Development Co-operation Report 2016

THE SUSTAINABLE DEVELOPMENT GOALS AS BUSINESS OPPORTUNITIES

The Development Assistance Committee: Enabling Effective Development

OECD

Development Co-operation Report 2016

THE SUSTAINABLE DEVELOPMENT GOALS AS BUSINESS OPPORTUNITIES

OECD
BETTER POLICIES FOR BETTER LIVES

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Preface

I am happy to encourage a wide readership for this volume, but I must note at the outset that its very title conveys ambiguity. Describing the new Sustainable Development Goals as "business opportunities" for those pursuing profit could be interpreted by some readers as encouraging the exploitation of the world's most severe problems for personal gain. No one involved in this project intends to encourage exploitation; but this ambiguity is inherent, not only in the title of this volume, but more widely in the growing enthusiasm for private sector solutions to grave public problems. This ambiguity is worth addressing head on.

Personally, I have made it a principle to pursue my self-interest in business and to be guided by the public interest as a philanthropist and public citizen. It is my belief that if my self-interest is in conflict with the public interest, the latter ought to prevail. And so I do not hesitate to advocate policies that are in conflict with my business interests.

The Sustainable Development Goals (SDGs) represent an unprecedented articulation of the "public interest" at a global scale for all the peoples of the world. As such they force us to ask ourselves difficult questions about how we do business. Yes, there are countless business opportunities that could advance the self-interest of thousands of entrepreneurs and investors while also advancing the SDGs. By the same token, however, the SDGs also help us identify where we have an opportunity to better regulate and restrain the pursuit of personal profit through public policy, international agreements and stricter business norms. The articulation of the public interest in the SDGs can, in short, reveal both where self-interest aligns with the greater good, and where they conflict. The need here is to encourage private business activity where they align, and better regulate it where they conflict.

These are the true "business opportunities" that the SDGs offer. They invite us to address the question: how can those of us in business contribute to the achievement of these goals as investors, entrepreneurs and executives? All of us share the need for healthy and stable economies, fair and well-governed societies, well-regulated value chains in trade, mitigation of climate change, world peace, and respect for human rights. This volume explores how the private sector can be a powerful actor in promoting the achievement of such common aims, and where it must exercise restraint. In this respect, the public good should be both the limiting factor in encouraging those who act in their own self-interest, and the goal for those who seek to act in the collective interest of society. We must avoid not only the obvious scourge of corruption in this effort, but the danger of exploitation. We must seek to not only do more good, but also ask ourselves where we can do less harm.

Given the scale of the problems the world is facing, and the unprecedented levels of global inequality, these questions are not only important, but urgent. Business must play its part. Governments and multilateral institutions who steward resources on behalf of us all, must play their part. Regulators at local, national and international levels must play their part. Collectively we can mobilise financial resources at historic scales to implement a wide range of development efforts. But

sustainable global progress cannot be achieved through monetary means and investment alone. It is vital that capacity is strengthened in individuals and in the institutions of civil society to play a vigorous part in carrying out such a transformation, including the thoughtful regulation of business activity.

I encourage anyone interested in development or business to read this report and to take to heart the challenges, and the opportunities, that it explores.

George Soros

Foreword

In September 2015, the United Nations General Assembly adopted the universal 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs). These goals spell out the challenges we need to ensure the sustainability of our planet, and to ensure prosperity and equity for all. To achieve these goals, the participation of the private sector is essential.

In 2015, official development assistance (ODA), at USD 132 billion, reached record levels, despite budgetary constraints in many OECD countries. Yet in recent years, only 30% of total ODA has been for the least developed countries, the lowest share since 2006. We need financial resources far beyond today's ODA to move from billions to the trillions required to finance the global goals.

It is fundamental to ensure that public funds are spent in a smart and strategic manner to cover the increasingly complex demands of sustainable global development, and this includes using them to mobilise private finance.

More must be done on all these fronts. Success in reaching the global goals will depend not only on the quantity of funding that is made available. More than ever, better investments are needed. The private sector can be a powerful actor in promoting sustainable development in ways that go far beyond funding. Companies provide jobs, infrastructure, innovation and social services, among others. Development co-operation can help unlock the potential of such investment. Sound public policies and good governance across the board play a crucial role in shaping the quality of investment. This includes efforts to promote responsible business conduct, high-quality jobs and environmental sustainability, for example.

The Development Co-operation Report 2016: The Sustainable Development Goals as Business Opportunities *draws on OECD expertise, experience and policy work to explore numerous ways of helping to make the SDGs reality. It examines the potential and challenges of social impact investment, blended finance and foreign direct investment. It also provides guidance on responsible business conduct and the mobilisation and measurement of private finance to achieve the SDGs. Finally, the report shares practical examples of how business is promoting sustainable development and inclusive growth in developing countries.*

To go from billions to trillions in sustainable development finance, and to do so in a way that is respectful of the environment and of human needs and rights, will require inputs from across the board – from public and private sources, and from all countries and communities. The OECD will continue to play its role in this endeavour. This Development Co-operation Report 2016 *illustrates our commitment to doing so.*

Angel Gurría
OECD Secretary-General

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The *Development Co-operation Report* draws on valuable expertise and insights from across the OECD as well as from numerous partners in sustainable development. The team wishes to thank all who contributed to the 2016 edition and regrets any omissions.

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Acronyms and abbreviations

AGID	Advisory Group on Investment and Development
BIM	Islamic Bank of Mauritania
CIV	Collective investment vehicle
CPA	Country programmable aid
CRS	Creditor Reporting System
CSO	Civil society organisation
DAC	Development Assistance Committee
DPRK	Democratic People's Republic of Korea
DRC	Democratic Republic of Congo
EU	European Union
EUR	Euro
FDI	Foreign direct investment
GDP	Gross domestic product
GNI	Gross national income
GOVNET	Network on Governance
ICD	Islamic Corporation for the Development of the Private Sector
ICT	Information and communication technology
IFC	International Finance Corporation
ILO	International Labour Organization
KFAED	Kuwait Fund for Arab Economic Development
LDC	Least developed country
LDCF	Least Developed Countries Fund
LMIC	Lower middle-income country
NGO	Non-governmental organisation
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
PPP	Public-private partnership
SDG	Sustainable Development Goal
SME	Small and medium enterprise
TOSSD	Total official support for sustainable development
UAE	United Arab Emirates
UMIC	Upper middle-income country
UN	United Nations
USD	United States dollars
WBG	World Bank Group
WP-STAT	Working Party on Development Finance Statistics

Editorial

by

Erik Solheim, Chair of the OECD Development Assistance Committee

In 2015, when world leaders adopted the Sustainable Development Goals, we committed to the most inclusive, diverse and comprehensive and ambitious development agenda ever. By doing so, we acknowledged that development challenges are global challenges. The new global goals represent a universal agenda, applying equally to all countries in the world.

The year 2015 was the best in history for many people. We are taller, and better nourished and educated than ever. We live longer. There is less violence than at any other point in history. Over the past decades many countries, spearheaded by the Asian "miracles" – such as in Korea, the People's Republic of China and Singapore – have had enormous development success. By believing in the market and the private sector, these nations have experienced strong economic growth and several hundred million people have been brought out of poverty. The debate within the development community on the importance of markets and the private sector is a thing of the past. The debate is won.

But based on astonishing success, we need to bring everyone on board. The 2030 aim is to eradicate extreme poverty, but to do it in an environmentally sustainable way. Luckily – for the first time in history – humanity has the capacity, knowledge and resources needed to achieve this. Never before was this the case. The leaders of the past have never set such goals, nor did they have at their disposal the policies and the resources to reach them. The Sustainable Development Goals cover the economic, social and environmental dimensions of life. And they emphasise that increased co-operation between the public and the private sector is vital to reach them.

Implementing the new Sustainable Development Goals will require all hands on deck, working in concert to build on each other's strengths. In this report we look at the opportunities for businesses both to make money and do good for people and the environment. We must go beyond traditional thinking that business revenues depend on destroying the environment. Smart investment in sustainable development is not charity – it is good business and it opens up opportunities.

In developing countries, small and medium enterprises are considered the engine of growth. In Asia, they make up to 98% of all enterprises and employ 66% of the workforce. Especially for green growth, small and medium businesses can play an important role by acting as suppliers of and investors in affordable and local green technologies. For instance, in Africa several businesses offer "pay-as-you-go" solar energy to low-income households that do not have access to central resources.

Over the next 15 years, billions of dollars will be invested annually by the public and private sectors. We need to make sure that this money creates jobs, boosts productive capacity and enables local firms to access new international markets in a sustainable way. What's more, these flows are often coupled with transfer of technology that has positive and long-term effects.

This report cites the results of interviews with executives from 40 companies that had performed above the industry average in terms of both financial and sustainability-performance metrics in various sectors – including oil and mining, gym shoes, soup, cosmetics and telecommunications. The research

demonstrates that sustainable action can contribute to increased efficiency and profits, gains above and beyond their social and environmental benefits. The returns on capital include reduced risk, market and portfolio diversification, increased revenue, reduced costs, and improved products.

We need to take these experiences further. The 17 Sustainable Development Goals represent a pipeline of sustainable investment opportunities for responsible business. But fulfilling that potential will mean ensuring that business does good – for people and the planet – while doing well economically.

Although some countries are making progress, no country has achieved environmental sustainability. The worse things get, the more difficult it will be to find solutions. We need to take action now. There is more bang for every buck when profits are combined with bringing people out of poverty, improving environmental sustainability and ensuring gender equality. For example:

- Ethiopia's growth has benefited the poor and the country aims to become a middle-income country without increasing its carbon emissions.
- Brazil has reduced poverty and equality while cutting deforestation by 80%.
- Costa Rica has revolutionised conservation by providing cash payments for people who maintain natural resources. Forests now cover more than 50% of the country's land, compared to 21% in the 1980s.
- The Indonesian rainforests, the largest in Asia, are doing much better than recently. Deforestation decreased for the first time in 2013 and the positive trend is continuing. The main palm oil companies have made a no new deforestation pledge.

Poverty reduction can be green and fair. But we need to remember that neither developing nor developed countries will sacrifice development for the environment. But development comes to a stop if natural resources are exhausted, water continues to be polluted and soils are degraded beyond manageable levels.

For those who do not benefit from all the success stories, it is necessary to identify and replicate good policies that actually improve lives. Official development assistance is important for the least developed nations and countries in conflict. Aid remains at a record high at USD 132 billion in 2015, but private investments are more than 100 times greater than aid and more important for poverty reduction and economic growth.

In order to make the most of private investments for sustainable development, it is fundamental to know more about how much is being mobilised from the private sector as a result of public sector interventions. In this report the OECD describes how it monitors and measures the amounts being invested. The European Union found in 2014 that by blending public and private investments, EU countries used EUR 2 billion in public finance grants to mobilise around EUR 40 billion for things like constructing electricity networks, financing major road projects, and building water and sanitation infrastructure in recipient countries. We should be inspired by this example to do more. Business prospers when society prospers.

Each and every decision we take today related to private investment will have historic implications. We must learn that more *and* better investment is possible. Balancing economic growth with environmental sustainability is not only feasible – it is fundamental.

In this report we look at the opportunities the new Sustainable Development Goals offer for doing *good* business, for profits, people and the planet. It offers guidelines and practical examples of how all sectors of society can work together to deliver the 2030 Agenda. Investing in sustainable development is not charity, it is smart. We just need to go ahead and do it.

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Executive summary

The year 2015 was a decisive year for sustainable development. With the adoption of the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs), the world now has the most ambitious, diverse and universal development roadmap in history. The Addis Ababa Action Agenda stressed the importance of using public investment instruments and vehicles to leverage the unprecedented levels of private finance required to fund this agenda. And the United Nations Climate Change Conference (COP21) in Paris confirmed the challenges of managing climate change – and an unprecedented global commitment to do so.

These milestones have changed the face of development forever. To meet the challenges they represent, the global community needs to move well beyond the approximately USD 132 billion provided as official development assistance (ODA) in 2015. Investment needs for the SDGs in developing countries are estimated to be in the order of USD 3.3 to 4.5 trillion per year. Limiting the global temperature increase to 1.5°C above pre-industrial levels will require concerted action by all. Developed countries have committed to mobilising USD 100 billion per year by 2020 to support developing country efforts.

At the same time, the new goals make it clear that the challenges of sustainable development are no longer merely a question of what is happening in poor countries – they are challenges for us all. To tackle these global and interlinked concerns, a diverse array of stakeholders will need to join forces – with the private sector taking a pivotal position. In fact, achieving each and every one of the 17 SDGs hinges on private sector involvement.

Investment in sustainable development is smart investment

The business case for the SDGs is strong. This *Development Co-operation Report 2016* makes it clear that investing in sustainable development is smart investment. Companies that introduce sustainability into their business models are profitable and successful, with positive returns on capital in terms of reduced risk, diversification of markets and portfolios, increased revenue, reduced costs, and improved value of products. Increasingly, investments in developing countries – and even in the least developed countries – are seen as business opportunities, despite the risks involved. On the other hand, companies provide jobs, infrastructure, innovation and social services, among others.

This report explores five pathways for realising the enormous potential of the private sector as a partner for delivering on the SDGs, providing the quantity and quality of investment needed to support sustainable development.

Five pathways to the Sustainable Development Goals

1. **Foreign direct investment** is by far the greatest source of international capital flows to developing countries and is considered one of the most development-friendly sources of private investment. It can create jobs, boost productive capacity, enable local firms to access new international markets and bring with it transfers of technology that can have positive long-term effects. Many are expecting these flows to play a major role in filling the SDG financing gap. According to the United Nations Conference on Trade and Development (UNCTAD), a concerted effort by the international community

could help to quadruple foreign direct investment by 2030, especially in structurally weak countries. There is, however, some cause for concern: global capital flows have started to decelerate, while economic vulnerabilities are growing. Chapter 2 warns that a slowdown, or even reversal, in foreign direct investment could have serious negative ramifications for both developing and international investment markets. Framing development strategies around the complementary and mutually reinforcing qualities of private investment and development co-operation can help to offset the cyclic, changing nature of foreign direct investment trends. Tools such as the *OECD Policy Framework for Investment* can help countries to improve business climates, creating conditions that increase investment while maximising its economic and social returns.

2. New investment models can help mobilise financial resources to meet the challenges of implementing the SDGs. **Blended finance** – using public funds strategically to provide, for instance, de-risking instruments for private investors – can dramatically improve the scale of investment in development. Blended finance offers huge, largely untapped potential for public, philanthropic and private actors to work together to dramatically improve the scale of investment in developing countries. Its potential lies in its ability to remove bottlenecks that prevent private investors from targeting sectors and countries that urgently need additional investment. To accelerate social and economic progress towards the SDGs, blended finance needs to be scaled up, but in a systematic way that avoids certain risks. Chapter 3 takes a close look at the use of development and philanthropic finance to unlock resources through blending mechanisms that have the potential to transform economies, societies and lives. It notes that while the concept of blending public and private finance in the context of development co-operation is nothing new, it has played a marginal role so far.
3. Today's development financing packages can be complex, with multiple actors involved. Chapter 4 of this report describes work underway to **monitor and measure the mobilisation effect of public sector interventions on private investment**. This is expected to be an important element of the new "total official support for sustainable development" (TOSSD) framework, which will provide important information about financing strategies and best practices, helping to attract development finance to support the SDGs. A recent OECD survey has confirmed the feasibility of collecting and measuring data on the direct mobilisation effect of guarantees, syndicated loans and shares in collective investment vehicles; work is underway to develop similar methodologies for other financial instruments. Much work still remains to be done, however, in particular to find ways of measuring the indirect – or "catalytic" – effect of public interventions on the achievement of the global goals and in tackling climate change. The OECD is co-ordinating its efforts with work underway in other fora to ensure coherence.
4. If development is to be truly sustainable and inclusive it must benefit all citizens – in particular the poorest, most marginalised and vulnerable. This means looking at business through a new lens, focusing on leaving no one behind and on empowering people to lead fuller, more productive lives. **Social impact investment** has evolved over the past decade as an innovative approach to increasing the benefits of business for the world's poorest and most marginalised populations as described in Chapter 5. Enterprises that generate measurable social as well as financial returns can bring effectiveness, innovation, accountability and scale to development efforts. Public funds can be used to strengthen and promote this type of investment by sharing risks, and also by supporting a sound business environment, particularly in the least developed countries and in countries emerging from conflict. These new business models can complement existing ones, especially in areas not traditionally popular with business – but essential to the poor – such as education, health and social services.

5. For business to do good while doing no harm, the private sector must be held to the same international transparency and accountability standards as all other actors. Chapter 6 looks at the principles and standards of **responsible business conduct** and how following them can give responsible businesses an advantage that benefits their bottom lines, while at the same time producing positive results for people and the planet. Business and government have complementary roles to play in implementing, promoting and enabling responsible business conduct. The *OECD Guidelines for Multinational Enterprises* help to optimise their contributions, supporting the development of responsible and accountable business practice to ensure that investment quantity is matched by business quality to produce social, economic and environmental benefits. These guidelines can enable business to make an important contribution to the SDGs in countries worldwide, helping to raise the standard of living through the creation of fair and equal jobs, the development of skills and technology, and more equitable distribution of wealth.

By following these pathways and working together, investors, governments, philanthropy, institutions and civil society can make the most of converging interests and potential to unlock the resources needed. This approach can provide accountability and transparency, at the same time meeting business needs and expectations. And it can do so while ensuring that no one is left behind and that the planet's resources are conserved and even renewed. This report provides examples of how the OECD is stimulating dialogue and creating opportunities for co-operation among the many stakeholders involved in sustainable development. It also presents practical cases that illustrate how businesses are already working to promote sustainable development and inclusive growth in developing countries.

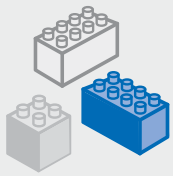
Many development agencies and bilateral and multilateral development finance institutions are already engaging in new ways of sharing risks and reducing costs so as to leverage private finance for sustainable development. Providers of development co-operation generally agree that mobilising private resources for sustainable development needs to be "at the core of a modernised, reinvented role for ODA". In much the same way, in this era hallmarked by globalisation, rapid technological advancement and competition for precious resources, it is important to remember that business thrives when the world thrives. Doing good by doing well needs to be the new mantra of business for sustainable development.

Infographic

Investing in people, the planet and prosperity: Five pathways

Investment in sustainable development is smart investment. Companies that introduce sustainability into their business models are profitable and successful, with positive returns on capital in terms of reduced risks, diversification of markets and portfolios, increased revenue, reduced costs, and higher value products. These five pathways can help to ensure the quantity and quality of investment for implementing the Sustainable Development Goals.

Foreign direct investment creates new jobs, boosts productivity and technology transfers, while enabling local firms to access new markets in developing and emerging economies.



Blended finance offers huge, largely untapped potential for public, philanthropic and private actors to improve the scale of investment in developing countries.

Monitoring and measuring private funds mobilised enhances transparency, improves financing strategies and good practices.

Social impact investment empowers the poorest to lead more productive lives, while bringing effectiveness, innovation and scale to sustainable business.

Responsible business conduct enhances business and development results, matching investment quantity with business quality to produce social, economic and environmental benefits.

People

Planet

Prosperity

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Chapter 1

Overview: Putting sustainable development at the core of business models

by
Christine Graves *and* Hildegard Lingnau, Development Co-operation Directorate, OECD

Achieving the Sustainable Development Goals will require funding and co-operation on an unprecedented scale, with the private sector holding a pivotal position. This chapter asks how international co-operation can help to put sustainable development at the core of business models. It looks at why these efforts must focus on the quality as well as the quantity of private sector contributions, responding to the challenges laid out at the beginning of the chapter: making sustainability "business as usual"; creating conditions for good investment; building global change from the bottom up; ensuring credibility, accountability and transparency; and creating new multi-stakeholder partnerships. The chapter concludes with a set of key recommendations.

Challenge piece by Amina Mohammed, former Special Advisor to the UN Secretary-General on Post-2015 Development Planning. Opinion pieces by Jim Balsillie, Centre for International Governance Innovation; Olivier De Schutter, International Panel of Experts on Sustainable Food Systems; Louise Kantrow, International Chamber of Commerce.

The authors would like to thank Valentin Lang for his contributions to early drafts of this chapter, and Friederike Rühmann for her valuable background research.

The challenge: How can international co-operation help to put sustainable development at the core of business models?

Amina J. Mohammed,
Minister of Environment, Federal Republic of Nigeria and former Special Advisor
to the UN Secretary-General on Post-2015 Development Planning

The private sector has always been an essential actor in development, credited with fostering wealth, innovation and jobs – and many a time blamed for negative externalities. So in this new era, what is different about the role and the responsibilities of the private sector in achieving the Sustainable Development Goals (SDGs)?

It is different because sustainable development cannot be achieved without the active involvement of responsible businesses. The private sector will be essential in creating sustainable, productive and decent employment, economic prosperity, resilient infrastructure that underpins sustainable development, and innovations that create green growth and opportunities for all, especially the poor.

Also, it is different because the business community has been involved from the beginning in defining the new agenda for sustainable development. Their voice was heard loud and clear. A recent study reveals that 71% of businesses say they are already planning how they will engage with the SDGs and 41% say they will embed the SDGs in their strategies within five years (PwC, 2015). So they are part owners of the new framework for development.

Finally, it is different because the drivers of change within the business community are evolving. Of course, there is the moral case, which Pope Francis (2015) so persuasively put forward in his *Laudato Si'* encyclical in May 2015: respect for universal principles of human rights, dignified work, the environment and good governance. But there is also a strong business case for the SDGs. Investing in sustainable development is not charity; it is smart investment. Business thrives when the people thrive and our earth is protected for future investments.

The 17 SDGs represent a pipeline of opportunities for responsible business that will mobilise trillions in investment opportunities for "people and planet". With the right incentives, policies, regulations and monitoring, great opportunities abound for responsible businesses to make profits while at the same time protecting the environment, promoting equality and lifting people out of poverty.

It is worth noting that the business community is already transitioning from the old "do-no-harm" agenda to a drive to "do good" for people, the planet, prosperity and peace, aligning with the 2030 Agenda (SDG 16). This is where business can make the most relevant contribution to the SDGs: by transforming their strategies, procedures, standards and metrics to integrate sustainable development within the core of their missions and business models.

For this transformation to take place, however, we need to overcome a number of core challenges.

First, the challenge of scaling up. Progressive businesses are already demonstrating that companies that introduce sustainability into their business models are profitable and successful. Shareholders and consumers want and value sustainable development. But, we need to get to a tipping point where sustainability becomes "business as usual" in all markets around the globe.

Second, we need enabling regulatory frameworks to incentivise and unlock private investments for sustainable development. This is a responsibility of governments and the 2030 Agenda serves as a useful reference for their actions.

Third, global change must be built from the bottom up. Companies engage with people – workers, unions, consumers, suppliers – at the local and country levels; this is where they interact with institutions and with natural resources. It is at the local and national levels where stakeholders have the space for aligning private action with public policies, and for ensuring people are at the centre. These transformations must begin at this level if we are to sustain the gains. We need to ensure that businesses treat all workers fairly and equitably while striving to improve and incorporate technology; collaborate with and empower micro, small and medium enterprises, small agricultural producers and the informal sector – especially women.

Fourth, we need to put in place mechanisms that will ensure credibility, accountability and transparency. We need international standards for reporting that set up clear, balanced and coherent rules and incentives. Businesses will need to align their key performance indicators with sustainable development outcomes. Their social and environmental impact will need to be included in their staff's performance evaluations.

Finally, we need a new generation of young and experienced multi-stakeholder partnerships at all levels, going far beyond the traditional public-private partnerships. We need partnerships that are principled, accountable, people and planet-centred. Integrating social values, economic empowerment and environmental stewardship that is truly universal will be key to achieving the global goals for sustainable development.

These are the challenges I believe we can overcome. We have an amazing road map to address them. Let's take action and get to work!

In September 2015, the international community agreed on the most ambitious, diverse and universal development agenda that has ever been adopted: "Transforming our world: The 2030 Agenda for Sustainable Development" (UN, 2015a). The agenda sets out 17 Sustainable Development Goals (SDGs) addressing the world's most pressing economic, social and environmental challenges (Box 1.1). Their achievement will require the engagement and contribution not only of the United Nations (UN) member states, but also of a wide variety of non-state actors.

Box 1.1. **The Sustainable Development Goals**

Goal 1. End poverty in all its forms everywhere.

Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture.

Goal 3. Ensure healthy lives and promote well-being for all at all ages.

Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

Goal 5. Achieve gender equality and empower all women and girls.

Goal 6. Ensure availability and sustainable management of water and sanitation for all.

Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all.

Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.

Goal 10. Reduce inequality within and among countries.

Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable.

Goal 12. Ensure sustainable consumption and production patterns.

Goal 13. Take urgent action to combat climate change and its impacts.

Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development.

Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

Goal 17. Strengthen the means of implementation and revitalise the global partnership for sustainable development.

Source: UN (2015a), "Transforming our world: The 2030 Agenda for Sustainable Development", United Nations, New York, *https://sustainabledevelopment.un.org/content/documents/21252030%20Agenda%20for%20Sustainable%20Development%20web.pdf*.

With the goals in place, discussions have turned to the means of implementing the SDGs. Private sector investment holds a pivotal place in current projections and analyses. Sachs and Schmidt-Traub highlight, in particular, the importance of private investment for agriculture and nutrition (SDG 2), health (SDG 3), education (SDG 4), water supply and sanitation (SDG 6), climate and energy (SDG 7), infrastructure (SDG 9), biodiversity and ecosystem services (SDGs 14 and 15), and technology, including a data revolution (Sachs and Schmidt-Traub, 2014). For each and every one of the goals, in fact, success hinges on private sector involvement: how can poverty be ended without inclusive economic growth? How can gender equality be achieved without fair and equal conditions in the workplace? How can cities and societies be made safe and secure without decent jobs that provide gainful employment? How can we respond to climate change without green infrastructure and technologies? How can excessive consumption and over-fishing be resolved if the private sector does not come on board? And how can there be a true global partnership without the participation of all actors?

Nonetheless, more investment will only help if it meets standards that ensure that it is responsible, that it combats corruption and that it empowers vulnerable populations. At the same time, innovations need to be brought to scale – in other words, applied and adopted widely enough to have a broad and sustained impact. In short, the ultimate goal is to generate not only *more*, but *better* investment for sustainable development.

The new, global agenda moves the development discourse from a "North-South" perspective to one of shared, global responsibility and concern. It calls for urgent, effective and inclusive measures to address climate change, inequality, insecurity and other global realities that threaten the very existence of people and the planet. It also makes it clear that without increased co-operation between the public sector – the traditional provider of social services and of development co-operation – and the private sector, sustainable development cannot be achieved. Yet, while there are numerous precedents for determining the roles of governments in development efforts, the parameters for private sector involvement are much less clear.

This report explores the enormous potential of the private sector as a partner for delivering on the SDGs. It demonstrates why, to fully exploit the potential, the focus must be on the quantity as well as the quality of private sector contributions. It illustrates how the OECD works to stimulate dialogue between the public and private sectors; to create opportunities for co-operation; and to develop standards and guidelines that can help to make the most of the potential. It provides practical examples of ways in which businesses are already working to promote sustainable development and inclusive growth in developing countries. Finally, it makes recommendations to guide private sector contributions to achieving the SDGs in five key areas: foreign direct investment, blended finance, measurement of private finance mobilisation, social impact investment and responsible business conduct.

The global goals call for mobilising all resources for sustainable development

Three key milestones in 2015 marked the new era of international co-operation.

In July 2015, the development community convened in Ethiopia for the Third International Conference on Financing for Development, anticipating the challenges of the soon-to-be-endorsed global goals and taking a hard, close look at the potential means of implementation (UN, 2015b). Participants ratified the Addis Ababa Action Agenda, which stresses the importance of using public investment structures and vehicles to leverage private finance for sustainable development far beyond existing levels (UN, 2015b).

In September 2015, the 193 member nations of the UN General Assembly adopted the 2030 Agenda for Sustainable Development, committing to "take the bold and transformative steps which are urgently needed to shift the world onto a sustainable and resilient path" (UN, 2015a).

The United Nations Climate Change Conference (COP21), in Paris in December 2015, evidenced historically unprecedented levels of commitment to managing climate change, matched by strong affirmation of the importance of working in partnership, leaving no one behind, and respecting the interlinked nature of challenges such as economic growth and climate change (Box 1.2) (UNFCCC, 2015).[1]

Box 1.2. **We Mean Business**

Businesses and investors recognise that transitioning to a low-carbon economy is the only way to secure sustainable economic growth and prosperity for all. We Mean Business – a platform to help companies find new ways of doing business to support this transition – works to amplify the business voice, catalyse bold climate action and promote smart policy frameworks.

We Mean Business harnesses the power of over 550 companies and investors representing over USD 7.8 trillion in total revenue and over USD 20.7 trillion in assets under management; it includes Business for Social Responsibility (BSR), CDP, Ceres, The B Team, The Climate Group, The Prince of Wales Corporate Leaders Group, and the World Business Council for Sustainable Development. The coalition sends a unified message to policy makers: climate-friendly business practices are favourable to prosperity for all. It prompts them to adapt policy frameworks that will enable ambitious climate action, signalling that business is already acting decisively. For example, in June 2015 We Mean Business wrote a letter to world leaders urging them to ensure that economic growth is consistent with decarbonisation (We Mean Business, 2015); the concluding notes of the G7 presidents following the 41st G7 summit that same month made this an explicit commitment.

For We Mean Business, taking leadership on climate change means taking leadership on sustainable, equitable growth. For instance, the commitment to reduce short-lived climate pollutants in operations and supply chains provides multiple benefits beyond climate health. Reducing black carbon emissions has a positive impact on local air quality, while reducing methane leakage from oil and gas production is crucial in the context of the increasing energy demand resulting from decarbonisation. The Take Action campaign enables companies to commit to one or several of ten climate actions, such as procuring 100% of electricity from renewable sources or putting a price on carbon.

As governments co-operate more and more to find collective pathways to tackle climate change and its impact on our economy, our societies and our planet, We Mean Business will continue to put forward the progressive voice of business.

For more information, see: *www.wemeanbusinesscoalition.org*.

Contributed by Emilie Prattico, Manager, Business for Social Responsibility (BSR).

Living up to these historic agreements will not only require sustained political commitment. It also calls for a level of financial resources – and of co-ordination of these resources – far beyond what is currently in place. Investment needs for the SDGs in developing countries are estimated to be in the order of USD 3.3 to 4.5 trillion every year (UNCTAD, 2014), well beyond the amounts counted as official development assistance (ODA), even at its all-time high of USD 132 billion in 2015 (OECD, 2015i). Limiting the global temperature increase to 1.5°C above pre-industrial levels will require concerted action by all. Developed countries have committed to mobilising USD 100 billion per year by 2020 to support developing country efforts (UNFCCC, 2015). The challenge will be using the billions to unlock trillions for necessary investments.

> *To meet the investment needs of the Sustainable Development Goals, the global community needs to move the discussion from "billions" in ODA to "trillions" in investments of all kinds: public and private, national and global, in both capital and capacity. (World Bank, 2015)*

In my view: Sustainable development challenges are business challenges

Louise Kantrow,
International Chamber of Commerce Permanent Representative to the United Nations

2015 was a turning point for the whole world. The decisions governments made will affect many generations to come.

The ambitious, transformative United Nations (UN) 2030 Agenda for Sustainable Development, launched in September 2015, offers a roadmap for all stakeholders – governments, the private sector and civil society – to address the social, environmental and economic challenges facing our world. With the Sustainable Development Goals (SDGs), the global community now has the framework for expanding upon the achievements of the Millennium Development Goals (MDGs), and also for addressing the areas where they fell short.

It was time for a new approach. The global landscape has changed. Poverty now resides mostly in middle-income countries. Official development assistance (ODA), while still relevant, is clearly not enough to address the complex global challenges we face. Advances in technology have made the world smaller, but this convergence has also revealed glaring gaps among and within countries that can no longer be ignored. We have entered a new era whose hallmark is competition for land, water, food and energy. The impacts of climate change are enormous. This is why the challenges in the design of the 2030 Agenda were significantly different from the experience of the MDGs – and why their implementation makes it critical for stakeholders to work together, complementing each other's roles.

Business has much to contribute. More than ever, it is recognised that economic growth, trade, investment, entrepreneurship, innovation and sustainable job creation are fundamental for sustainable development. On average, business now provides 60% of GDP, 80% of capital flows and 90% of jobs in developing countries (OECD, 2015j).

In an historic development, the 2030 Agenda and the 17 SDGs place heavy emphasis on the important role of business. They recognise that for the 2030 Agenda to succeed in all countries at all stages of development, it will be essential for businesses of all sizes to grow and flourish in a responsible and sustainable manner. These businesses will be essential to create decent jobs and livelihoods, and to provide technical resources for the design and deployment of new solutions to the sustainable development challenges facing the international community.

But one may ask: why do the SDGs resonate with business? In my view, there are many reasons why business must take them seriously:

- The SDGs are **action oriented**, and they are **SMART**: specific, measurable, achievable, relevant and time-bound.
- **Universality** underpins the SDGs. They provide an overarching vision to eradicate poverty and an integrated approach reflecting all three dimensions of sustainable development: social inclusion; economic empowerment and environmental stewardship.
- The SDGs recognise that **the earth is finite**. Resources must be respected and managed efficiently to ensure a net positive contribution over the long term while striving to significantly reduce the negative environmental impacts, including climate change.
- The SDGs emphasise **good governance** focused on smart regulation, rule of law and well-functioning national institutions – most notably to reduce corruption and informality.
- The SDGs support institutions that **protect and promote human rights, gender equality and the empowerment of women**.
- The SDGs provide a **roadmap** through their "Means of implementation". Yet delivery of the SDGs will be adapted at the global, regional, national and local levels. Multi-stakeholder partnerships – and the recognition that business is part of the solution – will be crucial to their achievement at every level.
- The key ingredient for all this to work is **building trust** among all actors in society. This includes honest and transparent dialogue about accountability, and to find solutions where perspectives or interests differ among all stakeholders.

The International Chamber of Commerce co-ordinated business inputs during the two years of negotiations around the SDGs. It applauds the leadership of the UN on the 2030 Agenda for Sustainable Development and the launch of the SDGs. The UN has delivered to the global community a development agenda that will truly be universal and transformative, and will pave the way for new partnerships among governments, the private sector, civil society and all other actors in development. Business welcomes these new partnerships and stands ready to provide the full depth of resources, expertise and technological innovation needed for them to succeed.

Yet despite these orders of magnitude, Schmidt-Traub notes that in relative terms, global incremental investment needed to finance the achievement of the SDGs in all countries may be only 1.5-2.5% of the world's gross domestic product (GDP) (Schmidt-Traub, 2015a). While pointing to the continuing importance of public flows in low-income and lower middle-income countries, he indicates that about half of the needs in these countries can be financed through private investment (Schmidt-Traub 2015b). This said, he cautions that there is still much uncertainty around the investment needs for social protection, which represents an important gap in previous analyses.

Chapter 2 of this report reviews the potential and challenges of foreign direct investment[2] in emerging and developing economies, where it accounts for more than 40% of external development finance (UNCTAD, 2015). Foreign direct investment, by far the greatest source of international capital flows to developing countries, is considered one of the most development-friendly sources of private investment. It can create jobs, boost productive capacity and enable local firms to access new international markets. What's more, these inflows are often coupled with transfer of technology that can have positive long-term effects (OECD, 2014b). It is therefore no surprise that current research points to a strong link between foreign direct investment inflows, on the one hand, and increases in Human Development Index ratings on the other (Gohou and Soumaré, 2012). Many are expecting these flows to play a major role in filling the SDG financing gap. According to the United Nations Conference on Trade and Development (UNCTAD), a concerted effort by the international community could help to quadruple foreign direct investment by 2030, especially in structurally weak countries (UNCTAD, 2015). Yet it is important to note that global foreign investment flows vary largely by region: only 2% goes to the least developed countries, and African countries as a whole receive a mere 5% (UNCTAD, 2015). Chapter 2 also points out that global capital flows have started to decelerate, while economic vulnerabilities are growing. A slowdown, or even reversal, in foreign direct investment could have serious negative ramifications for both developing and international investment markets. Framing development strategies around the complementary and mutually reinforcing qualities of private investment and development co-operation can help to offset the cyclic, changing nature of foreign direct investment trends.

Successfully implementing the SDGs also depends on how well financial contributions comply with international quality standards that safeguard and promote equality, inclusiveness and resilience. At the same time, advances made today need to be sustained and shared widely in the future. As Amina Mohamed notes in the challenge piece that introduces this chapter, debate about private sector involvement in development to date has mainly focused on avoiding doing harm. This needs to shift to a focus on "doing good" if business is to become a true driver of sustainable development. One of the key elements of this shift will need to be a change in the perception of profits and sustainability as opposing forces. Only when profitability comes into alignment with sustainable practices and policies will doing good become an integral part of doing business (see the "In my view" box by Louise Kantrow).

This chapter takes up the five challenges highlighted by Amina Mohammed, exploring for each what is needed to turn today's development challenges into sustainable business opportunities, guided by the new "road map" for sustainable global development: the Sustainable Development Goals.

Sustainable business needs to become "business as usual"

While development is the "business" of the public sector, as a rule private companies and investors are driven by financial returns. Even when investors may be willing to reduce expectations on returns in favour of social benefits, or to lower what they consider acceptable levels of risk, at the very least they need to repay the capital invested. Yet the private sector has much to gain from investing in sustainable development. Developing countries offer prospects for diversifying

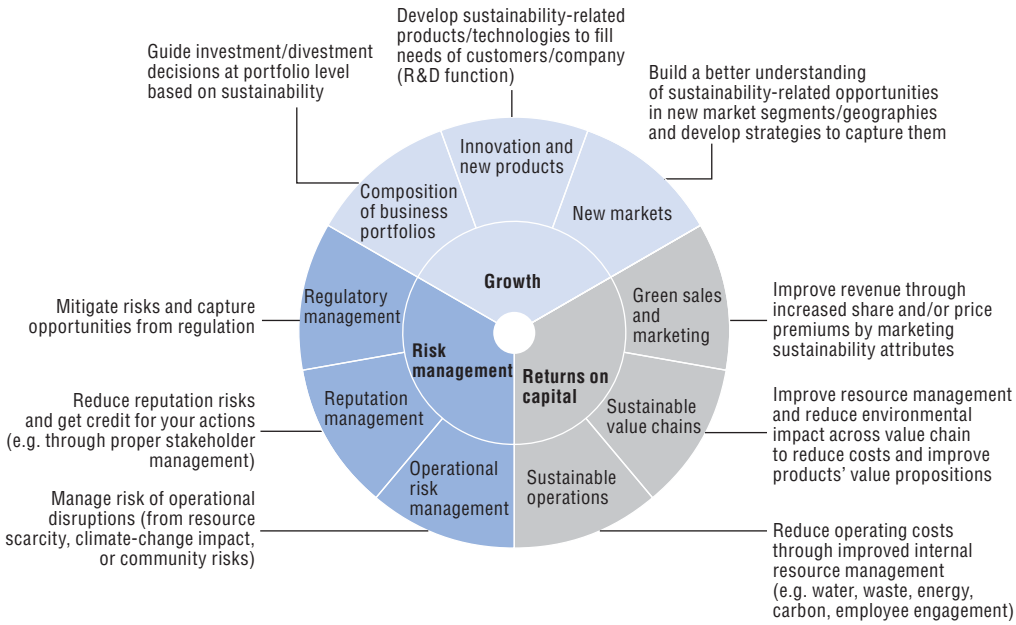
investment and gaining access to new or growing markets. And although achieving the SDGs will involve huge amounts of investment, the cost of *not* achieving them – in terms of human development, security, economic stability and environmental welfare, among others – are far greater.

> *There is no business case for enduring poverty. […] Every business will benefit from operating in a more equitable, resilient world if we achieve the Sustainable Development Goals. (Unilever CEO Paul Polman)*

To help in quantifying the gains in efficiency businesses can make by engaging in the Sustainable Development Goals, Paul Polman, CEO of Unilever, and Mark Malloch-Brown, former UN Deputy Secretary-General, have come together to found the Global Commission on Business and Sustainable Development. Looking at the potential alignment of profitability and social purpose, the commission will explore diverse business models to understand what they mean for sustainable development. Based on this understanding, it will map out new financing mechanisms for achieving the SDGs (Global Commission on Business and Sustainable Development, 2016).

To learn more about sustainability as a business incentive, the consulting firm McKinsey & Company interviewed executives from 40 companies that had performed above the industry average in both financial and sustainability terms. The survey covered various sectors, including oil and mining, gym shoes, soup, cosmetics, and telecommunications. They also interviewed experts from universities, non-governmental organisations and the financial sector (Bonini and Swartz, 2014). The research demonstrated that sustainable action can create value chains which, above and beyond their social and environmental value, also contribute to increased efficiency and profits. It demonstrated positive returns on capital in terms of reduced risk, diversification of markets and portfolios, increased revenue, reduced costs and improved value of products, among others (Figure 1.1).

Figure 1.1. **Companies are pursuing sustainability in a way that creates value**



© 2014, McKinsey & Company; all rights reserved. Reprinted by permission.
Source: Exhibit from: Bonini, S. and S. Swartz (2014), "Profits with purpose: How organizing for sustainability can benefit the bottom line", *McKinsey on Sustainability & Resource Productivity*, July, McKinsey & Company, New York, *www.mckinsey.com/business-functions/sustainability-and-resource-productivity/our-insights/profits-with-purpose-how-organizing-for-sustainability-can-benefit-the-bottom-line*.

Many guidelines have emerged to help ensure that business contributes to sustainable development. With its Action 2020, the World Business Council for Sustainable Development offers a roadmap for engaging business in influencing environmental and social trends while "strengthening their own resilience to issues like climate change, demographic dynamics and skills shortages" (WBCSD, 2015). It proposes that business solutions must be:

- **measurable,** so we know they are making a difference
- **scalable,** so they can have a meaningful impact on the world
- **replicable,** so they can be applied by many companies, in multiple sectors, regions and countries
- **beyond business as usual,** so businesses and governments begin to work – and collaborate – differently
- **good for business,** so they have a commercial logic that contributes to the broader good and to the bottom line.

The World Business Council for Sustainable Development has also joined forces with the Global Reporting Initiative (GRI) and the United Nations Global Compact to "mobilise the private sector as a key player in achieving the Sustainable Development Goals" (UN, 2015d). Together, they have produced the "SDG compass", a guide that offers businesses "the tools and knowledge to put sustainability at the heart of your strategy" (GRI, UN Global Compact and WBCSD, 2015).

To help businesses in all sectors and regions – but in particular small and medium businesses in emerging economies – shape their own business sustainability strategies, the International Chamber of Commerce proposes a Business Charter for Sustainable Development (ICCWBO, 2015). This practical framework is founded on eight basic principles that offer benefits for practising businesses, from reduction of risks and liabilities, to enhancement of efficiency and effectiveness, generation of new business opportunities, and increased employee loyalty (UN, 2015d).

Despite these initiatives, however, many challenges remain. One of the key roles of development co-operation in the post-2015 world is to offer solutions and instruments that enable the private sector to support sustainable development while meeting its own business needs and expectations (Box 1.3). Working together, policy makers and private investors can make the most of converging interests and potential to unlock the resources needed to implement the SDGs.

Box 1.3. **Public-private dialogue as a measure of private sector engagement in development**

At the Fourth High Level Forum on Aid Effectiveness (Busan, Korea, 2011), participating nations and organisations committed to "enable the participation of the private sector in the design and implementation of development policies and strategies to foster sustainable growth and poverty reduction" (OECD, 2011a).

To measure progress made by countries towards the objectives agreed in Busan, the Global Partnership for Effective Development Co-operation has developed a monitoring framework, which incorporates an indicator on the quality of public-private dialogue as a proxy for private sector engagement in development.

The indicator, developed in close collaboration with the World Bank, assesses global and national data, focusing on three dimensions:

1. **The legal and regulatory context for public-private dialogue:** for example, does the private sector have the right to organise in associations, express its voice, access public policy information? Is there legal deterrence of collusion between private and public interests?

Box 1.3. **Public-private dialogue as a measure of private sector engagement in development** *(cont.)*

2. **The country's readiness to host, create or sustain a dialogue process:** for example, are the government and the private sector ready and willing to engage and interact? Is there a potential champion who can facilitate the dialogue process, activate political will and reduce the trust gap? Are logistical, financing and capacity-building instruments available to support public-private dialogue?
3. **The organisational effectiveness of a given public-private dialogue platform:** for example, each platform's quality, mandate, structure, participation, management, outputs, outreach, monitoring and degree of autonomy.

The findings from the monitoring process are expected to improve understanding by all development stakeholders of the role the private sector can play, and to strengthen its contribution to development, especially the implementation of the SDGs.*

* The Global Partnership for Effective Development Co-operation's 2016 progress report will provide an updated global snapshot of the state of play in implementing selected Busan commitments.

Chapter 6 looks at how following the principles and standards of responsible business conduct can improve the quality of business. This means contributing to positive outcomes not only for the environment, society and the economy, but also for business. The chapter examines the complementary roles of business and government in implementing, promoting and enabling responsible business conduct. The *OECD Guidelines for Multinational Enterprises* help to optimise this contribution, supporting the development of responsible and accountable business practice to ensure that investment quantity is matched by business quality (OECD, 2011b). By following these guidelines, business can make an important contribution to the SDGs in countries worldwide, helping to raise the standard of living through the creation of fair and equal jobs, the development of skills and technology, and more equitable distribution of wealth (Nieuwenkamp, 2015).

Governments can help to create conditions that favour good investment

Efforts to encourage private investors to get more involved in addressing sustainable development challenges can be frustrated if businesses run up against regulatory constraints when trying to engage with new markets and opportunities. A strong enabling environment, with laws and regulations that are clear and readily accessible for all, and that do not impose unnecessary bureaucratic burdens, can be a critical factor in making the decision to invest (see the "In my view" box by Jim Balsillie).

Many developing countries struggle to implement investment, trade and competition policies that contribute to good business and investment climates while at the same time supporting local entrepreneurship. Countries interested in attracting investment need to carefully weigh the costs of regulation against its intended benefits. For example, when striving to create favourable conditions for foreign investment, governments need to be careful not to:

- discourage public sector investment in public goods, such as the provision of education, energy and water
- crowd out domestic private investment
- permit excessive deregulation.

The OECD *Policy Framework for Investment* helps countries to improve their business climates, creating conditions that will increase investment while maximising its economic and social returns (OECD, 2015a). The framework recognises that a good investment climate is good for domestic as well as foreign ventures (see Chapters 2 and 6).

In my view: Business can fuel the clean technologies that are needed to achieve global goals

Jim Balsillie,
Founder and Chair of the Board of Directors, Centre for International Governance Innovation

The 17 Sustainable Development Goals (SDGs) can be boiled down to 4 overarching objectives: economic growth, the inclusive and equitable distribution of that growth, transparent and effective government, and the responsible curatorship of our bio-physical environment. We need to achieve all four, and progress on each must interact with the others appropriately.

Business has a central role to play in contributing to success in achieving these objectives. The right type of interaction among these four objectives will depend largely on stimulating innovation, anywhere and everywhere in the world. Innovation not only breeds economic growth – it channels the fruits of this growth, determining where and how they play out, how well governments are resourced, and influencing how well we manage our environment.

