ADJUSTING DEVELOPMENT CO-OPERATION TOOLS TO ENSURE SUSTAINABLE DEVELOPMENT

This session will be an opportunity for participants to discuss options and identify possible mechanisms of development co-operation that can support developing countries to implement the 2030 Agenda for Sustainable Development. The session will focus on programmes, options and mechanisms to support the Sustainable Development Goals, including through financial inclusion and triangular co-operation, across developing countries.

Key issues for discussion:

- How can providers provide more and better financing plans and mechanisms to achieve sustainable development in developing countries, while respecting country ownership and being inclusive?
- What country-specific tools can Arab and DAC providers deploy to ensure implementation of the SDGs, including on financial inclusion?
- How can triangular co-operation, a development co-operation modality increasingly being used by Arab and DAC providers, support programmes and partnerships in the area of financial inclusion?

Possible outcomes:

- Greater understanding of the range of programmes, tools and mechanisms available to support partner countries and of the complementarities across different types of providers, notably in working with the private sector to promote financial inclusion and microfinance.
- Ideas and concrete measures to address the challenges experienced by developing countries in achieving greater financial inclusion, including on how to address capacity gaps, reform policy frameworks and mobilise resources more effectively through triangular co-operation.

Promoting a sustainable development pathway in vulnerable settings

Despite significant progress on development, many developing countries are struggling to ensure a sustainable development pathway:

- Least-developed countries are vulnerable to sharp decreases in growth or in concessional finance inflows.
- In countries moving up the income ladder, such as lower middle-income countries, poverty and significant development challenges persist, yet their ability to raise domestic resources and improve their creditworthiness lags behind.
- Fragile states suffer from “structural” barriers to development, including high poverty, low levels of school enrolment, limited public services, and violence and insecurity.

To lock-in the gains made and achieve the Sustainable Development Goals, developing countries are looking for specific tools from Arab and DAC providers to assist and ensure that their development is inclusive and sustainable. Such assistance can take the form of more and better-aligned official development finance, a more effective mobilisation and use of domestic resources, more technical support and policy advice to build capacity and more private sector investment.
Promoting sustainable development through financial inclusion across developing countries

Financial inclusion yields significant development impacts such as more inclusive and sustainable growth through higher levels of productive investment and asset accumulation. Through financial inclusion, low-income individuals and small-scale businesses in developing countries that struggle to achieve a sustainable development pathway could see their access to finance boosted. In turn, a well-developed financial sector – understood as the central bank, commercial banks, non-banking financial institutions and financial markets – is important for promoting private sector development and, in turn, for the private sector to contribute to reducing poverty.

Yet, there are several demand- and supply-side barriers impeding access to financial services and products for low-income individuals and small-scale businesses, including informality, lack of education and information, ineffective regulation and competition, product complexity. These barriers prevent developing countries’ greater access to financial products and services for all, thus limiting their ability to ensure sustainable development.

In turn, these barriers require a diversified set of tools to promote access to suitable financial services and products – and to enable poor men and women to effectively use these services and products. Arab and DAC providers may pursue a number of strategies to support developing countries to promote financial inclusion. Providers could focus, for example, on providing financial education; training for local financial institutions; building the capacity of civil society organisations to monitor financial activities; supporting training in vocational skills; promoting digital financial products and services; and promoting income-generating activities for poor men and women; as well as raising public awareness on the issue.

Using triangular co-operation to achieve greater levels of financial inclusion and the 2030 Agenda

Evidence shows that triangular co-operation can help developing countries that are struggling to increase financial inclusion. By making good use of the complementary strengths and knowledge of the partners involved, triangular co-operation can help engage Arab and DAC providers of development co-operation, as well as the private sector, civil society and academia to mobilise resources, experiences and good practices to generate innovative solutions to lift the demand- and supply-side barriers that prevent greater financial inclusion in developing countries.

A successful example of triangular co-operation among Arab and DAC providers is the on-going co-operation between Germany and the Arab Gulf Fund for Development. These providers have implemented various projects aimed at promoting women’s financial inclusion in Yemen to increase incomes through the effective use of financial services and acquired professional and business management skills, which in turn improved living standards.

Triangular co-operation can also be a component of larger development programmes that tackle financial inclusion. For instance, the Islamic Development Bank Group is mainstreaming a South-South and triangular co-operation modality, Reverse Linkage, into most of the Bank’s technical assistance programmes. Member countries of the group exchange knowledge, technology and resources to build their capacities and devise development solutions in a mutually beneficial and results-oriented way. Other Arab and DAC providers (e.g. Japan, Qatar, Arab Monetary Fund, Arab Bank for Economic Development in Africa) are also actively working on financial inclusion, including through triangular co-operation arrangements, and their experiences could illustrate how to advance sustainable development across a range of developing countries.