragility of the financial and banking systems have been considerable, but more is needed to make the system truly robust. The next major shocks may well come from emerging markets, whose growing corporate sector has benefited from massive lending by the global financial system.
- The **growing youth population in Sub-Saharan Africa** – where the labour force is growing by 8 million people a year - and in South Asia – where it is growing by 12 million a year - which will become a source of major stress if they do not have enough jobs.
- **Environmental and resource challenges**, particularly the expected increase in severe drought incidence. By 2050, more than 40% of the world's population will live under severe water stress.
- **New security concerns** – such as cybercrime and terrorism –threaten livelihoods in addition to traditional conflicts due to geopolitical unrest.

Despite these challenges, the report is optimistic that livelihoods can be secured if innovative initiatives are taken. It makes a call for action at all relevant levels to seize these opportunities:

- At the **global** level, efforts must continue to increase co-ordination and co-operation to create the right conditions for livelihoods in many fields, from financial stability to climate change, from international trade to migration, from water governance to cyber security.
- **National** governments can be enablers of vibrant societies and a back-stop in hard times. For example, to address the jobs challenge, governments could enhance opportunities for lifelong learning and promote livelihood portfolios made up of part-time work, paid training, and unemployment benefits.
- **Local** initiatives help secure livelihoods, for example, by supporting a vibrant shared local economy in which individuals can survive through a patchwork of entrepreneurial and social initiatives involving exchanges, barters and virtual service marketplaces. The introduction of local currencies, also known as complementary or community currencies, for example, could shelter local communities from the turbulence of volatile global financial markets.

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