Stimulating risk-takers to do so is central to the process of innovation. While the innate desire of smart and curious scientists to experiment can never be underestimated, experience shows that the countries that have been most successful in reaping benefits from innovation[1] have done so by using shrewd combinations of engaged university systems, public finance for research (particularly basic research with strong applied components) and private risk-bearing finance – such as venture capital and angel investment.[2]

Just as important as stimulating innovation, however, is ensuring a balance between the rights of developers to profit from their inventions, on the one hand, and the need to get many countries to adopt technologies early, and together, on the other. This is especially important in the case of clean technologies because they contain a high "public good" element – in other words, shared adoption and shared benefits go hand in hand. It is important, in this respect, that national intellectual property legislation conforms with international legal agreements; but there are other ways of achieving this balance that have also proven successful. For example, clean technologies can be promoted through advance market commitments, wherein a market for an as-yet undeveloped but desirable technology is guaranteed via the creation of a public fund. Or they can be supported through "grand challenge" approaches, wherein key bottlenecks blocking the solution to a problem are identified and made public so that scientists have a clear problem to work on, often with the added incentive of research funding or a price for successful results. Finally, business can play a role by making "patent pledges", contributing a patent they hold to the public realm.

Nonetheless, the world of intellectual property is a contentious one. Each country's share of the profits from the innovations it nurtures will depend not only on how it does the nurturing, but also on how well it backs these ideas up internationally – both commercially and legally. While this might seem to tilt the balance in favour of the large, established players like the United States and Germany, evidence from smaller, successful economies like Israel, Korea and Chinese Taipei suggests that agility and capability can make up for a relative lack of size (Breznitz, 2011).

In my view, the creation and diffusion of clean technologies will play an integral role in achieving the SDGs. The ingredients for success are clear: a strong private sector, working within a supportive eco-system of public policies and processes.

1. See, for example, Mazzucato (2014) and Janeway (2012).
2. An angel investor is an affluent individual who provides capital for a business start-up, usually in exchange for convertible debt or ownership equity.

Creating a financial environment that will promote investment in sustainable development is not, however, solely a national concern (Box 1.3). The SDGfunders – a group that comprises the UN Global Compact, the UN Environment Programme and the UN Conference on Trade and Development – has developed a set of Principles for Responsible Investment that foresees "a virtuous cycle of innovation to achieve the SDGs" (SDGfunders, 2015).

An important role for governments is to provide de-risking instruments and incentive mechanisms that can help mobilise the financial resources needed to meet the challenges of implementing the SDGs. Chapter 3 of this report takes a close look at the use of development and philanthropic finance to unlock resources through "blending" mechanisms. It notes that while the concept of blending public and private finance in the context of development co-operation is nothing new, it has played a marginal role so far. The chapter looks at the challenges and risks of this type of financing package, providing recommendations and offering examples of successful approaches.

> *Expanding public-private co-operation in the form of blended finance is one of the most important ways the international community can support developing countries as they seek to generate significant amounts of domestic and foreign investment required to meet their Sustainable Development Goals by 2030. (WEF, 2015)*

Global change needs to be built from the bottom up

If development is to be truly sustainable and inclusive, as the SDGs advocate, it must be led by countries themselves and must benefit all citizens – in particular those most in need. This means looking at business through a new lens, one that focuses, in particular, on the poorest and most vulnerable, and on empowering them to lead fuller, more productive lives.

> *In short, the poorest populations raise a prodigious new managerial challenge for the world's wealthiest companies: selling to the poor and helping them improve their lives by producing and distributing products and services in culturally sensitive, environmentally sustainable, and economically profitable ways. (Prahalad and Hart, 2002)*

Numerous guidelines and principles have been developed to help ensure that investments meet internationally agreed human rights standards. For example, the Ten Principles of the UN Global Compact call for operating in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption (UN Global Compact, 2015). The Ten Principles are derived from the Universal Declaration of Human Rights (UN, 1948), the International Labour Organization's Declaration on Fundamental Principles and Rights at Work (ILO, n.d.*b*), the Rio Declaration on Environment and Development (UNGA, 1992), and the United Nations Convention Against Corruption (UNODC, 2004). Similarly, the Six Principles for Responsible Investment, developed by the International Network of Investors in a process convened by the UN Secretary-General, recognise the duty of investors "to act in the best long-term interests of our beneficiaries" (PRI, n.d.).

Yet even when companies take action aimed at investing responsibly in developing countries, the details of contracts may do more harm than good to bottom-of-the pyramid actors, such as small-scale farmers (see the "In my view" box by Olivier De Schutter).

The empowerment of women is also an essential pre-condition for building change from the bottom up. Among the standards that have been put in place to promote common values and benchmarks for women's empowerment, the EDGE global business certification standard for gender equality assesses companies' policies and practices in areas such as equal pay for equal

In my view: The right to food is about much more than boosting supply

Olivier De Schutter,
Co-Chair, International Panel of Experts on Sustainable Food Systems (IPES-Food)

It is increasingly common for big agribusiness firms to contract out the production of raw commodities to hundreds and thousands of smallholders, sometimes known as "outgrowers". Through the contracts they negotiate with small-scale farmers, private investors are shaping agriculture in the developing world. For example, the investment pledges gathered in the G8's New Alliance for Food Security and Nutrition (New Alliance, n.d.) are primarily made up of plans by multinational and domestic agribusiness firms to source more widely from smallholders in a range of African countries. Yet what matters is precisely *what* is agreed between investors and small-scale farmers, and small-scale food producers have been largely neglected by agricultural policies to date. Understanding this situation is crucial to assessing the role of private investment in achieving the Sustainable Development Goals (SDGs).

In contract farming, farmers commit their output to processing or marketing firms at (generally) predetermined prices. Doing so can give them improved access to inputs and credit at one end, and easier access to markets at the other. Plugging small-scale farmers into new and lucrative market openings can help them to share the gains of globalisation. Under certain conditions, contract farming can also help in the development of localised food chains, for instance by linking farmers' co-operatives to the local food-processing industry or to fresh produce retailers serving urban consumers. At the same time, however, farmers can easily become disempowered by contract farming: it may result in passing risk down to them and exposing them to markets that are volatile, while allowing agribusiness firms to consolidate their commodity supply chains.

An extensive review of the experiences of contract farming to date reveals that safeguards must be built into the scheme to ensure that the benefits of contract farming outweigh the potential costs (De Schutter, 2011). Local governments need to play a role, scrutinising contractual arrangements to check that they are transparent, viable and beneficial to both parties; that they are fair and that dispute procedures are in place; that they respect women's rights; that quality standards are clear; and that they will not harm the environment.

It is equally important, however, to consider other development models that can provide farmers with the benefits of contract farming – such as access to credit and markets, price stability and risk spreading – without the potential drawbacks. Farmers should be encouraged to consider forming co-operatives and joint ventures – allowing them to join together to access markets without losing power over their land and livelihoods – or direct-to-consumer food marketing, which links small-scale farmers to markets while allowing them to increase their incomes and retain control of their production.

Improving small-scale farmers' access to markets is vital for achieving food security and improved nutrition, but we must also improve farmers' bargaining position in food chains. Today, the relationships between producers and buyers are deeply unequal and they will remain so unless farmers have a variety of channels through which to sell their produce, and the capacity to negotiate better deals.

In my view, this is what the right to food is all about: not simply a matter of boosting supply to meet growing needs, but of who produces, for whom, under what conditions. It is not just a question of reducing the gap between farm-gate prices and retail prices to ensure affordable food, but also of empowering the most marginal food producers, allowing them to capture a greater portion of the value of their produce. In short, it is about allowing the vast number of small-scale farmers in developing countries to reach, finally, their full potential.

work, recruitment and promotion, flexible working, and company culture (EDGE, n.d.). Other important international standards include the International Labour Organization standards and the United Nations Women's Empowerment Principles (ILO, n.d.*a*; UN Women, 2016). Yet while the role of corporate actors in financing, managing and implementing programmes relating to women and girls has increased over recent years, these private sector initiatives have mainly focused on health and empowering women economically through employment, training and entrepreneurship opportunities. Looking at the broader conditions needed for women's empowerment will be important for tackling the root causes of gender inequality, with benefits for society as a whole (Box 1.4).

Box 1.4. **Priorities for delivering on gender equality**

Members of the OECD-DAC Network on Gender Equality (GENDERNET) have identified some priorities for advancing gender equality (SDG 5):

- **Establish safeguards and accountability mechanisms** to ensure that corporate actors are socially responsible and respect human rights.
- **Broaden the focus of philanthropic activities targeting gender equality and women's empowerment.** Research by the Oak Foundation has found that corporate activities to promote women's empowerment tend to be narrowly focused on single issues, such as livelihoods, and on reaching individual beneficiaries rather than transforming the underlying structures. Broader, more integrated approaches can help to create the conditions necessary for women's empowerment.
- **Build bridges between corporate actors and women's organisations.** A mapping by the Association for Women's Rights in Development of 170 private sector initiatives focusing on women and girls revealed that only 27% of these initiatives involved women's organisations as partners, and only 9% directly funded these organisations. Providers of development co-operation can play a key role as bridge-builders.

Sources: Oak Foundation et al. (2014), "The business case for women's economic empowerment: An integrated approach", *http://oakfnd.org/sites/default/files/documents/The%20Business%20Case%20for%20Womens%20Economic%20Empowerment-IAW-Consultant%20Publication.pdf*; Miller, J., A. Arutyunova and C. Clark (2013), "New actors, new money, new conversations: A mapping of recent initiatives for women and girls", Association for Women's Rights in Development, Toronto, Ontario, Canada, *www.awid.org/sites/default/files/atoms/files/New%20Actors%20FInal%20Designed.pdf*.

Social impact investment, the subject of Chapter 5 of this report, offers an innovative and promising approach to increasing the benefits of business for the world's poorest and most marginalised populations. Enterprises that generate measurable social as well as financial returns can bring effectiveness, innovation, accountability and scale to development efforts. The chapter looks at ways in which public funds can be used to strengthen and promote this type of investment, including by sharing risks, and by contributing to creating a sound business environment, particularly in the least developed countries and in countries emerging from conflict. The chapter provides a number of examples of social impact investment to demonstrate how it works in different sectors and countries, as well as recommendations on how to scale up this relatively new investment model.

Building domestic resources and human capital is another essential component of bottom-up development, contributing to countries' capacity to finance their own development. The Third International Conference on Development Finance highlighted domestic resource mobilisation, and in particular taxation, as a key source of development finance. Since 2002, domestic resource mobilisation in developing countries has more than doubled, reaching USD 1.9 trillion (UN, 2015e). Yet there is still much room for growth: tax revenues in low-income countries stand at only 10-14% of GDP, compared to 20-30% in high-income countries. Tax Inspectors without Borders, a joint initiative of the OECD and the United Nations Development Programme (UNDP), supports developing countries in building their tax audit capacity (OECD, 2014a). Through this programme, experts work alongside local officials of developing country tax administrations, transferring their technical know-how and skills (OECD, 2014b).

For many developing countries, a range of supply-side and trade-related infrastructure obstacles also constrains their ability to engage in international trade. To ensure that trade plays its part in boosting growth, tackling poverty and promoting inclusive development, the SDGs identify the following priority actions:

- significantly increasing the exports of developing countries; in particular, doubling – by 2020 – the share of global exports from the least developed countries
- implementing special and differential treatment for developing countries, in particular the least developed countries, in accordance with World Trade Organization agreements
- implementing duty-free and quota-free market access on a lasting basis for all of the least developed countries, including by ensuring that preferential rules of origin applicable to imports from least developed countries are transparent and simple, and help to increase their market access
- ending trade restrictions and distortions in world agricultural markets
- increasing aid-for-trade support for developing countries, in particular the least developed countries.

The joint OECD-WTO Aid-for-Trade initiative supports access to markets by developing countries – in particular the least developed countries. It helps them to articulate, communicate and mainstream their trade-related objectives and encourages providers of development co-operation to align with these (WTO, 2015).

Providers of development co-operation can also promote inclusive and sustainable development of the private sector in the countries they support by viewing co-operation with the private sector as an end in itself (Box 1.5). Targeting the local private sector can have numerous benefits, including job creation, poverty reduction, provision of goods and services for the poor, generation of tax revenues, and decreasing reliance on external flows.

Box 1.5. **Development co-operation for private sector development**

The OECD's analysis of official development finance for private sector development shows that in 2013, total disbursements for these activities in developing countries amounted to USD 96 billion.* This includes official development assistance (ODA) as well as non-concessional finance provided by multilateral and bilateral development partners. The total represents half of total concessional and non-concessional development finance by multilateral and bilateral development partners allocated to specific sectors.

The framework for analysing these contributions comprises three levels: upstream, midstream and downstream.

Upstream activities involve the creation and implementation of conditions that promote a sound and competitive economy conducive to private sector-led growth. These activities accounted for 19% of support to public sector development in 2013. The recipients were exclusively within the public sector and projects were mainly in the form of technical assistance; capacity building for policy making; and institutional reforms in areas such as macroeconomic stability, the business environment, trade policy and labour markets.

Development co-operation at the **midstream** level aims to strengthen markets, targeting both public and private service providers; in particular, it addresses market failures that impede the development of the local private sector. Activities may include, for example, expanding access to financial services; developing appropriate economic infrastructure; and reinforcing commercial linkages to local clusters, as well as to regional and global value chains. This level received the largest share of support, at 66%, mostly because it comprises infrastructure, which alone receives half of all amounts for private sector development.

Finally, assistance at the **downstream** level, which accounted for 15% of the total amount, directly targets individual companies – predominantly micro, small and medium enterprises – providing technical and financial support to help them increase their productivity and competitiveness, or to promote viable and innovative business models.

* The figures cited in this box are the result of preliminary research conducted by the OECD Development Co-operation Directorate.

Ensuring credibility, accountability and transparency is fundamental

As noted by Sharan Burrow in Chapter 6, the private sector must be held to the same international transparency and accountability standards as all other actors. This calls for making major improvements in the area of corporate transparency, reporting on business activities on a country-by-country basis. It also includes meeting fiscal obligations and reporting on them.

> *Transparency and openness can increase profit as well. One study suggests that open data could reduce the costs of corruption by about 10%. Just in the EU, the costs of corruption shave 1% off the region's GDP, equivalent to an annual loss of EUR 120 billion. (Transparency International, n.d.)*

The Global Reporting Initiative asks that companies provide detailed information on their tax payments (GRI, 2015). Yet many private businesses still fail to comply with this basic and fundamental obligation to society. Likewise, base erosion and profit shifting[3] result in annual losses of approximately 4-10% of global corporate income tax revenues (USD 100-240 billion annually). These losses are particularly important to developing countries because of their heavy reliance on corporate income tax (OECD, 2015f).

Transparent information on taxation is critical to ensure more sustainable, inclusive development. The OECD works on several fronts to build tax transparency and compliance among its members and partners:

- The Global Revenue Statistics Programme contributes to the knowledge base, providing high-quality, comparable revenue statistics across OECD and non-OECD countries (OECD, 2015c).
- The common global Standard on Automatic Exchange of Information supports governments in the fight against tax evasion (OECD, 2015d).
- The 133-member Global Forum on Transparency and Exchange of Information for Tax Purposes champions tax transparency and helps countries fight tax evasion and illicit flows through in-depth peer review and monitoring, peer review and technical assistance (OECD, 2015e).
- The Base Erosion and Profit Shifting (BEPS) Project works with G20 and developing countries to reform the international tax rules. It also helps to identify and address the most pressing BEPS-related issues for low-income countries, such as tax incentives.
- The OECD's International Academy for Tax Crime Investigation offers intensive programmes to train investigators, prosecutors, judges and other officials from across the world in the latest investigative techniques and to share best practices.

The OECD also works to counter the outflow of illicit financial flows from developing countries through instruments such as the Financial Action Task Force, which focuses on anti-money laundering; the Working Group on Bribery; and joint work with the Stolen Asset Recovery Initiative (OECD, 2015g). The OECD Anti-Bribery Convention is the first and only international anti-corruption instrument focused on the "supply side" of the bribery transaction. It establishes legally binding standards to criminalise bribery of foreign public officials in international business transactions and provides for a host of related measures to make this effective.

Finally, in order to make the most of private investment for sustainable development, it is essential to have data on financing flows, packages and opportunities. This includes knowing where funds are going, as well as the impact they are having. With today's increasingly complex financing mechanisms and the growing number of actors in development, this knowledge is growing in importance.

Chapter 4 of this report describes current work by the international community, in particular the OECD, to monitor and measure the mobilisation effect of public sector interventions on private investment. This measure is expected to be an important element of the new "total official support for sustainable development" (TOSSD) framework currently under development by the OECD (see Box 4.2 in Chapter 4). Ultimately, the TOSSD framework aims to attract development finance from a wide variety of sources and actors to support the ambitious SDGs by providing important information about financing strategies and best practices. The measure of amounts mobilised from the private sector also constitutes an important step in efforts to modernise and broaden the OECD-DAC statistical framework. A recent OECD survey has confirmed the feasibility of collecting and measuring data on the direct mobilisation effect of guarantees, syndicated loans and shares in collective investment vehicles. Work is underway to develop similar methodologies for other financial instruments, including mezzanine finance, credit lines, direct investment in companies and project finance. Much work still remains to be done, in particular to find ways of measuring the indirect – or "catalytic" – effect of public interventions on the achievement of the global goals.

A new generation of multi-stakeholder partnerships needs to be put in place

Innovative partnerships between the public and private sector – but also bringing in civil society, target communities and other stakeholders on an equal, responsible and accountable footing – will be essential to achieving the SDGs.

> *Achieving these new goals will require combining the skills and resources of many different partners in ways that drastically reconfigure the business-as-usual approach to development co-operation. […] These coalitions can be instrumental in pushing for successful outcomes on questions of education, health and food security – and can help achieve results even in countries where these issues, for political reasons, have been relatively neglected so far. (Homi Kharas, OECD, 2015h)*

Public-private partnerships are not new; both good and bad examples exist. In the best of cases, public support has managed to leverage private sector contributions to deliver public goods. Yet in some cases, public investment has given private interests an unnecessary "bonus", for example contributing funds for undertaking activities they would have engaged in anyway. Civil society can play an important role in contributing checks and balances to ensure that public-private partnerships work to the best interests of all (Box 1.6).

Public sector financing is particularly crucial in areas such as education, health and social services – providing the social services that target, in particular, the poor. For example, Chapter 3 describes a partnership that is providing quality primary and secondary education in Nouakchott, Mauritania, including scholarships for orphans, while also creating jobs for locally hired teachers. And while much-needed advances in areas such as infrastructure and agriculture are national concerns, international finance, knowledge and co-operation can help to take these advances to the scale required.

At the same time, partnerships for the 2030 Agenda must go far beyond traditional public-private financing models, as Homi Kharas says, reconfiguring "the business-as-usual approach to development co-operation" (OECD, 2015h). Many development agencies and bilateral and multilateral development finance institutions are already engaging in new ways of sharing risk and reducing costs so as to leverage private finance for sustainable development (Chapter 4). Providers of development

Box 1.6. **A trade union checklist for holding public administrations to account in the design of public-private partnerships**

Governments and the public at large should scrutinise public moneys put in private hands, especially when for-profit operators are contracted to deliver public services. Trade unions have developed a checklist of what public authorities should do to determine whether or not public-private partnerships are appropriate. Based on the OECD *Recommendation of the Council on Principles for Public Governance of Public-Private Partnerships* (OECD, 2012), they call for taking six important steps:

1. Eliminate risk of conflicts of interest in the decision-making process and give leadership to independent public auditors in evaluating the performance and impact of the project against agreed objectives and parameters.
2. Consult with stakeholders, including trade unions, consumer groups and affected communities, prior to the conclusion of a contract.
3. Demonstrate transparency in contractual arrangements, including distribution of risks between public and private parties, exact costing of public guarantees and the payment stream from government over the lifecycle of the project. Any renegotiation of a contract should be fully transparent and disclosed.
4. Conduct procurement option pre-tests to prevent conflict of interest and biased decisions. A public-private partnership project should always be benchmarked with a "public sector comparator" (i.e. comparing it with traditional public procurement options).
5. Measure and control the costs and risks of public-private partnerships, including at the local government level. Statutory responsibilities to maintain public services can never be transferred to a private operator.
6. Monitor contract negotiation and renegotiation once a public-private partnership contract is signed. This will ensure: that the government administration maintains appropriate human resource and institutional capacity after the conclusion of the contract; and that the private operator observes international norms of responsible business conduct, as defined by the *OECD Guidelines for Multinational Enterprises* and the International Labour Organization Standards on Freedom of Association and Collective Bargaining.

Contributed by Pierre Habbard, Trade Union Advisory Committee (TUAC) to the OECD.
Source: TUAC (2014), "Trade Union checklist on public-private partnerships (PPPs)", Trade Union Advisory Committee to the OECD, Paris, *www.tuac.org/en/public/e-docs/00/00/0E/D7/document_doc.phtml*.

co-operation generally agree that mobilising private resources for sustainable development needs to be "at the core of a modernised, reinvented role for ODA" (OECD, 2014c). And while ODA, on a scale of magnitude, may appear dwarfed in comparison to the level of private investment required, its role is by no means diminished. In the words of the World Bank, "The world needs intelligent development finance that goes well beyond filling financing gaps and that can be used strategically to unlock, leverage, and catalyse private flows and domestic resources" (World Bank, 2015).

Climate change mitigation and adaptation, in particular, will require not only financial flows from the private sector, but also their commitment, innovation and technical know-how. Private sector actors engaged in development extend far beyond formal businesses; they include households and individuals who consume or produce goods and services, as well as informal enterprises and family-run farms (OECD, 2007). These people can make or break environmental change. Providers of development co-operation can do much to ensure that their contribution is positive (Box 1.7).

Box 1.7. **Greening small and medium enterprises**

Small businesses are considered the engine of growth, particularly in developing countries, where much economic activity takes place in the informal sector. In Asia, for example, micro, small and medium enterprises make up 98% of all enterprises and employ 66% of the workforce (ADB, 2014).

In the transition to a greener development trajectory, these enterprises both supply and invest in affordable and locally appropriate green technologies and services. Yet the risks they face from climate change threaten the stability of the very supply chains they support. Understanding the potential contribution of these enterprises to green growth in developing countries – as well as what holds them back – is fundamental.

Much can be learned from development co-operation approaches that have been successful in reaching small and medium enterprises and influencing their behaviour. The Green Growth Working Group of the Donor Committee for Enterprise Development has brought together lessons learned in "Green growth and private sector development: Stocktaking of DCED experiences" (DCED, 2014). For example:

- Small businesses will often engage in green growth to benefit from the financial benefits and cost savings, rather than for environmental reasons. For example, small businesses that engaged in an Asia-wide programme on sustainable production and consumption did so to improve their competitiveness and reduce costs (SWITCH-Asia Network Facility, 2013).
- Many micro, small and medium enterprises have limited capacity to invest in green interventions, despite the potential to cut costs, and are also reluctant to invest without a clear demonstration of potential benefits, such as an externally validated study.
- While access to finance is often a barrier to uptake of green interventions, other factors are also important: interventions need to involve awareness raising and capacity development within local financial institutions, as well as entrepreneurial capacity building among the enterprises themselves.

The OECD-DAC Network on Environment and Development (ENVIRONET) is building on this work to identify success factors, gaps and lessons learned from development co-operation efforts to engage the private sector.

For more information on the DAC ENVIRONET see: *www.oecd.org/dac/environment-development/aboutdacenvironet.htm*.

Sources: ADB (2014), *Asia SME Finance Monitor 2013*, Asian Development Bank, Manila, Philippines, *www.adb.org/sites/default/files/publication/173205/asia-sme-finance-monitor2014.pdf*; SWITCH-Asia Network Facility (2013), "Greening SMEs by enabling access to finance: Strategies and experiences from the Switch-Asia programme", SWITCH-Asia Network Facility, Wuppertal, Germany, *www.switch-asia.eu/fileadmin/user_upload/A2F_Study_2013_Screen-compressed.pdf*; DCED (2014), "Green growth and private sector development: Stocktaking of DCED experiences", Final Report, Donor Committee on Enterprise Development, *www.enterprise-development.org/download.ashx?id=2516*.

Private foundations are also important players in multi-stakeholder partnerships. Philanthropists increasingly recognise the power of involving governments and other development stakeholders, such as the private sector, in partnerships to enable systemic change, ensure increased sustainability and scale up their efforts.

Box 1.8. **The power of partnering with philanthropy**

Philanthropy and governments can deliver far greater development outcomes by partnering more efficiently. Examples of successful collaboration between foundations and governments show the potential to achieve greater impact when the assets of all actors are combined. For instance, since 2012 the Novartis Foundation, in co-operation with Ghana's national ministries, insurance agency and medical associations, has provided teleconsultation medical services to 21 communities. The 24-hour teleconsultation pilot helped reduce unnecessary referrals by 31% while allowing for immediate support in the event of medical emergencies (Novartis Foundation, 2016). A roadmap for scaling up the initiative across the entire country is expected to be complete by December 2017.

Despite positive examples, however, devising effective and sustainable partnerships still remains a challenge for many, including foundations. To begin with, they often operate outside of national or local development co-operation frameworks and therefore lack entry points. Foundations also find it challenging to deal with the intervention scales, working methods, timelines and incentive systems of other development actors. In addition, foundations sometimes fear that co-operation may compromise their freedom, flexibility, and capacity for innovation and risk taking, which they consider part of their comparative advantage.

The OECD Development Centre's Network of Foundations Working for Development (netFWD) works to address these issues and unleash the potential of philanthropy for development. Its Accelerating Impact 2030 initiative aims to support foundations and other actors, including governments and the private sector, in their efforts to engage in multi-stakeholder partnerships and accelerate the achievement of the Sustainable Development Goals (SDGs). Accelerating Impact 2030 creates opportunities for co-operation, provides tangible support to a number of coalitions tackling issues of common interest and develops tools to make partnerships more than a sum of their parts.

The OECD Emerging Markets Network is building on this work to promote policy dialogue among business and government leaders, elucidating how multinational corporations can promote economic and social development in emerging economies.

The way forward for business and sustainable development

The *Development Co-operation Report 2016* shows how business – working with the public sector, philanthropy, institutions and civil society – can make the most of converging interests and potential to deliver on the SDGs. This report sets out five pathways for generating the quantity and quality of investment needed to achieve sustainable development. The approach supports accountability and transparency, helps to ensure that no one is left behind, and works to protect the planet's resources, while at the same time enabling business to meet its own needs and expectations.

Five pathways to quantity and quality investment in support of the SDGs

1. **Foreign direct investment,** operating within international and domestic enabling frameworks, can be geared towards sustainable development by focusing on the complementary and mutually reinforcing qualities of private investment and development co-operation, thereby helping to offset the cyclic, changing nature of foreign direct investment trends.
2. **New investment models,** such as blended finance – using public funds strategically to provide, for instance, de-risking instruments for private investors – can dramatically improve the scale of investment in development.
3. **New approaches to monitoring and measuring amounts mobilised from the private sector** for sustainable development as a result of public sector interventions can enhance transparency, help to improve financing strategies and promote good practices.

4. **Social impact investment** can target sectors not traditionally popular with business, such as education, health and social services, offering options that can empower the poorest and most vulnerable to lead fuller, more productive lives while bringing effectiveness, innovation, accountability and scale to development efforts.
5. **Responsible business conduct** can give businesses an advantage that benefits their bottom lines, while at the same time advancing development results – for example, raising standards of living through the creation of fair and equal jobs, developing skills and technology, and supporting more equitable distribution of wealth.

The recommendations included in the various chapters of this report outline what is needed to make the most of business opportunities for sustainable development, setting out the roles of the various actors individually, as well as the areas for common and shared action and responsibility.

Ten key recommendations for putting sustainable development at the core of business models

1. Clarify the roles of each of the key actors.
2. Agree on common principles, standards, definitions, scope and methodology.
3. Align financial and development goals.
4. Share risks and innovate to ensure public goods for the poorest and most vulnerable.
5. Create global and local enabling environments, ensuring coherence of policies across sectors and countries.
6. Cultivate new business models and promote research on what does and doesn't work.
7. Encourage responsible citizenship to provide checks and balances.
8. Increase transparency and accountability by monitoring and reporting against international standards and indicators.
9. Establish platforms to enhance sharing of knowledge and technical know-how.
10. Build evidence on impacts, outcomes, successes and failures.

The OECD will continue to contribute to the implementation of the Sustainable Development Goals, acting as a forum for dialogue; setting standards and encouraging adherence to international principles among its members and partners; advising on best policies based on experience and evidence; and monitoring compliance, implementation and finance.

Notes

1. The COP21 commitments have a strong focus on SDG 12 – Ensure sustainable consumption and production patterns; SDG 13 – Take urgent action to combat climate change and its impacts; SDG 14 – Conserve and sustainably use the oceans, seas and marine resources for sustainable development; and SDG 15 – Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss. At the same time, the SDGs acknowledge that the United Nations Framework Convention on Climate Change is the primary international, intergovernmental forum for negotiating the global response to climate change.
2. Foreign direct investment is investment by individuals or firms from one country into another, either by buying an existing firm (through mergers and acquisitions), setting up a new operation (greenfield investment) or by expanding the operations of an existing business. The three main components of foreign direct investment are equity investment, inter-company loans and reinvested earnings (OECD, 2014b).
3. Using practices known as "(tax) base erosion and profit shifting", or BEPS, multinational companies shift profits across borders to take advantage of tax rates that are lower than in the country where the profit is made (OECD, 2014b).

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PART I

The SDGs as sustainable business opportunities and five approaches to make it happen

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PART I

Chapter 2

Trends in foreign direct investment and their implications for development

by
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Foreign direct investment can play an important role in financing development, with multinational enterprises also providing employment, technology transfer and access to international markets. Between 2005 and 2014, foreign direct investment flows to non-OECD countries more than doubled in absolute terms since 2012, these countries receive more than 50% of the global total, compared to 35% in 2005. Recently, however, some types of international investment in emerging and developing economies have started to decline. There are important warning signs that these investment flows could experience a sharp slowdown over the coming years (or could even reverse in some cases). This chapter examines these trends, the main factors shaping them and their implications.

Challenge piece by Karl P. Sauvant, Columbia Center on Sustainable Investment. Opinion pieces by Andrew Chipwende, Industrial Development Corporation, Zambia; Shaun Donnelly, United States Council for International Business; James Zhan, United Nations Conference on Trade and Development.

The challenge: How can foreign direct investment fulfil its development potential?

Karl P. Sauvant,
Resident Senior Fellow, Columbia Center on Sustainable Investment, Columbia University

International investment, and in particular foreign direct investment, has an important role to play in helping to achieve the Sustainable Development Goals. It can be a powerful international mechanism for mobilising the tangible and intangible assets (such as capital, technology, skills, access to markets) that are essential for sustainable growth and development.

Yet to fulfil this potential, foreign direct investment must increase substantially; it must be geared as much as possible towards sustainable development; and it must take place within a framework of international investment law and policy that is enabling, yet at the same time respectful of host governments' own legitimate public policy objectives.

Foreign direct investment flows reached their peak in 2007 at around USD 2 trillion, dropping to USD 1.2 trillion by 2009 as a result of the international financial crisis. While this represents a relatively small share – about 10% – of gross domestic capital formation, in individual countries this share can be even higher than domestic investment.

To help meet the investment needs of the future, these flows have to increase substantially. There is no apparent reason why they could not do so over the longer term, say to a level of USD 4 or 5 trillion annually.

How to get there? Improving the economic determinants, the principal factors governing investment decisions, is fundamental. Official development assistance will continue to be important, especially for the least developed countries, including to leverage higher foreign direct investment flows. This is a long-term challenge.

However, national regulatory frameworks and investment promotion efforts can be improved in the short term, especially in the least developed countries.

The first challenge is to increase foreign direct investment through a concerted international effort to help developing countries, and especially the least developed among them, to improve their foreign direct investment regulatory frameworks and investment promotion capacities. At present, there is no such international effort – along the lines of the Aid-for-Trade Initiative and especially the Trade Facilitation Agreement – in the area of foreign direct investment. But in a world of global value chains, these trade arrangements can help only so much, precisely because they address only one side of the task, namely to increase trade. But a concerted international effort for foreign direct investment, such as an international Aid-for-Investment Initiative or even a Sustainable Investment Facilitation Understanding, could help developing countries, and especially the least developed among them, rapidly to improve their regulatory frameworks as well as their capacity to promote investment – thereby helping to increase investment flows to developing countries.

Encouraging higher foreign direct investment flows is, however, not enough.

The second challenge is to promote foreign direct investment that is geared as closely as possible towards sustainable development: "sustainable foreign direct investment for sustainable development". This presents the challenge of defining "sustainable foreign direct investment". A first approximation could be: commercially viable investment that makes a maximum contribution to the economic, social and environmental development of the host country and takes place in the context of fair governance mechanisms, as established by host countries and reflected, for instance, in the incentives they offer. Yet any definition needs to be operationalised. So this challenge would also involve developing an indicative list of sustainability characteristics to be considered by governments seeking to attract sustainable foreign direct investment (and to encourage sustainable domestic investment). Such a list would also be a helpful tool for international arbitrators considering (as they should) the development impact of investments, as well as for identifying the mechanisms – beyond those deployed to attract foreign direct investment in general – that encourage the flow of sustainable investment and increase its benefits for host countries.

The third challenge is to reform the international investment law and policy regime. National foreign direct investment rule making increasingly takes place in the framework of international investment law and policy. For this reason, it is important to ensure that the international investment regime constitutes an enabling framework for encouraging the flow of sustainable foreign direct investment, while at the same time allowing governments to pursue their legitimate public policy objectives. This requires asking several questions, including: How can the objective of sustainable development be made the lodestar of the international law and policy regime? What are the implications of such a concept for the regime's rights and obligations? How will this affect the mechanism for settling disputes between investors and states? This last function is central to the regime and gives it its strength, yet it is precisely the existing dispute-settlement mechanism that is strongly questioned – especially by non-governmental organisations, but also by a number of governments. Any reform needs to address this challenge adequately to avoid threatening the very legitimacy of the regime.

In conclusion, governments need to find ways and means to increase sustainable foreign direct investment flows within a reformed international investment law and policy regime to realise the sustainable development potential of this investment.

Until 2002, foreign direct investment by multinational enterprises was widely viewed with suspicion, if not outright hostility. Multinationals were seen as icons of irresponsible business conduct and as instruments of political interference and neo-colonialism. In some instances this was true. Over time, however, more and more governments have come to recognise that the case for investment protectionism – on the grounds that foreign investment was, on balance, bad for development – had been overstated. In 2002, the Monterrey Consensus fundamentally transformed the development agenda by explicitly recognising that rather than being part of the problem, foreign direct investment can play an important role in financing development objectives. Many developing countries had already figured this out; for others, multinational enterprises have increasingly come to be seen as promising sources of employment, technology transfer and access to international markets.

This shift in attitudes motivated two high-profile attempts to negotiate multilateral rules that would facilitate international investment: the World Trade Organization Doha Round and the OECD Multilateral Agreement on Investment negotiations. Although these attempts failed, across the developing world a less conspicuous – yet transformational – agenda for domestic investment policy reform has led to greatly improved business climates, with impressive results. Between 2005 and 2014, foreign direct investment flows to non-OECD countries more than doubled in absolute terms; since 2012, these countries have accounted for more than 50% of the global total, compared to 35% in 2005 (Figure 2.2). More recent trends, however, are less encouraging. Some types of international investment in emerging economies are starting to decline: project finance, mainly for infrastructure, fell by a third over 2014-15 (Figure 2.7). Record-high corporate debt levels, slowing growth and the prospect of an increase in US interest rates are, in addition, providing restraints for would-be foreign investors in emerging markets.

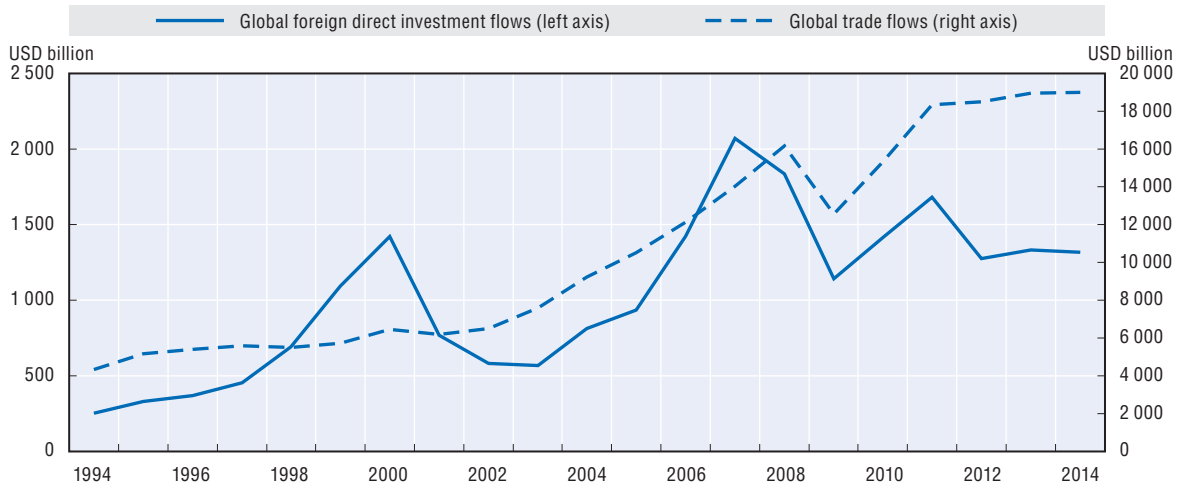
With the challenge of financing the Sustainable Development Goals (SDGs) looming large, many are looking to foreign direct investment as a means of filling the financing gap (see the challenge piece by Karl P. Sauvant at the beginning of this chapter). This chapter examines recent trends in cross-border investment flows to developing countries and looks at the main factors shaping the outlook. It flags important warning signs that investment flows to the emerging and developing countries could experience a sharp slowdown over the coming years, in some cases even reversing.

The global foreign direct investment slump continues

Persistently low levels of private sector investment since the start of the financial crisis in 2008 have constituted a major source of concern for policy makers, with the current global foreign direct investment slump proving much more tenacious than the crash that followed the collapse of the dot-com bubble in 2001. While global flows started to recover only two years after the 2001 crash, eight years into the current slump these flows remain 36% below the levels reached in 2007 and 7% below the 2000 levels (Figure 2.1). This poses major questions for the development co-operation and investment policy communities: is there an element of permanence to these declines? And if so, what does this imply for developing countries?

The current global foreign direct investment slump is proving tenacious.

Figure 2.1. **Global trade and investment flows, 1994-2014**



Sources: OECD (2016), *OECD International Direct Investment Statistics* (database), *http://dx.doi.org/10.1787/bmd4-data-en*; WTO (2015), "Time series on international trade", *Statistics Database*, *http://stat.wto.org/Home/WSDBHome.aspx?Language=E*.

StatLink *http://dx.doi.org/10.1787/888933357551*

On the one hand, the sluggish foreign direct investment flows would seem consistent with broader economic trends. Economic performance globally has remained weak since 2008, despite extraordinary monetary measures taken in advanced economies to boost growth. Destabilising geopolitical conflicts on multiple fronts and signs of economic fragility across the emerging markets have further undermined investor confidence. Consequently, rather than sparking the hoped-for investment rebound, the liquidity generated by quantitative easing (injecting money straight into the economy in response to reduced spending by businesses and citizens) has found its way into share buy-back programmes, debt-fuelled corporate expansion in emerging markets, and, most recently, a boom in corporate restructurings and mergers and acquisitions in developed economies.

In addition to the generally bleak economic conditions confronting investors, other factors would also seem to be holding back investment. This is reflected by the fact that international investment has been lagging behind other broad measures of economic activity, which it tends to follow closely. For example, while foreign direct investment flows are 36% below their 2007 levels, trade flows have grown by 36% over the same period (Figure 2.1). Growth in cross-border investment is also lagging behind that of domestic investment.

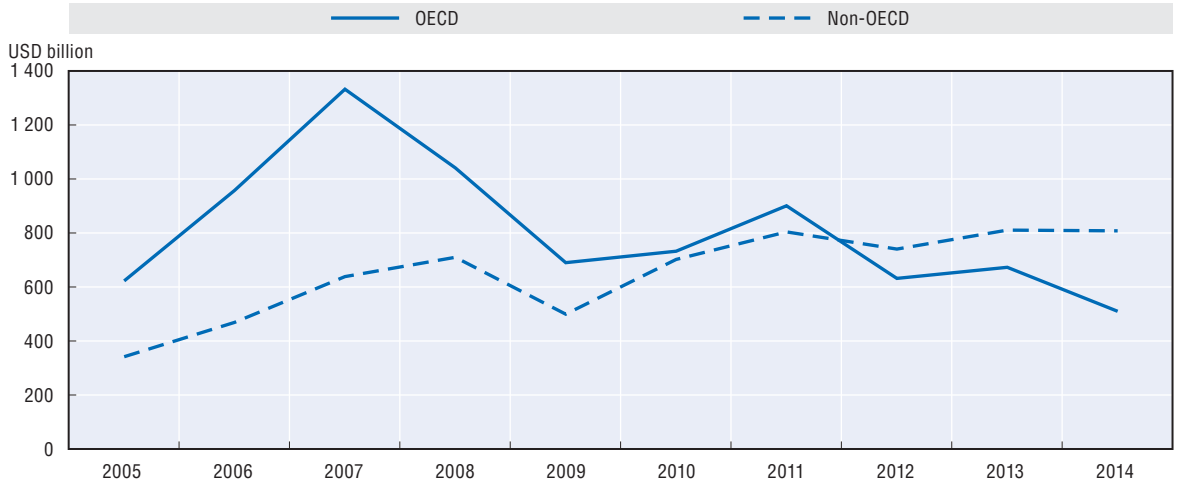
The global distribution of foreign direct investment is shifting

Foreign direct investment has enabled many developing and emerging economies to become much more deeply integrated into the global economy and global value chains in recent years. A look at global flows, however, shows that this overall trend masks nuanced patterns.

Inflows to non-OECD countries have overtaken those to OECD countries

Trends in foreign direct investment inflows into the developing economies as a group have not generally followed the global trends outlined above. At the peak of the foreign direct investment boom in 2007, OECD countries received around 70% of all foreign direct investment inflows. In a span of only seven years, however, this share dropped to around 40%, with inflows to non-OECD countries overtaking those of the OECD country grouping for the first time in 2012 (Figure 2.2).

Figure 2.2. **Foreign direct investment inflows by broad country groupings**



Source: OECD (2016), *OECD International Direct Investment Statistics* (database), *http://dx.doi.org/10.1787/bmd4-data-en.*

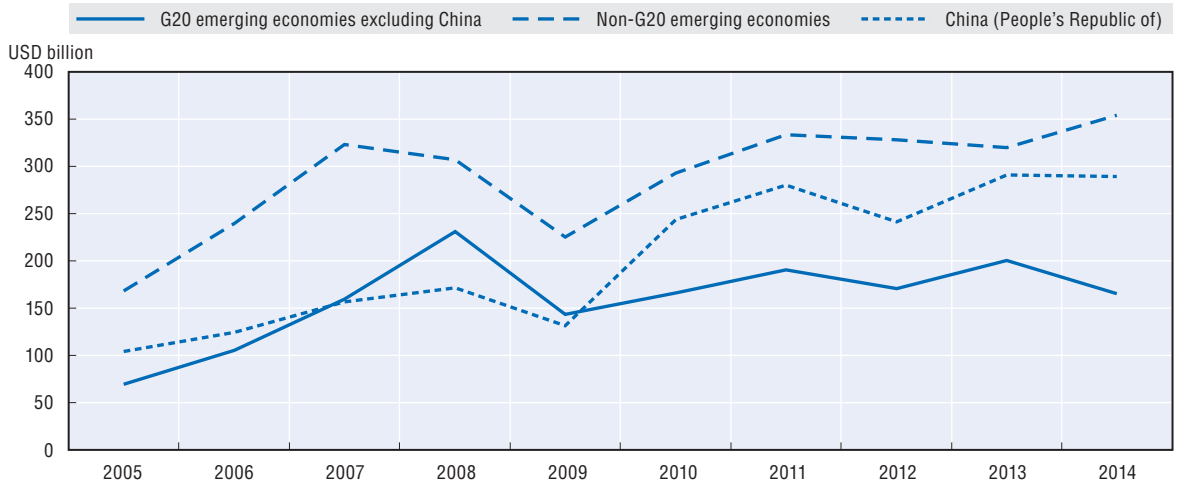
StatLink *http://dx.doi.org/10.1787/888933357568*

The growth of foreign direct investment inflows to emerging countries, excluding the People's Republic of China (hereafter "China"), has been distributed relatively evenly, with non-G20 emerging economies receiving USD 350 billion (44%) and the G20 emerging economies[1] excluding China receiving just over USD 150 billion (20%) in 2014. In that same year, China received around USD 300 billion in foreign direct investment, representing 36% of flows to all developing countries (Figure 2.3). Within the group of non-G20 emerging economies, these flows increased more or less proportionally across all regions. China offers an exception to this general trend, given the spectacular growth of its inward and outward investment flows in recent years.

Outflows from non-OECD economies have quadrupled

While the shifts in global distribution of outflows have been less dramatic than for inflows, they have, nonetheless, been significant. Before the crisis, OECD countries accounted for around 90% of global outflows, reaching USD 1.9 trillion in 2007. By 2014, OECD country outflows had declined by USD 1 trillion, to 66%. In contrast, non-OECD country outflows quadrupled between 2005 and 2014, from USD 112 billion to USD 443 billion (Figure 2.4). As with inflows, China stands out as a special case, accounting for just under 20% of all emerging market foreign direct investment outflows over the same period (Figure 2.5).

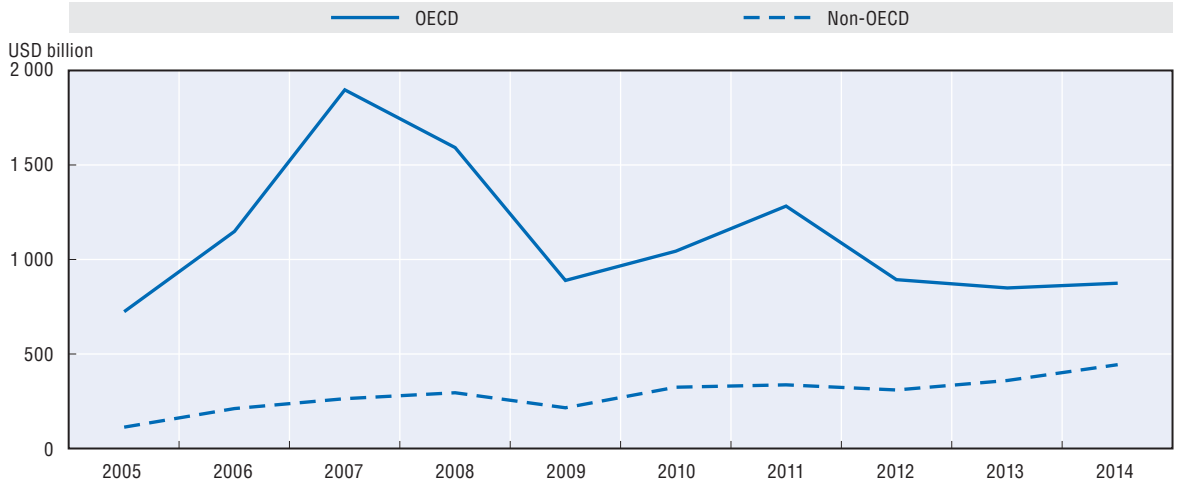
Figure 2.3. **Breakdown of foreign direct investment inflows to emerging economies**



Source: OECD (2016), *OECD International Direct Investment Statistics* (database), *http://dx.doi.org/10.1787/bmd4-data-en*.

