This session will be an opportunity to discuss how bilateral and multilateral development co-operation, private sector investment and domestic resource mobilisation can help achieve the 2030 Agenda and the Sustainable Development Goals (SDGs). The discussion will focus on faith-based finance and philanthropy and their leveraging potential. It will also explore how these financial instruments can be reflected in the data and monitoring of sustainable development finance flows.

Key issues for discussion:

- How can ODA better contribute to the achievement of the SDGs? Which development financing instruments, beyond ODA, could also help achieve the SDGs in developing countries?
- What specific financing mechanisms can best mobilise additional resources from the private sector to support achievement of the SDGs?
- How can we monitor these financing mechanisms in an effective and transparent manner?

Possible outcomes:

- Increased understanding of the role of faith-based finance and philanthropy in unlocking additional resources in support of global development goals.
- Agreement to sponsor pilot studies of sustainable development finance flows to developing countries.

Official Development Assistance and beyond

The 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda on financing for development call for the mobilisation of significant financial flows from all sources – public and private, domestic and international – and for the effective use of development financing. More and better bilateral and multilateral development co-operation, private sector investment and domestic resource mobilisation are central to promoting growth and development in developing countries.

Official Development Assistance (ODA) remains the international benchmark to account for the efforts of providers of development co-operation and will be critical to achieving the 2030 Agenda, particularly for countries most in need – least developed countries, land-locked developing countries, small island developing states, and fragile and conflict-affected states. However, ODA will not be enough in itself. There is a need to learn from past and current initiatives to mobilise additional resources for development in both the public and private sectors in both Arab and Development Assistance Committee (DAC) communities, and to explore new ways for the public and private sectors to co-operate. The public sector can play an essential role to ensure that additional resources are raised and used for the benefit of the world’s poorest people.
Faith-based finance and philanthropy

Among the various forms of private funding, Islamic charity and philanthropy are two types of development finance beyond ODA of particular interest for both Arab and DAC providers:

- Faith-based Islamic financing rests on the principle of charitable giving. Two such forms of financing are zakat and sadaqa. Zakat is a requirement for all believers to give 2.5% of their wealth to charity for poor people especially in Muslim and neighbouring communities. Sadaqa is a voluntary, non-fixed amount of charitable giving, primarily used for unforeseen circumstances in all developing countries. In many Arab countries, the public sector plays an important role in pooling these funds and allocating them for developmental purposes.

- Philanthropic development finance is another form of charitable giving with no expectation of financial return. It is often targeted at creating social benefits and addressing specific issues, such as fighting a certain disease or promoting education. It also supports innovative financial mechanisms, such as the joint funding mechanism of the Bill and Melinda Gates Foundation and the French Development Agency to finance the GAVI Vaccine Alliance. The public sector can play a role in facilitating philanthropy, for example by providing fiscal incentives.

These financing modalities have been powerful motivators for charitable giving for many Arab countries. They exemplify ways of directing private resources through public or semi-public channels in support of development goals. To accelerate achievement of the SDGs, governments and other actors committed to the vision and ambition of the 2030 Agenda, could therefore share their collective expertise and good practices with institutions that promote charitable giving.

Sustainable Development Finance Flows (Total Official Support for Sustainable Development - TOSSD)

The Addis Ababa Action Agenda proposed a new concept of Total Official Support for Sustainable Development (TOSSD) to cover a broader set of policy instruments above and beyond ODA that promote development. Faith-based and philanthropic financing supported by the public sector can be included in this concept – both can help mobilise resources from the private sector for developmental purposes. At the same time, there is limited information available on these forms of development finance in international statistics. Capturing them in the broader framework for sustainable development finance could fill this, potentially large, information gap.

During the DAC High-Level Meeting in December 2014, DAC members proposed guiding principles to help shape the TOSSD framework. In this framework, modalities ranging from non-concessional loans and contributions to global public goods to official support for faith-based and philanthropic development finance could be taken into consideration. TOSSD could potentially serve as a measurement framework for these modalities, and thereby valorise, for example, zakat and sadaqa flows. TOSSD also promotes the monitoring and review of resource flows extended to support the 2030 Agenda, and could therefore facilitate more effective channelling of these flows in support of the SDGs. It could also be a means of promoting transparency and foster accountability for the broader range of development finance instruments and actors in the current development landscape.

A TOSSD pilot exercise was conducted by the United Arab Emirates (UAE), with the OECD, to get a better overview of all its official support for development. The pilot showed that many activities of the UAE, beyond ODA, also support development, for example by supporting global public goods, investing in private sector companies in developing countries, or using official sector interventions to mobilise private finance. Further pilots could be completed or be sponsored in developing countries to better understand the partner country perspective.