StatLink http://dx.doi.org/10.1787/888933357570

Figure 2.4. **Foreign direct investment outflows by broad country groupings**



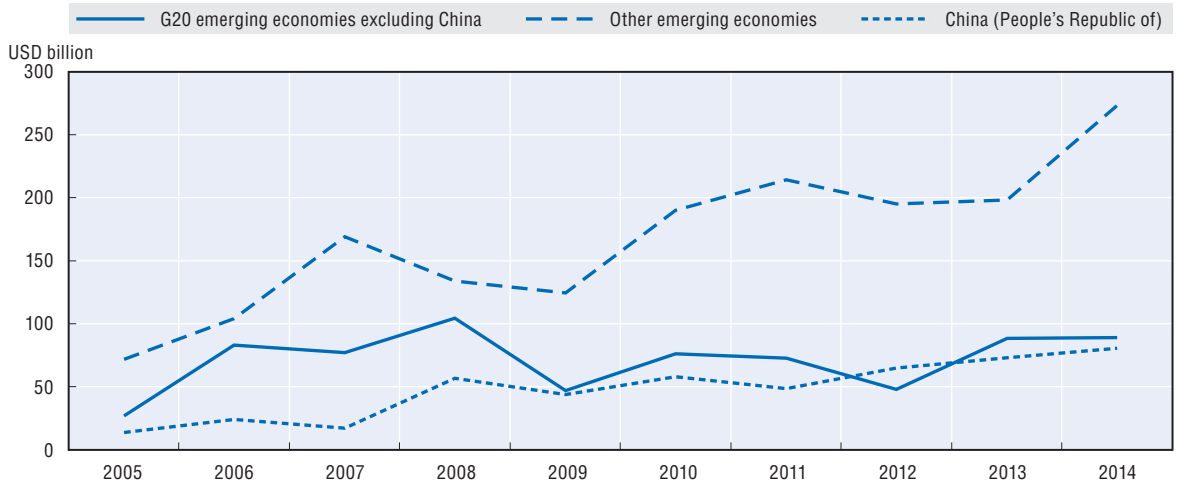
Source: OECD (2016), *OECD International Direct Investment Statistics* (database), *http://dx.doi.org/10.1787/bmd4-data-en*.

StatLink http://dx.doi.org/10.1787/888933357589

This "redistribution" of foreign direct investment over the past decade in favour of the emerging markets is welcome for a number of reasons:

- The emerging markets have played a counter-cyclical role, helping to maintain international investment levels even while the traditional foreign direct investment players were experiencing slumps. Although the current global foreign direct investment slump has been longer than the one experienced in 2001/02, the overall decline has been relatively smaller thanks to the increase in flows from the emerging markets.
- This rebalancing has brought about a more even distribution of the benefits associated with international investment, as economies at all levels of development have been increasingly integrated into global value chains.
- The blurring of lines between investor and "host" countries has been credited with giving rise to a certain convergence of views on international investment rule making.

Figure 2.5. **Breakdown of foreign direct investment outflows from the emerging economies**



Source: OECD (2016), *OECD International Direct Investment Statistics* (database), *http://dx.doi.org/10.1787/bmd4-data-en*.

StatLink http://dx.doi.org/10.1787/888933357590

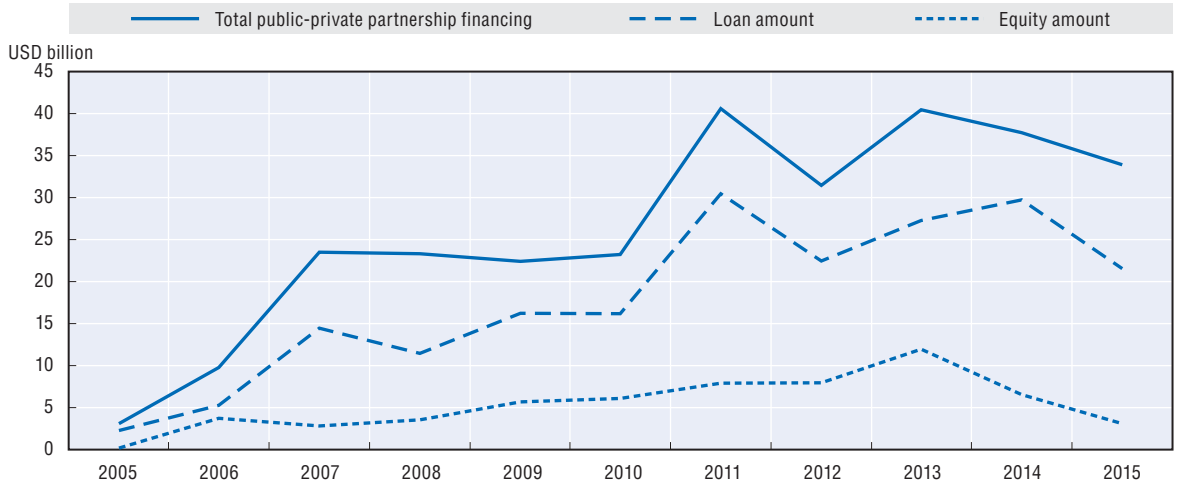
Global investment trends show warning signs for emerging markets

Despite the broader involvement of developing countries in global investment, capital flows have started to decelerate and economic vulnerabilities seem to be growing (IMF, 2015). Just as the inevitable tightening of quantitative easing programmes in the advanced economies is expected to result in capital outflows from the emerging markets, it could likewise result in some turnaround in the rebalancing trend of foreign direct investment described above.

Public-private partnerships have started to decline

Some measures would seem to indicate that this reversal might already be under way. For example, looking at the specific case of investments in developing countries through public-private partnerships, until recently these had largely resisted the downward trend, reaching a record level of USD 40 billion in 2011 and again in 2013. Nonetheless, this trend has been reversing over recent years: public-private partnerships in developing countries declined by 7% in 2014 and by 10% in 2015 (Figure 2.6).

Figure 2.6. **Total public-private financing in developing countries**



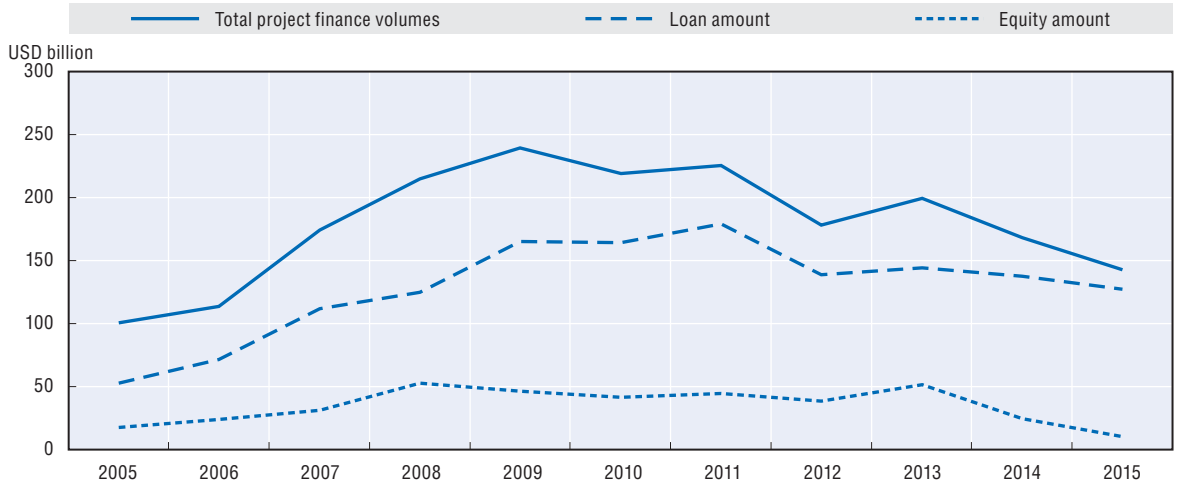
Source: Dealogic (2015a), *Dealogic ProjectWare* (database), *www.dealogic.com*.

StatLink http://dx.doi.org/10.1787/888933357605

There has been a marked drop in project financing

Likewise, even as foreign direct investment inflows to the emerging markets have been increasing, since 2009 project financing[2] has dropped by around 40%. After reaching a record high of USD 240 billion in 2009, this financing is set to reach its lowest level since 2006 (USD 142 billion). Over the past two years, the equity component of project finance has also declined by 80% (Figure 2.7).

Figure 2.7. **Total project finance volumes in developing and emerging markets**



Source: Dealogic (2015a), *Dealogic ProjectWare* (database), *www.dealogic.com*.

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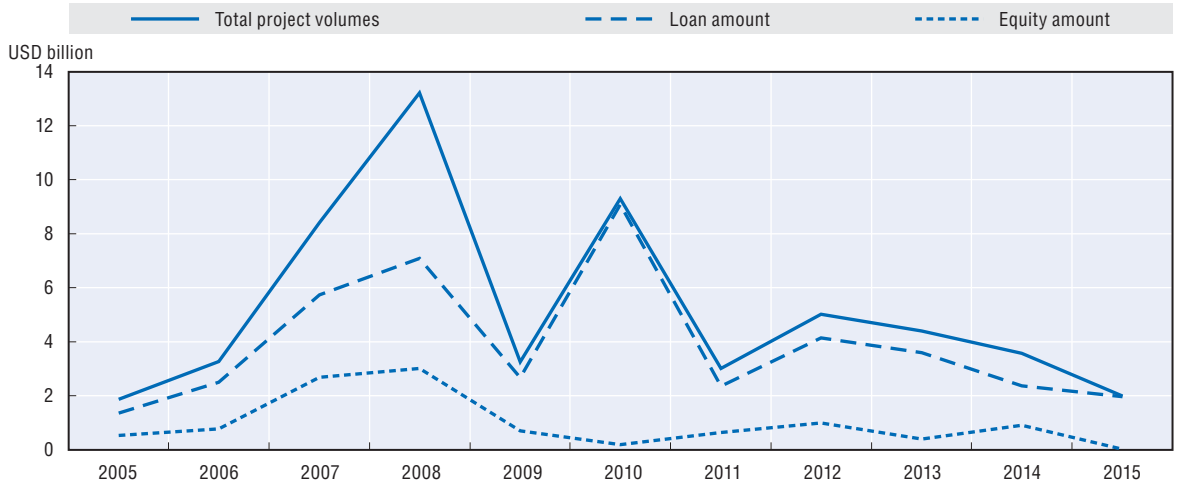
Infrastructure projects in developing countries are now financed almost wholly via debt.

While the least developed countries account for a relatively small share of total developing country project finance (consistently less than 5%), these flows are especially important to them given their small size (economically) and their considerable infrastructure needs. Yet the decline in project financing has been particularly severe in these countries: after reaching a record high in 2008 (USD 13 billion), it fell to USD 2 billion in 2015, its lowest level in over a decade (Figure 2.8). Furthermore, much as in developing countries in general, the equity component of project financing for the least developed countries has fallen to insignificant levels, meaning that infrastructure projects in the least developed countries are now financed almost wholly via debt.

Cross-border mergers and acquisitions in developing and emerging markets have fallen

In addition to the decline in project financing, cross-border mergers and acquisitions into the developing and emerging markets have also declined over recent years: from USD 258 billion in 2011 to USD 162 billion in 2015 (Figure 2.9). Despite this general trend, however, the least developed countries have fared relatively well in this area, in large part thanks to inward mergers and acquisitions in the extractive sectors (see the "In my view" box by Andrew Chipwende later in this

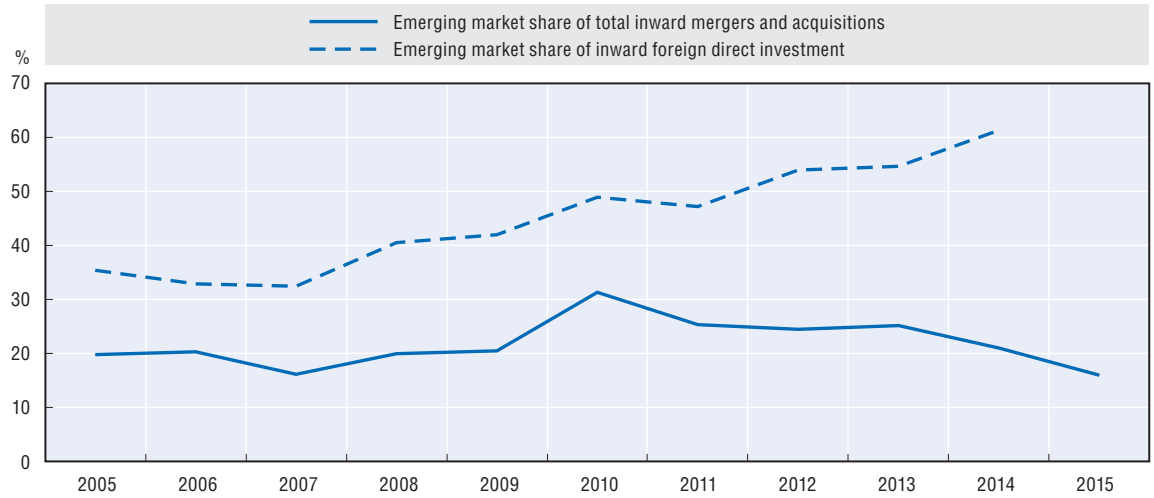
Figure 2.8. **Project financing in the least developed countries**



Source: Dealogic (2015a), *Dealogic ProjectWare* (database), *www.dealogic.com*.

StatLink http://dx.doi.org/10.1787/888933357625

Figure 2.9. **Emerging market inward foreign direct investment versus inward mergers and acquisitions**



Source: Dealogic (2015b), *M&A Analytics* (database), *www.dealogic.com/investment-banking/ma-analytics*.

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chapter). While in 2005 the least developed countries received only USD 600 million in cross-border mergers and acquisitions, between 2012 and 2014 they were receiving on average USD 10 billion a year (Figure 2.10), representing around 40% of their total foreign direct investment inflows.[3] Nonetheless, in 2015 cross-border mergers and acquisitions in the least developed countries fell off sharply, by 70%, to just over USD 3 billion.

In 2015 cross-border mergers and acquisitions in the least developed countries fell by 70%.

In my view: African countries need institutions that will direct investment to where it is needed most

Andrew Chipwende,
CEO of the Industrial Development Corporation, Zambia

International investment has helped Zambia, like many other countries in sub-Saharan Africa, to become much more closely integrated into the global economy over recent years. Inward investment flows have doubled since 2008 and Zambia has even started to generate some modest foreign direct investment outflows.

Although the country has undertaken major structural reforms over the past two decades to make it a more attractive location for investment, the Zambian government realised that this was not enough. Research has shown that foreign direct investment in mining remains dominant, although flows to manufacturing and services have also shown an upward trend. And while the investment in mining has brought with it new technologies, there has been little impact on job creation.

The government of Zambia created the Industrial Development Corporation (IDC) in January 2014 to help diversify investment away from mining. It aims to play a catalytic role in deepening and strengthening Zambia's industrialisation capacity, supporting the creation of jobs and domestic wealth across all key economic sectors. The IDC evaluates, assesses and lowers investment risk by serving as a co-investor alongside private sector investors, thereby facilitating long-term financing for projects. The IDC's initial investments in Zambia's growth sectors are helping to increase foreign direct investment and catalyse the introduction of new technology and industries. For example:

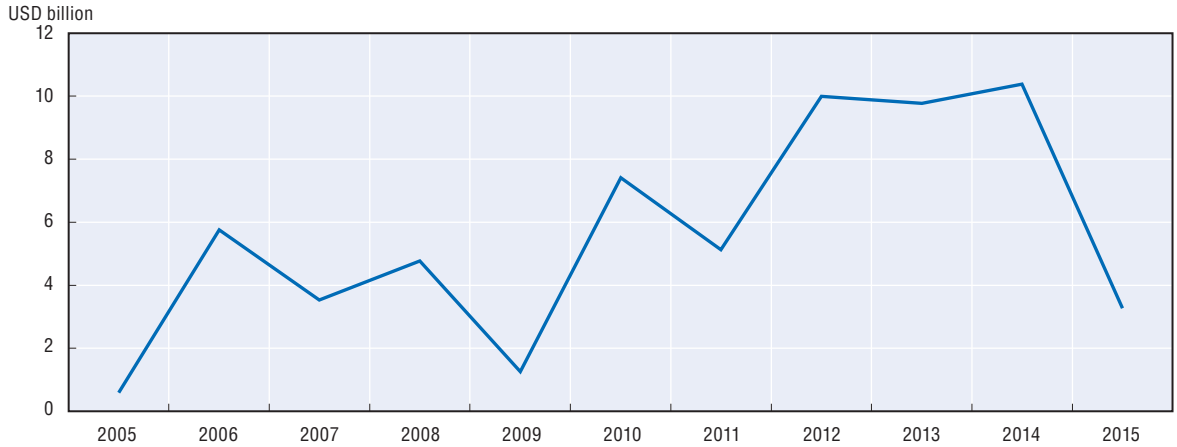
- In collaboration with the International Finance Corporation, a member of the World Bank Group, the IDC is leading the initial project development work for solar photovoltaic power stations of 50 megawatts (MW) each, reaching a total 600 MW capacity. The cost is expected to be in the region of USD 1.2 billion in foreign direct investment. The IDC is carrying out the early project development work – such as securing permits and power purchase agreements – which normally delays and hinders private investment. Once the solar projects have become bankable they will be offered to international developers to finance, build and operate.
- For the tourism sector, the IDC, in collaboration with the Ministry of Tourism and Arts, has set up a special purpose vehicle into which all government tourism-related assets will be grouped. These assets will be leveraged to raise funds and the company will serve as a co-investor with domestic and international tourism industry operators targeting investment in Zambia.

Zambia is fully aware of the challenges facing the global economy in general, and developing countries in particular. These challenges will very likely affect us.

In my view, we cannot let cyclical factors and trends distract us from pursuing our structural reform agenda to improve the business climate – not only in our own country but also across Africa. The IDC takes a long-term view in its investments, which helps projects and investors weather eventual storms.

The fact that both project finance and cross-border mergers and acquisitions in developing countries have declined since around 2011, while inward foreign direct investment flows have remained stable, is puzzling given that the former are important components of the latter. This suggests that other components captured in foreign direct investment statistics, namely reinvested earnings and intra-company loans, have been sustaining foreign direct investment flows since around 2011. Eventually one would expect these components to start moving in the same direction again, either with cross-border mergers and acquisitions increasing, or foreign direct investment flows shrinking.

Figure 2.10. **Cross-border mergers and acquisitions in the least developed countries**



Sources: OECD (2016), *OECD International Direct Investment Statistics* (database), *http://dx.doi.org/10.1787/bmd4-data-en*; Dealogic (2015b), *M&A Analytics* (database), *www.dealogic.com/investment-banking/ma-analytics*.

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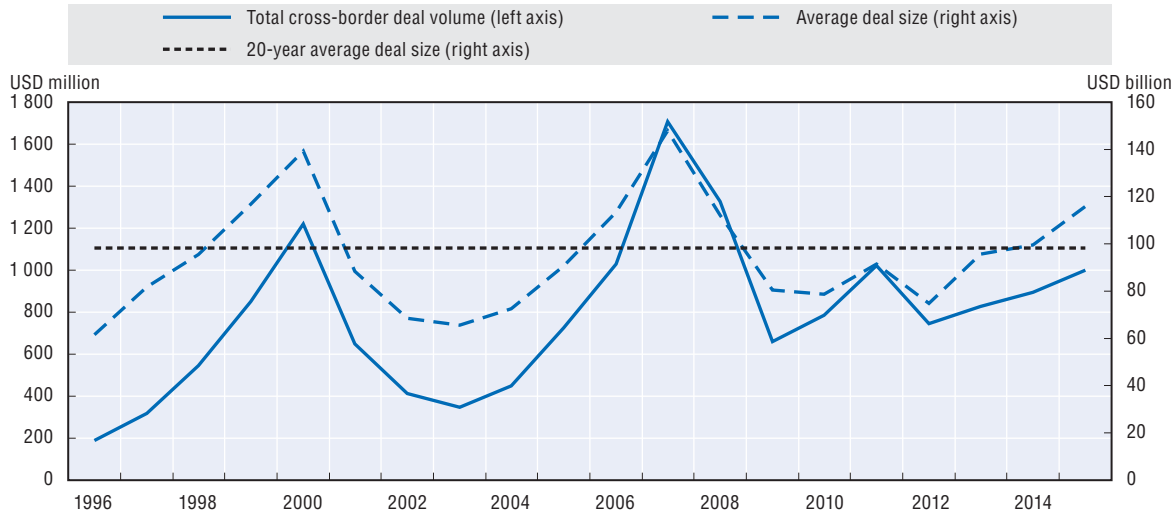
The sizes of cross-border deals are growing

There is one more source of concern for developing and emerging markets. In the lead-up to the two previous foreign direct investment crashes in 2001 and 2008, average cross-border deal values climbed to around USD 72 million as various factors, including easy financing, led firms to bid up cross-border merger and acquisitions prices. There are signs that this is happening again, although these deal values are still well below the levels reached in 2007 (Figure 2.11). This would indicate that foreign direct investment flows might be linked to a cross-border investment bubble generated by quantitative easing: easy financing conditions, combined with widespread industry consolidation through mergers and acquisitions in the face of slowing growth, may have given rise once more to sharp increases in average cross-border deal values.

Figure 2.11. **Average global cross-border deal sizes**



Source: Dealogic (2015b), *M&A Analytics* (database), *www.dealogic.com/investment-banking/ma-analytics*.

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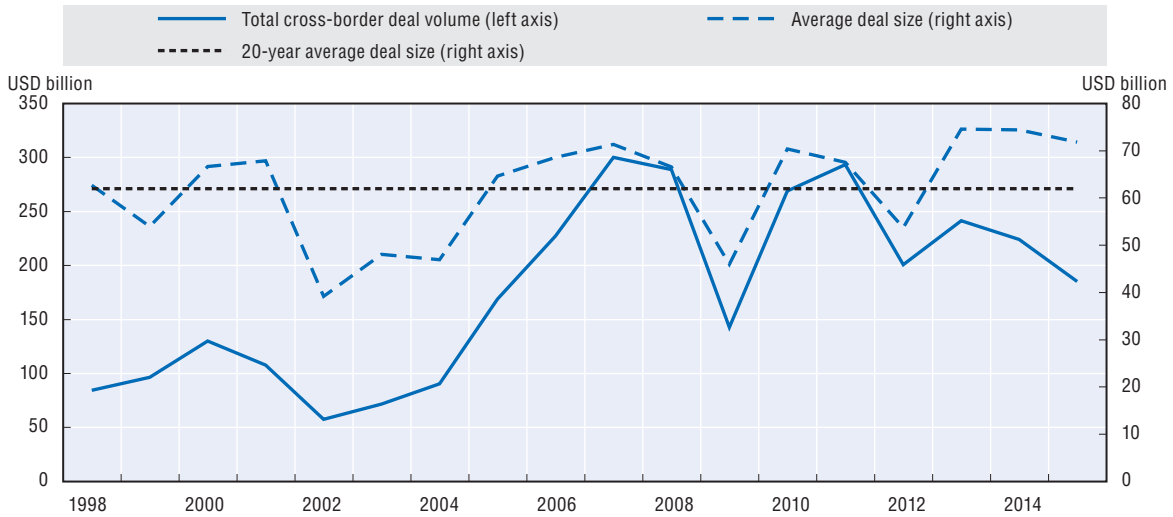
Since 2012, the value of the average cross-border merger and acquisition deal has risen from USD 75 million to USD 117 million, an increase of 57%. In the lead-up to both of the previous global crashes, when average cross-border deal values exceeded their 20-year average value for two consecutive years, there was a sharp fall in cross-border merger and acquisitions (and global foreign direct investment flows). The same pattern can be observed in developing and emerging markets, with above-average deal values being consistently followed by declines in cross-border mergers and acquisitions and in foreign direct investment on four occasions: in 2000/01, 2006/07, 2010/11 and 2013/14. In 2014, average deal values in the emerging markets were at 20-year record high levels and, consistent with past trends, cross-border investment began to decline in 2015 (Figure 2.12).

Figure 2.12. **Average cross-border merger and acquisition deal sizes in developing countries**



Source: Dealogic (2015b), *M&A Analytics* (database), *www.dealogic.com/investment-banking/ma-analytics*.

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What are the policy implications of a slowdown in foreign direct investment?

While developing and emerging markets have experienced spectacular increases in international investment flows over the course of the past decade, there are important warning signs that their inward investment flows could undergo a sharp slowdown over the coming years (or even reverse in some cases). This would have important ramifications for both the emerging markets and for international investment markets.

First, while the volatility of foreign direct investment flows in recent years has not given rise to a significant increase in investment protectionism, a major slowdown could, nonetheless, motivate the emerging markets to take more cautious and less-welcoming approaches towards foreign investors and, more generally, foreign capital. We see signs of this, for example, in the growing use of foreign currency-based restrictions in financial sectors, as well as in the growing scepticism regarding certain elements of the international investment treaty system, such as investor-state dispute settlement.

Second, if international investment flows to the developing and emerging markets do experience significant declines, or even reversals, this could undermine political support for the structural reform agenda that underpinned increasing flows of investment to those markets in the first place, but which remains far from completed (see the "In my view" box by Shaun Donnelly later in this chapter).

Third, although it is unclear to what extent increased volatility in foreign direct investment flows might affect global value chains, there are likely to be implications (Box 2.1). Since multinational enterprises play a central role in the governance of global value chains and international production

In my view: Pro-investment policies really matter!

Shaun Donnelly,
Vice President, Investment and Financial Services,
United States Council for International Business

Businesses – whether large or small, based in OECD nations or in emerging and developing countries – all realise that investing globally is critical for growth, competitiveness and even survival in a globalised economy. Today's foreign direct investment flows take on many forms and touch every sector of the economy, with trends and patterns that are far different from those of only a decade or so ago. Foreign direct investment is no longer one way, from the developed "North" to the developing "South". Countries like China, India and other emerging markets are major investors, and foreign direct investment offers "win-win" opportunities that can benefit the economies of both investor and host nations.

In my view, and more importantly listening to business leaders around the world, foreign direct investment flows into developing countries will continue to grow over the long term. For many years we will likely see these flows grow by double digits. But there will be ups and downs, and the competition will be strong. Firms, whether in OECD countries or emerging/developing economies, will make their investment decisions based on careful assessment of market opportunities, prospects of return on investment and risks. They will be deciding where to invest based on the presence – or absence – of some key characteristics in the host "investment climate":

- rule-of-law, independent judiciary and respect for private property, including intellectual property
- pro-business trade and tax regulatory frameworks at the federal and sub-federal levels
- incentive packages at the national and local levels
- strong anti-bribery and anti-corruption legislation, regulations and enforcement
- strong legal protection for investors, including through bilateral and other international investment agreements
- solid infrastructure, including information and communications technology and transportation
- links to global supply chains
- the presence of local/regional markets for the goods produced by the investment
- a skilled local workforce
- appropriate human rights, labour rights and environmental regulations
- access to natural resources.

All these factors come together to create an enabling investment climate in the individual country. The OECD, along with the World Bank, USAID and other organisations, has done path-breaking work to produce guidance on improving investment climates. In particular, the OECD's just-updated *Policy Framework for Investment* (OECD, 2015a; see "The way forward for foreign direct investment"; and Chapter 6) provides a clear and comprehensive checklist for all developing nations that are serious about improving their investment competitiveness.

Individual investors will, of course, continue to assess investment climates and weigh key factors in their own unique way. But in general, the message I'm hearing from major investors is that the quality of investment opportunities is increasingly important. It is not just a matter of choosing the lowest cost or the largest market. Investors want to invest not just in good projects, but also with "good" partners in "good" countries with "good" policies.

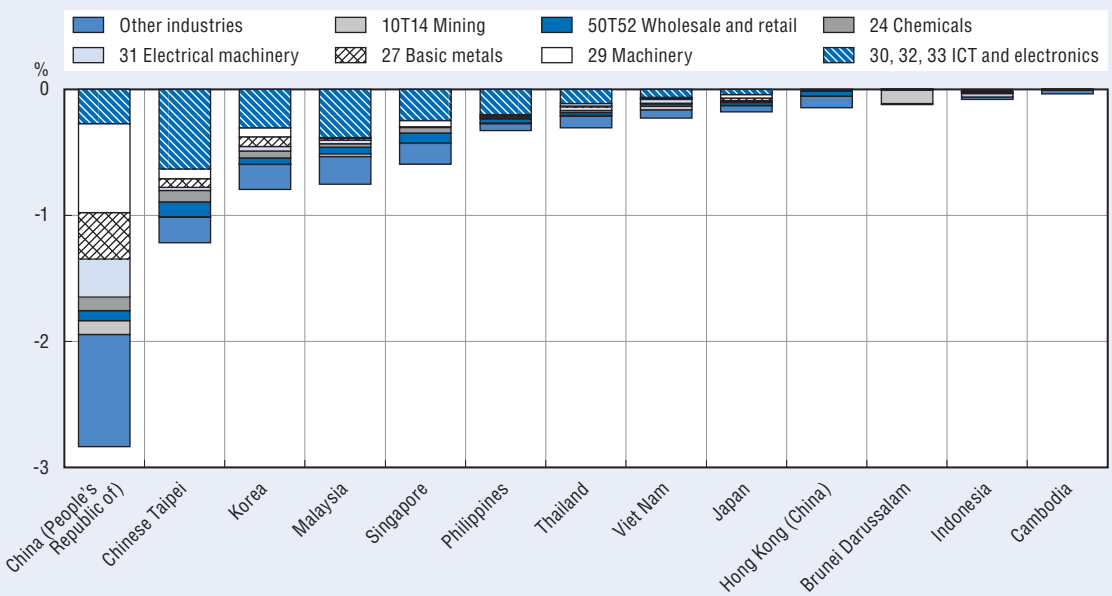
Box 2.1. **The impact of decreasing investment on regional value chains**

A joint undertaking by the OECD and the World Trade Organization, the Trade in Value Added (TiVA) initiative is designed to inform policy makers by providing insights into the commercial relations between nations.[1] It does so by considering the value added by each country in the production of goods and services that are consumed worldwide. TiVA indicators, and their underlying Inter-Country Input-Output data system (ICIO), differentiate among 34 industrial activities[2] in 61 countries.[3]

Foreign direct investment can be used to purchase capital goods, such as machinery and equipment, and also for the acquisition of existing facilities. As such, some part of foreign direct investment usually contributes to gross fixed capital formation (i.e. investment in productive assets), although the relative size of this contribution can vary significantly from country to country. Efforts to understand the links between foreign direct investment and trade in value added are ongoing (for example, see OECD, 2015b).

Nonetheless, a look at gross fixed capital formation can yield some insights into how changes in one country's investment patterns can affect industries in other countries. For instance, Figure 2.13 shows how a 10% decrease in Chinese gross fixed capital formation in machinery and equipment would have affected value added in selected East and Southeast Asian economies in 2011, the most recent year for which ICIO data are available. The effect on total value added differs, with Chinese Taipei's value added decreasing by more than 1% and Cambodia's, Indonesia's and Brunei Darussalam's value added being hardly affected. The figure focuses on the seven industries that would have been affected the most. Although the relative impact on the various industries differs largely across countries, within China the machinery industry would have been the most severely affected. In the rest of the region, information and communications technology and electronics would have been the most affected, with basic metals being the third most affected industry across the board. The exception is Brunei Darussalam, where 95% of the loss of value added would have been in the mining sector.

Figure 2.13. **Loss of value added in East and Southeast Asia due to a 10% decrease in gross fixed capital formation for machinery and equipment in China**



Notes: The underlying data used for these calculations are the Inter-Country Input-Output data system (ICIO) for 2011, the most recent year available. The industry classifications come from the International Standard Industrial Classification of All Economic Activities (ISIC Rev. 3), with 10T14 representing industries 10 to 14 (see *http://unstats.un.org/unsd/statcom/doc02/isic.pdf*).
Source: OECD (2015d), "OECD Inter-Country Input-Output (ICIO) tables, Edition 2015: Access to data", *http://oe.cd/icio*.

StatLink *http://dx.doi.org/10.1787/888933357673*

1. For more information, see *http://oe.cd/tiva*.
2. See: *www.oecd.org/sti/ind/tiva/TiVA_2015_Industry_List.pdf*.
3. See: *www.oecd.org/sti/ind/ICIO2015_Countries_Regions.pdf*.

Source: OECD (2015c), "Measuring trade in value added: An OECD-WTO joint initiative", webpage, OECD, Paris, *www.oecd.org/sti/ind/measuringtradeinvalue-addedanoecd-wtojointinitiative.htm* (accessed 21 January 2016).

networks, a pullback from developing and emerging markets might have implications beyond the first-order welfare implications of the investment declines themselves. The complex dynamics underpinning the relationships between international investment and global value chains might render the rebuilding of these systems more challenging than simply attracting investment once more. The role of international investment in shaping global value chains, and the ways in which these in turn contribute to development, are the subject of continuing analysis by the OECD.

On the other hand, the surprising speed with which the global distribution of foreign direct investment shifted during the 2008 crisis suggests that a reversal could be just as swift. It also suggests that foreign direct investment may no longer be quite as stable a form of cross-border investment as it once was. For developing and emerging markets, which have become ever more reliant on foreign direct investment to support their development objectives, the trends of the past decade highlight important policy challenges.

The way forward for foreign direct investment

Key among these challenges is the need for developing countries and providers of development assistance to frame development strategies around the complementary and mutually reinforcing roles of private investment and official development assistance (see Chapters 1 and 3). Private investment will always follow cycles and, as we have seen in recent years, is also subject to structural shifts as multinational enterprises change both the location of their international production networks and the way they organise them. As more developing and least developed economies connect to global value chains through investment and trade, they will gain exposure to both the opportunities and the risks that these changes bring. Among the opportunities, these economies will benefit from greater access to international markets, technological upgrading and human resource development. Among the risks, there will be increased exposure to the sort of turbulence and sharp shifts observed in public-private investments, global project financing (which underpins much greenfield investment, through which the foreign investor constructs new operational facilities in the host country from the ground up) and cross-border mergers and acquisitions.

All of this serves as a reminder of how important it is for the development co-operation and investment policy communities to continue to work closely together (see the “In my view” box by James Zhan).

At the outset of this chapter, Karl P. Sauvant poses three challenges for foreign direct investment: increasing the quantity of this investment; improving foreign direct investment to ensure that it is geared as closely as possible towards sustainable development; and reforming international investment law and policy to create an enabling framework that encourages sustainable foreign direct investment while allowing governments to pursue their legitimate public policy objectives.

The OECD’s *Policy Framework for Investment* can help to address all three of these challenges (OECD, 2015a; see also Chapter 6). Designed to help countries improve their business climate, it looks at the investment climate from a broad perspective. Not only does it aim to increase investment, but also to maximise its economic and social returns – in other words, to make the quality of investment as important as the quantity. The framework also recognises that a good investment climate is good for all firms – foreign and domestic, large and small.

In my view: A new generation of policies can create a "big push" for private investment in sustainable development

James Zhan,
Director of Investment and Enterprise at the United Nations Conference on Trade and Development, and Editor-in-Chief of the United Nations *World Investment Report*

Achieving the Sustainable Development Goals (SDGs) calls for concerted efforts to galvanise private sector investment in numerous SDG-linked sectors: infrastructure development, health and education, agriculture and food security, and a host of other areas of social, environmental and economic challenges.

In my view, building an effective compact between the public and private sectors to mobilise and channel investment towards the SDGs will demand transformative action over a broad range of areas. The United Nations Conference on Trade and Development's (UNCTAD) action plan for private investment in the SDGs (UNCTAD, 2014) puts forward policy options in the form of focused action packages in specific segments of SDG investment, designed to promote a "big push" by the international community and national policy makers for private investment in sustainable development:

- **Establishing investment agencies** specialised in creating and marketing pipelines of bankable projects in SDG sectors, bringing together specialist expertise propped up by technical assistance. Regional investment "brokers" could help lower costs and create economies of scale. The promotion of investment in SDG sectors should be supported by an international investment policy regime that pursues the same objectives. Currently, international investment agreements (IIAs) focus solely on investment protection. A new generation of IIAs should safeguard policy space for sustainable development.
- **Restructuring investment schemes** to create incentives that facilitate sustainable development projects. This could also help to mobilise finance for the SDGs. "Location-based" incentives – targeted at increasing local competitiveness – could be replaced by "SDG-based" incentives, targeted at promoting investment for sustainable development.
- **Using regional and South-South investment compacts** to inject impetus into SDG investment, especially for cross-border infrastructure development and regional clusters of firms operating in SDG sectors (e.g. "green zones"). These compacts could include joint investment promotion mechanisms, programmes to build absorptive capacity and public-private partnerships.
- **Forming new types of partnerships** between outward investment agencies in advanced countries and investment promotion agencies in developing countries to help to market SDG investment opportunities while facilitating joint monitoring and impact assessment. Concrete tools to support such efforts could include online pipelines of bankable projects and databases of opportunities for business linkages in developing countries. A multilateral technical assistance consortium could be set up to support the least developed countries.
- **Enabling innovative financing mechanisms and reorienting financial markets to advance sustainability.** New and existing financing mechanisms, such as green bonds and impact investing, deserve support and an enabling environment to allow them to be scaled up and marketed to the most promising sources of capital. Furthermore, integrated reporting – on the economic, social and environmental impact of private investment – is needed to nudge financial markets towards sustainable development requirements. This is a fundamental step towards responsible investor behaviour.
- **Establishing a curriculum for business schools worldwide** to change the business mindset and raise awareness about investment needs and opportunities in low-income countries. It should teach students the skills needed to successfully operate in developing country environments and encourage investment in, for and with the poor. Teaching materials could include relevant modules in training and certification programmes for financial market actors.

The 2030 Agenda for Sustainable Development (UN, 2015) is without doubt the most ambitious development plan yet to be embarked upon by the international community. Only by pooling global resources and ideas in a concerted manner will we ensure efforts to put the world on a more sustainable growth path.

So how does it work? The *Policy Framework for Investment* looks at 12 areas affecting investment:

1. investment policy
2. investment promotion
3. investment facilitation
4. competition
5. trade
6. taxation
7. corporate governance
8. finance
9. infrastructure
10. policies to promote responsible business conduct
11. investment in support of green growth
12. public governance.

These policy areas affect the investment climate in diverse ways, influencing the risks, returns and costs for investors. While the framework looks at policies from an investor perspective, it aims to maximise the development impact of investment and not simply to raise corporate profitability.

The *Policy Framework for Investment* has been used to conduct OECD Investment Policy Reviews in over 25 developing countries.[4] The framework is freely available and hence any country can undertake its own self-assessment, but in practice the combination of self-assessment and external assessment by the OECD has proved to be the best formula. The framework can also be used to help providers of development co-operation contribute to capacity development and private sector development, or to promote dialogue at the regional level.

The revised framework, launched in 2015, has a heightened focus on small and medium enterprises, and on the role played by global value chains. It has incorporated gender issues, a vital element of inclusive development, and has a chapter on policies to channel investment in areas that promote green growth. To address issues of how to move from assessments to actual implementation of reforms on the ground, the development co-operation community has been strongly involved in discussions surrounding the update (see, for example, Thomsen, 2015).

Key messages on foreign direct investment

- While foreign direct investment in developing and emerging markets is expected to follow an overall increasing trend over the long term, in the immediate future it could experience a sharp slowdown, with important ramifications for both the emerging markets and for international investment markets in general.
- Developing and emerging markets may begin to take a more cautious, protectionist approach towards foreign capital.
- The decline in public-private partnerships in developing countries, as well as in project financing in the least developed countries, are important warning signals given the particular needs of these countries for development assistance, especially for infrastructure.
- A slowdown could undermine political support for the still uncompleted structural reform agenda that has underpinned increasing flows of investment to emerging markets.
- Given the complex dynamics underpinning the relationships between international investment and global value chains, the effects of a slowdown on these value chains – and on development in general – are difficult to determine.

- A shift in overall trends in foreign direct investment – from relative stability to increasing fluctuation – would have important policy implications for the developing and emerging markets, which are increasingly reliant on foreign direct investment to support their development objectives.
- Developing countries and providers of development assistance can address the cyclic, changing nature of foreign direct investment trends by framing development strategies around the complementary and mutually reinforcing roles of private investment and official development assistance.

Notes

1. Argentina, Brazil, the People's Republic of China, India, Indonesia, Mexico, the Russian Federation, Saudi Arabia and South Africa.
2. Although there is no precise definition for what constitutes "project financing", usually this takes the form of investments either in infrastructure or extractive industries.
3. This finding runs counter to the traditionally-held view that cross-border mergers and acquisitions are limited to the developed economies.
4. See: *www.oecd.org/investment/countryreviews.htm*.

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PART I

Chapter 3

Blending public and private funds for sustainable development

by
Richard Samans, Head of the Centre for the Global Agenda and Member of the Managing Board, World Economic Forum

Blended finance offers huge, largely untapped potential for public, philanthropic and private actors to work together to dramatically improve the scale of investment in developing countries. Its potential lies in its ability to remove many bottlenecks that prevent private investors from targeting the sectors and countries that urgently need additional investment. To accelerate social and economic progress towards the Sustainable Development Goals, blended finance needs to be scaled up, but in a systematic way that avoids certain risks. This chapter outlines how to underpin international development efforts using blended finance solutions that have the potential to transform economies, societies and lives, concluding with a set of key recommendations.

Challenge piece by Gavin E.R. Wilson, International Finance Corporation Asset Management Company. Opinion pieces by Jay Collins, Citigroup; LI Yong, United Nations Industrial Development Organization.

The challenge: Can blended finance increase the scale and sustainability of finance for development?

Gavin E.R. Wilson,
CEO of the IFC Asset Management Company

Policy makers and experts from all sectors are discussing ways to finance the 17 Sustainable Development Goals (see Chapter 1) (Sachs, Schmidt-Traub and Shah, 2015). This dialogue is testament to an ongoing paradigm shift in the thinking about development finance: today, there is a clear focus on how to remove constraints, mitigate risks and unlock the resources needed to move from billions to the trillions required to achieve the new development agenda (see Figure 3.1) (ADB et al., 2015).

Providers of official development assistance (ODA), working in partnership with the private sector, can play a key role in underpinning commercially viable, sustainable and scalable solutions. They can use public funds strategically to provide, for instance, de-risking instruments; these instruments can incentivise private finance for investments with strong social and development benefits that would otherwise not materialise due to higher actual or perceived risk (OECD, 2014). Operating at the intersection of fully commercial and subsidised/grant-dependent projects, they can move the needle towards self-reliance, viability and scalability.

This is the concept behind what is referred to as "blended finance". Where development challenges or perceptions of risk prevent investment on purely commercial terms, these models can enable the private sector to balance certain risks with appropriate rewards. This, in turn, can connect target groups to the market and eventually enable solutions to become financially sustainable. For multi-stakeholder partnerships to have the desired development impact, both public institutional expertise and emerging market knowledge are essential; together they permit the identification and structuring of projects that can be sustainable and replicable in the long run.

Blended finance investment solutions capitalise on partnerships among diverse actors, including international organisations, development co-operation agencies and private enterprise. An example of such a partnership is the Women Entrepreneurs Opportunity Facility, launched in March 2014 by the International Finance Corporation and Goldman Sachs' 10,000 Women. This is the first of its kind of global facility dedicated to expanding access to capital for women-owned small and medium enterprises. Through the facility, the International Finance Corporation aims to invest up to USD 600 million in financial institutions that are committed to expanding their financial services to small and medium enterprises owned by women in emerging markets. It also aims to signal the relevance of this asset class to the broader investor market. The funding for the facility includes USD 50 million of blended finance from Goldman Sachs' 10,000 Women to create performance incentives for financial institutions to boost their lending to this segment, and to support capacity building among financial institutions and women borrowers.

Nonetheless, it is important that the growing focus on blended instruments within the post-2015 development agenda does not lead partners to overlook other financial vehicles that can deliver commercially viable outcomes without a concessional element. The range of tools available to catalyse private finance for development includes instruments such as market-priced co-financing, seed capital for collective investment vehicles, partial risk guarantees, advisory services and support for sound project structuring. Some of these tools depend simply on an alignment of interests rather than the provision of an explicit subsidy. Blended finance solutions are best used when partial market failures undermine economic efficiency, including pioneering investments in high-risk environments or those that use new technologies; or when equity or distributional goals prevail, such as promoting affordable access to basic services for underserved groups.

The use of concessional subsidies could, however, encourage investors to compete against each other, leading to a race to the bottom in terms of pricing. The challenge for development partners providing blended finance instruments is to implement them strategically and selectively. This requires, to begin with, a shared understanding of exactly which forms of capital constitute a blended finance instrument. In addition, organisational capacity and vision are needed to:

1. Identify and structure projects where blending is needed to make projects viable and ensure that the concessional element can be phased out in a reasonable time period, leading to commercially sustainable projects.
2. Target projects that address critical gaps in development and can be scaled up and/or replicated to yield significant benefits beyond the original undertaking. This is particularly important for projects in fragile and conflict-affected states.

In essence, blended finance implies that certain policy-driven investors take on a higher level of risk, without commensurate commercial rewards. These partners are compensated by the prospect of strong development impact, of demonstrating the viability of new sectors and of attracting additional commercially-driven private finance to fund development challenges.

Despite the challenges of investing in emerging markets,[1] where development needs are the greatest, developing countries offer investment opportunities that are increasingly attractive to private investors and corporations, including rising financial returns, portfolio diversification, and access to young and growing markets. By helping to mitigate the perceived and real risks, and the inefficiencies that characterise these markets, new financial approaches can enable investors to realise commercial benefits while allowing developing countries to tap into significant capital resources.

Blended finance[2] – development finance and philanthropic resources used to mobilise private capital to promote development outcomes across a range of sectors and countries – is one such innovative approach (see the challenge piece by Gavin E.R. Wilson at the beginning of this chapter). By mitigating risks and enhancing returns for investors, this financing model can accelerate financial flows to emerging markets, thereby dramatically improving the scale of investment in development.

This chapter outlines how blended finance can promote public-private co-operation to underpin international development efforts, offering huge, largely untapped potential for public, philanthropic and private actors to work together towards win-win solutions. Private investors can make attractive returns on their capital. Public and philanthropic providers can make their limited dollars go further, yet ensure scale of implementation. Most importantly, people in developing countries can benefit from more funds – and knowledge – being channelled to emerging and frontier markets,[3] and being used strategically to transform economies, societies and lives – and ultimately to achieve the Sustainable Development Goals (SDGs).

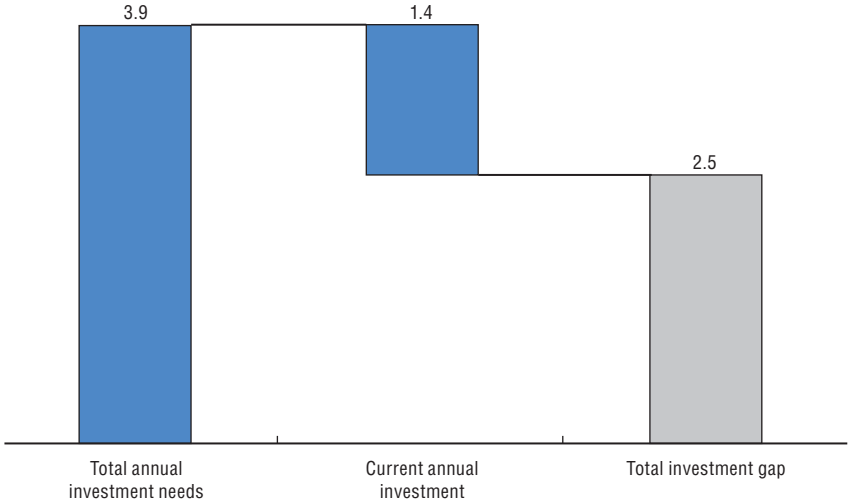
New sources of capital are available to close the sustainable development financing gap

The development challenges of the 21st century remain vast, requiring the transformation of developing economies to ensure long-term development. The annual SDG financing gap in developing countries is estimated at approximately USD 2.5 trillion (Figure 3.1). Although this seems a huge amount, it constitutes only 3% of global gross domestic product (GDP), 14% of global annual savings,[4] or 1.1% of the value of global capital markets, estimated at USD 218 trillion (Sachs, 2014).

> *The good news is that there is enough money to close the SDG financing gap.*

Figure 3.1. **Estimated investment gap in key SDG sectors, 2015-30**

Trillions of USD, annual average



Source: UNCTAD (2014), *World Investment Report 2014: Investing in the SDGs: An Action Plan*, United Nations Conference on Trade and Investment, Geneva, *http://unctad.org/en/PublicationsLibrary/wir2014_en.pdf*.

The good news is that there is enough money to close this gap (OECD, 2014). Today only a small fraction of the worldwide investment assets of banks, pension funds, insurers, foundations and endowments, and multinational corporations is targeted at sectors and regions that advance sustainable development in developing countries. Translating these assets into SDG-compatible investments is fundamental.

Among the prospective sources of new capital to help finance SDG outcomes, pension funds from developed and developing countries already have at least USD 1.4 trillion of assets invested in developing markets, and the value is growing. Flows of cross-border bank lending to developing countries were roughly USD 325 billion in 2013 (UNCTAD, 2014), making international bank lending the third most important source of foreign capital after foreign direct investment and remittances. Of the total USD 31 trillion in international cross-border bank claims by the end of 2014, 28% came from developing countries (Bank for International Settlements, 2014).

The potential – and the need – to do more is enormous, particularly in sectors such as infrastructure (e.g. power, renewable energy, transport), telecommunications, and water and sanitation, which together have an estimated shortfall in public sector funding of up to USD 1.6 trillion a year (UNCTAD, 2014; Sachs, Schmidt-Traub and Shah, 2014; see the "In my view" box by Jay Collins later in this chapter). Thanks to a likely reversal of the factors contributing to the recent decline in real estate interest rates,[5] global capital markets appear to be entering a protracted period of high liquidity and low cost that could last a decade or more (Kharas, Prizzon and Rogerson, 2014). At the same time, owing to downward pressures on returns in developed markets, investors and financial institutions are seeking to invest in emerging and frontier markets. These markets are attractive because they offer above-average returns and are relatively less affected by prevailing developed world challenges. High GDP growth in emerging economies also signals that there are opportunities for investors to "buy into" a country's overall prospects, or seek out opportunities by identifying undervaluation in specific sectors.

Emerging and developing economies already contribute to more than 60% of global GDP.

In my view: "Doing good while doing well" is the mantra for SDG success

Jay Collins,
Vice Chairman, Corporate and Investment Banking, Citigroup

Global and local capital markets have powerful potential as development funding tools and offer the world the ability to move beyond traditional development assistance and philanthropy to structures and solutions that leverage public funding and crowd-in the private sector (OECD/WEF, 2015a). With myriad structures, themes and formats, capital markets have the scale, depth and potential to reach far beyond the current multi-billion dollar development funding level. Largely because of their size, they can drive the move called for by World Bank's President Jim Yong Kim (2015), "from billions to trillions".

Perhaps the most important example of the underutilised potential of capital markets lies in the infrastructure funding gap, which exists in both emerging and developing economies. The world spends approximately USD 3.3 trillion per year on infrastructure (Dobbs et al., 2013: 10), with the bulk of this funded directly by governments on their balance sheets, despite debt and deficit limitations; only some USD 400 billion is contributed annually through project finance markets, in the form of non-recourse loans and/or bonds that are paid from cash flows from the project rather than the balance sheets of its sponsors (Dealogic, 2015). With Basel III and Solvency II constraints, which impose more stringent capital requirements on financial institutions and insurance companies, this predominantly bank-funded market will not grow meaningfully unless solutions are found to push more infrastructure financing into global and local capital markets. Currently, only USD 30-50 billion of project bonds are completed annually, which makes global bond markets only a small fraction of the infrastructure funding pie (ibid.).

This has to change. To achieve rapid growth in the infrastructure project bond market, governments and development institutions must innovate and develop new structures involving the private sector – structures that distribute risk differently. As the private sector embraces instruments that combine social returns with risk-adjusted financial returns, the development community will need to focus on blending more of its public resources into risk-adjusted return structures. This includes using development capital to create guarantees and other financial solutions that make infrastructure projects "bankable" – or viable for the private sector.

The concept of blended financial solutions is not new. For years, Citi has been partnering globally with institutions such as the World Bank Group's Multilateral Investment Guarantee Agency and the US Overseas Private Investment Corporation through a variety of risk-sharing arrangements. The challenge – and the imperative – going forward is for development finance to better incorporate grants and concessional financing, including official development assistance (ODA) and philanthropic capital, to catalyse and crowd-in more private sector capital. Global ODA stands at roughly USD 135 billion per year and philanthropic giving is holding relatively constant at about USD 30 billion (OECD, 2014). By better leveraging these funds, much more can be mobilised (OECD/WEF, 2015a). For example, an injection of ODA as first-loss equity in a project with positive development impact could go a long way in making a previously un-bankable deal bankable.

To promote innovative solutions and put theory into practice, Citi is participating in public-private partnerships that are developing new blended finance solutions, such as the Sustainable Development Investment Partnership (see Box 3.4). With partners that include USAID, the OECD, the World Economic Forum and the Swedish International Development Co-operation Agency, this partnership aims to mobilise USD 100 billion in private financing over five years for infrastructure projects in developing countries in support of the SDGs. It will do so by using official funding to better mitigate risk and attract private sector capital (OECD/WEF, 2015a).

Yet unless development institutions measure their performance based upon amounts leveraged or "mobilised", rather than public funds committed, the behavioural change necessary to create capital market and blended finance solutions will simply not happen. At the same time, global for-profit institutions – banks, corporations and institutional investors – must embrace a paradigm that measures social and financial returns and builds those metrics directly into core businesses. As capital markets will likely be the dominant tool to fund the SDG gap, "doing good while doing well" must be the mantra for SDG success.

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In emerging markets, expansion of the middle class, fuelled by increased accumulation of wealth and attractive demographics (e.g. a young and growing workforce), is also driving tremendous growth. This middle class is poised to expand by around 3 billion people (more than 40% of today's population) over the next 20 years and assets under management are expected to double by 2020, to roughly USD 13 trillion (Pelosky, 2014). Emerging and developing economies already contribute to more than 60% of global GDP and this percentage is expected to grow if growth rates increase as projected – from 4.3% in 2015 to 4.7% in 2016, compared to the 2.4% growth projection for advanced economies (euro area and the United States) over the same period (IMF, 2015; Lagarde, 2016). Attracted by these positive metrics, combined with the rapidly growing workforce and consumer base of these economies, corporations and investors are increasingly seeing emerging and developing economies as their future source of growth and differentiation, offering important opportunities to meet their business and financial objectives.

Since the 2008 global financial crisis, over USD 1.1 trillion in private capital flows has been channelled into the developing world every year, and global investments there are expected to triple by 2030 (IIF, 2014; World Bank, 2012; UNCTAD, 2012). Moreover, for the past 15 years long-term investments in emerging markets have outperformed those in advanced economies.[6] Private equity investment has seen significant growth in emerging markets, reaching 11% of global private equity investments in 2014; this represents USD 33.8 billion, the highest total in the Emerging Markets Private Equity Association's records. More than 50% of total private equity investment in 2014 was allocated to sectors targeting the growing middle class, including consumer services, consumer goods, technology, healthcare and financial services (Canada, 2015).

Finally, philanthropic foundations are recognised as important providers of additional funding for development.[7] Available data suggest that philanthropic contributions to development have multiplied by nearly ten in less than a decade, from around USD 3 billion in 2003 to USD 30 billion in 2012 (OECD, 2014).

Numerous barriers limit private sector investment in emerging markets

Despite this potential, however, only a fraction of global capital market investment flows to emerging markets annually. To realise the potential – and to achieve the SDGs – it is fundamental to address the bottlenecks that prevent private investors from targeting the sectors and countries that urgently need additional investment. The following are five fundamental barriers that prevent the private sector from deploying capital into emerging and frontier markets, of which the first is the most significant (OECD/WEF, 2015a):

1. **Returns are seen as too low for the level of real or perceived risk.** Private capital providers have a fiduciary duty to maximise returns while ensuring capital is preserved. While a wide range of investment opportunities in emerging and frontier markets have the potential to deliver strong development impact, transactions often do not meet investor return requirements in terms of risk-appropriateness. Specific risks faced by investors in emerging markets include business model risk (nascent markets, new projects), technical feasibility, macroeconomic and corporate governance risks, and funding shortfalls. In addition, the transaction costs and time associated with learning about new markets, capital-intensive projects and relatively small deals can be high, dampening return expectations. The challenge is therefore to either reduce the level of perceived and real risk or to increase the returns.
2. **Markets not functioning efficiently.** Local financial markets in emerging and frontier economies are often at a much earlier stage of development than in developed countries. They often lack the infrastructure, expertise, deep pools of capital and seamless connection of supply to demand required for efficient functioning. For example, bond and equity markets are often under-developed and illiquid, introducing high uncertainty about whether investors will be able to exit the investment

and receive their money back. Also, while institutional investors usually require that investment managers have a verifiable history of positive returns, many local fund managers are new and do not have sufficient experience to demonstrate results. Finally, only a limited number of financial institutions have the structuring expertise needed to package the financial and non-financial solutions appropriate for countries and sectors of high potential development impact. The resulting shortage of scalable, standardised, investable products limits the ability to effectively connect supply of capital to demand, and to efficiently access capital markets.

3. **Knowledge and capability gaps of private investors.** In many cases, private capital providers lack in-depth understanding of emerging and frontier markets; they may also lack the sector-specific expertise (particularly related to development) needed to accurately assess risk and make informed investment decisions. This increases the cost of investment and reduces the likelihood of success. Limited understanding of local business practices when structuring and executing investments, as well as limited market data (including historical financial returns) on which to base investment decisions, further widen the knowledge gap. Finally, private investors and fund managers may be unfamiliar with the challenges involved in assessing the development impact of investments.
4. **Limited mandates and incentives to invest in sectors or markets with high development impact.** Private sector investors often do not have the explicit mandate – or the flexibility – to invest in emerging and frontier economies and/or in sectors that have potential for social, environmental and economic impact. With the high competition for capital in global markets across geographies and sectors, the lack of a clear directive can block such investments.
5. **Difficult local and global investment climates.** The lack of strong, transparent local regulatory and legal systems in emerging and frontier markets is a significant deterrent to private capital flows (see Chapter 2). Capital controls, tax barriers, labour policies, inconsistent tariffs and visa challenges reduce the attractiveness of investment by adding to the complexity of transactions and the difficulty of realising returns. These limiting factors are amplified by risks associated with fluctuating exchange rates and local currencies, lack of liquidity in local capital markets and political instability. Certain regulatory policies in developed markets have also affected the ability of their private capital providers to transact in emerging and frontier economies. For example, since 2008 many global banks have reduced their presence in emerging and frontier markets because a tightening of policies (e.g. Basel III[8]) has raised the cost of long-term and risky lending. While not an intended consequence, these policies have created a capital shortfall in critical sectors, including infrastructure, clean energy and local currency lending.

Blended finance can help diversify skills and resources for development

Blended finance can help to overcome many of these obstacles. It offers new and exciting opportunities for providers of development finance and philanthropic funders to work with private investors on identifying and supporting key investment opportunities in the developing world (Box 3.1). It can enhance the impact of limited philanthropic and development resources, using those funds to tap into the trillions of dollars of private capital available in global markets through three key functions:

1. **Leveraging capital** by reducing risks and guaranteeing investments, or by supplementing private investment with grant financing to create incentives for the private sector.
2. **Enhancing impact** by bringing into play skillsets, knowledge and resources dedicated to development.
3. **Increasing returns in line with expectations** by helping to improve the investment climate in key markets.

Box 3.1. **Innovative private financing in Sudan**

Irrigation is critical to the Sudanese economy. The country has one of the largest irrigated areas in Africa – close to 2 million hectares, with the potential to reach 2.78 million hectares – and the agriculture sector employs 80% of the country's workforce, contributing 30% of its GDP.

Yet in spite of this potential, irrigation intensity figures in Sudan have been consistently low over the past three decades and have resulted in crop yields far below the potential. A myriad of institutional, policy and legislative factors have contributed to this situation. To begin with, liberalisation/privatisation policies, applied in haste and without due consideration of the conditions required to make such policies successful, have contributed to a decline in performance. An unbalanced shift to hydro-generation projects has resulted in lack of funding for the operation and maintenance of the existing irrigation infrastructure. And finally, these problems have been exacerbated by limited government capacity in co-ordination, strategic planning, and water and land legislation and governance, as well as by limited transparency regarding the problems that have plagued the sector.

Historically, financing for irrigation operation and maintenance in Sudan was underwritten by a combination of irrigation fees collected from farmers and government subsidies. During the 1980s and into the mid-1990s, however, the collection of irrigation fees declined; this, together with a reduction in funding resulting from liberalisation/privatisation policies adopted in 1995, led to the deterioration of storage (dams) and irrigation infrastructure. As tariffs and subsidies failed to cover the costs of maintaining and operating the irrigation infrastructure, cropping intensity and yields dropped.

In 2005, the government began to open up to the private sector the rehabilitation of existing small-scale pump irrigation schemes in the River Nile and northern states, aiming to turn their management over to corporate entities (a private sector delegation approach). The first such entity – Al-Shamil – was formed in 2006 with 21% minority participation by the federal and state governments and 79% participation by private sector funds. The company took on a total of 11 projects with responsibilities that included providing irrigation water to farmers, collecting water fees and operating the irrigation infrastructure, including its routine maintenance. The state retained responsibility for major maintenance and overhaul work.

The Al-Shamil project has proved to be acceptable, affordable and in line with the government's privatisation policy. Accountability is built into the project through production councils that monitor its activity. With fees being collected by a private entity rather than the government, there has been a change in the perception of water as a free resource, which has improved farmers' willingness to pay; this in turn has reduced levels of farmer migration and contributed to the development of stable farmer communities. Collection levels increased from 50% in 2006 (the maximum achieved in other areas of the country to date) to an average of 70% in 2011/12. These improved collection rates indicate that the fees are affordable, and have also helped to resolve previous operation and maintenance issues.

Source: ADB (2012), "Strategic financing framework and innovative financing mechanisms in the water sector in African countries: Sudan irrigation sub-sector", African Development Bank, pp. 4-38.

Investors express a range of benefits from partnering with public institutions. They note that blended finance mechanisms help to effectively overcome many of the barriers referred to in the previous section by:

- reducing costs
- adding liquidity and exit opportunities
- demonstrating or enhancing commercial viability of new products, projects or markets
- creating credit-quality and institutional-grade investments
- sharing local market knowledge
- providing access to local networks and partners

- improving the overall regulatory environment, investment climate and ease of doing business
- improving the terms for borrowers in emerging and frontier markets.

By offering these benefits, development finance institutions and foundations can mobilise additional sources of finance for development, increase the impact of their own investments and accelerate progress towards the SDGs (Box 3.2).

Box 3.2. **A fund that has proved its efficacy in providing development impact**

The European Fund for Southeast Europe was initiated by the KfW Development Bank in 2005 with the financial support of the German Federal Ministry for Economic Cooperation and Development (BMZ) and the European Commission. It fosters economic development in Southeast Europe and the European Eastern Neighbourhood through the sustainable provision of development finance, notably to micro and small enterprises and to private households, via qualified financial institutions. Since its inception, investments by the fund in 16 countries have enabled more than 660 000 micro and small enterprises to access much-needed credit. As the global economic crisis has not yet come to an end, the fund's mission, and its role as an example of a successful public-private partnership, are more important than ever.

With EUR 358 million in public resources, the fund has leveraged twice that amount in private funding by tailoring capital investment opportunities to the needs of diverse investors. Depending on the desired risk-return profile, options range from first loss capital (junior shares) for public investors to more senior capital tranches (notes) for private investors. The junior shares serve as a risk cushion, in the sense that these are the first funds to be depleted in case of investee default; public investors are also the last to benefit from income distribution. Note holders, on the other hand, are the first in line to receive returns and they have the highest risk protection.

The fund's approach to corporate governance also contributes to its success. It integrates professional service providers – such as fund managers and advisors or fund administrators – for day-to-day management, in addition to a Board of Directors and an Investment Committee constituted by seasoned professionals from the international finance institutions that invest in the fund.

Last but not least, the fund pairs investment with technical assistance offered to partner financial institutions by its Development Facility. This strategy has consistently proved its efficacy in maximising development impact and outreach.

Contributed by Sylvia Wisniwski, Managing Director, Finance in Motion GmbH, Investment Adviser of the European Fund for Southeast Europe.

Blended finance is not intended to replace ODA.

It is important to note that blended finance is not intended to replace ODA, provide excessive subsidies to private capital, crowd out the financial sector or completely eliminate risk in a transaction. Rather, blended finance helps facilitate risk-taking at acceptable levels to encourage investment without distorting functioning markets. Some of the particular advantages development funders have in making blended finance work include:

- **Flexible capital.** Development funders can assume exposure to greater potential risk and forego commercial returns in exchange for development impact. Similarly, they can improve project financial viability by offsetting high up-front transaction costs.
- **Local market knowledge and experience.** Development funders can use their local expertise and presence to help bridge investor knowledge gaps, leveraging their local partners and networks to support successful transactions (Box 3.3).

Box 3.3. **Financing local needs in sub-Saharan Africa**

Since its inception in 1999, the Islamic Corporation for the Development of the Private Sector (ICD) – a member of the Islamic Development Bank Group – has promoted the development of the private sector in its member countries as a means of contributing to inclusive growth and poverty reduction. The ICD establishes local subsidiaries to act as its "financial channels" so as to gain proximity to target communities and yield deeper customer insights.

In June 2009, in Senegal, it created Tamweel Africa Holding, of which 60% is owned by the ICD. Tamweel Africa Holding currently comprises four local banks – in Guinea, Mauritania, Niger and Senegal – which mainly serve small and medium enterprises. One of these four banks – the Islamic Bank of Mauritania (BIM), with paid-up capital of USD 25 million – is a fully owned Tamweel subsidiary. After three years of operations, it has provided financing to more than 100 small and medium enterprises in Mauritania for a total of USD 34.5 million. The bank's investment strategy addresses the economic, social and environmental needs of the local community, covering key sectors in the Mauritanian economy, including fishing, construction, telecommunications, education and industry. The BIM directly employs 61 full-time workers, of which 29 are women, and has contributed to the creation of more than 1 500 jobs. Twelve of the enterprises financed by the bank contribute to the country's foreign currency inflows through exports of their products.

Another one of the BIM's clients, the Burj El Ilm private school established in 2005, provides quality primary and secondary education for the inhabitants of Nouakchott, Mauritania's capital. With a total student body of 1 750 spread across five different locations, the school's students include some of the top performers nationwide. In 2014, the school's success rates in exams were 96% (elementary), 100% (middle school) and 68% (high school baccalaureate) compared to 50%, 30% and 30% respectively on the national level. Its high school graduates continue their tertiary education in universities worldwide, including in Canada, France, Morocco, Tunisia, Turkey and the United States. The school offers merit and need-based scholarships to orphans and other qualifying students as part of its social contribution to the local community. It employs 232 teachers, 75% of whom are locals.

Source: Islamic Corporation for the Development of the Private Sector (ICD), Member of the Islamic Development Bank Group.

- **Local capacity development.** Development funders can finance specialised strategic, financial and technical advisory services that may be required in local markets; for example, training for small and medium enterprises in preparing and managing balance sheets.
- **Policy and regulatory reform.** Development and philanthropic actors undertake many activities that directly support improvements to the local investment climate in emerging and frontier markets, including in procurement processes and the preparation of strategic investment plans.

Development funding provided to a project or enterprise through blended finance instruments (Table 3.1) helps to overcome barriers in emerging and frontier markets at the following stages of the investment life cycle:

- **preparing** – reducing uncertainty and high initial costs before commissioning a project
- **pioneering** – helping to reduce failure rates and transaction costs associated with high-risk enterprises or projects that are experimenting with, testing and piloting new business approaches
- **facilitating** – deferring or improving returns to encourage investments with high expected development impact but limited commercial returns
- **anchoring** – crowding in private capital
- **transitioning** – providing a cultivated pipeline that meets the needs of private investors to source mature transactions and deploy capital at scale.

Table 3.1. **Blended finance instruments**

Instrument	Description
Grants	A financial award with no expected repayment or compensation over a fixed period of time.
Guarantees	Protection from various forms of risk intended against capital losses for investors.
Debt	Money lent for repayment at a later date, usually with interest: ● *Market rate debt,* when rates and terms are determined based on capital market prices and tenors, but can be subordinate to senior debt (i.e. mezzanine). ● *Flexible (concessional) debt,* with favourable terms or rates for the borrower relative to market pricing.
Equity	Ownership in a company – value determined at time of investment: ● *Junior equity,* accepts higher risk for lower financial returns in exchange for social, environmental and economic impact, typically in a position to take the first losses.

Source: OECD/WEF (2015a), "Blended finance Vol. 1: A primer for development finance and philanthropic funders", September, OECD, Paris and World Economic Forum, Geneva, *www3.weforum.org/docs/WEF_Blended_Finance_A_Primer_Development_Finance_Philanthropic_Funders.pdf*.

What is needed to achieve the potential of blended finance?

If it is to accelerate social and economic progress towards the SDGs, blended finance needs to be scaled up. To achieve its potential, development funders must actively commit to mainstreaming the blended finance approach in a systematic way (see the "In my view" box by LI Yong). This requires embracing some fundamental changes:

- **Awareness and common language:** Using a common blended finance lexicon is essential to facilitate relationship building with the private sector, speed up investment processes, improve transaction times and lower costs.
- **Analytics and education:** Analysing the effectiveness of various blended finance models and documenting good practices can inform approaches to future financing deals. Communicating these insights to a wide audience can increase the number of actors using blended finance.
- **Institutional readiness:** Defining clear mandates and strategies for engaging private sector investors to achieve development goals, and ensuring appropriate resources and capabilities are in place, are essential for scaling up blended finance.
- **Partnerships:** Developing relationships with funders and investors that possess similar development goals, as well as complementary investment goals, can help to identify investment structures and products that will work for all partners.
- **Alignment of impact expectations:** Standardising metrics can enable measurement of outcomes and impact from blended finance across different sectors. Impact targets must be reasonable: if targets are too onerous and costly in terms of time and funding, private capital may not invest.
- **Consolidation of the market:** Developing unified platforms to bring together public funders and private investors can reduce fragmentation and duplication of effort while lowering costs and building transparency.
- **Recognition of private sector incentives and needs:** Addressing the objectives of private capital is fundamental, as these partners will not invest if asked to compromise between risk-adjusted returns and development impact.

Although blended finance instruments are enjoying increasing popularity, they can involve some potential risks. To mitigate these, a number of actions need to be taken:

- **Financial incentives need to be balanced with development objectives.** Using development finance and philanthropic funds to leverage private sector investment in support of projects with limited development outcomes can be a poor use of funds.

In my view: Well-structured public finance can align profit and sustainability aspirations

LI Yong,
Director-General, United Nations Industrial Development Organization

The ambitious global commitment to pursue inclusive and sustainable paths of development – outlined in the 2030 Agenda for Sustainable Development – comes at a moment that does not admit any further delay. The economic, environmental and social challenges we face are enormous and must be addressed today, before climate change, demographic pressures, fragile security situations and other unsustainable global trends take their unbearable toll on all of us.

At the same time, this agenda unveils a new set of opportunities for investments to yield unprecedented levels of economic and social dividends, provided that the appropriate co-ordination mechanisms and instruments are put in place.

This means rethinking the role of official development assistance (ODA) to increase its efficiency and impact as an international public investment tool. It means making it more co-ordinated, catalytic and targeted as an instrument for attracting additional public and private investments for the transformation we all strive to achieve. Public finance will need to focus on initiatives that can drive progress on the SDGs, bringing into play the necessary industries – with their investments and their knowledge – thus generating a virtuous circle of further investment, innovation, structural transformation and technological upgrades.

Driving the structural transformation required to increase the domestic tax base and achieve the SDGs also means targeting public finance to strengthen the institutional infrastructure and capacities of developing countries and regions to implement their own industrial policies and activities.

Environmental sustainability offers important opportunities for investment and technological exchange among "green industries" worldwide. The development of cleaner production technologies and the adoption of healthier and more equitable production-system practices will provide significant returns in terms of both private and social benefits.

Mitigating food insecurities or health risks offers similar opportunities, for example by attracting responsible agro-industrial investments or promoting partnerships with medical industries.

International public investment in inclusive and sustainable industrialisation should aim at supporting small and medium enterprises – including building their trade capacities, which tend to be the backbone of developing and industrialised economies alike. It should contribute to localising or integrating value chains to provide equitable distribution of added value, boost income generation, increase purchasing power and strengthen the domestic tax base.

Finally, public investment should provide incentives for the formalisation of jobs and the development of entrepreneurial skills, particularly for women.

In my view, the objective of ODA-based international public investment should be to strengthen institutional infrastructure at all levels so as to enable economies to flourish, acting as a catalyst for further responsible, sustainable investment into key industrial sectors.

Such a structured approach to international public investment can ultimately raise the trillions we require for implementing the SDGs and for shaping the next era of globalisation.

There are already some success stories to be shared. For example, in 2014 the government of Ethiopia and the United Nations Industrial Development Organization (UNIDO) launched an initiative aimed at achieving higher levels of inclusive and sustainable industrial development by attracting public and private investment around a government-owned industrial strategy. The Programme for Country Partnership (PCP), as this successful model is called, is founded on several essential elements: policy alignment, focused investment, technical co-operation and an inclusive approach to ensure ownership. After only two years, the programme is yielding impressive results, including the set-up of national structures for PCP governance and monitoring, completed feasibility studies for integrated agro-industrial parks, and mobilisation of several investors for infrastructure development. Major private investments have been made in industries that are key to Ethiopian competitiveness, such as agro-food processing, textiles and apparel, and leather and leather products. Examples include the establishment of an environmentally friendly leather industrial zone in the country and the mobilisation of soft loan programmes for agro-food industrial and rural infrastructure.

A similar programme between UNIDO and Senegal, launched at the same time, also offers a promising outlook. Among other successes, the PCP Senegal has developed an incentive package and business plan for the country's first integrated industrial platform. The first garment factory is expected to start operations in March 2016. Also in 2016, the PCP model is being expanded to Peru, demonstrating its applicability and effectiveness in middle-income countries as well.

Examples like these show that we are taking steps in the right direction. Legitimate profit interests are aligning with sustainability aspirations at many levels. But innovative approaches are required to systematise and scale up these initiatives.

- **Care needs to be taken not to crowd out private financing and cause market distortion.** Crowding out occurs when development funders invest in a project that would have been commercially viable, or that could have attracted full private sector financing without any public support. In these cases, not only is scarce donor funding perceived as being misspent; markets may also be distorted, undermining the development of a healthy private sector.
- **Transparency needs to be ensured while protecting commercial confidentiality.** Transparency is important in all areas of development finance and, many would argue, particularly so where development finance and/or philanthropic funds are used to subsidise and leverage private investment. Blended finance processes create a unique set of challenges to full transparency – in particular because of private sector needs for commercial confidentiality. Development funders need to strike the balance between accountability for their resources and the impact they have, and the confidentiality needs of private investment partners.
- **Demonstration effects need to be managed.** When projects and companies do not succeed because of factors such as lack of political support, or the application of the wrong model or funding mechanism, the demonstration effect can be negative, discouraging private investors from further involvement in the sector or even the country.

The way forward for blended finance

Development co-operation agencies, development finance institutions and foundations are clearly looking for opportunities for more catalytic ways to engage with the private sector. Blended finance has the potential to become a transformative tool for future development efforts and to serve as a major pillar of the sustainable development financing framework. There is growing momentum in support of blended finance as a systematic, ecosystem approach, with a range of development funders already showing strong political will and allocating funds to innovative financing mechanisms.

To contribute to realising this potential, the World Economic Forum and the OECD have established the ReDesigning Development Finance Initiative (OECD/WEF, 2013). This initiative creates strategic links among development, investor and philanthropic resources to promote the use of blended finance to deliver social impact through sustainable, investable, scalable enterprises and projects (Box 3.4). One outcome of this initiative – the Blended Finance Toolkit (comprising the reports "Blended finance Vol. 1: A primer for development finance and philanthropic funders" and "A how-to guide for blended finance"; OECD/WEF, 2015a; 2015b) – outlines practical steps development funders can take to make good use of blended finance.

Blended finance is currently at a pivotal juncture. It has evolved from a niche activity to a mainstream focus of development finance, offering the potential for development funders to address some of the world's most pressing challenges. A recent survey of blended finance funds and facilities identifies 74 pooled public and private funds, accounting for a total of USD 25.4 billion in committed assets (OECD/WEF, 2016). These funds are already having an impact in sectors such as climate resilience and clean energy, financial services, food and agriculture, healthcare and infrastructure.

Nonetheless, as Gavin E.R. Wilson points out in his challenge piece at the beginning of this chapter, it is important not to let the enthusiasm for blended finance lead development partners to overlook other financial approaches that may be more appropriate in a given circumstance – and may not require public funding. He also flags the need to avoid encouraging competition with each other for risk-mitigation instruments, encouraging a "race to the bottom". For blended finance to fulfil its potential in helping to accelerate sustainable and social economic progress towards the SDGs, however, it needs to be scaled up. The approaches outlined in this chapter provide a framework for how institutions can address risks and create incentives to accommodate the investment goals of private sector capital while achieving development objectives.

Box 3.4. **The Sustainable Development Investment Partnership**

Hydropower projects in Nepal or solar power plants in Mali should be good for business, people and the planet. But all too often, the market fails to match supply with demand. At the Third International Conference on Financing for Development in Addis Ababa (2015), the World Economic Forum and the OECD launched the Sustainable Development Investment Partnership (SDIP).*

The partnership promotes co-operation among commercial investors, governments, development agencies and development banks from both developing and developed countries, combining its members' assets and capabilities. The partners work together to mobilise private sector investment, share existing tools, and develop new tools and financing models. By expanding the use of blended finance to support sustainable infrastructure in developing countries, the SDIP aims to mobilise USD 100 billion in private financing over the next five years. Using a sustained, co-ordinated approach, it aims to deliver the scale, speed, transaction efficiency and risk mitigation necessary to close existing viability gaps. The ultimate goal is to support inclusive growth and poverty alleviation through commercially feasible projects in areas such as water and sanitation, transportation, clean energy, agriculture, health and climate adaptation.

* See: *www.sdiponline.org*.

The time is right for development funders to take bold action.

The time is right for development funders to take bold action and actively commit to embracing the blended finance approach in a mainstream and systematic way.

Key recommendations for scaling up blended finance

- Recognise private sector incentives and needs and balance financial incentives with development objectives.
- Use a common blended finance lexicon to facilitate relationship building with the private sector.
- Develop relationships among funders and investors with complementary development and investment goals.
- Develop unified platforms to bring together development funders and private investors.
- Ensure clarity on the roles of development funders and private actors.
- Identify standardised, scalable investment structures and products.
- Make sure appropriate resources are in place.
- Take care not to crowd out private financing and promote market distortion.
- Set reasonable impact targets; standardise metrics and measures of impact across sectors.
- Analyse the effectiveness of different blended finance models and aggregate best practices; communicate these insights to a wide audience.
- Take a structured approach to public investment using innovative approaches to systematise and scale up successful initiatives.
- Manage demonstration effects so as not to discourage private investors from further involvement in a given sector or country.

Notes

1. This chapter uses the term "emerging markets" to refer to developing country markets in general.
2. Blended finance is the use of development finance and philanthropic resources to mobilise private capital at scale so as to deliver risk-adjusted returns and economic progress across a range of sectors and countries while ensuring significant development outcomes.
3. For the purposes of this chapter, emerging and frontier markets refer to countries included in the OECD "DAC List of ODA Recipients (2014-16)" at: *www.oecd.org/dac/stats/documentupload/DAC%20List%20of%20ODA%20Recipients%202014%20final.pdf*.
4. Calculation based on IMF (2014), at purchasing power parity exchange rates.
5. Emerging market economies' saving rate increased significantly between 2000 and 2007, driving down interest rates; this increase is expected to be only partly reversed. At the same time, there is a rising demand for risk-free assets as a result of increased accumulation of foreign exchange reserves in the emerging market economies and an apparent rise in the perceived riskiness of equities relative to bonds. Finally, the decline in investment rates in advanced economies as a result of the global financial crisis is likely to persist.
6. MSCI data.
7. See the 2011 Busan Partnership agreement, at: *www.oecd.org/development/effectiveness/busanpartnership.htm*.
8. "Basel III" is a comprehensive set of reform measures, developed by the Basel Committee on Banking Supervision, to strengthen the regulation, supervision and risk management of the banking sector. These measures aim to: improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source; improve risk management and governance; strengthen banks' transparency and disclosures. See: *www.bis.org/bcbs/basel3.htm?m=3%7C14%7C572*.

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PART I

Chapter 4

Measuring private finance mobilised for sustainable development

by
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The OECD is working on ways to monitor and measure private resources mobilised through public sector interventions. This is of great importance in the context of the Sustainable Development Goals: improving the tracking of these resources will increase transparency while also encouraging their use to mobilise further resources. This chapter provides an overview of the work underway and outlines some of the methodological challenges involved. It also presents the findings of a recent survey that focused on private sector finance mobilised through guarantees, syndicated loans and shares in collective investment vehicles between 2012 and 2014. It concludes with a set of key recommendations.

Challenge piece by Jeff Chelsky, World Bank. Opinion pieces by Pierre Jacquet, Global Development Network; Philippe Orliange, Agence Française de Développement.

The challenge: How do we measure the mobilisation of private finance?

Jeff Chelsky,
Program Manager, Strategy, Risk and Results,
Operations Policy and Country Services, World Bank[1]

Massive amounts of private finance will be needed to achieve the Sustainable Development Goals (SDGs). At the same time, there is understandable pressure on official sector entities to demonstrate that their use of scarce public resources is having impact. While this makes it important for them to show how they are catalysing private investment, measuring this contribution is fraught with challenges.

The first challenge is definitional. Words like "mobilise", "catalyse", "leverage" and "additional" are often used interchangeably, with varying degrees of precision and consistency. A number of these concepts appear in the World Bank Group (WBG) "corporate scorecards"[2] – an integrated performance and results-reporting framework – which has presented us with a platform to distinguish the terms.

For example, "private capital mobilised" is defined as: Financing from private entities other than the WBG that becomes available to a client at legal commitment of the financing (i.e. financial close) as a result of the WBG's active and direct involvement in raising resources (i.e. that are contractually part of a distinct transaction).

This definition makes it relatively easy to measure private capital mobilised. The International Finance Corporation (IFC), the private sector arm of the WBG, has a long history of measuring and publicly reporting on the additional financing it mobilises. Their ability to do this is largely thanks to the nature of their business, in which they deal directly with the private sector and are paid by clients to mobilise funds.

The definition of private capital mobilised is quite narrow, however, and as such does not offer a comprehensive view of the impact of institutions like the WBG on attracting private financing. Much of the impact from interventions by the WBG's International Bank for Reconstruction and Development or its International Development Association comes from helping clients (in this case, the public sector) improve the underlying conditions for private sector activity and investment.[3] For this reason, private capital mobilised is complemented in our corporate scorecard by the concept of "private investment catalysed", defined as: Private investment resulting from the contribution associated with the WBG's involvement in an investment, operation or non-financing activity. Private investment catalysed measures financing provided, regardless of whether or not the WBG was actively and directly involved in raising such financing or soliciting investors, and includes investment made as a result of an engagement after it is completed.

The second challenge is measurement. It is relatively easy to track investment linked to a specific transaction but which is not a contractual part of the transaction, for example, co-financing. Measuring private investment catalysed as a result of the impact of the intervention or activity is more problematic. Not only is it essentially arbitrary to delimit how far along the results chain one goes to track finance catalysed, it is also not obvious how far into the future to look. An investment may be made, for example, as a result of an operation, an activity or advice that has helped improve the business and investment climate in a client country, by reducing red tape in the registration of new businesses or by improving creditor rights. Or infrastructure financed by the WBG could make it possible to profit from private sector activity where this was previously not the case.

The relationship of the investment to these kinds of interventions may be easy to grasp conceptually, but it is very difficult to measure quantitatively, even when significant (and costly) effort is expended. Yet failure to take into account the important contribution of development institutions in attracting private financing through such means would paint an incomplete and fundamentally misleading picture of their impact and effectiveness.

Given the importance of acknowledging this contribution, the WBG is investigating the potential of using "multipliers" to estimate private investment catalysed. Drawing on various studies, particularly from the infrastructure sector, we are attempting to come up with credible "rules of thumb" for estimating the impacts on private investment of WBG interventions or investments. The methodological challenges are enormous, however, and the outcome is likely to be, at best, an "order of magnitude" estimate.

Despite these challenges, failure to acknowledge indirect effects on mobilising private capital can easily lead to sub-optimal decisions about the relative effectiveness and efficiency of different kinds of development interventions and institutions. Not everything that matters can be measured and not everything that can be measured matters. An effective strategy to catalyse private finance will always have qualitative and quantitative dimensions, and will require ongoing learning from experience to ensure that development activities are achieving real results on the ground. Only by embedding the overarching objective of making interventions of development partners more catalytic can we hope to attract the scale of resources necessary to achieve the SDGs.

For this reason, calculations of indirect "catalytic" effect should be an integral part of the thinking that goes into the design of every project, investment or activity, even if it is difficult to measure the impact with precision. It should also be an integral aspect of any effort to assess the extent to which development interventions are able to "crowd in" the private sector.

1. This piece benefited from insightful comments from Neil Gregory, Christopher Calvin, Jyoti Bisbey, Paul Barbour, Marco Scuriatti and Arthur Karlin.
2. See: *www.worldbank.org/en/about/results/corporatescorecard*.
3. For a discussion of the additionality that multilateral development banks can bring to the mobilisation of financing, see Chelsky, Morel and Kabir (2013).

The question of how private resources can best be mobilised[1] is at the heart of discussions around how to finance the Sustainable Development Goals (SDGs) (OECD, 2014a) and to realise developed countries' commitment to mobilise, by 2020, USD 100 billion per year for climate action in developing countries (UNFCCC, 2009).

The potential exists: global savings have never been higher, there are new sources of capital that can be tapped, innovative financial instruments are widely available and investment opportunities abound. Yet in order to realise this potential, incentives need to be created to help mobilise and channel "patient capital" – i.e. medium or long-term investment – particularly from the private sector. Public funds can be used to create these incentives, providing guarantees, mitigating risks, improving the enabling environment and helping to improve technical capacity at the receiving end (see the "In my view" box by Philippe Orliange).

To ensure that these funds achieve their maximum impact, and to assess whether governments and private sources are living up to their commitments, it is fundamental to monitor and measure them. The OECD Development Assistance Committee (DAC) is currently expanding the scope of its statistical framework, introducing new reporting requirements and methodologies for measuring the amounts mobilised from the private sector through public sector interventions.

This chapter presents the outstanding challenges in measuring international private finance mobilised by public funding. It reviews the results of a recent survey on mobilisation and, drawing on the lessons from this work, concludes with a number of recommendations to providers of development assistance, including developing common and pragmatic approaches, and increasing internal capacity to report data on the mobilisation effect of their interventions.

International stakeholders are joining forces to track mobilised finance

Today's development financing packages can be complex, with multiple actors involved in the various financial and implementation phases of an activity or project (often referred to as "blended finance", see Chapter 3).

In my view: Innovative mechanisms can help to mobilise domestic finance

Philippe Orliange,
Director for Strategy, Partnerships and Communication, Agence Française de Développement

The financial model of the Agence Française de Développement (AFD) is typical of those of development banks in general.[1] The agency borrows on capital markets at low interest rates, thanks to its good ratings as a solid, state-owned institution. It provides these funds to developing country borrowers in the form of development loans – subsidised or not, according to need.

This is the most direct way in which development banks "mobilise" private funds. Yet other vehicles for mobilisation need to be further explored; in particular, ways of enabling developing countries to mobilise their own domestic resources, through local banks, to finance small and medium enterprises. One of the main hurdles local companies face is insufficient access to bank finance in the volumes they need, with affordable interest rates, reasonable pay-back time and security. The AFD and its private sector subsidiary, Proparco,[2] offer several tools to help them overcome these obstacles:

- **Credit lines for small and medium enterprises.** When there are clearly identified financing gaps in the local market, the AFD can provide support in the form of a credit line to one or several local banks, which will then lend to local small and medium enterprises. The beneficial terms of these loans to local banks are passed on to the end-borrowers. The local banks also usually offer additional loans on their own terms; these, together with what the enterprise invests itself, contribute around 45% of local resources within the overall investment. In addition, the AFD's credit line is often complemented by technical assistance, both to the local banks and to each specific project.
- **Guarantee mechanisms.** The inability of small and medium enterprises to provide sufficient collateral is often a major barrier to obtaining a loan. Even when collateral is available, in the case of default, shortcomings in the local legal system may make it lengthy and costly for banks to recuperate their investments. The risk for the local bank can be reduced if a third-party "guarantor" agrees to pay part or all of the amount due on the loan in the event of non-payment by the borrower. These "guarantee" schemes, legally binding, allow small and medium enterprises to access credit at low cost. The AFD has developed such a risk-sharing tool, ARIZ,[3] which is mainly used in the least developed countries, guaranteeing loans from local banks to over 5 000 companies in more than 30 countries to date.

In my view, using mechanisms like these can go a long way towards mobilising domestic resources, putting them to work for productive investments. This, in turn, will help to stem both licit and illicit outflows of resources – a goal at the heart of the financing-for-development agenda that the international community adopted at Addis Ababa in July 2015.

1. See: *www.afd.fr*.
2. See: *www.proparco.fr*.
3. ARIZ stands for *Accompagnement du Risque de financement de l'Investissement privé en Zone d'intervention de l'AFD* (support for the risk of financing private investment in the AFD's areas of operation).

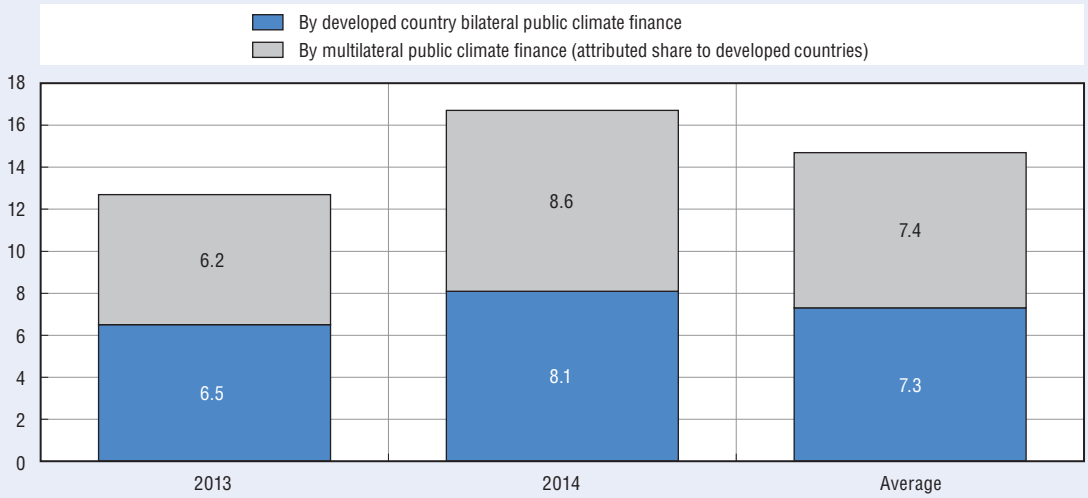
Efforts are underway in several fora to improve the tracking of information on mobilised finance. Within the climate community in particular, a range of partners involved in the OECD-hosted Research Collaborative on tracking private climate finance has been conducting work to measure publicly-mobilised private finance for climate action in developing countries (Box 4.1). The OECD-DAC work is being taken forward in co-operation and synergy with these partners so as to arrive at widely shared definitions and standards.

Box 4.1. **Estimating mobilised private finance for climate action**

The OECD-hosted Research Collaborative on tracking private climate finance is a network of researchers, development finance institutions and governments working together to identify, develop and assess methodologies for estimating publicly-mobilised private finance for climate action in developing countries.* Based on the work of the Research Collaborative, the OECD recently estimated private climate finance mobilised in 2013-14 in the context of the United Nations Framework Convention on Climate Change commitment made by developed countries to jointly mobilise USD 100 billion per year by 2020 (Figure 4.1).

Figure 4.1. **Estimates of private finance mobilised by developed countries through bilateral and multilateral channels for climate action in developing countries**

Commitments, USD billion



Notes: Private co-financing data from development finance institutions were used as best-available evidence of mobilisation. Where multiple public financiers were involved, amounts of private co-financing were attributed at the activity level using volume-based pro-rating across public finance instruments and actors (from developed and developing countries alike). Estimates are for ODA recipients and/or UNFCCC non-Annex I countries. They include private finance from all geographical origins.

Source: OECD (2015), "Climate finance in 2013-14 and the USD 100 billion goal", a report by the OECD in collaboration with Climate Policy Initiative (CPI), *www.oecd.org/environment/cc/OECD-CPI-Climate-Finance-Report.htm*.

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Moving forward, however, some methodological questions remain to be addressed. For instance, alternatives are being explored for differentiating between mobilisation and co-financing. Methods for taking into account the role played by each public actor and finance instrument (other than simple volume-based pro-rating) are also being developed. In doing so, co-operation and synergies with the ongoing work of the OECD-DAC, as well as joint initiatives by bilateral (Stumhofer et al., 2015) and multilateral (Joint-MDBs, 2015) development finance institutions are being ensured. How to estimate the mobilisation effect of credit lines is, for instance, an area where stakeholders are working to advance a common understanding.

Work conducted under the Research Collaborative also highlights the importance of public finance for capacity building, and of domestic public policies in developing countries in order to catalyse private finance at scale (Haščič et al., 2015). Therefore, if measurement only captures direct mobilisation or co-financing, there is, on the one hand, a risk of overestimating the role of public co-financiers at the project level. On the other hand, it also means that private finance mobilised indirectly – in the absence of direct public co-finance – will not be captured at all, leading to an underestimation of the total. This implies that activity-based monitoring and reporting of private finance mobilised directly at the project level should be complemented with other methods for estimating indirect mobilisation.

* For more information, see: *www.oecd.org/env/researchcollaborative*.

Measuring mobilised finance presents challenges of definition, scope and methodology

To provide accurate, comparable data on mobilisation at the international level, several questions must be answered and agreement must be reached on:

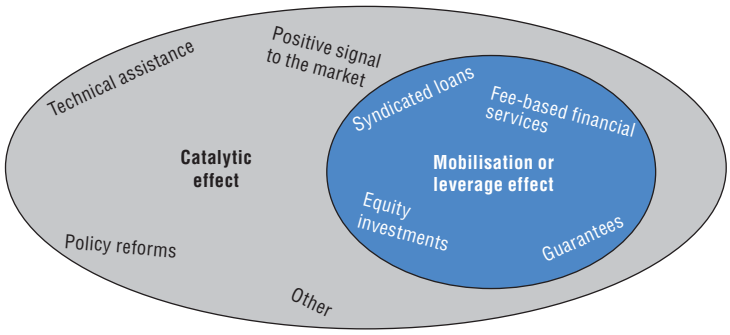
- Definition: How does the term "mobilised" differ from other terms such as "catalysed" and "leveraged"? What is meant by "private" vs. "public" finance?
- Scope: How to develop a common understanding of the boundaries of a project – of where it starts and ends?
- Methodology: What proven and internationally agreed methods exist for assessing causality and attributing mobilisation of private finance?

What is the difference between catalysed, leveraged and mobilised?

The terms "catalyse", "leverage" and "mobilise" are often used interchangeably (see the challenge piece by Jeff Chelsky). To permit accurate and comparable monitoring of sustainable development finance, however, it is important to distinguish among these terms and the contexts they describe (Figure 4.2):

- **Catalyse** usually refers to actions aimed at stimulating positive change. The result of such actions – the catalytic effect – may be financial (funds mobilised) or non-financial (transfer of knowledge, sharing of new practices, introduction of a policy, etc.). It is generally recognised that catalytic effects are difficult to measure statistically.
- **Mobilise** and **leverage** are usually used more restrictively to refer to the ways in which specific mechanisms stimulate the allocation of additional financial resources to particular objectives. In the context of OECD-DAC methodological work, the term "leverage" is usually associated with a quantitative indicator, such as a leverage ratio, while "mobilise" refers to a causal link between private finance made available for a specific project and the official flows that were used to incentivise them.

Figure 4.2. **Catalytic vs. mobilisation or leverage effects**



Source: Benn, J. et al. (2016), "Amounts mobilised from the private sector by official development finance interventions: Guarantees, syndicated loans and shares in collective investment vehicles", *OECD Development Co-operation Working Papers*, No. 26, OECD Publishing, Paris, *http://dx.doi.org/10.1787/5jm3xh459n37-en*.

It is important to agree on definitions of private and public flows

While distinguishing between private and public finance is also vital when measuring mobilisation, at present there is a lack of agreement on how to define these terms. In the OECD-DAC statistical framework, transactions are classified as public or private according to the ownership of the financing entity (this complies with balance of payments principles): if more than 50% of an entity is publicly owned, its operations are considered public.[2] This is the definition applied by the

OECD-DAC when measuring mobilisation. In other fora, however, private finance is sometimes defined more broadly and may include activities undertaken by public corporations on a commercial basis, e.g. national electric companies. Co-financing from such corporations could, therefore, be considered private finance. These definitional differences affect the comparability of the data provided by the various entities tracking flows.

Assessing causality is difficult

While some subjectivity is embedded in most methodologies used by institutions, measuring causality statistically can be particularly complex. It is difficult to demonstrate that private financiers would not have invested without the corresponding official investment. To provide credibility at the international level, therefore, it is critical to make conservative assumptions in defining a measure of causality.

In addition, whenever more than one official investor is involved in a project that has mobilised private finance, the issue of attribution arises (i.e. how much each official investor mobilised). Being able to clearly attribute the amount of private finance mobilised by each investor is essential, however, to avoid double counting. Pro rata attribution – based on the amounts invested by each official agency – is, mathematically, the simplest approach. Yet this methodology does not take into account certain factors (e.g. a more active role by one of the official agencies, or different risk levels born by each official body). While these factors are difficult to quantify, taking them into account would provide a better reflection of causality (see the "In my view" box by Pierre Jacquet).

Double-counting of mobilised finance must be avoided

One of the particular challenges in capturing the amounts mobilised internationally from the private sector is how to provide a full picture while avoiding double counting. In an international statistical system that receives reports from all the contributors to a given financial package, there is a risk that the amount mobilised could be counted several times. A recent review carried out by the DAC revealed that most institutions are likely to use total private investment in a project as a proxy for the private finance mobilised through their interventions.[3] Figure 4.3 shows a typical example: in this case, the investment by Daewoo and K-water in the Patrind hydropower project would be counted by each of the official investors.

Defining boundaries can be difficult, especially in large projects

Defining project boundaries is also crucial to avoid double counting, especially in the case of large projects (e.g. in the infrastructure sector) involving multiple investors, from both the official and private sectors, with different financial instruments. For example, the boundaries of a road project might be considered to be limited to the actual construction of the highway, or they might be broadened to include other related investments, such as the construction of gas stations and other services along the road. Depending on the definition of boundaries, the number of official actors as well the amount of private investment involved in the project could vary significantly, making the causal links between public and private investment difficult to establish. This is why defining boundaries in complex projects allowing the attribution of the amounts mobilised on a fair and statistically sound basis is a major methodological challenge.

In my view: Engaging the private sector in sustainable development finance involves commitment, careful analysis and alignment of objectives

Pierre Jacquet,
President, Global Development Network

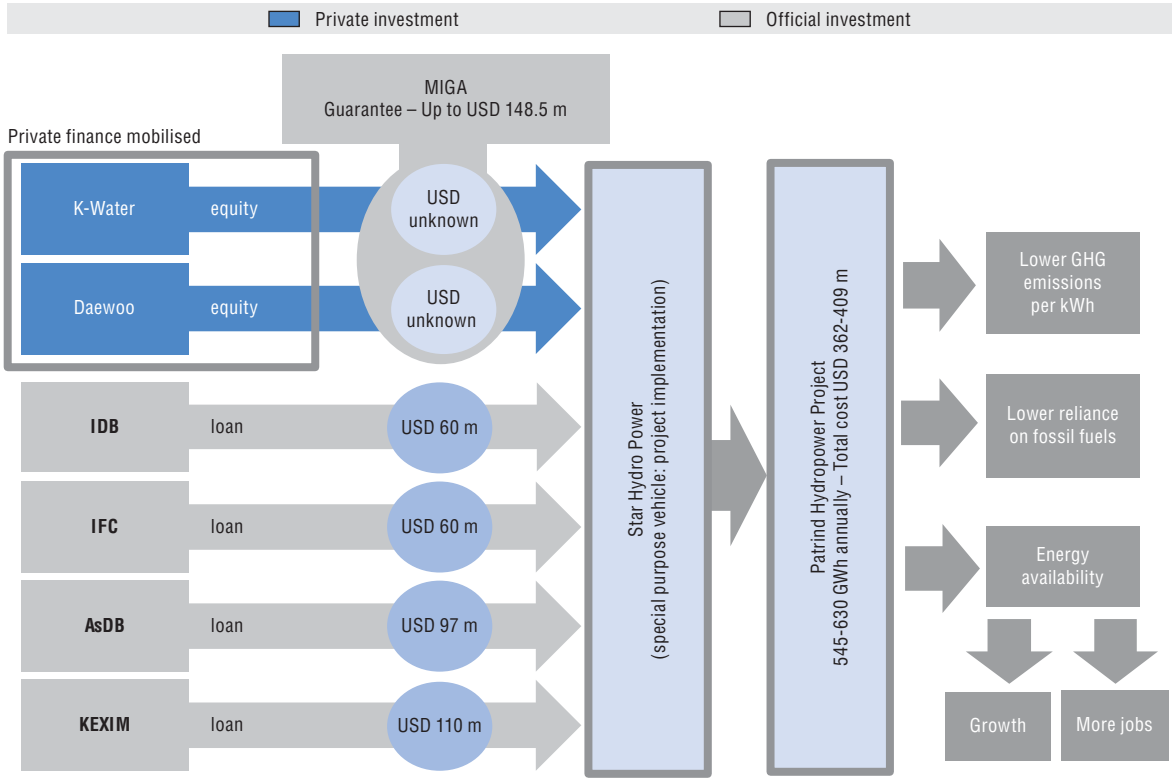
The increasing scarcity of public budgets has naturally led to heightened expectations about private financing for the Sustainable Development Goals (SDGs). As such, this is quite a challenge: public and private objectives do not coincide naturally and private firms are not philanthropic, even though some individuals within them may be. Two dimensions are crucial to reconcile these differing objectives, beyond identifying unexploited synergies that can deliver "low-hanging fruit" – such as energy-saving initiatives.

Improving the regulatory and policy environment. Negotiating and adopting a list of global goals in itself does not ensure the kind of stable and predictable regulatory policy environment needed to promote investment. The SDGs are desired results, but there is still a lot of debate and disagreement on how to commit and get there. Continuing scientific uncertainties, including in the area of climate change, are exploited by various interest groups fighting for their own parochial interests. As a result, sustainable development policies remain largely experimental, questionable and unstable. Clear, consistent and credible public commitments are needed. How can we expect the private sector, for example, to help fight climate change if governments cannot themselves put a credible price on carbon emissions?

Ensuring the compatibility of profits with social objectives. Because the private sector is driven by profits, its involvement is often perceived as problematic. Building trust is a priority, and this must be founded on a better understanding of the role and responsibilities of private companies and, beyond this, of the notion of profitability itself. Of course, profits can be excessive and their distribution unjust. Yet, profitability itself is not the culprit. Profits are crucial for increasing real incomes and ensuring the sustainability of efforts and investments, as well as of results over time. Recognising this, social business champions support activities that both achieve social objectives and are profitable enough to be self-sustainable (Chapter 5). The question is how to make the pursuit of social objectives compatible with market-led profit requirements.

In my view, sound public development finance can play a role in resolving some of these issues. Above and beyond funding what private markets won't finance spontaneously, it can use innovative financial instruments – such as subsidies, insurance and partial guarantees – to mobilise investment. Such an approach requires sound risk analysis to arrive at informed decisions about desirable risk allocation (notably between the public and private parties). It also calls for conviction concerning why, when and how to support private investments with public money in order to reach social and environmental objectives. And there is an additional difficulty: effective instruments to mobilise finance for a project or activity include insurance and guarantees, which imply a willingness to finance (should the covered risk materialise) rather than actual financing. In many cases, no money may need to be spent, which makes the corresponding public finance effort more difficult to measure and communicate, and the links with results or impact more blurred. Despite these difficulties, this is a very promising path, and one that may lead to a profound revolution in public-private partnerships and in public finance in support of the SDGs.

Figure 4.3. **A complex financial package: The Patrind Hydropower Project (Pakistan)**



Notes: MIGA = Multilateral Investment Guarantee Agency; IDB = Islamic Development Bank; IFC = International Finance Corporation; AsDB = Asian Development Bank; KEXIM = Export-Import Bank of Korea; GHG = greenhouse gas.
Sources: Star Hydro Power Limited, *www.patrind.com*; and World Bank (2016), "Project information – K-Water Star Patrind HPP" (dataset), *Renewable Energy Database*, The World Bank, Washington, DC, *http://ppi-re.worldbank.org/data/project/k-water-star-patrind-hpp-6358* (accessed 23 February 2016).

The OECD-DAC is developing an international standard for measuring mobilisation

The OECD-DAC has long-standing experience in measuring and monitoring development finance, and in establishing commonly agreed definitions and standards. Building on this experience, and on co-operation with a wide range of partners from bilateral and multilateral development finance institutions, it has developed and piloted methodologies for measuring the amounts mobilised from the private sector through a first set of instruments and mechanisms: guarantees, syndicated loans[4] and equity shares in collective investment vehicles (e.g. investment funds). Following the basic principles underpinning international statistical systems, these methodologies are designed to be realistic and feasible, conservative in the assessment of causality, fair (pro-rated attribution), and pragmatic in terms of point of measurement (point in time for the measurement) and data availability.

The OECD-DAC statistical framework has been expanded to include this information – which will be reflected in regular reporting as of 2017 – and work is underway to develop methodologies for other leveraging instruments and mechanisms (e.g. credit lines, direct equity, mezzanine finance and structured finance). The measure of amounts mobilised from the private sector, which up to now have not been reliably or uniformly measured in international statistical systems, will provide consistent and comparable statistics on private sector finance for development, thereby increasing transparency. It is also expected to contribute to the ongoing development of a broader measurement framework of total official support for sustainable development (TOSSD) (Box 4.2).

Box 4.2. **A measure of total official support for sustainable development**

DAC ministers agreed in December 2014 to develop a new measurement framework, provisionally entitled total official support for sustainable development (TOSSD). This measure aims to recognise and further incentivise efforts in support of sustainable development above and beyond official development assistance (ODA). Such efforts could include: 1) the leveraging/catalytic effect of ODA; 2) blending operations, risk-mitigation schemes and equity stakes invested in sustainable development activities in developing countries; and 3) public finance for global public goods where these are deemed relevant for development and aligned with developing countries' priorities.

Analytical work carried out through country pilot studies, inclusive policy dialogues and technical consultations across the international community have been crucial in modernising and broadening the OECD-DAC statistical framework. TOSSD will help to measure, monitor and mobilise development finance from a wide variety of sources in support of the ambitious 2030 Agenda. Work to develop the scope, boundaries, statistical conventions and operational modalities of the TOSSD framework is being carried out with the participation of a wide range of development actors and stakeholders in a transparent, inclusive consultation process.

The TOSSD measure will provide important information – for both provider and recipient countries – about the components of various financing packages, including the instruments used, their terms and how they are combined. This knowledge should, in turn, increase knowledge about financing strategies and best practices for effectively tapping and deploying a wide range of development finance from public and private sources to fund the Sustainable Development Goals. Bringing together data from OECD members, emerging economies, developing countries, the United Nations, other multilateral organisations and other relevant fora, the new statistical directives and policies will provide an important contribution to international standards and norms.

For further information see: *www.oecd.org/dac/financing-sustainable-development/tossd.htm*.

A new OECD survey confirms the feasibility of collecting data on mobilisation

In April 2015, the OECD-DAC launched a new data survey (Benn et al., 2016). Its aims were to:

- pilot the new methodologies it has developed for measuring the amounts mobilised from the private sector by guarantees, syndicated loans and shares in collective investment vehicles
- assess the feasibility of collecting activity-level data on the amounts mobilised
- collect comprehensive data on the amounts mobilised from the private sector through the above mechanisms over the period 2012-14.

The scope of the survey was limited to amounts mobilised from the private sector as a result of official development finance interventions (i.e. export-related transactions were excluded), including both international and domestic private funds.[5] It also sought information on the climate focus of the activities reported on. Amounts mobilised entirely from official sources were not included in this survey, as these are captured through regular data collection in OECD-DAC statistics.

The survey targeted 71 institutions, including bilateral and multilateral development finance institutions, development banks and development co-operation agencies.[6] Of the 56 institutions that responded to the survey, 29 provided comprehensive data, representing a fair picture of the institutions that are known to use the 3 mechanisms surveyed. Some institutions were not able to share data because activity-level information on mobilisation was not readily available in their internal systems. For a few of the smaller institutions, lack of resources was a major obstacle to participating in the survey. Other reasons for not participating included confidentiality concerns. These challenges limiting participation underscore the need for a pragmatic approach to developing methodologies for other instruments.

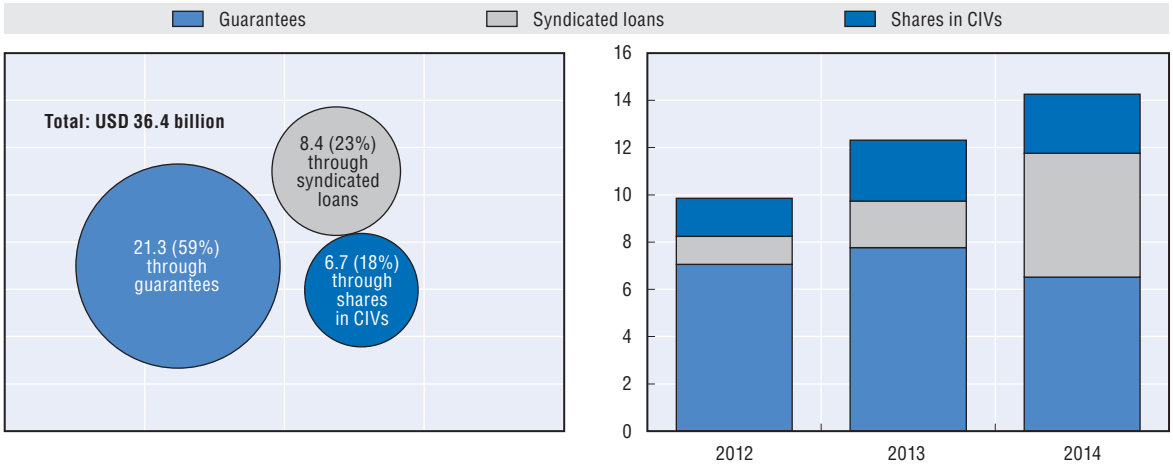
Survey data have confirmed the leading mobilisation instruments and actors

The survey results (Benn et al., 2016) show that USD 36.4 billion was mobilised from the private sector in 2012-14 by official development finance interventions in the form of guarantees (USD 21.3 billion or 59%), syndicated loans (USD 8.4 billion or 23%) and shares in collective investment vehicles (USD 6.7 million or 18%) (Figure 4.4). The total amount mobilised by these three instruments rose over the three-year period (an overall increase of 44% between 2012 and 2014); most of the increase was attributable to syndicated loans, for which the amounts mobilised quadrupled.

The instruments surveyed mobilised USD 36.4 billion from the private sector in 2012-14, mostly through guarantees.

Figure 4.4. **Private finance mobilised per instrument and year, 2012-14**

Through guarantees, syndicated loans and shares in collective investment vehicles, billions USD, current prices



Note: CIVs = collective investment vehicles.

Source: Benn, J. et al. (2016), "Amounts mobilised from the private sector by official development finance interventions: Guarantees, syndicated loans and shares in collective investment vehicles", *OECD Development Co-operation Working Papers*, No. 26, OECD Publishing, Paris, *http://dx.doi.org/10.1787/5jm3xh459n37-en*.

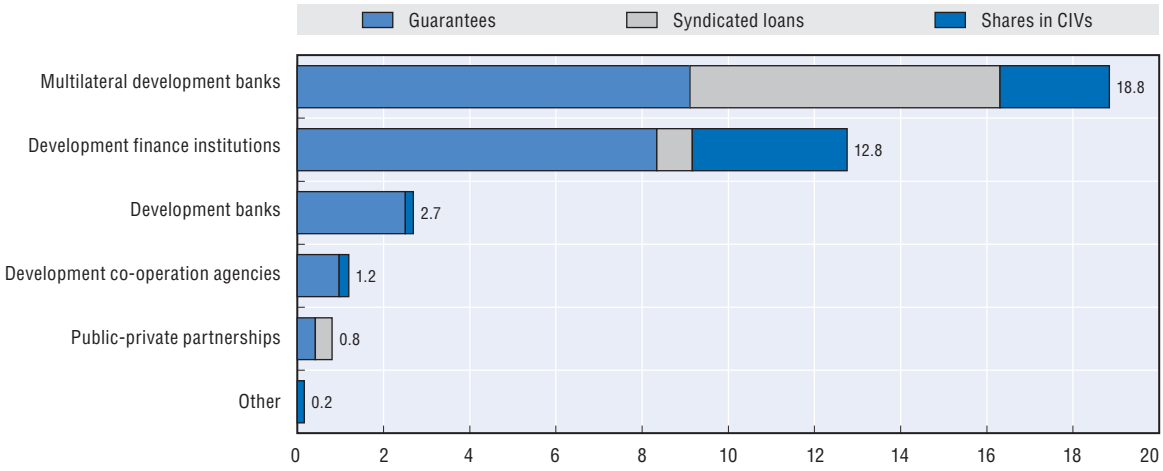
StatLink http://dx.doi.org/10.1787/888933357695

Over half of the total amount was mobilised by multilateral organisations, with the Multilateral Investment Guarantee Agency (MIGA) taking the lead, followed by the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD) (Figures 4.5 and 4.6).

The major bilateral actors in this area were the United States (USD 10 billion), followed by the United Kingdom (USD 2.7 billion) and France (USD 1.6 billion) (Figure 4.7). Here again, a large share of the total amount was mobilised through guarantees, especially by the Overseas Private Investment Corporation (OPIC). Shares in collective investment vehicles were the second largest leveraging instrument for bilateral actors (mainly the United Kingdom), while syndicated loans played the smallest role.

Figure 4.5. **Private finance mobilised per type of institution and financial instrument, 2012-14**

Billions USD



Note: CIVs = collective investment vehicles.

Source: Benn, J. et al. (2016), "Amounts mobilised from the private sector by official development finance interventions: Guarantees, syndicated loans and shares in collective investment vehicles", *OECD Development Co-operation Working Papers*, No. 26, OECD Publishing, Paris, *http://dx.doi.org/10.1787/5jm3xh459n37-en*.

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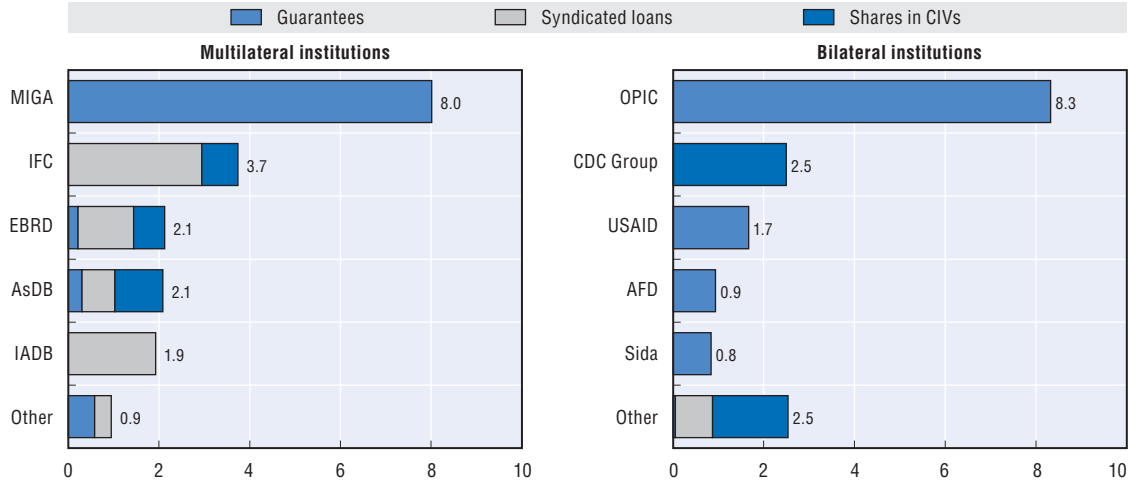
Figure 4.6. **Top provider institutions, 2012-14**

Billions USD



Notes: CIVs = collective investment vehicles; MIGA = Multilateral Investment Guarantee Agency; IFC = International Finance Corporation; EBRD = European Bank for Reconstruction and Development; AsDB = Asian Development Bank; IADB = Inter-American Development Bank; OPIC = Overseas Private Investment Corporation; USAID = United States Agency for International Development; AFD = French Development Agency; Sida = Swedish International Development Cooperation Agency. The IFC does not treat guarantees as a mobilisation instrument in its internal reporting system. Guarantees appear directly on the IFC's balance sheet (in 2012-14, long-term guarantees amounted to USD 1.2 billion).

Source: Benn, J. et al. (2016), "Amounts mobilised from the private sector by official development finance interventions: Guarantees, syndicated loans and shares in collective investment vehicles", *OECD Development Co-operation Working Papers*, No. 26, OECD Publishing, Paris, *http://dx.doi.org/10.1787/5jm3xh459n37-en*.

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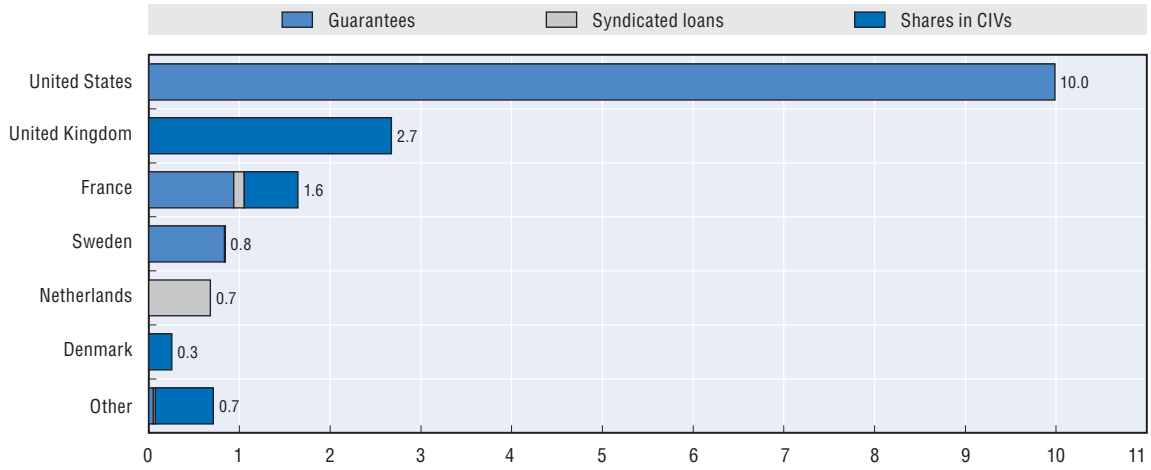
Figure 4.7. **Top provider countries, 2012-14**

Billions USD



Note: CIVs = collective investment vehicles.

Source: Benn, J. et al. (2016), "Amounts mobilised from the private sector by official development finance interventions: Guarantees, syndicated loans and shares in collective investment vehicles", *OECD Development Co-operation Working Papers*, No. 26, OECD Publishing, Paris, *http://dx.doi.org/10.1787/5jm3xh459n37-en*.

StatLink http://dx.doi.org/10.1787/888933357720

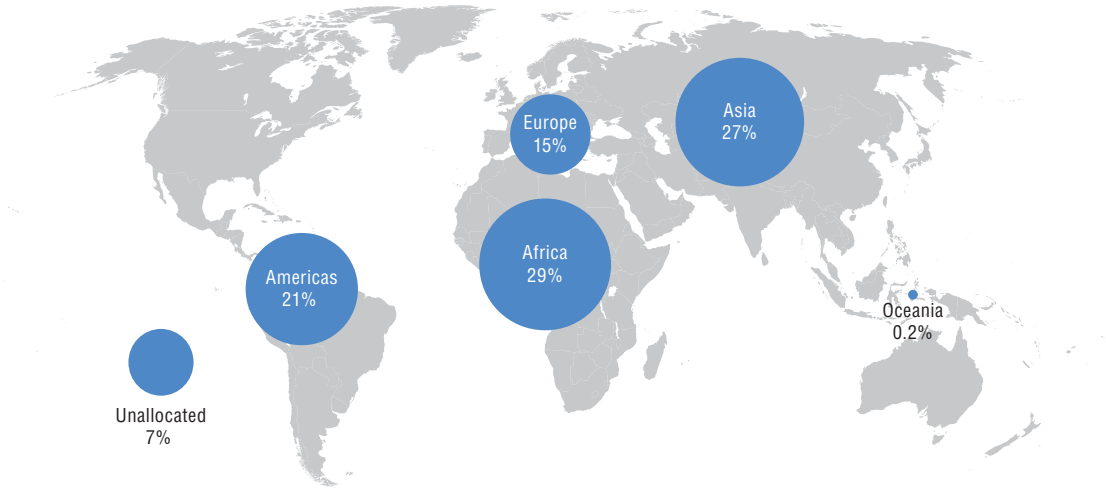
The top recipients of mobilised funds were middle-income countries

The majority of private finance mobilised through guarantees, syndicated loans and shares in collective investment vehicles benefited developing countries in Africa (29.1%), followed by Asia (27.2%) and the Americas (21.1%) (Figure 4.8). The target region or country could not be identified for 7.3% of the total amount mobilised. In terms of recipient countries, the top beneficiary was Turkey (7.1%), followed by a relatively homogeneous distribution among Chile, India, Pakistan, Serbia, Côte d'Ivoire, the People's Republic of China (hereafter "China"), Brazil, Jordan and Ghana (Figure 4.9). Together these ten countries received approximately one-third of the total amount mobilised, most of which was mobilised through guarantees. In the case of Côte d'Ivoire, Pakistan and Serbia, almost the entire amount of private investment mobilised was attributable to guarantees. Syndicated loans were, nonetheless, a major leveraging instrument for activities in Brazil, Chile, China, Jordan and Turkey. While shares in collective investment vehicles were mainly used to mobilise private funds for activities in India and Turkey, a large share of the amounts mobilised through these vehicles was also reported under "Africa, regional", without specifying the beneficiary country.

Between 2012 and 2014, 29% of mobilised private finance went to Africa.

In addition, the survey showed that the amount mobilised from the private sector through these three instruments was concentrated largely in middle-income countries (72.3% of the total). Only USD 2.9 billion (8%) of the total amount targeted the least developed countries, and USD 0.7 billion (2%) other low-income countries (Figure 4.10). While guarantees represented the main mobilisation instrument in the least developed countries (USD 2.4 billion, 82%) and other low-income counties (USD 0.6 billion, 86%), syndicated loans were also important in middle-income countries (USD 5.3 billion, 36% in upper middle-income countries).

Figure 4.8. **Regional distribution of private finance mobilised for developing countries, 2012-14**



Source: Benn, J. et al. (2016), "Amounts mobilised from the private sector by official development finance interventions: Guarantees, syndicated loans and shares in collective investment vehicles", *OECD Development Co-operation Working Papers*, No. 26, OECD Publishing, Paris, *http://dx.doi.org/10.1787/5jm3xh459n37-en*.

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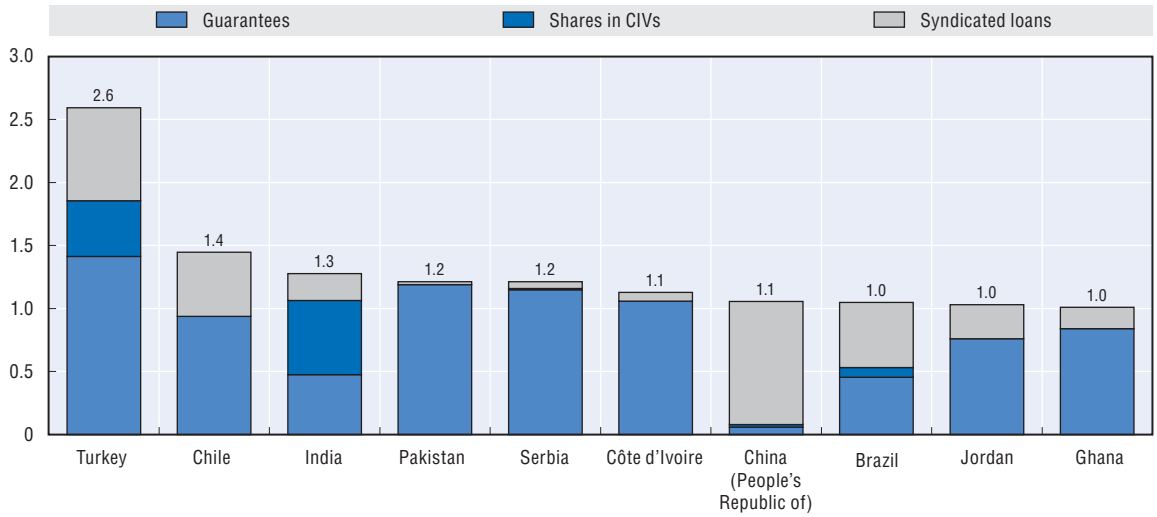
Figure 4.9. **Top ten recipient countries of private finance mobilised, 2012-14**

Billions USD



Note: CIVs = collective investment vehicles.

Source: Benn, J. et al. (2016), "Amounts mobilised from the private sector by official development finance interventions: Guarantees, syndicated loans and shares in collective investment vehicles", *OECD Development Co-operation Working Papers*, No. 26, OECD Publishing, Paris, *http://dx.doi.org/10.1787/5jm3xh459n37-en*.

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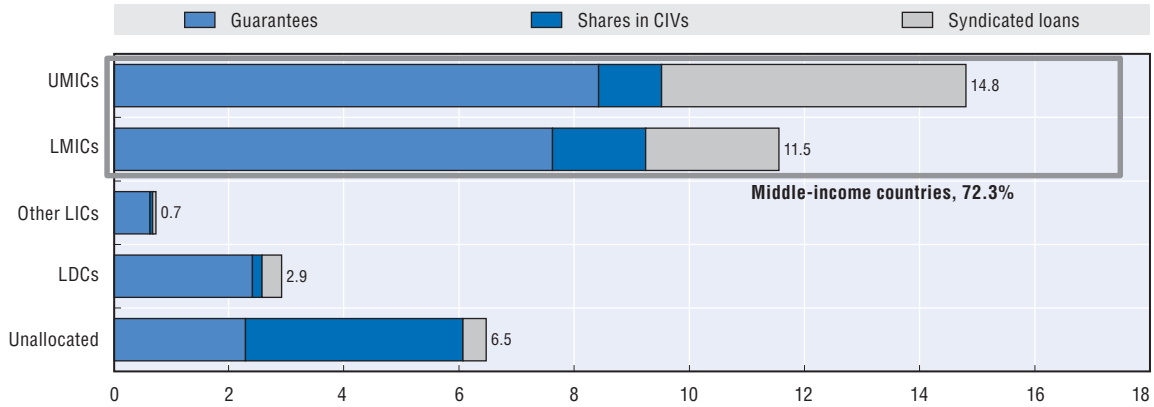
In terms of sectoral breakdown, the survey data revealed that a majority of the private funds mobilised benefited the energy, banking and industry sectors (USD 11, 8 and 7 billion respectively). Guarantees were the main mobilisation tool in most sectors, particularly in the water and sanitation sector (71%). Shares in collective investment vehicles were an important mobilisation tool in the banking sector (35%), while in other sectors they seemed to play a marginal role. Syndicated loans, while used in all sectors, were most significant in the transport sector (Figure 4.11).

Figure 4.10. **Private finance mobilised by income group and financial instrument, 2012-14**

Billions USD

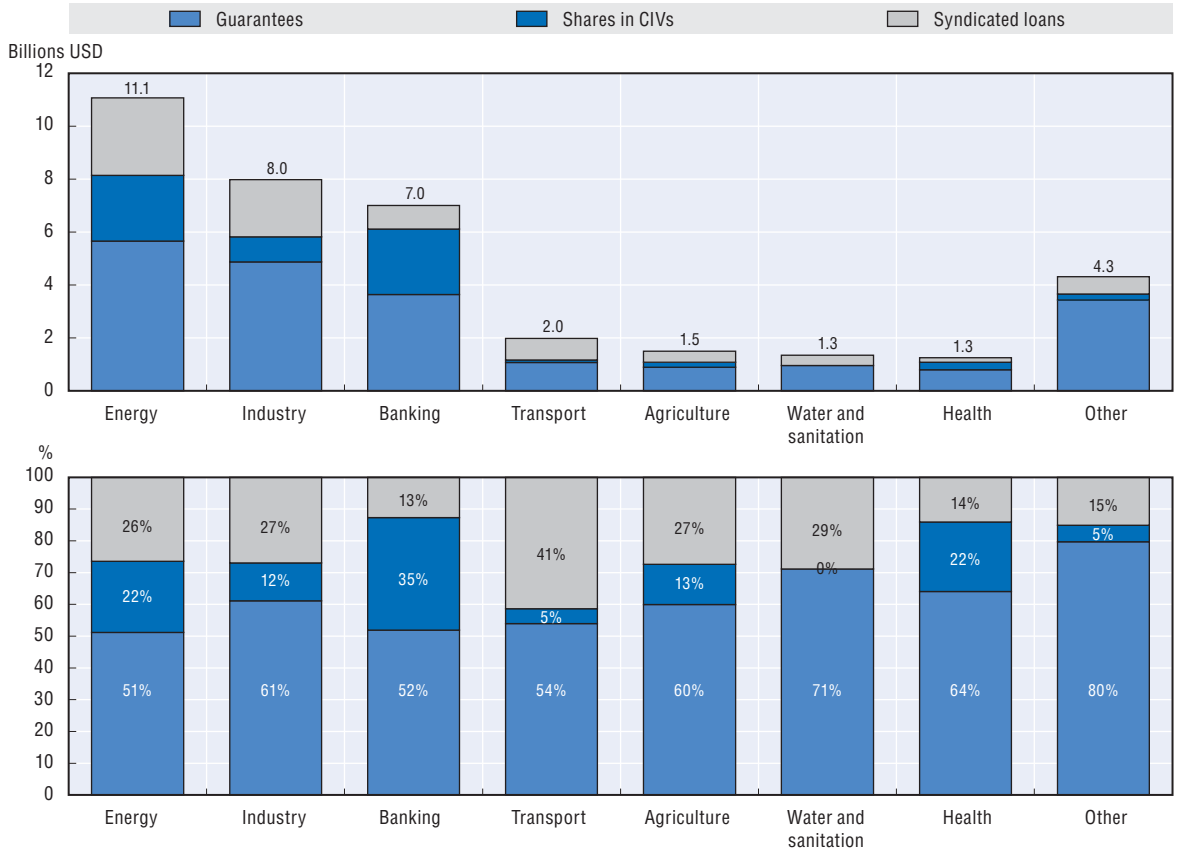


Notes: CIVs = collective investment vehicles; LDCs = least developed countries; LICs = low-income countries; LMICs = lower middle-income countries and territories; UMICs = upper middle-income countries and territories.

Source: Benn, J. et al. (2016), "Amounts mobilised from the private sector by official development finance interventions: Guarantees, syndicated loans and shares in collective investment vehicles", *OECD Development Co-operation Working Papers*, No. 26, OECD Publishing, Paris, *http://dx.doi.org/10.1787/5jm3xh459n37-en*.

StatLink http://dx.doi.org/10.1787/888933357759

Figure 4.11. **Private finance mobilised by sector and financial instrument, 2012-14**



Note: CIVs = collective investment vehicles.

Source: Benn, J. et al. (2016), "Amounts mobilised from the private sector by official development finance interventions: Guarantees, syndicated loans and shares in collective investment vehicles", *OECD Development Co-operation Working Papers*, No. 26, OECD Publishing, Paris, *http://dx.doi.org/10.1787/5jm3xh459n37-en*.

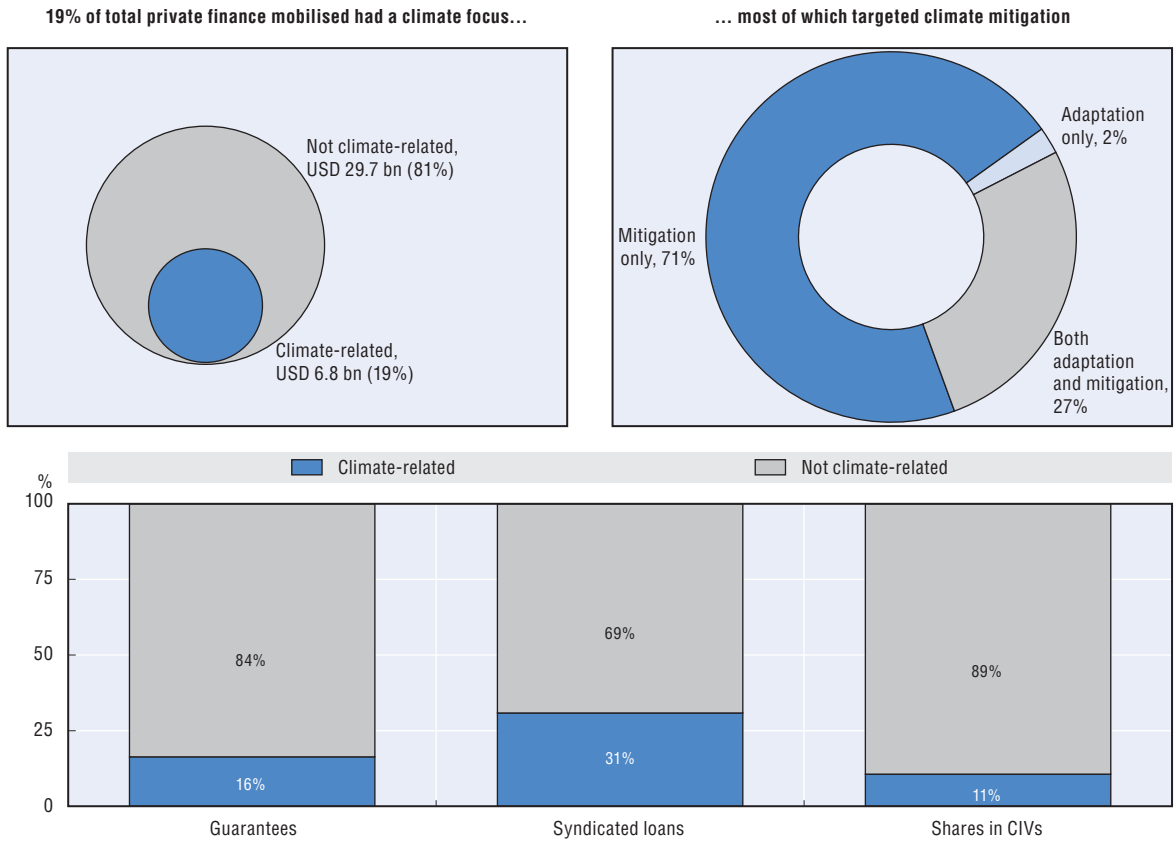
StatLink http://dx.doi.org/10.1787/888933357769

Relatively little of the finance mobilised was climate-related

According to the survey, only 19% of the total amount mobilised from the private sector by guarantees, syndicated loans and shares in collective investment vehicles in 2012-14 was climate-related (Figure 4.12).[7] This finance targeted climate change mitigation in particular (71%), with around 27% addressing both mitigation and adaptation objectives. Not all respondents were able to provide the information requested on the climate focus of their spending (nine respondents, covering 40% of the total amount, did not respond). The data show, nonetheless, that these institutions also operate in climate-related sectors. For example, amounts mobilised by these institutions for renewable energy projects, which are usually considered climate-related, amounted to USD 3.5 billion over the period.

In 2012-14, 19% of the amount mobilised was climate-related (USD 6.8 billion).

Figure 4.12. **Climate-related private finance mobilised, 2012-14**



Notes: "Not climate-related" includes amounts reported as not climate-related and amounts for which climate relevance was not reported. CIVs = collective investment vehicles.

Source: Benn, J. et al. (2016), "Amounts mobilised from the private sector by official development finance interventions: Guarantees, syndicated loans and shares in collective investment vehicles", *OECD Development Co-operation Working Papers*, No. 26, OECD Publishing, Paris, *http://dx.doi.org/10.1787/5jm3xh459n37-en*.

StatLink http://dx.doi.org/10.1787/888933357778

A significant share of syndicated loans was reported as climate-related (31% of the amount mobilised by this instrument, compared to 16% for guarantees and 11% for shares in collective investment vehicles).

The way forward for measuring mobilised private finance

In his introductory piece, Jeff Chelsky sets out two basic challenges:

1. establishing clarity regarding what is being measured, including defining words like "mobilised", "catalysed" and "leveraged"
2. capturing the indirect, broader impact of activities and efforts to attract private finance.

While the use of these terms continues to present challenges, much work has been done to clarify their meaning. In the case of mobilised finance, this includes work to define the associated measurement using comparable, international standards. In particular, the survey described in this chapter confirms that it is feasible to collect data that permit measuring the direct mobilisation effect of guarantees, syndicated loans and shares in collective investment vehicles, although some institutions may need to strengthen their capacity to collect this information.

Building on the survey, work is underway to develop similar methodologies for other financial instruments used for development purposes, such as mezzanine finance, credit lines, direct investment in companies and project finance. It will be important to learn from the experiences of OECD-DAC members (see "Engaging the private sector in development co-operation: Learning from peers" in Part II of this report) and others in measuring private finance mobilised through this second set of instruments, paying special attention to avoiding double counting in an international statistical system.

There is still much work to be done, however, to be able to define and capture the "indirect" – or "catalytic" – effect of public interventions. As mutual learning continues to nourish thinking on this front, Mr Chelsky recommends ensuring, nonetheless, that the indirect "catalytic" impact of every project also be tracked. What matters, after all, are the improvements in the quality of people's lives – and these result not only from the quantity of investment, but from its quality as well (Chapter 6).

Key recommendations for measuring mobilised private finance

- Clarify and clearly define the scope of what is being measured when developing standards for measuring mobilisation.
- Harmonise, as much as possible, diverse approaches for measuring mobilisation (including those being developed by the climate community), keeping in mind the need to avoid double counting at the international level.
- Continue methodological work to cover a broader range of instruments.
- Engage widely with other actors and stakeholders to ensure that the methodologies proposed are realistic and fair.
- Whenever possible, take steps to make the data readily available in internal systems for regular reporting.
- Agree on the definitions, scope and methodology for measuring direct mobilisation and work towards approaches to capture the "indirect" – or "catalytic" – effect of public interventions.

Notes

1. In the DAC statistical system, mobilisation refers to the stimulation by specific financial mechanisms/interventions of additional resource flows for development.
2. In OECD-DAC directives, transactions are defined as public (or official) if they "are undertaken by central, state or local government agencies at their own risk and responsibility, regardless of whether these agencies have raised the funds through taxation or through borrowing from the private sector". This also includes "transactions by public corporations i.e. corporations over which the government secures control by owning more than half of the voting equity securities or otherwise controlling more than half of the equity holders' voting power; or through special legislation empowering the government to determine corporate policy or to appoint directors. Private transactions are those undertaken by firms and individuals resident in the reporting country from their own private funds" (OECD, 2013, para. 13).
3. A survey carried out in 2014 to assess whether development finance institutions measured the amounts mobilised from the private sector as a result of their interventions, and when this was the case, how they measured such amounts. See also: *www.oecd.org/dac/stats/documentupload/surveymobilisation.pdf*.
4. Syndicated loans are loans provided by a group of lenders (called a syndicate) for a single borrower. The main objective is to spread the risk of borrower default across multiple lenders so as to encourage private investment.
5. With the possibility of identifying the origin of funds mobilised, differentiating between developing and high-income countries.
6. For the purposes of this survey, official/public sector institutions comprise development co-operation agencies, bilateral and multilateral development banks, and development finance institutions. Most development finance institutions are also considered official institutions; the Development Bank of Austria, which is a privately owned entity executing a public mandate from the Austrian government, is also assimilated as an official institution.
7. Climate-related finance is measured using the Rio markers and multilateral climate components. See also OECD (2014b).

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PART I

Chapter 5

Investing for social impact in developing countries

by
Karen E. Wilson, Development Co-operation Directorate, OECD

Social impact investors seek social and environmental impact from their investments, in addition to financial returns. This chapter discusses the potential of social impact investment for developing countries, highlighting several examples to demonstrate how it works in practice. It examines the challenges, including assessing whether interventions have achieved their intended impact and expanding the evidence base. The public sector can promote social impact investment, for example by providing risk capital to enable the private sector to offer affordable, accessible, quality products and services to the poorest populations. The chapter makes recommendations for increasing the reach and the scale of social impact investment.

Challenge piece by Julie Sunderland, Bill & Melinda Gates Foundation. Opinion pieces by Manuel Sager, Swiss Agency for Development and Cooperation; Sonal Shah, Beeck Center for Social Impact & Innovation, Georgetown University.

A special thanks to Julia Sattelberger and to Wiebke Bartz from the OECD Development Co-operation Directorate for, respectively, help with the boxes and examples in the chapter; and with the background data and the case studies.

The challenge: Can social impact investment serve the "bottom of the pyramid"?

Julie Sunderland,
Director of Program-Related Investments, Bill & Melinda Gates Foundation

It's not surprising that the private sector faces challenges in serving bottom-of-the-pyramid customers: the largest and poorest population groups. By definition, bottom-of-the-pyramid populations don't have much income, making margins slim. In addition, the often weak infrastructure and distribution channels in developing countries make the transaction costs of reaching these customers high. Much of the procurement of basic goods and services for the poorest populations goes through government-managed development co-operation channels, which are often bureaucratic and opaque to companies.

Nonetheless, there is still great potential for the private sector to serve bottom-of-the-pyramid populations. Capital flows into the private sector, both via investment and revenue, dwarf flows from philanthropy and development co-operation combined. The private sector's commercialisation and manufacturing capabilities can allow for scaled production and delivery of affordable, life-saving products. The private sector can bring critical knowledge, capabilities and resources to solving social sector problems, and its capacity for research, development, innovation and entrepreneurship can be applied to generate transformative technologies and new business models.

Social impact investment can help to realise this potential. When done well, it can address market failures that keep the private sector from investing in social sectors. At the Bill & Melinda Gates Foundation, we've seen in practice how patient, flexible risk capital can support innovative models that provide affordable, accessible, quality products and services to bottom-of-the-pyramid populations. When done badly, however, social impact investment can distort markets and prop up unsustainable businesses.

For social impact investment to become a credible bridge to a private sector focus on bottom-of-the-pyramid populations, it needs to address three challenges.

Align incentives for social and financial goals. Except for the limited resources allocated to corporate social responsibility, private companies and investors are driven by financial goals. While a new class of impact investors may be willing to sacrifice some financial returns to generate social impact, investment capital at the very least needs to be repaid out of the cash flows generated by the business activity. One of the current challenges for making social impact investment work effectively, therefore, is identifying (and working creatively to expand) the opportunities for aligning revenue/profit generation with the achievement of social goals.

A great historical example of such alignment is the proliferation of cellular technology. Mobile phones have had significant social impact in fields as diverse as disease response, financial inclusion and technical assistance. Mobile phone companies have also provided excellent returns for their investors. Yet most social goals will lack the natural alignment with scale and profit evidenced by mobile telecommunications. Social impact investment has the potential to bridge this gap through risk reduction mechanisms, such as guarantees; through the application of low-cost scaling capital to validate nascent distribution models; and through company-building equity investment in technologies that hold promise similar to that of mobile phone technology.

Change the economics of reaching bottom-of-the-pyramid populations. Capital-intensive, complicated or transaction-heavy business models that might work elsewhere will not be sustainable in bottom-of-the-pyramid markets. The private sector can develop new technologies, products and business models that are adapted to the needs of bottom-of-the-pyramid populations, allowing for rapid uptake and producing high sales volumes, even if margins remain slim. For example, there are innovations that have the potential to cut delivery costs, ranging from sachet-sized consumer products to agent-based distribution models and pay-as-you-go financing. Social impact investment can support the further development and demonstration of these new business models by leveraging and, ultimately, crowding in private sector investment.

Cultivate top-tier, on-the-ground investment and entrepreneurial talent. Access to capital is often cited as a primary limitation to the growth of small and medium enterprises, and to social sector businesses. Yet access to talent may be a bigger and more persistent constraint as promising models replicate and grow. Social impact investment needs to develop two levels of talent: strong intermediaries and fund managers who are good at allocating capital and building companies; and strong entrepreneurs and managers to lead social sector businesses.

Over time, improving secondary and post-secondary enrolment and education, and increasing entrepreneurial expertise in local markets and among diaspora, will allow talent to flourish. Social impact investors can speed up this process by taking the risks and investing in emerging intermediaries and entrepreneurs, recognising that while they are learning they will be developing experience and networks. A handful of successful cases can encourage others in the private sector to seek out and further develop untapped human capital.

Social impact investment is the use of public, philanthropic and private capital to support businesses that are designed to achieve positive, measurable social and/or environmental outcomes together with financial returns (OECD, 2015c). It has evolved over the past decade as a means of using traditional development financing, in particular official development assistance (ODA), to develop new business models that can complement existing ones.

Social impact investment can not only help to direct new capital flows to developing economies; it can also bring greater effectiveness, innovation, accountability and scale to investments, increasing their economic and social benefits for the world's poor (SIITF, 2014a). For example, a study by the United Nations Development Programme shows how in Africa, capital flows from the private sector and philanthropic actors are offering opportunities for impact investors to increase access to basic services for healthcare, education, clean water and energy (UNDP, 2014; and see Box 5.1).

Box 5.1. **"Pay-as-you-go" energy**

SDG 7 calls on the global community to "ensure access to affordable, reliable, sustainable and modern energy for all" (UN, 2015). The demand for energy is growing in developing countries, with estimates of the need for investment in renewable energy at around USD 34 billion (UN, 2015; Schmidt-Traub and Sachs, 2015).

Many companies are already rising to the challenge. For example, in Africa M-KOPA Solar is offering "pay-as-you-go" solar energy for customers who do not have access to more central resources. Since its commercial launch in October 2012, M-KOPA has connected more than 300 000 homes in Kenya, Tanzania and Uganda to solar power, and is now adding over 500 new homes each day. It offers solar energy to low-income households at affordable prices using a pay-per-use system. Aside from being cheaper than traditional kerosene lighting, solar-powered energy is better for human health and for the environment. Based on a calculation of 1.3 tonnes of CO_2 reduced per M-KOPA solar system over four years, the company estimates that it has helped to reduce 260 000 tonnes of $C0_2$.

M-KOPA draws on a team of Kenyan and international software engineers who have built the platform from the ground up. For example, embedded sensors in each solar system allow M-KOPA to monitor real-time performance and regulate usage, for which fees are collected via mobile phone systems. The innovative M-KOPA business model has enabled the company to take their solutions to scale, spreading success by creating jobs for 650 full-time employees and 1 000 commission-based sales agents.

For more information see: *www.m-kopa.com*.

Pay-as-you-go solar energy in Kenya has helped to reduce 260 000 tonnes of CO_2 over four years.

Examples like this illustrate how the power of markets combined with innovative ways of efficiently and effectively using public and private capital can be channelled to bring solutions to urgent social, environmental and economic challenges (see the "In my view" box by Manuel Sager). While these innovative approaches will not replace the core role of the public sector or the need for philanthropy, they can provide models for leveraging existing capital to produce greater social impact (Wilson, 2014).

This chapter examines the concept of social impact investment in the context of other forms of private sector contributions to sustainable development. It discusses both the potential and the challenges of social impact investment in developing countries, providing illustrative examples of how it works in practice. It concludes by offering recommendations for fostering social impact investment in developed and developing countries.

Development challenges offer opportunities for social impact investment

Social impact investment tends to target sectors that have difficulty attracting other forms of private investment, such as renewable energy, rural development and health (Simon and Barmeier, 2010). The 2030 Agenda for Sustainable Development's 17 Sustainable Development Goals (SDGs) address global challenges in many of these sectors, from food security (SDG 2) to health (SDG 3), education (SDG 4) and sustainable energy (SDG 7). Written into all of these goals is the need for more efficient and effective social service delivery (UN, 2015). Private investors and public development agencies can make solid contributions to financing the achievement of the globally agreed SDGs by aligning resources and knowledge to leverage the potential of social impact investment.

The delivery of social services is complex and entails a number of challenges. A growing number of non-state service delivery organisations – such as community organisations, charities or non-profit organisations, social enterprises, social businesses and social impact-driven businesses – are specialising in addressing social needs using innovative business models (Box 5.1). Social impact investment can play a critical role in preparing markets to support the growth and scaling up of these models to benefit the poor and disenfranchised (Koh, Karamchandani and Katz, 2012).

Enthusiasm for social impact investment is growing

Capital can be invested along a broad spectrum: some investors are interested exclusively in financial returns, while others focus on the social and environmental impact of their investments (Figure 5.1). A growing number of private investors are interested in achieving both social and financial returns, with varying degrees of preference for one over the other.

A growing number of private investors are interested in achieving both social and financial returns.

Social impact investment offers a way of diversifying investment. It has the potential to catalyse new capital flows into developing economies while at the same time translating experience, policies and approaches from developed countries to emerging and less developed ones. Social impact investors in developing countries include foundations, high net-worth individuals, early-stage venture funds, private equity funds, development finance institutions and other institutional investors (Table 5.1).

In my view: The public sector can do much to promote social impact investment in developing countries

Manuel Sager,
Director-General of the Swiss Agency for Development and Cooperation

Partnerships between the public and the private sector can take on many forms. When it comes to leveraging additional resources for sustainable development, social impact investors are key partners for development agencies. They include private and institutional investors that seek not only financial returns, but also social and environmental improvements. The market for social impact investment has been growing steadily in recent years. It makes sense for development actors to pay greater attention to this investor segment and to look for synergies with it.

In Switzerland, for example, the volume of investments seeking social impact in developing countries is substantial: in 2015, assets under management for such investments in the country amounted to an estimated USD 9.85 billion.[1] While the global impact investment industry is still in its infancy, it is set to grow significantly over the coming years. Investors are increasingly interested in returns other than purely financial ones and seek new investment classes to diversify their portfolios.

Given the close alignment between the goals of impact investors and those of the international development community, it seems only natural that the two sides should engage in more mutually supportive partnerships. This would strengthen the impact that socially oriented capital has on poor communities, particularly in lower income markets.

In my view, there are four key areas in which development agencies like the Swiss Agency for Development and Cooperation could do more to partner with the impact investment industry and support the transformation of social impact investment into a mainstream choice.

First, partner governments and development co-operation agencies should not neglect the important objective of strengthening the overall governance framework in developing countries. This is essential to create attractive investment opportunities, including for impact investment. After all, impact investment decisions are informed by the same factors that make a business environment attractive for other forms of investment. These include effective public administration, rule of law, a sound macroeconomic framework, low levels of corruption, and easy, transparent business procedures. Switzerland will continue to work with its partner countries to improve their overall business climate and promote good governance, including in the world's least developed countries and in countries emerging from conflict.

Second, the public sector can support a number of activities to help reduce the cost of impact investment relative to other types of investment. Switzerland has created the Swiss Capacity Building Facility[2] for this purpose. The facility is a public-private partnership that provides small technical assistance grants to financial service providers in developing countries. Its contribution reduces the entry costs for those seeking to offer innovative and affordable financial services to low-income earners, smallholder farmers and small businesses. Financial products such as agricultural input insurance or livestock leases allow clients to boost their income, employ more people and reduce their vulnerability.

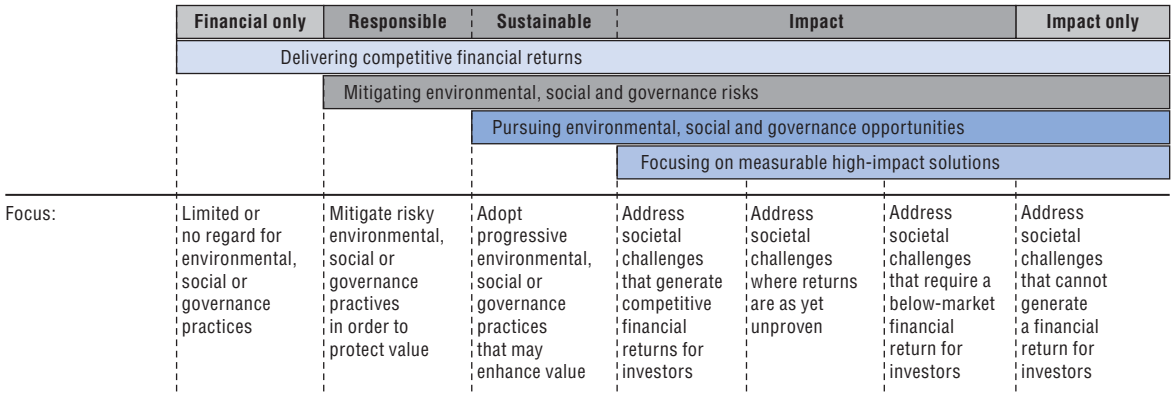
Third, where it makes sense, public funds can be used to leverage private funds via guarantees or early-stage investment. One of the most successful microfinance funds in Switzerland – the responsAbility[3] Global Microfinance Fund – was launched in November 2003 with initial capital of CHF 3.6 million from the Swiss State Secretariat for Economic Affairs. Today, this is a flagship microfinance fund worth over USD 1 billion in private capital invested in various microfinance institutions in developing and transition economies.[4]

Finally, development actors and the social impact investment sector need more platforms for exchanging knowledge and sharing experiences. This dialogue can help them identify what works and what doesn't work, and to ensure that the right incentives are put in place on both sides to advance the goals of the 2030 Agenda. In Switzerland, the sustainable investment community, which comprises a number of impact investors, has banded together under the auspices of the Swiss Sustainable Finance[5] organisation to help establish the country as a leading centre for sustainable finance. To date, Swiss Sustainable Finance comprises over 80 members from Swiss banking, insurance and financial services, and includes a working group on investment for development.

As we set out to achieve the Sustainable Development Goals by 2030, it is clear that social impact investors can make a big contribution. What we need now are smarter policies to enlarge the circle of contributors.

1. Swiss Sustainable Finance (2016), "Swiss Investments for a Better World. The First Market Survey on Investments For Development". The classification used in the survey entitled "investments for development" summarises investments that combine three necessary elements: the intention to improve the social, environmental and/or economic situation in the investment region; target low or middle-income frontier countries; and aim for returns in line with other investment categories.
2. *http://scbf.ch.*
3. *www.responsability.com/investing/en/678/Investments-AG.htm.*
4. *www.responsability.com/investing/en/1061/responsAbility-Global-Microfinance-Fund.htm?Product=19665.*
5. *www.sustainablefinance.ch.*

Figure 5.1. **The spectrum of capital**



Source: Adapted from Bridges Ventures (2015), "The Bridges spectrum of capital: How we define the sustainable and impact investment market", Bridges Ventures, London, *http://bridgesventures.com/wp-content/uploads/2015/11/Spectrum-of-Capital-online-version.pdf*.

Table 5.1. **Investing in impact in developing countries: Examples from Africa**

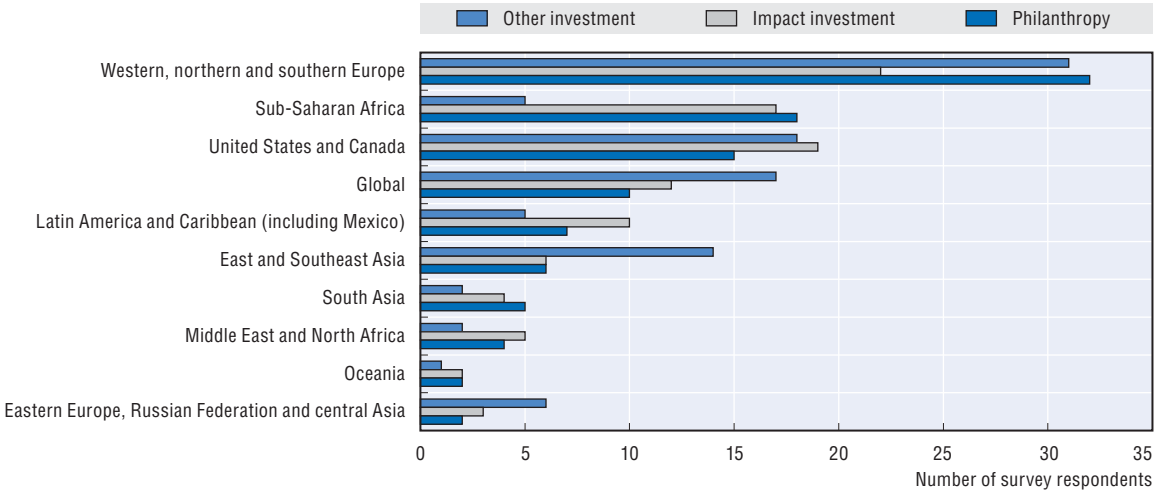
Organisation type	Typical financial products	Typical sector focus	Investors
Foundations	Equity, debt, grants, quasi-equity for seed stage and market building. Typical deal size (direct investment): USD 50 000-1 million.	Access to basic services (food, health, education), social/human development and market-creating initiatives (associations, accelerators, competitions, networks, etc.).	• Gatsby Charitable Foundation • Omidyar Network • Shell Foundation • Africa Enterprise Challenge Fund • Bill & Melinda Gates Foundation
Dedicated early-stage impact funds	Equity, debt, quasi-equity, inventory finance and grants for relatively early stages of enterprise. Typical deal size: USD 50 000-2 million.	Access to basic services (food, health, education, water, energy) and social/human development.	• Acumen Fund • Tony Elemulu Foundation • LGT Philanthropy • Root Capital • Gatsby Charitable Trust
Private equity (impact) funds	Equity investment small and medium enterprises in growth stage. Deal size: USD 5-80 million.	Infrastructure projects, agriculture, telecom, retail, financial services.	• Abraaj Africa • Phatisa • Ariya Capital • Harith
Development finance institutions	Equity, debt, mezzanine quasi-equity and guarantees. Fund investments: USD 50-200 million. Direct investment: USD 5-50 million.	Infrastructure, agriculture, social – governmental and environmental initiatives.	• International Finance Corporation (IFC) • CDC Group • Swiss Investment Fund for Emerging Markets (Sifem) • African Development Bank (AfDB) • FMO (Dutch Development Bank) • AFD (French Development Agency)
Institutional investors	Direct investment: providing co-investments through debt (banks) or invest in funds (pension and insurance funds). Deal size: USD 1-200 million.	Projects (agriculture, energy, water, transportation, telecom) and growth stage of financial services, retail, real estate.	• South Africa Public Investment Corporation • Teachers Insurance and Annuity Association (TIAA CREF) • Equity Bank, Kenya • JP Morgan

Source: Adapted from UNDP (2014), "Impact investing in Africa: Trends, constraints and opportunities", Working document, United Nations Development Programme, New York, *www.undp.org/content/dam/undp/library/corporate/Partnerships/Private%20Sector/Impact%20Investment%20Final%20Report.pdf*.

Foundations have pioneered social impact investment

Foundations and family offices have played a critical role in the development of social impact investment (Koh, Karamchandani and Katz, 2012), in parallel to their philanthropies. Figure 5.2 shows the mix of financial investment, social impact investment and philanthropy among foundations and family offices responding to a 2015 *Financial Times* survey. The data illustrate the growing importance of social impact investment as a core activity for these organisations.

Figure 5.2. **Geographic distribution of philanthropy, impact investment and other investment among foundations and family offices**



Note: The respondents included 180 foundations and family offices active in either philanthropy or impact investment.
Source: Adapted from *Financial Times* (2015), *Investing for Global Impact 2015*, The Financial Times Limited, London.

StatLink http://dx.doi.org/10.1787/888933357785

Foundations are often independent from both government and from markets, which gives them the freedom to take a longer term perspective and to explore and create innovative means of addressing social, economic and environmental challenges. Some foundations, such as the Rockefeller Foundation and the Bertelsmann Foundation, have focused on helping to develop the market by supporting research and networks. Others provide "catalytic" capital for social ventures, or actively invest in them using programme-related investments, i.e. investments made out of their endowment in ventures that are related to their core mission. These investments may be made in parallel to the regular grant-making of the foundation and are typically in the form of loans, guarantees or equity investment; their repayments or returns are reinvested in new projects (Rangan, Appleby and Moon, 2011). The Bill & Melinda Gates Foundation and the Ford Foundation have pioneered the use of programme-related investments.

Institutional investors are looking increasingly to the developing world

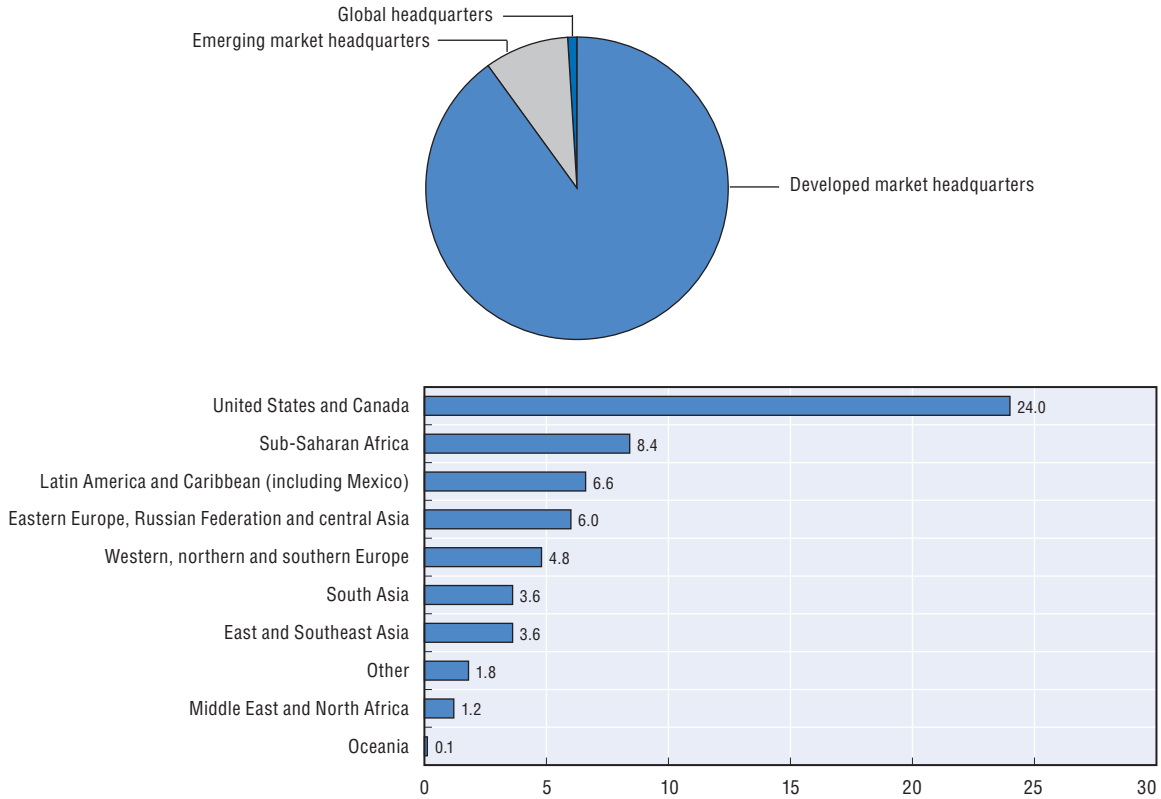
More recently, traditional or mainstream investors – including pension funds, insurance companies and other institutional investors – have begun to demonstrate interest in the social impact investment market in developing countries, despite the associated challenges, such as high risks and relatively costly investment environments (WEF, 2014; Wood, Thornley and Grace, 2012). These investors tend to focus on investments with financial returns that are commensurate with the higher risks (WEF, 2013). Banks and private equity funds may also provide capital to businesses that are expected to generate a profit in social sectors, including education, health (Box 5.2) and nutrition.

> *In India, 70% of the population is semi-urban and rural, yet 80% of the country's healthcare facilities are in urban areas.*

The 2015 annual survey conducted by the Global Impact Investment Network and J.P. Morgan provides an indication of the global investment trends of a growing number of institutional investors engaged in social impact investment. Figure 5.3 shows the geographic location of the headquarters of a sample of these investors, primarily in developed countries, as well as the distribution of their assets.

Figure 5.3. **Where are institutional investors targeting social impact?**

Assets under management by investor location and weighted average of assets under management (2014, billions USD)



Source: Annual survey conducted by J.P. Morgan and the Global Impact Investing Network of 145 impact investors (2015), "Eyes on the horizon: The Impact Investor Survey", JPMorgan Chase & Co. and the Global Impact Investing Network, *https://thegiin.org/assets/documents/pub/2015.04%20Eyes%20on%20the%20Horizon.pdf*.

StatLink http://dx.doi.org/10.1787/888933357792

Box 5.2. **Social investment in health**

Many of the world's poor are excluded from decent health services. Current estimates suggest that in order to "ensure healthy lives and promote well-being for all, at all ages" by 2030 (SDG 3), USD 51-80 billion will be needed in developing countries alone (UN, 2015; Schmidt-Traub and Sachs, 2015).

In India, 70% of the population lives in semi-urban and rural areas and often has no access whatsoever to basic healthcare services; 80% of the country's healthcare facilities are located in urban and metropolitan areas. Companies such as Vaatsalya Healthcare aim to fill this gap by building and managing hospitals and clinics to provide primary and secondary healthcare services where they do not exist, but where they are needed most.

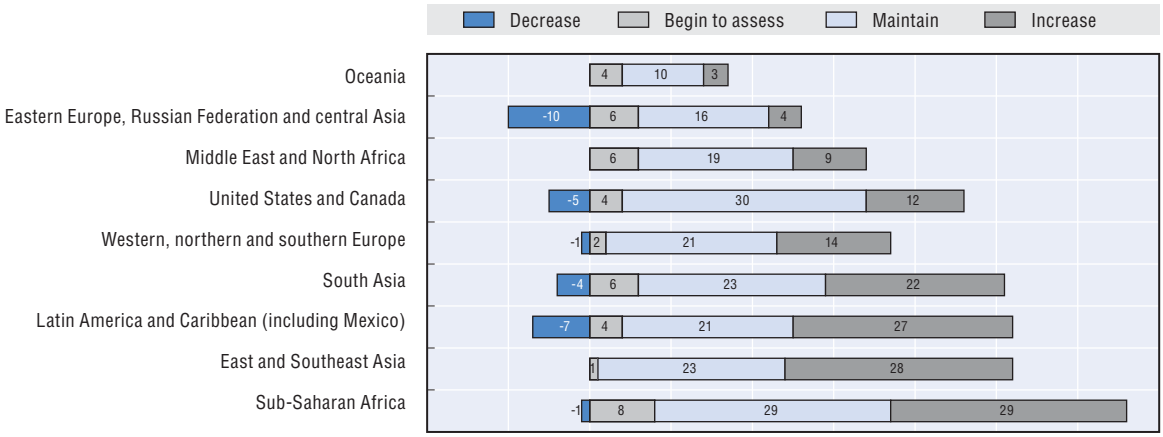
Initially, Vaatsalya's founders – doctors Ashwin Naik and Veerendra Hiremath – found it difficult to raise money. While investors were willing to fund business ventures related to information technology, start-up hospitals were not considered worthwhile ventures. Making emotional appeals to friends and relatives, many of whom were from small towns and villages, they were able to raise about USD 150 000 from angel investors to set up a private limited company in November 2004. Today, 40% of Vaatsalya's equity comes from institutional investors who expect financial returns from their investments in the long run. The founders acknowledge that support from strategic investors has helped to reorient Vaatsalya from a social organisation to a social enterprise, balancing social objectives with financial viability.

For more information see: *www.vaatsalya.com*.

Unlike traditional foreign direct investment, social impact investment is concentrated in frontier (developing or emerging) markets (Simon and Barmeier, 2010). The J.P. Morgan survey also shows that the target regions for social impact investment are increasingly in developing countries, primarily in sub-Saharan Africa, east and Southeast Asia, and Latin America and the Caribbean (Figure 5.4).

Figure 5.4. **Target regions for social impact investment**

Change of allocation planned for 2015, by geography



Note: Ranking by number of respondents who chose "increase" from a survey of 145 impact investors.
Source: Annual survey conducted by J.P. Morgan and the Global Impact Investing Network of 145 impact investors (2015), "Eyes on the horizon: The Impact Investor Survey", JPMorgan Chase & Co. and the Global Impact Investing Network, *https://thegiin.org/assets/documents/pub/2015.04%20Eyes%20on%20the%20Horizon.pdf*.

StatLink http://dx.doi.org/10.1787/888933357809

In developing countries, grants and technical assistance can help ventures addressing social challenges to develop commercially viable solutions (Bridges Ventures, 2012). Development finance institutions can play an important role, providing "catalytic" funding or guarantees, and covering some of the administrative costs of investment deals. The World Economic Forum report "Charting the course: How mainstream investors can design visionary and practical impact investing strategies" provides practical guidance for mainstream investors wishing to engage in social impact investment, including on how to evaluate the feasibility of projects, perform sector due diligence, launch pilot programmes and institutionalise impact investment strategies (WEF, 2014).

The social impact investment ecosystem is complex

Social impact investments can be made across countries, sectors and asset classes and can produce a wide range of returns (Bridges Ventures, 2009). They can include results-based financing, outcomes-based approaches, market-based solutions and different forms of public-private partnerships. Often, multiple types of investors provide diverse forms of capital (Box 5.3). This allows investors to address social challenges in more scalable ways than is possible for governments working alone (Rangan, Appleby and Moon, 2011).

> *Multiple types of investors with diverse forms of capital address social challenges in more scalable ways than can governments working alone.*

Box 5.3. **Social venture funding for agriculture and nutrition**

The United Nations Sustainable Development Solutions Network estimates that USD 46 billion needs to be invested to "end hunger, achieve food security and improved nutrition, and promote sustainable agriculture" (SDG 2, UN, 2015). Agriculture and nutrition are promising areas for social impact investors and are also crucial for achieving the Sustainable Development Goals.

In Colombia, inefficient supply chains, lack of access to markets and rudimentary agricultural practices translate into low incomes for smallholder farmers. Poor storage and distribution facilities generate high wastage. The Colombian company Siembra Viva is enhancing smallholder agricultural productivity, providing technical assistance and sharing knowledge.* The company helps rural farmers switch from commodities to value-added organic products, offering an online platform that connects them to a consumer base in cities, informing them when to plant and to harvest based on demand projections, and guaranteeing produce purchase at pre-determined, premium prices. In addition, it works to eliminate inefficiencies in the supply chain and to bring down the costs of transportation. In general, Siembra Viva reduces waste from 30% to 5%, helping to raise farmer income proportionally.

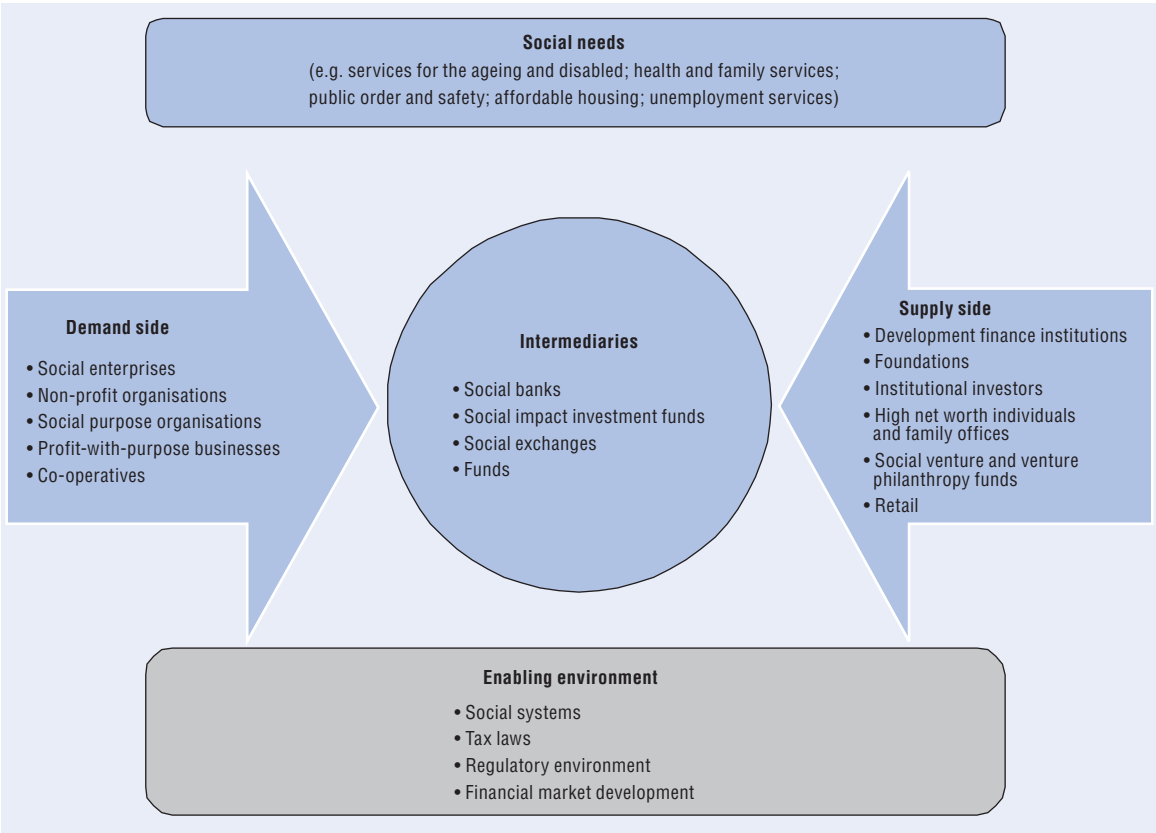
The investment power behind Siembra Viva is provided by Acumen, a social venture fund that has invested more than USD 88 million in 82 companies across Africa, Latin America and south Asia. Acumen makes investments in water, health, housing, energy, agriculture and education in the form of loans and equity. Its commitments range from USD 300 000 to USD 2 500 000, with payback or exit in seven to ten years. The fund was founded in 2001 with seed capital from foundations and individuals, including the Rockefeller and Cisco Systems Foundations. Key investors contributing more than USD 5 million include the Bill & Melinda Gates Foundation, the Robert and Kate Niehaus Foundation, and Unilever.

* Website: *http://siembraviva.com/home* (in Spanish).
Source: Acumen, *http://acumen.org/investment/siembra-viva*.

The growing range of actors in the social impact investment market is contributing to a complex framework of investors (supply side), investees (demand side) and intermediaries (Figure 5.5). As in regular financial markets, the intermediaries – such as social banks or social impact investment funds – play a pivotal role in developing the social impact investment ecosystem. They make the links between investors, investees and others, and offer innovative solutions that can help to improve efficiencies, lower costs (e.g. by creating liquidity and facilitating payment mechanisms) and reduce risks (WEF, 2013). They can also offer guidance, and help in structuring deals and in managing funds.

Similar to other types of investment, the enabling environment for social impact investment is key. The evolution of the social impact investment market in each country is influenced by the country's history, social needs and value system. The ways in which a country's social and financial systems are structured also affects the mix of public and private capital, and therefore the potential role of social impact investment. For this reason, varying approaches to facilitating social impact investment are needed, adapted to each country's needs and circumstances. Careful analysis of contexts and variants can help to determine which social impact investment approaches are best suited to each sector and country. The local diversity of development challenges and needs also makes it important to understand which financial instrument and funding model can be most effective for each social venture and at each stage of development (Evenett and Richter, 2011).

Figure 5.5. **A social impact investment market framework**



Source: OECD (2015c), *Social Impact Investment: Building the Evidence Base*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264233430-en*.

Innovation in social impact investment is flourishing

Diverse experiments and initiatives over the past several years – led by governments, foundations, investors and others in developed and developing countries – are helping to develop new models and approaches (see the "In my view" box by Sonal Shah and Box 5.4). International development agencies are also searching for innovative tools to increase their effectiveness and long-term development impact while working within the limitations of tightening budgets.

"Pay-for success" models are drawing increased attention

Outcome-based or "pay-for-success" instruments, such as social impact bonds, were first launched in the United Kingdom several years ago. These public-private partnership models are capturing attention as an efficient way to finance solutions to social issues while contributing to public service delivery. Commissioned by public authorities to achieve social goals through innovation and improved effectiveness in social service provision, the partnerships work to predefined targets and measurable social outcomes (e.g. results, impact and accomplishments). The service providers are often non-governmental organisations or social enterprises with a track record in addressing a particular social need; for example, the Peterborourgh Prison social impact bond enabled the One Service to offer support services addressing the multiple and complex needs of newly released prisoners, helping them to readjust to the community and avoid reoffending.[1] Private investors provide the funding and are repaid only when the outcomes, defined *a priori* by the commissioner of the social impact bond, are achieved. While promising, social impact bonds can also be complex and time consuming to structure and implement (Addis, McLeod and Raine, 2013).

In my view: The capacity of social impact investors to transform lives will depend on their ability to innovate

Sonal Shah,
Professor of Practice and founding Executive Director
of the Beeck Center for Social Impact & Innovation, Georgetown University[1]

In many developing and emerging markets, private sector actors and business models are achieving significant measurable and sustainable impact. Social impact investment offers the opportunity to catalyse and improve private sector investment designed to solve social challenges, to collect and analyse data on what works, to scale up effective programmes and businesses, and to create more robust enabling environments for innovation and entrepreneurship.

When the United Kingdom's Prime Minister set up the G8 Social Impact Investment Taskforce in 2013, I was charged with leading an International Development Working Group to produce recommendations on how governments can catalyse impact investment as a tool for international development. Based on an understanding of the complexity of development and the critical need to leverage private capital (debt, equity and blended instruments), expertise and in-kind investment, the International Development Working Group offered three recommendations:[2]

1. Create an impact finance facility that can help cultivate and develop new and innovative companies and business models so as to develop a pipeline of investment-ready proposals.
2. Create a development impact bond outcomes fund to facilitate the rollout of pilots worldwide.
3. Improve metrics, increase transparency and provide the additional resources needed to build the broader enabling environment or ecosystem for impact investment.

As the importance of social impact investment grows, there is a need for new business models, financing vehicles, standards and policies to build and bolster ongoing investments, and to bring them to scale.

In my view, meeting the real challenges of scale will require some flexibility or risk taking by local and global investors. This calls for a collective effort to learn from what works and to test new models. The evolution of the microfinance industry is an important reminder of the "thousands of cycles of trial and error" needed to create a successful product (Counts, 2008). This means early investors will need to take on some risk and maybe even forego financial returns to find the best business models and structures to achieve success at scale – thus encouraging larger investors to follow. There is a need to ensure that effective metrics and standards allow investors to continually assess risks.

The capacity of social impact investors to positively affect the lives of the poor and under-resourced people they intend to serve will depend on their ability to innovate, taking existing frameworks forward through dynamic processes that reach large numbers of the poor with products or interventions capable of transforming their lives.

1. The author wishes to thank Innocent Obi for his contribution to this box.
2. For further information see SIITF (2014a).

Box 5.4. **Investing in local talent**

The Aavishkaar India Micro Venture Capital Fund targets the low-income market segment of India's underserved regions. Its investment portfolio spans a range of sectors, including agriculture, education, energy, health, water and sanitation. Aavishkaar makes investments in the form of equity and (short-term) loans ranging from USD 15 000 to USD 1.1 million. In addition, Aavishkaar provides business advisory support. The fund started in 2001 with seed investments by individuals ranging from USD 5 000 to USD 10 000. By 2005, the fund had raised almost USD 1 million, mainly from wealthy individuals who invested up to USD 100 000. From 2005 to 2009, additional capital was raised from foundations, development finance institutions and fiduciary investors.

Aavishkaar's founding team faced the challenge of adapting the methodology followed in the Silicon Valley to the "brick and mortar" back home: investing in rural geographies whose target clientele had tiny wallets, while delivering reasonable returns to investors. Aavishkaar brought three key innovations to bear:

1. Moving the investment risk from technology and product innovation to innovation in execution.
2. Redefining the parameters of blockbuster success: a return of 5-10 times invested capital, instead of 100.
3. Identifying young and experienced investment managers driven by passion, social recognition and fulfilment from their work.

Source: Aavishkaar website: *www.aavishkaar.in.*

Impact bonds can contribute to development effectiveness

Building on the social impact bond pay-for-success model, development impact bonds are focused on producing results in developing countries. They seek to improve the effectiveness of development co-operation by shifting the focus from the quantity of the investment onto the quality of implementation and the delivery of successful results. Yet unlike social impact bonds in developed countries, the typical commissioner of development impact bonds is not a local government, but rather an international organisation or development agency. For example, the United Kingdom's Department for International Development has been working on a development impact bond for the prevention of deadly sleeping sickness in Uganda.[2] The participation of private sector actors, who may be better positioned than the public sector to take on the risks associated with innovation, is key.

While social and development impact bonds have attracted a lot of attention, there are new outcome-based models being developed, including outcome funds (Box 5.5), social impact notes and other streamlined pay-for-success mechanisms.

Measurement of social impact is key

Agreeing on expected outcomes helps make a social enterprise attractive to investors. Effective, robust and repeatable measurement of social impact is critical, as investors want to see that the interventions they support are having the intended impact.

Effective, robust and repeatable measurement of social impact is critical.

Nonetheless, the measurement of social benefits is difficult, and the process of tracking and measuring social returns can be costly in terms of time and resources (Box 5.6). The specific objectives of measurement can also differ for various stakeholders, affecting the measures chosen to track progress and adjust course as needed. Further work will need to be done, probably by intermediaries, to strengthen investor understanding of the variety of impact measurement tools currently available and how best to use them (E.T. Jackson & Associates, 2012).

Box 5.5. **Exploring the potential of a literacy outcomes fund**

Over USD 120 billion is spent annually on education in low and middle-income countries, yet education outcomes in many places remain poor. There are still 58 million children who never attend primary school and 65 million adolescents who don't attend secondary school. Furthermore, 130 million children remain in primary school for four years without reaching minimal benchmarks – in other words, without the basic skills and knowledge that would enable them to improve their lives and benefit their countries' economies.

Traditional grant-based education models have struggled to improve student outcomes. The international community has shifted away from a funding approach that places emphasis on inputs to an outcomes-based approach (Pritchett, Banerji and Kenny, 2013). Outcomes funding, if implemented well, can create incentives for service providers and governments to innovate and scale up interventions in ways that enable them to deliver the best outcomes, and to deploy limited resources effectively.

The Global Social Impact Investment Steering Group (GSG), established in August 2015 as the successor to the G8 Social Impact Investment Taskforce, is partnering with the new International Commission for Education chaired by Gordon Brown. It has given Social Finance UK* a mandate to establish the USD 1 billion Outcomes Fund for Literacy to improve educational outcomes in developing countries.

A number of independently managed development impact bond funds will complement the Outcomes Fund, backing non-governmental organisations and businesses capable of implementing effective programmes, crowding in private investors, and thereby accelerating the flow of funding to service delivery organisations addressing literacy in developing countries.

* Social Finance UK is a not-for-profit social investment organisation in the United Kingdom that partners with government, the social sector and the financial community to create better ways of tackling social issues.

Source: Social Impact Investment Taskforce proposal, July 2015, *www.socialfinance.org.uk/about-us/#sthash.xvzFm3mx.dpuf*.

Effective measurement includes moving from inputs to outcomes, as well as developing means of assessing direct as well as indirect impact. To date, the measurement of social impact is still largely focused on inputs and outputs – for example, the number of children educated. The measurement of outcomes is much more difficult and requires specifically tailored approaches that can meet the needs of investors while not overburdening the social venture. The development of standard social impact measurement systems will be important for further engaging mainstream investors (HM Government, 2013). At the same time, it is critical to help service providers in all relevant sectors develop their capacity to measure social outcomes (Addis, McLeod and Raine, 2013).

The measurement of the direct social impact of a project is important in enabling the enterprise and investors to determine if the targeted results are being achieved. However, a better understanding of the broader impact of social impact investment (including spillover effects and positive externalities) around the world is also essential to fully determine the results of social impact investment and assist in policy decision making.

It is crucial to build an evidence base on what is working.

Building an evidence base on what is working will ensure that capital is invested in interventions that will achieve the intended impact. This means systematically collecting and using data in a cross-country comparable way, in particular in developing countries, where the bulk of social impact investments are being made. Analysis and case studies of a variety of instruments and sector-specific investments can help to clarify the roles of the various actors and processes involved in structuring

Box 5.6. **Measuring social impact**

Measuring social and environmental impact can help enterprises monitor and improve their performance in addressing social issues while also enabling them to access capital markets more effectively. Transparency and accountability, for financial as well as social and environmental impact, can facilitate access to funding from private and public investors.

There are, nonetheless, a number of challenges that derive from the pressures on social enterprises to target a "triple bottom line" (creation of social, economic and environmental value) while balancing the interests of multiple stakeholders (Epstein and McFarlan, 2011; Dart, Clow and Armstrong, 2010). At the same time, as the focus on measuring social impact is relatively new, a shared understanding of how to do it is still evolving. Even so, an increasing number of impact measurement approaches are emerging.

The Impact Measurement Working Group of the Social Impact Investment Taskforce recommends measuring impact by analysing the causal links within the "impact value chain" – e.g. identifying a link between input and intended result – as well as by developing a standardised impact measurement and reporting system (IMWG, 2014). The European Commission's Expert Group on Social Enterprise calls for measurement of a variety of social impacts and cautions about the premature development of a single methodology (GECES, 2014). There are also metrics systems, such as the Global Impact Investing Rating System (IRIS), which include a large set of possible indicators. However, these can be complex to apply.*

Further research is needed to evaluate existing metrics and methods. This could contribute to the development of an outcomes matrix with an accompanying open-source library of indicators for social enterprises, and to the establishment of a knowledge centre providing practical help.

In addition to methodological challenges on how to measure impact empirically, other practical challenges remain. In particular, social enterprises, and especially the small ones, often lack the capacity and human and financial resources to implement measurement tools. It is important to ensure that:

- social reporting requirements are not overly burdensome for social enterprises
- social enterprises have adequate resources and capacities to measure impact
- measurement contributes to decision making, and the cost of measurement does not outweigh the importance of the decision.

* For further information see SIITF (2014b).

Source: Based on European Commission/OECD (2015), *Policy Brief on Social Impact Measurement for Social Enterprises: Policies for Social Entrepreneurship*, Publications Office of the European Union, Luxembourg, *www.oecd.org/industry/Policy-Brief-social-impact.pdf*.

social impact investment. In turn, a better understanding of the successes and failures of different approaches can help to identify which social impact investment models work best in each country and context, and to scale up successful cases.

It is also fundamental to develop a better understanding of the roles, motivations and financing mechanisms of different types of investors, especially in today's increasingly diversified development finance framework. Monitoring and measurement are key. New approaches to measurement, such as the total official support for sustainable development (TOSSD) framework (Chapter 4), will help to capture the full spectrum of financial instruments and the range of sources of financial flows. This should also facilitate analysis of the trade-offs involved with various types of financing, as well as which market settings are appropriate for each type of financing.

The way forward for social impact investment

Social impact investment can provide new ways of efficiently and effectively using public and private capital to address social and economic challenges at the global, national and local levels. It provides a vehicle for bringing innovation to existing delivery mechanisms, offers important market-based approaches that can have an impact where it is most needed, and creates incentives for more rigorous measurement of development outcomes.

As highlighted by Julie Sunderland in her challenge piece at the start of this chapter, social impact investors can address the needs of the poorest populations by aligning their social and financial goals, creating new business models, and developing entrepreneurial talent in the local community. The public sector can play an important role in promoting social impact investment, providing risk capital to "support innovative models that provide affordable, accessible, quality products and services to bottom-of-the-pyramid populations".

The OECD *Policy Framework for Investment* (see Chapters 2 and 6) can facilitate social impact investment in developing countries by contributing to the development of vibrant entrepreneurial markets and strong enabling environments (OECD, 2015b). The framework is already supporting sound investment policies in some 30 developing and emerging economies around the world, helping to put in place policy reforms that encourage more investment in social and environmental impact, alongside financial returns.

Despite the fact that social impact investment is still relatively new, it is already producing results on the ground in developing countries. The examples in this chapter provide a snapshot of ways in which non-state providers are successfully delivering services that respond to the needs of bottom-of-the-pyramid populations. They illustrate how the demand for financing that addresses social needs is growing, and how providing solutions to development challenges can offer new and potentially profitable investment opportunities for social impact investors. Yet much remains to be done to match funding with investment opportunities to generate financial as well as social returns. The recommendations below can contribute to realising this potential.

Key recommendations for getting social impact investment right

- Advance knowledge of social impact investment instruments and their applicability in the context of the 2030 Agenda, in a variety of sectors and across different country settings.
- Promote international research, data collection, case studies and the development of indicators on social impact investment.
- Increase transparency and provide the additional resources needed to build the broader enabling environment or ecosystem for impact investment; ensure that social reporting requirements are not overly burdensome for social enterprises.
- Cultivate and develop new and innovative companies and business models, including ones adapted to the needs of the bottom-of-the-pyramid populations.
- Develop local entrepreneurial talent and a pipeline of investment-ready project proposals and facilitate the roll-out of pilots worldwide.
- Build an evidence base on the impacts, outcomes, successes and failures of social impact investment in ways that are comparable across countries.
- Align incentives for social and financial goals, and help service providers develop their capacity to measure social outcomes.
- Use new approaches to measurement, such as the TOSSD framework, to capture and evaluate the full spectrum of financial instruments and sources.

- Use public funds to:
  - strengthen the overall governance framework to ensure a sound business environment in developing countries, in particular in the least developed countries and in countries emerging from conflict
  - leverage private funds by providing incentives and/or helping to reduce risks via guarantees or early-stage grants or investment
  - help to develop the social impact investment ecosystem to ensure a well-functioning market
  - establish platforms to exchange knowledge and share experiences among development actors and the social impact investment sector.

Notes

1. For further information see: *www.socialfinance.org.uk/impact/criminal-justice*.
2. For further information see: *https://devtracker.dfid.gov.uk/projects/GB-1-203604* and *www.gov.uk/government/news/uk-development-bonds-will-combat-global-poverty*.

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PART I

Chapter 6

Promoting sustainable development through responsible business conduct

by
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Investment can help raise standards of living through job creation, skills and technology development, and distribution of wealth. Achieving these impacts, however, depends on the quality of the investment as much as the quantity. Irresponsible business practices not only erode the investment and business environment; they can result in economic loss, environmental degradation, poor labour conditions, and in the most serious of cases, injury and loss of human life. Responsible business conduct principles and standards emphasise the integration of environmental and social concerns within core business operations. This chapter discusses how responsible business conduct can directly contribute to achieving the Sustainable Development Goals, while also being good for business. It examines the main global guidelines, principles and standards, as well as the role of governments.

Challenge piece by Marco Lambertini, WWF International. Opinion pieces by Peter Bakker, World Business Council for Sustainable Development; Sharan Burrow, International Trade Union Confederation.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

The challenge: Can smart investment make sustainable development a reality?

Marco Lambertini,
Director-General, WWF International

Since the Rio Earth Summit in 1992, the international community has worked toward a shared vision of sustainable development. Now, with the Sustainable Development Goals (SDGs), the United Nations (UN) member states have committed their highest level of political will to ensuring that human well-being is advanced within the planet's ecological boundaries.

Yet if the SDGs are going to be more than aspirational words on paper, we must secure the positive participation of business and industry at the global, regional and national levels. In developing countries, private investment already makes up 60% of external financial inflows, contrasted with flows from public sources – such as official development assistance – which in Africa, for example, amount to a mere 1% of capital inflows (World Bank, 2013).

At the same time, funding alone is not enough to bring about lasting change. Alongside the significant increases in investment that are required to achieve the SDGs, substantial policy reform will be needed, as success will depend on the behaviour and practices of those directing the financial flows. Unless multinational enterprises are brought into alignment with the sustainable development agenda, irresponsible actors will hold the power to undermine the potential of the SDGs. For example, in 2012, community groups and UN experts protested against plans for an open-pit coal mine in Bangladesh that would displace up to 130 000 very poor people and destroy their agricultural land, fisheries and freshwater sources (UN, 2012). Yet despite these severe human rights, environmental and food security concerns, the company behind the project, Global Coal Management Plc, did not abandon it.

A sustainable future for our world hinges on responsible business conduct. Multinational enterprises have a large influence in many countries that rely on foreign financing for their development. Yet responsible businesses that seek to comply fully with national and international laws and standards when endeavouring to operate abroad can often be at a disadvantage compared to actors who may act less responsibly. Despite this, some companies are already realising their potential to play a positive role. As just one example, WWF is working with the global fashion firm H&M to minimise the company's negative impact on the water supply in high-risk river basins in the People's Republic of China and Bangladesh. As textile production can be water intensive, H&M is increasing the efficiency and cleanliness of its operations, as well as collaborating with local stakeholders on sustainable management of shared freshwater resources.

The OECD and its member countries can play a unique and critical role in supporting the global proliferation of good business practice. The *OECD Guidelines for Multinational Enterprises* (OECD, 2011) are the most respected standards for corporate behaviour worldwide. By strengthening the implementation of these guidelines, the OECD can promote reform and improve the enabling environment for responsible investment. This, in turn, will encourage sustainable development by giving responsible businesses an advantage that benefits their bottom lines, while at the same time advancing development targets. This shift will not happen on its own, however; like-minded governments, companies, investors, civil society groups and consumers must work in concert to facilitate change for the better.

One of the OECD's potentially strongest tools for advancing responsible business conduct at home and abroad – the National Contact Point system of the *OECD Guidelines for Multinational Enterprises* – needs to be significantly improved. This innovative grievance mechanism is intended to provide remedy for corporate wrongdoing. However, an analysis conducted by the OECD Watch network (Box 6.4), of which WWF is a member, found that of the 250 complaints filed with the National Contact Points network since 2000, only 3 have led to an actual improvement in the conditions of the victims of corporate abuse. Only a further 12% of claims recorded beneficial results of any sort, such as improved company policies. OECD Watch is asking for a revision of the procedural guidance governing National Contact Points in order to ensure that the network is strengthened. This one reform may seem small when looking at the enormous ambitions of the 2030 Agenda for Sustainable Development. It may not seem as glamorous as the Pope's climate encyclical or the G8's recognition that we are in the last fossil fuel-based century, but it could have enormous and far-reaching impact.

The fact is that each and every decision we make related to responsible business conduct and private investment will have historic implications in determining whether 2015 will be remembered as a turning point in the course of human history.

The positive effects of investment – be it foreign or domestic – in promoting development are well documented. Under the right conditions, investment can raise overall productivity and ultimately lead to an increase in a country's standard of living. It can contribute to job creation, the development of human capital and the efficient distribution of wealth, while supporting technology development and the transfer of knowledge and skills. Foreign investment, in particular, can provide advantages beyond the direct contribution to the capital stock (Chapter 2). It can serve as a conduit, enabling domestic industries to access international markets and linking them with multinational enterprises and global value chains (OECD, 2015a).

These benefits, however, are not a given. The growth and development impact of investment depends as much, if not more, on the "quality" of the investment as on the quantity. For many years, low environmental and social standards have been viewed favourably by investors looking to minimise costs in the short term, as well as by some countries looking to attract investment. It is becoming increasingly clear that this race to the bottom is not a sustainable model.

The 2015 Addis Ababa Action Agenda calls on the private sector to adopt principles for responsible business and investment and engage as partners in the development process (UNGA, 2015). It also calls on the private sector to invest in areas critical to sustainable development and shift to more sustainable consumption and production patterns. At the same time, it commits governments to developing policies and strengthening regulatory frameworks to better align private sector incentives with public goals, and to encourage the private sector to adopt sustainable practices and foster long-term, quality investment.

This chapter examines the guidelines, principles and standards related to responsible business conduct and discusses how it can contribute to implementing the Sustainable Development Goals (SDGs). It focuses on two aspects:

1. the role of businesses in integrating environmental and social considerations into core business decisions to manage risks (for example, when operating in low-capacity and high-risk areas and sectors) and to ensure that their activities do not cause or contribute to negative outcomes
2. the role of governments in actively promoting and enabling responsible business conduct, fostering a dynamic and well-functioning private sector, while protecting the public interest and stakeholder rights.

What is responsible business conduct?

Expectations around responsible business conduct are founded on the premise that all businesses – regardless of their legal status, size, ownership structure or sector – should make a positive contribution to the economic, environmental and social progress of the countries in which they operate, while at the same time avoiding and addressing negative impacts of their activities, including throughout the supply chain and business relationships. Responsible business conduct principles and standards emphasise the integration of environmental and social issues within core business operations, going beyond the traditional concept of corporate social responsibility, which is often understood as being separate from core business (see the "In my view" box by Sharan Burrow). A key element is risk-based due diligence, a process through which businesses identify, prevent and mitigate actual and potential adverse impacts, and account for how these are addressed.

Governments have an important role to play in enabling and promoting responsible business conduct, working with businesses, trade unions, civil society, the general public, within their own government structures and with other governments, to create synergies and encourage best practice.

In my view: The private sector must be held to the same transparency and accountability standards expected of others

Sharan Burrow,
Secretary-General, International Trade Union Confederation

An ambitious and universal agenda, built on the 17 Sustainable Development Goals (SDGs), has set us on a course to eradicate poverty and achieve important sustainable development objectives by 2030. The agenda is vast and complex, and governments alone will not be able to meet the objectives. The roles of trade unions, civil society, local authorities and national parliaments are fairly well defined. On the other hand, the role of business and the private sector in delivering the 2030 Agenda for Sustainable Development is significantly less straightforward.

There are differing opinions on how to engage the private sector fruitfully to ensure that it contributes to, rather than undermines, the SDGs. Delivering decent work in all of its dimensions, safeguarding human rights and promoting responsible investment that supports inclusive growth are major pillars of the SDGs, and these are areas where the private sector still has a long way to go.

The private sector must be held to the same international transparency and accountability standards as other actors, especially if it is to be supported through development co-operation efforts. This includes respecting and applying International Labour Organization (ILO) principles and standards, including its International Framework Agreements* and the *Tripartite Declaration on Multinational Enterprises and Social Policy* (ILO, 2014); the United Nations' "Protect, Respect and Remedy" Framework, and its "Guiding Principles on Business and Human Rights" (UN, 2011); and the *OECD Guidelines for Multinational Enterprises* (OECD, 2011). Major improvements need to be made in the area of corporate transparency: businesses must report on their financial activities on a country-by-country basis. This includes reporting on tax and procurement procedures, as it is impossible to champion the participation of the private sector in development without addressing taxation policy and practice (see the OECD's *Development Co-operation Report 2014*; OECD, 2014a).

To be positive actors in the development agenda, at the bare minimum the private sector must meet its fiscal obligations. The recent *Panama Papers* revelations underline the need to address the role of professional enablers – lawyers, accountants, financial institutions, and corporate and trust service providers – in facilitating the use of opaque structures and tax havens for tax avoidance and evasion, as well as corruption and money laundering. The potential of domestic resources as a sustainable source of development finance cannot be realised without greater tax transparency. The 133-member-strong Global Forum on Transparency and Exchange of Information monitors the implementation of the international standard on tax information exchange. Through mechanisms such as this one, the OECD and its members are in a position, both as participants in international policy-making bodies and through their development strategies at home and abroad, to promote measures, standards and means of implementation that serve the needs of workers and the real economy.

Social dialogue and social partners (worker and employer organisations) can also play a key role in reaching the SDGs. Social dialogue helps to ensure broad-based democratic ownership of economic and social development objectives, ensure respect for core labour standards, and promote social equity. Through social dialogue, representatives of employers and workers contribute to shaping effective social and economic development strategies while providing conflict management and contributing to peace.

* See: *www.global-unions.org/+-framework-agreements-+.html*.

OECD tools promote and enable responsible business conduct to support sustainable development

The OECD encourages reform of the investment environment to maximise its contribution to sustainable development. It also promotes responsible business conduct through the *OECD Guidelines for Multinational Enterprises* (OECD, 2011) and the *Policy Framework for Investment* (OECD, 2015a; Chapter 2). Several OECD instruments on specific topics are also of relevance, such as the *G20/OECD Principles of Corporate Governance*,[1] the "OECD Guidelines for Fighting Bid Rigging in Public Procurement"[2] and the "G20/OECD High-Level Principles of Long-Term Investment Financing by Institutional Investors".[3] The OECD is also home to the "Convention on Combating Bribery of Foreign Public Officials in International Business Transactions". Governments, businesses and stakeholders alike can use these instruments to ensure that responsible business conduct is fully integrated into national development strategies.

The OECD Guidelines for Multinational Enterprises *are a key reference for doing business responsibly*

When OECD members adopted the OECD "Declaration on International Investment and Multinational Enterprises" in 1976,[4] they made a policy commitment to provide an open and transparent investment environment, agreeing that the freedom of businesses to operate globally also carries responsibility for local impact. The *OECD Guidelines for Multinational Enterprises* were part of that declaration. Forty years and five updates later, the OECD guidelines are still one of the primary references on responsible business conduct, together with the United Nations (UN) "Guiding Principles for Business and Human Rights" (UN, 2011) and core International Labour Organization conventions (Box 6.1).

The OECD guidelines are the most comprehensive set of government-backed recommendations on responsible conduct available. They comprise principles and standards in all major areas, including information disclosure, human rights, employment and industrial relations, the environment, bribery and corruption, consumer interests, science and technology, competition, and taxation. Their purpose is to ensure that business operations are in harmony with government policies, to strengthen the mutual confidence between businesses and the societies in which they operate, to improve the investment climate, and to enhance the contribution of the private sector to sustainable development. The most recent update of the guidelines (in 2011) included intensive consultations with a range of stakeholders and partners, including from the G20 countries. This process conferred wide credibility and support to the guidelines, promoting their use even further.

The OECD guidelines are a primary reference on responsible business conduct.

Each country adhering to the guidelines (Figure 6.1) commits to setting up a National Contact Point to promote their use, handle inquiries and help resolve issues that can arise when an enterprise does not observe the guidelines (see also Box 6.4). The National Contact Points are intended to facilitate access to consensual and non-adversarial means – such as conciliation or mediation – to help the parties involved deal with the issues. This problem-solving focus offers the parties involved a better level of control in reaching an agreement, as compared to more formal processes in which a third party makes final, binding decisions. Moreover, this government-based, non-judicial grievance system can often be significantly more expeditious and cost-saving, and in some cases it may be the only procedure available for resolving grievances.

Governments adhering to the OECD guidelines may also develop specific guidance, through a multi-stakeholder process, to help enterprises identify and respond to risks of adverse impacts associated with particular products, regions, sectors or industries (Box 6.2).

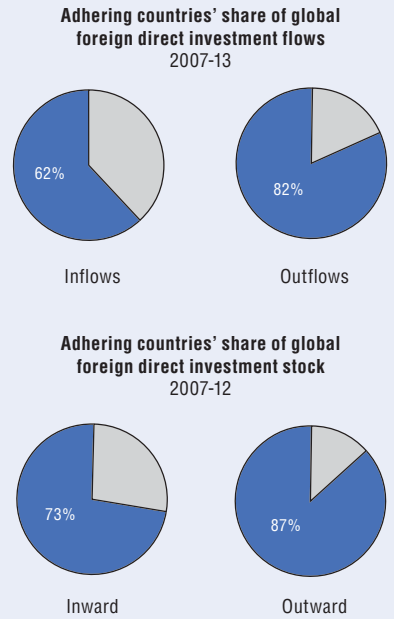
Box 6.1. **The global consensus on responsible business conduct principles and standards**

In 2011, the *OECD Guidelines for Multinational Enterprises* were updated and the UN "Guiding Principles on Business and Human Rights" were unanimously endorsed, evidencing international convergence and coherence around what constitutes responsible business conduct. These two instruments have helped build consensus and clarify the baseline standards for how businesses should understand and address the actual and potential adverse impacts of their operations, and how governments should support and promote responsible business practices. This convergence is echoed in other international standards, including the ISO 26000 Guidance on Social Responsibility,[1] the International Finance Corporation's "Performance Standards" (IFC, 2012) and the *OECD Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence*.[2] In addition, regional and country strategies based on the OECD guidelines and the UN guiding principles are increasingly emerging, for example the European Union Corporate Social Responsibility Strategy[3] and the United States' National Action Plan on Responsible Business Conduct, to be adopted in 2016 (The White House, 2014). Many countries are also developing national action plans to ensure that the recommendations are implemented (UN OHCHR, n.d.). Finally, more and more countries are using responsible business conduct principles and standards to frame domestic law. For example, the United States' Dodd-Frank Act specifically addresses due diligence along mineral supply chains and requires companies to report on whether they source certain minerals (tin, tantalum, tungsten and gold) from conflict areas. Another notable development is the 2015 G7 leaders' commitment to support responsible supply chains and improve access to remedy (G7, 2015).

Figure 6.1. **Who adheres to the *OECD Guidelines for Multinational Enterprises***

Adhering countries

Argentina
Australia
Austria
Belgium
Brazil
Canada
Chile
Colombia
Costa Rica
Czech Republic
Denmark
Egypt
Estonia
Finland
France
Germany
Greece
Hungary
Iceland
Ireland
Israel
Italy
Japan
Jordan
Korea
Latvia
Lithuania
Luxembourg
Mexico
Morocco
Netherlands
New Zealand
Norway
Peru
Poland
Portugal
Romania
Slovak Republic
Slovenia
Spain
Sweden
Switzerland
Tunisia
Turkey
United Kingdom
United States
European Union (Observer)



1. See: *www.iso.org/iso/catalogue_detail?csnumber=42546*.
2. See: *www.oecd.org/tad/xcred/oecd-recommendations.htm*.
3. See: *http://ec.europa.eu/growth/industry/corporate-social-responsibility/index_en.htm*.

Sources: OECD (2014c), "OECD Guidelines for Multinational Enterprises: Responsible business conduct matters", OECD, Paris, *http://mneguidelines.oecd.org/MNEguidelines_RBCmatters.pdf*; IMF (2015), *IMF Balance of Payments and International Investment Position Statistics* (database), *www.imf.org/external/np/sta/bop/bop.htm*.

Box 6.2. **Responsible supply chains in the agriculture and garment and footwear sectors**

Investing in **agriculture** is one of the most effective strategies for economic growth and poverty reduction in rural areas. However, agri-business investments can have adverse social and environmental impacts, including on the rights and livelihoods of local communities – particularly in countries with weak regulatory capacity and tenure rights. For instance, if domestic land legislation does not adequately recognise and protect informal land tenure rights, land acquisition may lead to the eviction – without fair compensation – of local communities holding customary rights; this, in turn, can result in a loss of income, increased vulnerability and food insecurity.

Businesses have a key role to play in ensuring that their operations do not have adverse impacts, and that they benefit local communities and host countries. Observing responsible business conduct principles and standards can ensure that they contribute to sustainable development. The 2016 "OECD-FAO Guidance for Responsible Agricultural Supply Chains" (OECD, 2016b) calls on companies to:

- Ensure that their operations contribute to food security and nutrition and sustainable and inclusive rural development.
- Hold good-faith, effective and meaningful consultations with communities before initiating any operations that may affect these communities.
- Respect legitimate tenure rights holders and their rights over natural resources potentially affected by their activities.
- Seek to ensure that legitimate tenure rights holders receive prompt, adequate and effective compensation of their tenure rights being negatively impacted by their operations. Thus, tenure rights holders should not be displaced without having been consulted and having received proper compensation.

The guidance also recommends that companies increase employment opportunities. Increased employment was the most frequently cited benefit arising from 39 large-scale agri-business investments analysed by the United Nations Conference on Trade and Development and the World Bank (UNCTAD/World Bank, 2014).

Similarly, the **textile, garment and footwear industry** provides employment for millions of workers worldwide, the majority of whom are women. The garment sector in particular is very important for a number of low-income countries in terms of trade, gross domestic product (GDP) and employment (World Bank, 2015). However, the risks of adverse environmental and social impacts in the sector are well documented. Progress has been made on many fronts, but severe challenges remain, in part because:

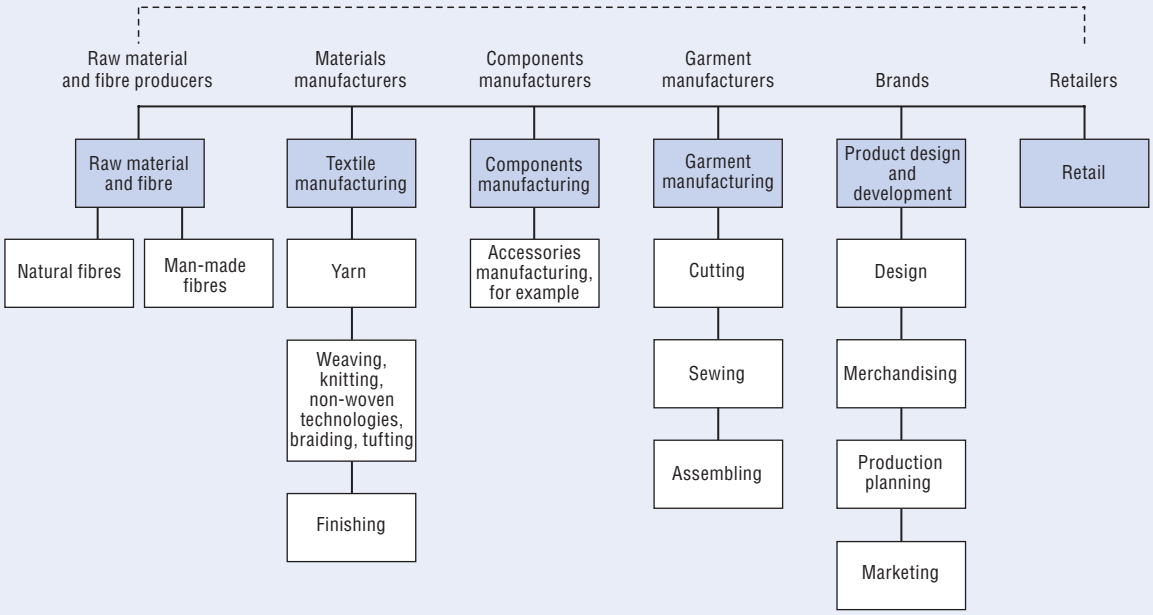
- The textile and garment sector operates on short lead times, tight margins and short-term contracts, contributing to downward price pressures and reducing the business incentive for investing in environmental and social upgrading.
- The emphasis is primarily on manufacturing, although the risks of adverse impacts extend across the full length of the supply chain (Figure 6.2). To date, risk mitigation has been primarily driven by individual businesses rather than a sector-wide approach.
- In some cases, the scope of risks of adverse impacts extends far beyond the textile and garment sector and cannot be addressed by business alone, but rather requires a co-ordinated approach among the government, business, workers and civil society.

To promote a common understanding of due diligence in the sector, the OECD is developing guidance for responsible supply chains in the garment and footwear sector.* The guidance encourages companies at each stage of the supply chain to take a pro-active and risk-based approach to risk identification, mitigation and prevention. It harmonises the expectations of due diligence for child labour, forced and bonded labour, freedom of association and collective bargaining, wages, discrimination, working hours, occupational health and safety, environment, and bribery and corruption.

* *http://mneguidelines.oecd.org/responsible-supply-chains-textile-garment-sector.htm* and *http://mneguidelines.oecd.org/rbc-agriculture-supply-chains.htm*.

Box 6.2. **Responsible supply chains in the agriculture and garment and footwear sectors** *(cont.)*

Figure 6.2. **Simplified garment supply chain**



Note: Intermediaries operate throughout the supply chain.

The Policy Framework for Investment *can help create an enabling environment for responsible business conduct*

The OECD *Policy Framework for Investment* can help governments in developing economies design and strengthen their responsible business conduct policy frameworks (Chapter 2). Originally adopted in 2006 in response to the UN "Monterrey Consensus on Financing for Development", the framework was updated in 2015 to better reflect the development dimension of investment, and to include lessons learned from over 25 investment policy reviews of developing and emerging economies, and regional economic communities.

The framework helps governments put in place policies that can mobilise private investment that supports steady economic growth and sustainable development, thereby contributing to the economic and social well-being of people around the world. It aims to advance the implementation of the SDGs and to help mobilise financing for development in support of the 2030 Agenda. Drawing on international good practice, the framework offers guidance in 12 policy areas that are critically important for improving the quality of a country's enabling environment for investment. Responsible business conduct policy is one of these policy areas. Governments can enable responsible business conduct in numerous ways. This includes establishing and enforcing an adequate legal framework to protect the public interest, and monitoring business performance and compliance with this regulatory framework. It is important to ensure that the legal and regulatory framework is enforced in all areas related to responsible business conduct, including human rights, employment and labour, environment, anti-corruption, and consumer interests. Setting clear expectations for businesses to act responsibly at home as well as abroad, particularly with regard to vulnerable individuals and populations, is also key. Providers of development assistance can support governments in developing economies working to build the capacity and resources needed to monitor compliance and respond to infringements.

Governments should clearly communicate their expectations for responsible business conduct and provide guidance on specific practices. Enabling enterprises to meet these expectations involves identifying and removing barriers to the uptake of responsible business; it also entails making an effort to engage with businesses to strengthen their responsible business conduct practices, including with businesses that may have special challenges in this respect, such as small and medium enterprises. It is important to engage industry and stakeholders in collective initiatives to promote responsible business conduct, to encourage and/or contribute to related non-government initiatives, and to provide recognition and incentives to businesses that exemplify best practice.

Governments should exemplify responsible business conduct in their own operations.

Finally, governments should ensure alignment among all policies relevant to responsible business conduct and collaborate with foreign governments to support international policy coherence on responsible business conduct. As employers, procurers and through state-owned enterprises, governments should also exemplify responsible business conduct in their own operations. Not only is this in the public interest – it also enhances the government's legitimacy when making recommendations on responsible conduct to businesses.

Responsible business conduct can help achieve the Sustainable Development Goals

Promoting and implementing responsible business conduct principles and standards contributes to ensuring that stakeholder rights are respected, ultimately leading to broader value creation. Irresponsible business practices not only erode the quality of the investment and business environment; they result in economic loss, environmental degradation, poor labour conditions, and in the most serious of cases – such as the April 2013 collapse of the Rana Plaza factory in Bangladesh – loss of human life.

In the pursuit of the SDGs, there is much to be gained from promoting and enabling responsible business conduct. It can help mobilise the resources that will be necessary for financing the implementation of the 2030 Agenda, while improving access to markets and participation in value chains for developing country industries. It can also promote accountability and inclusiveness, particularly important for marginalised or vulnerable segments of the population.

Responsible business conduct is important for financing development

As discussed in Chapter 1, investment will be crucial for the success of the SDGs. Foreign direct investment is identified in the Addis Ababa Action Agenda as a vital complement to national development efforts (UNGA, 2015: para. 35). The challenge for developing economies will not only be attracting investment, but also channelling it towards the implementation of the SDGs. The promotion and implementation of responsible business conduct principles and standards can help create an investment environment that is underpinned by respect for internationally accepted social and environmental principles. With growing expectations on investors to behave responsibly throughout their supply chains, investors are increasingly valuing aspects of domestic investment frameworks that contribute to stability in the long term, such as environmental standards that minimise the risks of causing adverse environmental impact, or enforced labour standards aligned with international principles that stabilise conditions in the workforce (Box 6.3). Not respecting internationally accepted social and environmental principles and standards increases the risk of being excluded from international markets.

Box 6.3. **Responsible business conduct matters**

The Business and Industry Advisory Committee (BIAC) represents business interests to the OECD. BIAC has long recognised the importance of responsible business conduct in globalised markets, consistently underlining its commitment to work in partnership with its members – the leading business organisations in OECD countries and beyond – to support effective implementation of the OECD guidelines. There is a strong business case for all enterprises to operate responsibly, regardless of their size, ownership structure or the sector of the economy in which they are engaged.

As companies increasingly invest in emerging and developing countries, responsible business conduct helps firms strengthen their long-term investment perspectives while also contributing to the implementation of the Sustainable Development Goals. An investment climate that does not include respect for certain core rules of responsible business conduct risks acting as a disincentive for international investors, making it clearly in the interest of the business community to promote responsible business conduct. That is why BIAC believes that it is more important than ever to foster global engagement and a global level playing field by promoting implementation of the *OECD Guidelines for Multinational Enterprises* by countries that are not yet adhering to them.

The updated OECD *Policy Framework for Investment* also recognises the role of governments in providing an enabling environment both for investment and for responsible business conduct. By including a chapter on responsible business conduct, the OECD has highlighted that promoting investment and fostering responsible business conduct go hand-in-hand. BIAC is actively involved in OECD discussions on fostering private investment, addressing barriers to investment flows and encouraging responsible business conduct to foster growth and development around the world.

Contributed by the Business and Industry Advisory Committee (BIAC), *http://biac.org*.

Designing investment policy frameworks that consider environmental and social objectives alongside economic ones offers the opportunity to prioritise investments that have the greatest potential for promoting full and productive employment, as well as sustainable patterns of production (see the "In my view" box by Peter Bakker). Yet most investment incentives still largely focus on economic performance objectives; it is estimated that only 8% of investment measures from 2010-14 were geared toward SDG-related sectors and targets (UNCTAD, 2015).

Governments that are able to create a business environment underpinned by responsible business conduct principles and standards are more likely to keep and attract quality investment, minimise the risks of adverse impacts from those investments and ensure sustainable development (OECD, 2015a).

Following recognised principles and standards can strengthen participation in global value chains

The rise of global value chains presents a development opportunity and is changing the way countries think about the competitiveness of their economies. The production of goods is increasingly fragmented and carried out wherever the necessary skills and materials are available at a competitive cost and quality (OECD, 2013).[5] Value chain activity is very sensitive to the quality of the business environment, which, in addition to the development of human capital, infrastructure, availability of capital and quality of institutions, has been identified as one of the most important factors for enabling integration into global value chains[6] (OECD, 2015b).

Promoting internationally recognised environmental and social principles within domestic enterprises can help strengthen the linkages between these enterprises and multinational enterprises. As discussed in the previous section, expectations on responsible business conduct principles and standards cover the entire supply chain. Multinational enterprises are expected to conduct risk-based due diligence in evaluating their suppliers. Suppliers that integrate

In my view: A new corporate performance measurement framework can encourage sustainable success, for business and for society

Peter Bakker,
President, World Business Council for Sustainable Development (WBCSD)

Sustainability is the defining issue of this generation. Climate change, natural resource depletion and widespread inequality – all against the backdrop of a rapidly growing population – are arguably some of the most daunting challenges humanity has yet to overcome. Responsible businesses understand the risks that these challenges pose, but they see the opportunities as well. That's why businesses everywhere are integrating sustainability into their core business strategies.

They know that responsible business goes beyond altruism: it's also about spotting trends, being among the first to move and adapt to an ever-changing future. It's about redefining the way businesses value nature and society so that they can understand the true costs, profits and values of their enterprises. It's about cultivating a new development framework that encourages sustainable success, for business and for society.

The 2030 Agenda calls for a new corporate sustainability philosophy, one built on the SDGs and the Paris Agreement[1] resulting from COP21. A strong, sustainable development framework will be crucial for a healthy global economy because businesses cannot succeed in societies that fail. The sooner companies integrate principles from the SDGs and COP21, the sooner they will reap the tangible benefits.

Responsible businesses recognise this critical period as a chance to get ahead. They've started by building a business case for transitioning to a low-carbon economy, demonstrating that this is one of the biggest opportunities for the foreseeable future. Through the Low Carbon Technology Partnerships Initiative,[2] companies are working together to develop innovative and scalable solutions for addressing global issues – like supplying clean energy to developing areas and building infrastructure for climate-smart agriculture – all while maintaining a focus on economic objectives that spur continuous, independent and sustainable development.

In order to do this properly, we need accurate metrics and feedback on how we're doing and where we can improve – financially, socially and environmentally. Current forms of reporting and measurement are failing, largely because they exclude crucial social and environmental measures from the balance sheet. Without this information, we are unable to fully unlock the solutions that will bring sustainability to scale. In order to address this need, forward-thinking businesses are using an integrated reporting framework supported by non-financial frameworks such as the Global Reporting Initiative,[3] the Sustainability Accounting Standards Board,[4] and the Natural and Social Capital Protocols.[5]

Cutting-edge measurement, reporting and valuation standards like these will eventually enable us to accurately evaluate our businesses, opening new avenues for success by incentivising integrated sustainability solutions and rewarding companies that adopt responsible business models early. Tools like these can enable the move beyond low-carbon technology and savings in energy costs to create an economy that's based entirely on social and environmental sustainability.

Responsible business is the key to a sustainable world. Businesses must continue uncovering opportunities around *all* aspects of sustainable development, placing the emphasis on creating a responsible relationship with the world and fostering equitable progress for humankind as a whole. It's time for all actors to seize the opportunities to address global socio-environmental challenges. Our future depends on it.

1. See: *https://unfccc.int/resource/docs/2015/cop21/eng/l09r01.pdf*.
2. See: *http://lctpi.wbcsdservers.org*.
3. See: *www.globalreporting.org/Pages/default.aspx*.
4. See: *www.sasb.org*.
5. See: *www.naturalcapitalcoalition.org/natural-capital-protocol.html* and *www.wbcsd.org/SocialCapital.aspx*.

internationally recognised environmental and social principles and standards have a comparative advantage over those that do not. In addition, multinational enterprises are increasingly basing their decisions about where to do business on the ability to ensure predictable and reliable supply chains, capable of delivering effectively at the each stage of the global value chain (Taglioni and Winkler, 2014; OECD, 2014a). It is estimated that costs of delays can be substantial for certain product categories; these could constitute a tariff equivalent of 1% or more (Hummels, 2007; OECD, 2014a). Any delays resulting from, for example, labour unrest or environmental damage, would contribute to those costs. A 2014 report found, for example, that a major mining project with capital expenditures between USD 3-5 billion will suffer direct costs of roughly USD 20 million per week in delayed production (in net present value terms), largely due to lost sales based on delays caused by community conflicts and ineffective stakeholder engagement practices (Davis and Franks, 2014).

Furthermore, economies participate in global value chains both as users of foreign inputs and as suppliers of intermediate goods and services used in other economies' exports. It is estimated that more than half of global manufacturing imports are intermediate goods – such as primary goods, parts and components, and semi-finished products – and that more than 70% of global services imports are intermediate services, such as business services (OECD, 2013).

Promoting internationally recognised environmental and social principles and standards within domestic enterprises can also improve their access to export markets. For example, the European Union (EU) Generalised Scheme of Preferences (GSP) allows developing country exporters to pay less or no duties on their exports to the EU; in practice, this constitutes the partial or complete removal of tariffs on two-thirds of all product categories. Additionally, the EU has established a GSP+ scheme, which grants the full removal of tariffs on essentially the same product categories as those covered by the generalised scheme to countries that ratify and implement core international conventions relating to human and labour rights, environment, and good governance (EU, 2015).

Additionally, the inclusion of language related to sustainable development and responsible business conduct has become a dominant practice in recent years in investment treaties. OECD research shows that more than three-fourths of international investment agreements concluded between 2008 and 2013 include language on responsible business conduct (mainly free trade agreements with investment protection provisions) and virtually all of the investment treaties concluded in 2012-13 include such language (Gordon, Pohl and Bouchard, 2014).[7]

Improving access to remedy helps to ensure accountability

Increasing awareness of possible adverse social, human rights and environmental impacts linked to business activity has led to growing demands for stronger accountability for businesses operating globally. Integrating responsible business conduct principles and standards into national development frameworks and investment policies can help ensure accountability, setting out what is expected of businesses and making clear the consequences of not meeting these expectations.

Accountability and access to remedy for victims of negative impacts linked to business activity have long been issues, and judicial and non-judicial systems alike have often failed to address them (UN OHCHR, 2015).[8] While a number of accountability mechanisms exist, such as the National Contact Points for the *OECD Guidelines for Multinational Enterprises*, these need to be strengthened and better used by those who have the leverage to induce change, including consumers and investors (Box 6.4). Improving access to remedy nationally, regionally and internationally; promoting transparency; and empowering consumers can all contribute to increased accountability. Fostering a business environment in which the costs of irresponsible behaviours are reflected is also in the interest of businesses, as it contributes to levelling the playing field, putting pressure on businesses that do not integrate environmental and social considerations into their operations.

Box 6.4. **OECD Watch**

OECD Watch's 108 members from 52 countries around the globe have a shared commitment to work towards ensuring that business activity contributes to sustainable development and poverty eradication, and that corporations are held accountable for their actions worldwide.

OECD Watch members also share the view that the *OECD Guidelines for Multinational Enterprises* have enormous potential to provide corporations with the guidance they need to make a positive contribution to sustainable development, while at the same time holding them accountable when they act irresponsibly and providing victims of corporate abuse with a much-needed forum for accessing remedy.

The OECD guidelines are among the world's few government-backed international corporate accountability standards that are accompanied by a dedicated dispute resolution mechanism. In the absence of an international binding framework regulating corporate behaviour, and in situations where judicial systems are unable to do so – because of inadequate funding, non-enforcement, corruption or otherwise – the OECD guidelines' system of National Contact Points is often the only option available to victims of corporate abuse for seeking remedy for harm done to them, or for holding multinational corporations accountable for social and environmental abuse.

There is some evidence that the filing of complaints under the OECD guidelines has had beneficial results and has provided a measure of remedy, often in the form of forward-looking corporate policy changes (OECD Watch, 2015). Such policy changes – if genuinely implemented – bring with them the potential to prevent future harm.

Yet unfortunately, these examples are few and far between, leaving the enormous potential of the OECD guidelines unfulfilled. Recent research* reveals that in the overwhelming majority of cases, the complaint process has failed to bring an end to corporate misconduct or provide remedy for past or ongoing abuses. With only a few exceptions, the National Contact Points either remain largely inaccessible, or they suffer from a real or perceived lack of independence and impartiality, frequently failing to follow procedural timelines and refusing to conduct independent investigations.

Nearly all National Contact Points are inadequately funded by their governments. At the same time, governments seldom attach concrete consequences to companies' failure to adhere to the OECD guidelines. If the National Contact Points are to function as an effective network for promoting adherence to the OECD guidelines and for addressing harm caused by corporate misconduct, these weaknesses need to be addressed. Fortunately, there are steps that adhering governments, the OECD and National Contact Points themselves can readily take to improve effectiveness. This could begin with a revision of the OECD guidelines' Procedural Guidance for National Contact Points, to level the playing field and ensure harmonisation of performance. Implementing a system of mandatory peer reviews would also accelerate improvements in performance, as would reducing the barriers to accessing the mechanism. National Contact Points should be willing to base findings of non-compliance with the OECD guidelines on independent investigations if cases are not amenable to mediation, or if mediation fails. Finally, adhering governments must be willing to attach consequences to a company's non-compliance with the OECD guidelines.

Despite current obstacles to the implementation and effectiveness of the guidelines, OECD Watch continues to believe in their potential and remains committed to further engaging with adhering governments, National Contact Points, the OECD, businesses, trade unions and other stakeholders, providing constructive feedback and recommendations.

Contributed by OECD Watch.

* See, for example, Ruggie and Nelson (2015).

Responsible business conduct promotes inclusiveness

To support the contribution of responsible business conduct to inclusive and sustainable development, special attention needs to be given to ensuring that it does not have unforeseen negative impacts – for example, the marginalisation of workers in the informal sector or of artisanal miners in high-risk areas. At the same time, it is important to support investment in risk-prone areas or sectors to avoid the potential negative impacts of disengagement (Box 6.5).

Box 6.5. **Doing good while doing no harm**

The industries that entail the most severe risks are often relied on by the poorest and most vulnerable segments of the population for their livelihoods. For this reason, the two-fold obligation to do good while doing no harm, as set forth in the *OECD Guidelines for Multinational Enterprises*, has important implications for promoting inclusive growth and development.

For example, to avoid the potential social and economic adverse impacts of disengagement in high-risk areas or sectors, businesses are encouraged not to pull out at the first sign of potential environmental or social risks within their supply chain, but rather to engage in risk-mitigation efforts and to take into account the possible adverse impacts of any decisions to disengage.

The benefits of continued engagement have been demonstrated clearly in the context of responsible mineral sourcing. The *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas** suggests strategies to create economic and development opportunities for at-risk populations, such as for example formalisation and legalisation of artisanal and small-scale mining. In the Democratic Republic of Congo (DRC), this approach has contributed to the creation of special legal zones for artisanal and small-scale mining. The guidance also supports workable cohabitation of small and large-scale mining activities. In the DRC as well as in Rwanda, the results of this action have been impressive: in just three years, approximately 70 000 artisanal miners gained market access, with better prices, better conditions and secure long-term opportunities (Creamer Media, 2014).

Contributed by Roel Nieuwenkamp, Chair of the OECD Working Party on Responsible Business Conduct.

* *http://mneguidelines.oecd.org/mining.htm*.

Effective supply chain due diligence can help to build meaningful partnerships with suppliers and non-traditional actors, upgrade skills, formalise informal sectors, and build the capacity of the various business partners to deal with responsible business conduct expectations (OECD, 2015c). For example, in mineral-producing regions like the African Great Lakes, West Africa and Latin America; in processing countries in the Middle East and Asia; and in consuming countries around the globe, the OECD due diligence guidance (see Box 6.5) is helping to:

- reduce opportunities for armed groups and public security forces to benefit from mineral production and trade
- improve livelihoods for artisanal miners and mining communities
- strengthen local government capacity to regulate and supervise the mineral sector, improve data collection, increase revenues and stem illicit trade linked to the production and trade of minerals
- increase global transparency and accountability in mineral supply chains
- increase market and industry initiatives in favour of responsible mineral supply chains
- improve understanding of the informal economy and natural resource-connected conflicts
- support informed and comprehensive policy making and action.

The way forward for promoting responsible business conduct

The development co-operation community has an important role to play in promoting responsible business conduct worldwide. This begins with ensuring that businesses operating in developing economies are aware of their obligations under the OECD guidelines and the UN guiding principles, and that they observe them. All 29 members of the OECD Development Assistance Committee adhere to the OECD guidelines and are committed to promoting them among their national businesses, whether operating at home or abroad (OECD, 2015d). This may require increasing efforts to ensure policy coherence on responsible business conduct, for example by not providing export credits to businesses that are not committed to responsible business conduct principles and standards; or by integrating responsible business expectations into development policy. It is important to communicate to businesses that responsible business conduct should be viewed as a business opportunity, rather than as a cost. There is increasing evidence that responsible business practices lead to productivity gains.

Providers of development assistance can help developing economies strengthen their relevant policy frameworks, increasing the capacity of their economies, reforming framework conditions to make their countries attractive investment destinations, and promoting responsible business conduct along the length of global supply chains. Official development assistance can be used in innovative ways to encourage the uptake and implementation of responsible business conduct by domestic and foreign businesses, for example by supporting the participation of domestic industries in multilateral responsible business conduct efforts; or by ensuring that the availability of grievance mechanisms under the OECD guidelines is well known and used. This type of support is especially important in countries emerging from conflict, which may lack the capacity to implement the international principles and standards on responsible business conduct.

In his challenge piece at the beginning of this chapter, Marco Lambertini notes that one of the potentially strongest tools for advancing responsible business conduct is the National Contact Point system of the *OECD Guidelines for Multinational Enterprises*. Yet he also notes that this system "needs to be significantly improved". In 2015, the OECD developed an action plan to strengthen National Contact Points, focusing on peer reviews, capacity building, peer learning and new tools (OECD, 2016c). The action plan reflects the increasing political will to improve and build on the National Contact Points to ensure effective implementation of the OECD guidelines. The OECD is also working on providing more guidance to businesses on how to implement the recommendations of the OECD guidelines and is working to promote responsible business conduct more broadly with partner countries that do not formally adhere to them.

Key messages for responsible business conduct

- Engage in dialogue on responsible business conduct.

  Governments:

- Identify and remove barriers to the uptake of responsible business conduct, and set clear expectations for businesses to act responsibly at home as well as abroad.
- Establish and enforce an adequate legal framework that protects the public interest and underpins responsible business conduct, and monitor business performance and compliance.
- Clearly communicate expectations regarding responsible business conduct, provide guidance on specific practices, and enable enterprises to meet these expectations, paying particular attention to the needs of businesses that may have special challenges in this respect, such as small and medium enterprises.

- Work with stakeholders in the business community, labour organisations, civil society, the general public, within the government and with other governments to create synergies and establish coherence on responsible business conduct.
- Act responsibly in the context of the government's role as an economic actor, for example, as employers, procurers and through state-owned enterprises.
- Provide recognition and demonstrate support for best practice in responsible business conduct.
- Strengthen access to remedy, including by strengthening the National Contact Point mechanism.
- Support strengthening of policy frameworks for responsible business conduct in developing economies.
- Use official development assistance in innovative ways to encourage the uptake and implementation of responsible business conduct by domestic and foreign businesses.

Businesses:

- Observe the *OECD Guidelines for Multinational Enterprises* and the UN "Guiding Principles for Business and Human Rights".
- Integrate responsible business conduct principles and standards throughout the supply chain.
- Carry out risk-based due diligence to identify, prevent and mitigate actual and potential adverse impacts and account for how these impacts are addressed.
- Champion responsible business conduct and help others see it as an opportunity.

Notes

1. *www.oecd.org/corporate/principles-corporate-governance.htm*.
2. *www.oecd.org/competition/guidelinesforfightingbidriggginpublicprocurement.htm*.
3. *www.oecd.org/finance/principles-long-term-investment-financing-institutional-investors.htm*.
4. See: *www.oecd.org/investment/investment-policy/oecddeclarationanddecisions.htm*.
5. The OECD defines a global value chain as the full range of activities that firms engage in to bring a product to the market, from conception to final use. Such activities can range from design, production, marketing, logistics and distribution, to support to the final customer. They may be performed by the same firm or shared among several firms.
6. Location in a global value chain is characterised by the production process and the relative skills and resource endowments of the firms and countries in question (i.e. comparative advantage), suggesting that productivity is essential for upgrading. Upgrading is usually discussed in terms of economic and social benefits. Firms can gain by: 1) being more efficient in producing a given type of output; 2) engaging in the production of more sophisticated products; 3) acquiring new functions within a given value chain; or 4) moving into different value chains. Social upgrading refers to outcomes related to employment and pay, gender, and the environment.
7. Research shows that the major functions of such treaty language are, in the order of prevalence: 1) to establish the context and purpose of the treaty and set forth basic responsible business conduct principles through preamble language; 2) to preserve policy space to enact public policies dealing with responsible business conduct concerns; and 3) to avoid lowering standards, in particular relaxing environmental and labour standards for the purpose of attracting investment.
8. This is particularly true for cases involving gross human rights abuses and other serious offences – such as forced and child labour or large-scale harm to human health and livelihoods. A 2014 study commissioned by the UN Working Group for Business and Human Rights (Zerk, n.d.) found that considerable legal, financial, practical and procedural barriers exist for access to remedy. These barriers involve, among others, definitions of jurisdiction and of what constitutes an offence; standards for assessing liability; and methods of determining sanctions and compensation. The lack of access to remedy is not just a problem for victims, but also for the majority of businesses, as it creates legal uncertainty and reinforces concerns about impunity. A seeming lack of accountability has lent support to a resolution by the UN Human Rights Council (June 2014) to examine the scope of a legally binding treaty on business and human rights.

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PART II

Profiles of development co-operation providers

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Engaging the private sector in development co-operation: Learning from peers

Official development assistance is increasingly being delivered with and through the private sector. Valuable lessons are emerging from these experiences. The OECD's Development Assistance Committee (DAC) has recently launched a survey and peer learning exercise with its member countries to tap into these experiences and identify good practice. Many insights are emerging already from the survey and the first three reviews – of Germany, the Netherlands and Sweden. These include the value of private sector partnerships beyond their financial contribution, and the critical importance of investing in in-house capacities and expertise to successfully develop and manage partnerships with the private sector. The final synthesis report will identify best practices and lessons to help all DAC members refine their engagements with the private sector, including appropriate tools and partnerships to leverage private sector resources and enhance development impact; and measuring and evaluating results, impact, additionality and the catalytic effect of private sector engagements.

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There is a long history of private sector engagement in development co-operation. The OECD's Development Assistance Committee (DAC) member countries are increasingly developing partnerships with the private sector to leverage private capital, expertise, innovation and core business to benefit sustainable development. To learn from this experience and how it applies to development co-operation strategies and practices, the DAC has introduced an in-depth, thematic, peer-to-peer learning process on working with and through the private sector to complement the DAC Peer Reviews.[1] The peer learning exercise – which began in April 2015 – aims to identify good practice and lessons in private sector engagement. While a range of policy and academic literature has emerged on the role of the private sector in development co-operation in recent years,[2] the unique advantage of the peer learning exercise is that it is rooted in the current practice of DAC members as they transition towards greater and stronger private sector engagement.

The peer learning exercise was launched with a survey of all 29 DAC members and selected non-members to take stock of, and understand better, current priorities and practices. Twenty-seven responses were received. Following the survey, the OECD organised an inception workshop, convening private sector focal points from member country governments to share lessons and to refine the analytical scope and desired outcomes of the peer learning exercise.

Four DAC members – Germany, the Netherlands, Sweden and the United States – volunteered to be reviewed. The Netherlands and Sweden were reviewed in November 2015, Germany in February 2016 and the United States will follow later in 2016. In addition, two "spotlight" workshops will be held to explore key areas of interest to DAC members, namely innovative financial and non-financial instruments for private sector engagement, and development and financial additionality.[3]

This chapter describes the analytical framework for the peer learning exercise, summarises the main insights from the survey and brings together key lessons emerging from the reviews of Germany, the Netherlands and Sweden.

An analytical framework guides the peer learning exercise

The peer learning exercise focuses specifically on the role of the private sector as a partner for development. Private sector development is already an important sector for DAC members. It includes interventions aimed at establishing an enabling environment for business; addressing market failures; and supporting businesses and individuals to participate effectively in the local, regional and global economy. While the exercise includes partnership approaches in this context, it also looks more broadly at private sector engagement in all sectors in which DAC members provide support, from health, education, and peace and security, to the environment.

An analytical framework sets out the scope for the peer learning exercise (Figure 7.1). It aims to establish broad parameters and questions to enable comparison among DAC members. This is complemented by deep reviews of specific instruments and partnerships. The framework includes an examination of the building blocks of private sector engagement – policies, institutions and co-ordination mechanisms. It looks at the focus of private sector engagement activities, in terms of resource allocations by sector, region and partners. In this context, special attention is paid to

Figure 7.1. **Peer learning analytical framework**

Building blocks for private sector engagement

Policies, institutions and co-ordination mechanisms

- Refers to the foundational aspects of working with and through the private sector.
- What are the political drivers behind private sector engagement? What are the main objectives and implications for policy development?
- What are the approaches used in partner selection?
- What institutional frameworks are in place for establishing partnerships?
- What do staff capacities look like and what are the resource needs (time, human and financial resources) to successfully implement private sector engagement programming?
- How does co-ordination occur within DAC member countries across institutions responsible for private sector engagement, with partner countries and with other DAC members?

Focus and delivery of private sector engagement strategy

Allocations, country focus, sectors, cross-cutting themes and partners

- Refers to basic information regarding implementation of the private sector engagements.
- What are the overall annual allocations by engagement instrument and how have they evolved historically?
- How are engagements allocated across countries? What are key considerations for working in different country contexts, particularly in fragile and conflict-affected states?
- How are engagements allocated across sectors? What are key considerations for different sectors, particularly when working with small and medium enterprises and in the informal sector?
- How does integration of cross-cutting themes in private sector engagements occur, namely in terms of the environment, gender, human rights and governance, and responsible business practice?
- What are the roles of implementing partners, namely the private sector, civil society, research institutions and international organisations?

Tools for private sector engagement in development

Suite of engagement tools, resource requirements, risk, innovation and scale

- Refers to the overall mix of private sector engagement mechanisms employed.
- Which financial instruments are used? Financial instruments include grants, loans, guarantees, equities, development bonds, insurance, etc.
- Which non-financial instruments are used? Non-financial forms of engagement include policy dialogue, knowledge sharing, technical co-operation and capacity development.
- How are linkages made between instruments?
- What are the resource requirements for management of the overall portfolio?
- How is risk managed?
- What approaches are used to support innovation and scale up successes?

Innovative private sector engagement mechanisms

In-depth review of specific engagement mechanisms

- What are the resource requirements to manage specific instruments?
- What kinds of implementation guidelines are used?
- How are results defined and measured?
- What are the particularly innovative components of the instrument?

Learning from partnerships

Lessons in partnership formation and managment

- Case study examples of successful partnerships in practice.
- What are the main lessons learned in the effective establishment and management of partnerships with the private sector?

Measurement challenges

Leverage, additionality, results, monitoring and evaluation

- How are leverage and additionality guaranteed and measured?
- What are the actual results achieved? How are results systems structured? What lessons have been learned in defining results jointly across sectors?
- How do monitoring systems function, including approaches used, evidence, opportunities for course correction and lessons learned?
- How are evaluation systems structured, including approaches, evidence and organisational learning systems?

cross-cutting themes: gender equality, the environment and climate change, and human rights and governance. The framework also looks at private sector engagements at three levels:

1. The overall portfolio: the suite of private sector engagement tools used by a DAC member is examined, including financial and non-financial tools. In this context, the resources required to manage the overall portfolio, and strategies for mitigating risk and scaling innovation, are examined. In the analytical framework (Figure 7.1), this is captured under "tools for private sector engagement".
2. Instruments: specific instruments that have been developed by DAC members – such as guarantee programmes or policy dialogue mechanisms – are showcased, and lessons emerging from the use of specific instruments are gathered. Referred to as "innovative private sector engagement mechanisms" in the analytical framework.
3. Partnerships: the analytical framework draws out lessons on establishing and managing successful partnerships with the private sector. Referred to as "learning from partnerships" in the analytical framework.

The final component of the analytical framework – measurement challenges – examines how DAC members measure leverage and ensure additionality in their engagements with the private sector. It also includes a review of results management systems, and systems for monitoring and evaluation.

Initial findings contain valuable lessons for private sector engagement

The survey revealed that members seek to harness private sector contributions to development – such as finance, innovation and know-how – by capitalising on the alignment of development and commercial objectives. Respondents identified three main objectives for working with the private sector: 1) leveraging private sector funds towards development-oriented investments; 2) priming collaboration between domestic and developing country private sector actors; and 3) enabling private sector development in developing countries. As shown in Figure 7.2, a number of approaches are taken by DAC members to realise these objectives, supported by a large variety of mechanisms and instruments.

Figure 7.2. **Survey results: Main objectives of private sector engagement**

Approaches must be tailored to different country contexts

Countries tend to take two main approaches to the geographic focus of their private sector engagement activities – instruments are either open to all ODA-eligible countries,[4] or targeted at focus countries. Many survey respondents tend to prioritise countries in Africa. Some respondents also noted that least developed countries, low-income countries and fragile states are a priority.

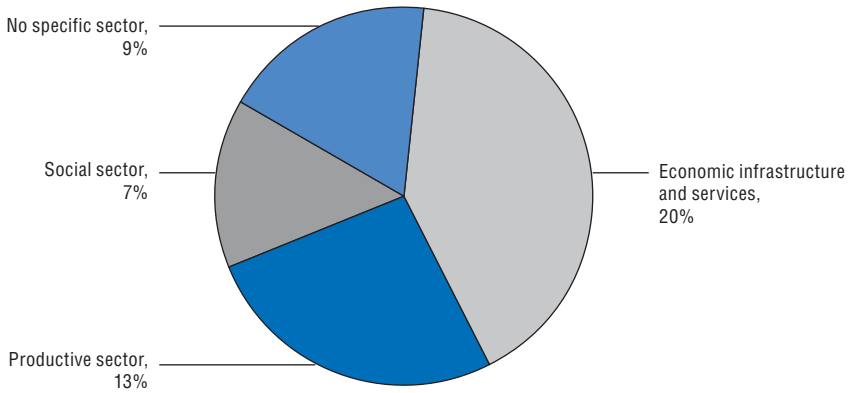
Differentiated approaches and a willingness to take greater risks are key when engaging with the private sector in fragile states.

Initial findings from the review of Sweden suggest that there is significant potential for greater engagement with the private sector in fragile and conflict-affected states, for example, by working with organisations such as the African Enterprise Challenge Fund. While weak institutions can make it challenging for the private sector to operate, space often exists to try new initiatives; local private sector partners can help fill gaps, serving as strong partners. If well-grounded in conflict analysis, private sector partnerships can contribute to market development, crowd in investments and improve development outcomes. Moreover, successful private sector engagement in fragile and conflict-affected states shows that it is possible to move beyond humanitarian, transition and grant-based aid, though aid continues to play a critical role. For DAC members seeking to work with the private sector in fragile and conflict-affected states, differentiated approaches and a willingness to take on a greater level of risk are key. This means developing specific mechanisms, incentives and criteria to attract private sector partners.

Private sector collaboration is possible in all sectors

Most survey respondents (20) noted that their interventions are largely concentrated in the sector of economic infrastructure and services, in particular energy generation and supply (many respondents indicated investment in green energy technologies) and other infrastructure (Figure 7.3). The productive sector (particularly interventions in agriculture), and the social sector – health and education notably – were also highlighted. Nine respondents indicated that their interventions do not target specific sectors.

Figure 7.3. **Countries' sectoral focus for private sector engagements**



Private sector collaboration is possible in all sectors. For Sweden, the private sector is a partner not only in traditional sectors for engagement, such as private sector development, energy and infrastructure, but also in the environment, health and governance sectors. This is the result of a deliberate choice by Sweden to use horizontal, non sector-specific instruments, when relevant, to achieve the goals of a particular strategy. On the other hand, as shown by the review of the Netherlands, benefits exist from focusing activities on specific sectors where a comparative advantage exists. This enables the development of in-house expertise to facilitate partnerships and investments. Private sector engagements tend to fall into three main areas in the Netherlands: infrastructure, food security and water. Its existing experience also ensures that the DAC member can be a useful partner, bringing finance, sector expertise and knowledge of local contexts. In the German

context, private sector partners are now actively seeking to partner with GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit), an important government implementing partner in German development co-operation, owing to its expertise and local networks.

Multiple objectives require diverse approaches and tools

A large variety of mechanisms and instruments for private sector engagement exists. Their use depends on the objectives sought. The main tools used for the three policy objectives identified in Figure 7.2 are outlined below. The groupings are not mutually exclusive and many DAC members use a mix of modalities to achieve multiple objectives.

To leverage private funds, members make use of loans, guarantees, equity positions and funds, blended concessional and non-concessional finance, and grants (see Chapter 4). These instruments are very often used by the development finance institutions of DAC member countries, but some bilateral providers of development co-operation have also established specific programmes for a number of interventions, including in energy, transport and social infrastructure, climate change, and support to micro, small and medium enterprises. DAC members are establishing public-private partnerships to mobilise finance, technology and expertise. A number of members have also established innovation or challenge funds. These funds tend to work on a competitive basis, inviting applicants to identify solutions to particular development challenges. Once proposals are assessed, grants are typically awarded to projects which are most likely to meet development objectives.

Challenge funds invite applicants to identify solutions to particular development challenges.

In their efforts to establish direct collaboration between domestic and local private sectors, DAC members encourage domestic firms to invest abroad and to focus on the specific needs of developing countries. These activities – often dubbed business-to-business or match-making initiatives – are funded through grants, loans and equity participation. Typically, they couple firms in member countries with firms in developing countries in order to transfer skills and technologies, include local firms in the international value chain, improve social and environmental standards, and develop pro-poor products and services. Private firms contribute to financing the costs of the projects, with the share of the contribution varying according to the programme. In addition to funding direct project activities, DAC members also support feasibility studies, often as a precursor to project funding.

To promote developing country private sector development, interventions can be aimed at improving the business environment, addressing market failures and barriers to trade, and supporting small and medium enterprises through technical assistance, capacity development and the provision of finance. DAC members continue to have a role in helping to improve the enabling environment for private sector engagement in development. The Swedish review found that private sector partners welcome greater collaboration, as well as the ongoing role of development co-operation in building the enabling environment, such as supporting a level playing field for all private sector actors, strengthening institutions and fighting corruption. Similarly, the German and Dutch reviews showed that it is useful to establish clear links between private sector engagement and private sector development activities. Germany strategically links its expertise in vocational and technical education to direct partnerships with companies and business associations. In addition to direct investments in countries to support job creation, technology transfer and domestic resource mobilisation through taxation, the Netherlands structures its engagement mechanisms to improve the enabling environment, for example by improving access to finance and helping local businesses to integrate into global value chains.

Experiences from Germany, the Netherlands and Sweden highlight the importance of developing a mix of financial and non-financial tools that work together. Financial mechanisms should be complemented by a suite of non-financial tools – such as technical assistance, capacity development and knowledge sharing – to maximise their impact. Brainstorming across sectors – with government playing a convening role – is important for identifying shared solutions between governments and international and domestic private sector actors. In this context, dialogue is an effective tool for promoting sustainable business practices and developing partnerships. Moreover, backing up dialogue with a willingness to commit financial resources ensures that concrete actions ensue. For example, some providers of development assistance have supported roundtables aimed at developing policies and standards for particular industry challenges, such as improving social and environmental outcomes in the textile industry. These efforts have been backed up by funding for concrete initiatives and partnerships aimed at realising the outcomes from policy dialogue.

It is also important to ensure some flexibility in how the suite of engagement tools is implemented. German and Swedish engagement mechanisms can be tailored to partnership type and the local context, for example.

Backing up dialogue with a willingness to commit financial resources ensures concrete actions.

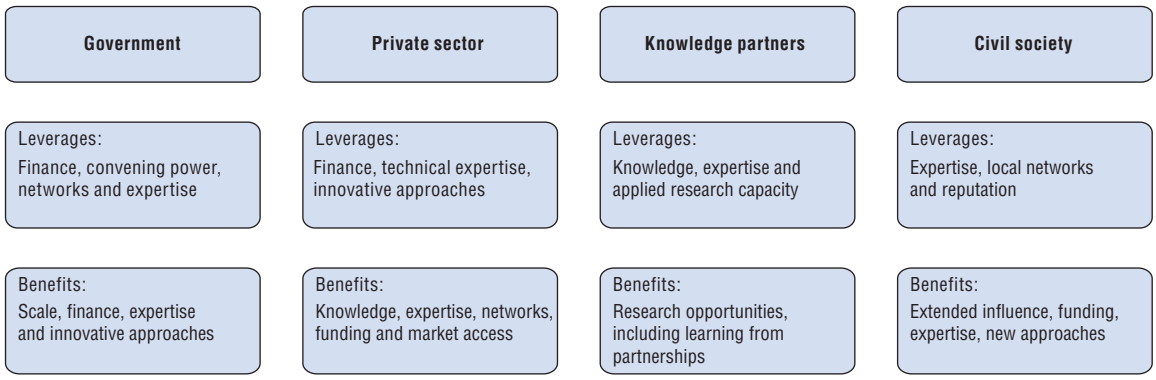
Country reviews show that as DAC members and others establish and expand their private sector engagement tools, it will be important to factor in time and resource requirements. More complex engagement mechanisms require greater human resources, often in terms of staff numbers and skills. The introduction of new instruments and approaches should be matched by corresponding capacity and skill requirements to ensure that policy makers can effectively respond to political demands, develop policy and manage implementation activities. For many DAC members, this may mean increasing staff numbers and bringing in new competencies in private sector engagement. Organisational cultures take time to change, including developing shared language and building trust between actors within and outside of government in order to realise policy objectives. Effective systems to ensure that institutions are fit for purpose – such as appropriate human resourcing, co-ordination mechanisms, and data and information systems – take time to establish.

Multi-stakeholder partnerships heighten impact

In developing their private sector engagements, DAC members partner with multiple stakeholders, which include domestic, local and international private sector partners; business associations and networks; governmental institutions in DAC member and developing countries; international organisations; non-profit third parties such as foundations and civil society organisations; other bilateral donors; and research/technology institutions in developing countries. In the case of the Netherlands, such multi-stakeholder partnerships are part of the "Dutch Diamond Approach" (Figure 7.4). This approach recognises the development value added when government, private sector, civil society and knowledge partners (academics and research institutions) work in partnership. Each of the four types of partners is able to leverage the skills and expertise of others in the diamond, thereby realising a number of benefits.

Survey respondents noted that multi-stakeholder schemes are good practice because they can help to diffuse risk, thereby increasing marketability, co-operation across sectors and value added from the comparative advantages across sectors. Roughly one-third of survey respondents (9) also emphasised that such approaches increase inclusiveness, bringing partners into multi-stakeholder initiatives that would otherwise have been excluded from market activity in the absence of public sector interaction.

Figure 7.4. **The "Dutch Diamond Approach" to sustainable development**[1]



1. For more information, see: *www.government.nl/topics/development-cooperation/contents/development-cooperation-partners-and-partnerships/public-private-partnerships*.

The promotion of multi-stakeholder partnerships requires resources and dedicated efforts. In Germany and the Netherlands, the government plays an important convening role to facilitate partnership opportunities. The Swedish review also suggests that implementing partners – international organisations, research institutions and civil society organisations, for example – may require additional resources to engage effectively in the co-creation of partnerships, which is resource-intensive but critical. Many non-profit partners do not have a dedicated budget for participating in project development and require additional financial support in the early stages.

Ways of choosing and working with partners vary

The majority of survey respondents interact with a mix of domestic, local (from developing countries), multinational and other OECD country firms. Within this mix, the most significant private sector partners are mostly domestic firms and firms from developing countries. Several preliminary lessons on private sector partner selection have emerged from the German, Dutch and Swedish reviews.

The Swedish approach emphasises the importance of setting development objectives first and then identifying the best partners to achieve them, in accordance with the principle of untied aid. By using the development objective as the starting point and end goal, implementation staff have the flexibility to identify and explore potential partnerships with a wide range of stakeholders, and ultimately to select partners according to their ability to help achieve the development results. Germany makes use of an interesting initiative – the Lab of Tomorrow – taking a similar approach (Federal Ministry for Economic Cooperation and Development, n.d.). Through this approach, a challenge is identified and private sector partners are convened to discuss potential solutions. In this context, rather than aiming to identify solutions *a priori*, the government creates a space for critical thinking and interaction among businesses, providing support for innovative solutions that originate from the private sector.

DAC members should also consider how to make it easy for private sector partners to engage. This means being transparent with partners about desired results and entry points for engagement. It should also be easy for companies to navigate partnership opportunities. Germany has established a central contact point for all private sector engagement inquiries. The Netherlands has adopted a one-stop shop approach, housing the bulk of its private sector engagement mechanisms with one main implementing partner. This client-centric approach is appreciated by partners, who see one entry point into engagement activities (regardless of how opportunities are structured and managed internally).

In addition, different types of private sector partners require different ways of working. Engagement approaches depend on the results governments wish to achieve and the capacities of the private sector partners. Approaches to working with large companies differ from those for small businesses, as do domestic private sector partners versus those in developing countries – this was noted in both the review of the Netherlands and that of Sweden. Multinational companies have greater capacity in terms of finances and human resources, and are often able to meet partnership requirements more easily than small and medium enterprises (both at home and in developing countries), particularly corporate social responsibility requirements. Providing technical and financial support to smaller companies to adopt responsible business practices, conduct feasibility studies and engage effectively in development co-operation is one way to address this challenge. Nevertheless, transaction costs (administration and time) are often the same for larger and smaller partnerships. Engagement tools should take into consideration the needs of different types of private sector partners and be effectively communicated to ensure that all stakeholders understand the opportunities that exist.

Partnerships have a higher chance of success when all partners believe in their value for realising their objectives.

Appropriate entry points should also be matched by resources to attract the right partners. Effective marketing is important for ensuring partners understand engagement mechanisms, requirements and desired results. The integration of responsible business practices (see Chapter 6) directly into partner selection criteria, and focusing on core business and the people behind the company, are also useful approaches for attracting like-minded partners. Partnerships have a higher chance of success when all partners believe in the value of the partnership for realising their objectives.

Adding value through achieving and measuring results

The country visits to the Netherlands and Sweden both highlighted the importance of understanding the value of private sector partnerships beyond their financial contribution. Private sector partners can play an important role in generating new ideas and approaches for development policies. In addition, improvements in the quality of private sector engagement in development are as important as ensuring that public funds fill real financing gaps faced by the private sector. Efforts to promote better business practices or ensure that outcomes are better than they otherwise would have been without government intervention are important. The value added of government and implementation partners is that they push for private sector initiatives to be more inclusive and sustainable, consider issues such as gender equality and the environment, and ensure that activities are rooted in good development practice. The catalytic effect of private sector engagement should be understood in terms of both tangible and intangible impacts. For example, during the mission to Sweden, staff frequently referred to how the process of collaboration changes mind-sets in the private sector and approaches to conducting core business, which has the potential to generate long-lasting impact beyond the individual partnership. They argued that we need to think differently about what is meant by "catalytic effect". The adoption of better business practices changes the make-up of a company. But this change can also have a lasting positive impact on communities affected by company operations.

New systems may be needed for results tracking

New and updated data management and information systems may be needed to capture the totality of private sector engagements effectively, including allocations, results and leverage. Tracking private sector engagements can be particularly challenging. Partnerships can involve a variety of

mechanisms, such as specific funding windows, and a variety of partners. For partnerships involving civil society or knowledge partners, funding is not channelled to the private sector partners, but to the implementing partners.

It is also important to adapt results frameworks to meet the needs of all partners in private sector engagements. Private companies often seek specific results through partnerships. Moreover, they often do their own rigorous evaluations or have the capacity to do so. The same is also true for government and other partners. While flexibility is needed in establishing results frameworks to meet partners' needs, where possible developing shared results indicators across private sector engagements is helpful for aggregating and communicating results.

It can also be challenging to capture and communicate the range of impacts and benefits of working with the private sector. This is particularly true in the case of policy dialogues and co-creation processes, which may lead to significant changes in business models and approaches but may not include financial disbursements or lead to concrete projects. There is a need for creative ways to report on the results of such engagements. This is important for garnering support for private sector collaboration within organisations and with traditional partners.

A number of lessons on monitoring and evaluation arose from the country reviews. For example, it is important to build a culture within DAC member agencies that values rigorous monitoring and evaluation. In the case of the Netherlands, legal and regulatory requirements – evaluation protocols – helped to increase attention to and appreciation of monitoring and evaluation. Moreover, the use of external bodies, such as academic and research institutions, to assess and feed into evaluation processes can enhance the credibility of evaluation processes inside and outside government, as well as create shared expectations for the desired results and how they should be measured.

Another useful approach identified by the review of the Netherlands is to earmark funds within projects for monitoring and evaluation. This approach alerts all partners early on to the need for monitoring and evaluation and ensures that the necessary resources are available. The Swedish review showed that additional human resources may also be needed. More complex instruments, such as guarantees and blended finance, require specific skills and systems for monitoring.

The way forward for engaging with the private sector in development co-operation

The peer learning exercise will continue in 2016. The final synthesis report will identify best practices and lessons for how members can transition towards and improve their engagements with the private sector. It will focus on how to make use of appropriate tools and partnerships to leverage private sector resources and enhance development impact, and effectively measure and evaluate results, additionality and the catalytic effect of private sector engagements.

Notes

1. For more information, see: *www.oecd.org/dac/peer-reviews*.
2. Recently, see for example, Chandrasekhar (2015), Vaes and Huyse (2015) and Guarnaschelli et al. (2015).
3. In the area of private sector engagement, additionality typically refers to the extent to which an outcome is additional to what otherwise would have occurred without public support.
4. See the DAC list of eligible countries at: *www.oecd.org/dac/stats/documentupload/DAC%20List%20of%20ODA%20Recipients%202014%20final.pdf*.

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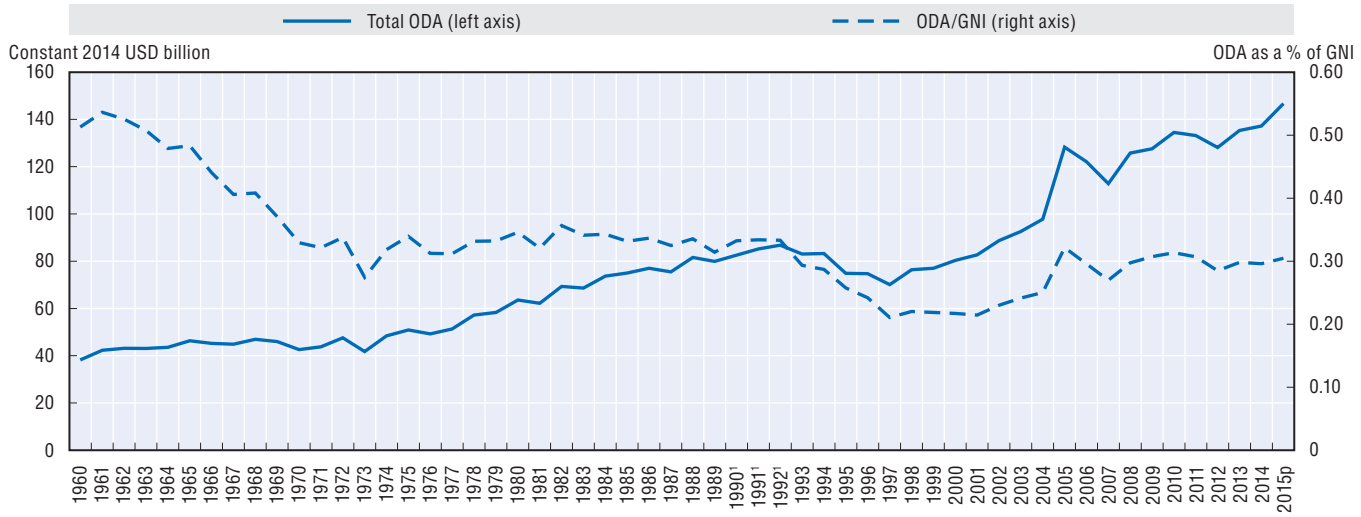
Development Assistance Committee members' ODA performance in 2014 and 2015

According to preliminary data, in 2015 net official development assistance (ODA) flows from member countries of the Development Assistance Committee (DAC) rose by 6.9% in real terms from 2014 to reach USD 131.6 billion, representing 0.30% of gross national income (GNI). In real terms, this represents the highest level of net ODA ever achieved. Most of the increase was due to the reporting of in-donor refugee costs, but if these costs are excluded, net ODA still rose by 1.7% in real terms. It is encouraging that ODA continues to remain high and stable.

This section was prepared by Yasmin Ahmad, Development Co-operation Directorate, OECD.

Overall aid trends

Figure 8.1. **Net official development assistance, 1960-2015**



p: Preliminary data.
1. Total ODA excludes debt forgiveness of non-ODA claims in 1990, 1991 and 1992.
Source: OECD (2016a), "Detailed aid statistics: Official and private flows", *OECD International Development Statistics* (database), *http://dx.doi.org/10.1787/data-00072-en* (accessed 22 April 2016).

StatLink *http://dx.doi.org/10.1787/888933357817*

In 2015, net official development assistance (ODA) flows from member countries of the Development Assistance Committee (DAC) of the OECD were USD 131.6 billion. Adjusting for inflation and the appreciation of the US dollar,[1] this represented an increase of 6.9% in real terms, the highest level ever achieved for net ODA. Net ODA as a share of gross national income (GNI) was 0.30%, on a par with 2014. Overall levels of ODA continue to grow; since 2000, net ODA has increased by 83% in real terms.

Most of the increase in 2015 was due to higher expenditures for in-donor refugee costs as a result of the surge of asylum seekers. However, if these cost are excluded, net ODA still continued to grow by 1.7% in real terms.

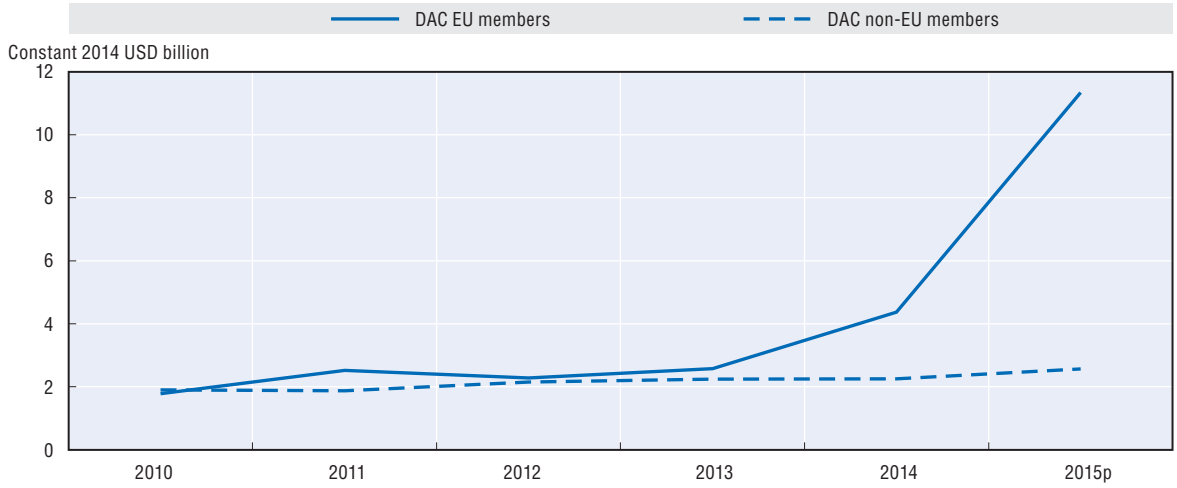
Between 2014 and 2015, ODA for in-donor refugee costs rose from USD 6.6 billion to USD 12 billion, and its share of total net ODA rose from 4.8% to 9.1%. However, there are large variations amongst donors. In 2015, in-donor refugee costs represented more than 10% of total net ODA for ten DAC donors; for five of these it was over 20% and up to 34%. Figure 8.2 compares the trends in ODA for in-donor refugee costs from 2010 to 2015 for EU and non-EU members, and shows how the present refugee crisis mainly affects the ODA of EU member states.

In a special survey carried out by the OECD DAC Secretariat, 13 members indicated that in-donor refugee costs were funded from budgets other than development co-operation, although they signalled that ODA budgets could be indirectly affected by these costs; 7 members responded that they would use their ODA budgets to cover in-donor refugee costs in 2015 and 2016; at the time of the survey, 3 did not consider such costs as ODA and no information was available for the remaining donors.

DAC members' performance

The largest donor countries by volume were the United States, the United Kingdom, Germany, Japan and France. Denmark, Luxembourg, the Netherlands, Norway, Sweden and the United Kingdom exceeded the United Nations' ODA target of 0.7% of GNI.

Figure 8.2. **Net ODA expenditures on in-donor refugee costs**



p: Preliminary data.
Source: OECD (2016a), "Detailed aid statistics: Official and private flows", *OECD International Development Statistics* (database), *http://dx.doi.org/10.1787/data-00072-en* (accessed 22 April 2016).

StatLink *http://dx.doi.org/10.1787/888933357823*

Net ODA rose in 22 countries, with the largest increases recorded in Austria, Canada, the Czech Republic, Germany, Greece, Iceland, Italy, Japan, the Netherlands, Poland, the Slovak Republic, Slovenia and Sweden. For some countries, the large increases were due to in-donor refugee costs. Excluding these costs, net ODA still rose in 20 countries. By contrast, total net ODA fell in six countries, with the largest decreases recorded in Australia and Portugal.

Among DAC member countries, G7 countries provided 72% of total net DAC ODA in 2015, and the DAC-EU countries 56%.

Further outlook

The annual DAC Survey on Donors' Forward Spending Plans provides estimates of future gross aid receipts of country programmable aid (CPA).[2] In 2015, CPA from all sources (DAC members, non-DAC providers and multilateral agencies) amounted to USD 96.4 billion.[3]

CPA to least developed countries (LDCs) and other low-income countries (LICs) increased by 3% in real terms to USD 39.8 billion in 2015 compared to 2014. However, it decreased by 2% to lower middle-income countries (LMICs) and upper middle-income countries (UMICs). This was mainly due to a lower level of concessional loans to countries such as Mexico, Morocco and Viet Nam. The largest volume increases in CPA in 2015 were recorded by countries in sub-Saharan Africa (e.g. South Sudan, and Ebola-affected Liberia and Sierra Leone). These increases were mainly driven by additional grants from DAC members and concessional loans from multilateral development banks.

The survey results suggest a large increase in 2016 of global CPA of USD 5.2 billion (constant 2015 prices), stemming from both bilateral and multilateral providers. This increase will benefit countries across all income groups, but primarily LDCs and fragile states, where an increase of 6% in real terms is noted due to larger disbursements by multilateral agencies. Overall CPA to LMICs and UMICs is also expected to increase; however, at a slower pace (3% for LMICs and 4% for UMICs), and with large fluctuations across countries because of the volatility in aid receipts linked to concessional loans.

On a geographical basis, the largest increases in 2016 can be expected for populous countries in Asia, such as Bangladesh, the People's Republic of China (hereafter "China"), Myanmar and Viet Nam, and for countries in sub-Saharan Africa, such as Ethiopia, Nigeria and Uganda. Slight decreases are, however, to be expected for countries in the Americas and in Oceania.

Global CPA is projected to remain stable up to 2019 with a continued upward trajectory for the LDCs, in line with DAC members' recent commitments to allocate more of total ODA to countries most in need. This trend confirms a recent DAC study which suggested that most DAC members were in the process of re-focusing their allocations in accordance with their international agreements to better target ODA to countries most in need.[4]

The survey projects declining levels of CPA for some individual LDCs between 2016 and 2019, such as Guinea and Niger, two countries repeatedly identified as aid orphans in an OECD[5] study. Aid is also expected to rise, although at a slower pace than for LDCs, to other countries most in need, such as other low-income countries, fragile and conflict-affected states and economies, landlocked developing countries, and small island developing states.

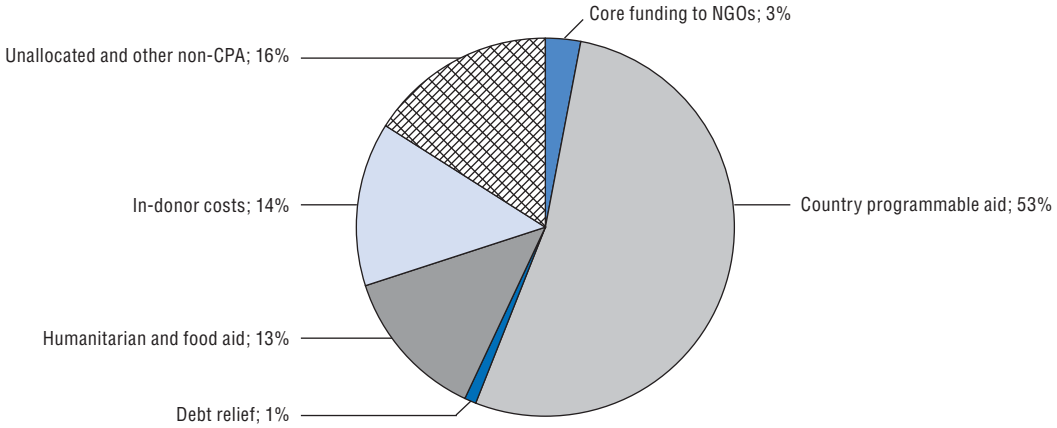
The medium-term projections show a positive trend in CPA towards some of the poorest and most fragile countries, an encouraging development in view of the challenges of the 2030 Agenda.

Aggregate aid trends by aid types and channels

Country programmable aid

DAC countries' total CPA was USD 57 billion in 2014, a 4% decrease in real terms from 2013. This volume represents 53% of DAC countries' gross bilateral ODA (Figure 8.3). CPA as a share of total bilateral ODA has been fairly stable since 2004, apart from a temporary drop in 2005 and 2006 due to exceptional debt relief to Iraq and Nigeria.

Figure 8.3. **Composition of DAC countries' bilateral ODA, 2014, gross disbursements**



Source: OECD (2016b), "Country programmable aid (CPA)", *OECD International Development Statistics* (database), *http://dx.doi.org/10.1787/data-00585-en* (accessed 22 April 2016).

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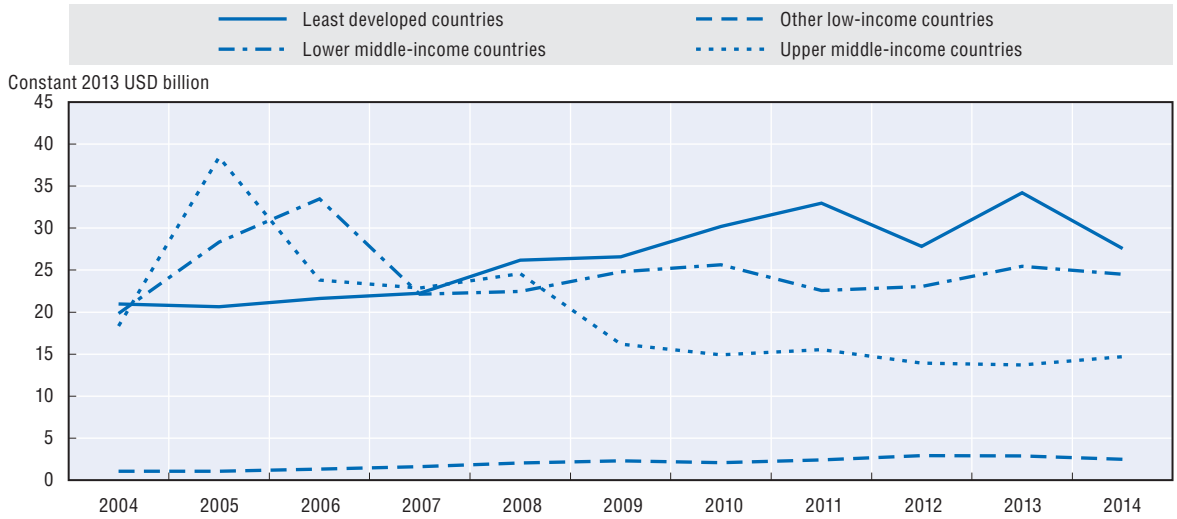
Aid by income group

The increase in ODA over the past decade has benefited countries in all income groups, including the least developed countries (Figure 8.4). However, since 2011, net ODA to the least developed countries has fallen. The increase in 2013 was due to debt relief for Myanmar. Furthermore, in 2014, over half of bilateral ODA flows to LDCs were directed to eight recipient countries (Afghanistan, Ethiopia, South Sudan, Tanzania, Mozambique, Bangladesh, the Democratic Republic of the Congo and Myanmar).

Figure 8.4. **Bilateral ODA by income group, 2004-14, gross disbursements**

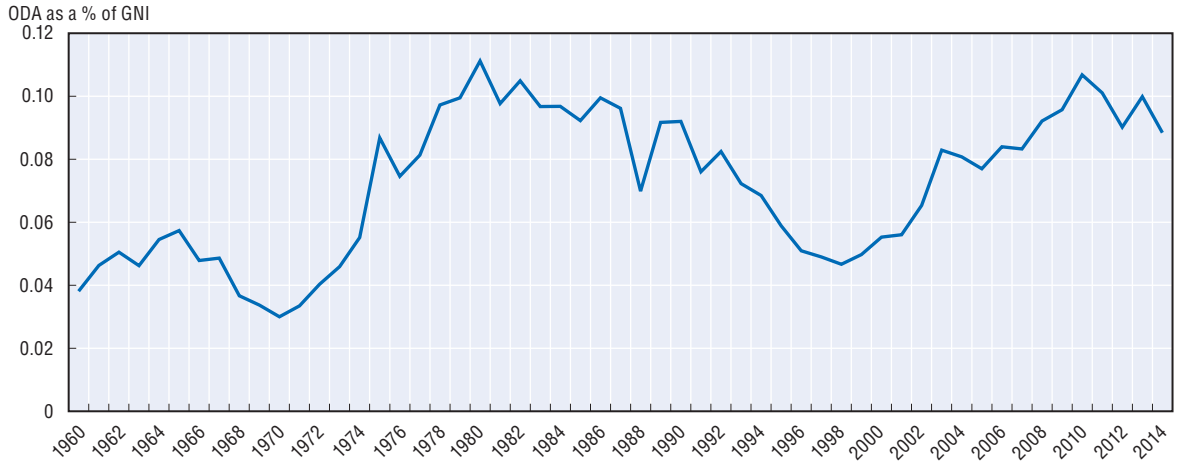


Source: OECD (2016c), "Detailed aid statistics: ODA official development assistance: Disbursements", *OECD International Development Statistics* (database), *http://dx.doi.org/10.1787/data-00069-en* (accessed 22 April 2016).

StatLink http://dx.doi.org/10.1787/888933357847

The majority of DAC countries still fell short of the United Nations target of allocating 0.15% of their GNI as net ODA to least developed countries (Figure 8.5).[6] In 2014, only eight member countries reached this target (Belgium, Denmark, Finland, Ireland, Luxembourg, Norway, Sweden and the United Kingdom). In total, DAC countries provided 0.09% of their GNI as ODA to least developed countries in 2014, down from 0.10% in 2013.

Figure 8.5. **DAC countries' net ODA to least developed countries as a per cent of gross national income, 1960-2014**



Source: OECD (2016c), "Detailed aid statistics: ODA official development assistance: Disbursements", *OECD International Development Statistics* (database), *http://dx.doi.org/10.1787/data-00069-en* (accessed 22 April 2016).

StatLink http://dx.doi.org/10.1787/888933357859

Untied aid

Untied aid is defined by the DAC as loans and grants whose proceeds are fully and freely available to finance procurement from all OECD countries and substantially all developing countries. All other loans and grants are classified either as tied aid (procurement open only to suppliers in the provider

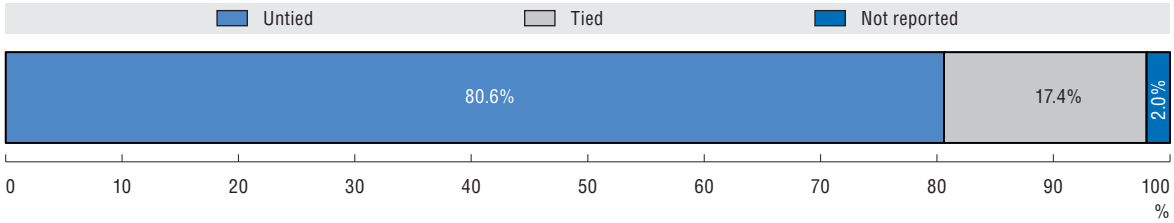
country) or as partially untied aid (procurement open to a restricted number of countries which must include substantially all developing countries and can include the provider country). These definitions apply whether aid is tied formally or through informal arrangements.

The DAC has focused on the issue of the tying status of aid since its inception in 1961. The purpose of reporting tying status items is to show how much of members' aid is open for procurement through international competition. Internationally competitive procurement promotes cost-effective sourcing of aid inputs, promotes free and open trade, and facilitates the implementation of commitments under the Paris Declaration on Aid Effectiveness in areas such as co-ordination and alignment. DAC reporting on tying status does not include multilateral ODA (core contributions to multilateral agencies), as this is treated as untied by convention. In this field, as in others, the DAC has for many years given special consideration to the needs of least developed countries. In 2001, the DAC agreed the Recommendation on Untying ODA to the Least Developed Countries (OECD, 2001). In 2008, it expanded this Recommendation to include those heavily indebted poor countries (HIPCs) that were not included as least developed countries (OECD, 2008).

The Paris Declaration committed OECD-DAC providers "to continue making progress to untie aid as encouraged by the 2001 DAC Recommendation on Untying ODA to the Least Developed Countries", while the Accra Agenda for Action encouraged co-operation providers to "elaborate plans to further untie aid to the maximum extent".[7] The Busan Partnership agreement urges providers to "accelerate efforts to untie aid" and to "improve the quality, consistency and transparency of reporting on the tying status of aid" (Fourth High-Level Forum, 2011). Overall, reporting on the tying status of ODA has greatly improved.

In 2014, 80.6% of DAC countries' ODA was reported as untied and only 2.0% where tying status items were not reported, mostly concerning free-standing technical co-operation.[8] While reporting the tying status of this type of aid is not mandatory (except for ODA to the least developed and highly indebted poor countries), most DAC members do so, filling a major reporting gap which was hindering accurate and comparative analysis of individual members' untying performance (OECD/UNDP, 2014).

Figure 8.6. **Tying status of DAC countries' bilateral aid, 2014**



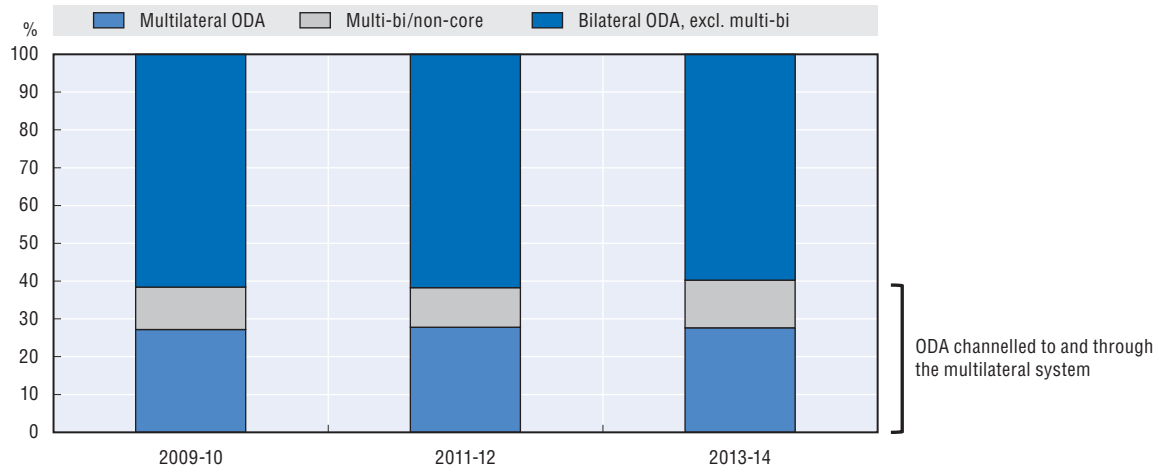
Note: This measure of untied aid excludes providers' administrative costs and refugee costs in provider countries.
Source: OECD (2016d), "Detailed aid statistics: Official bilateral commitments by sector", *OECD International Development Statistics* (database), *http://dx.doi.org/10.1787/data-00073-en* (accessed 22 April 2016).

StatLink http://dx.doi.org/10.1787/888933357865

ODA to and through the multilateral aid system

On average for 2013 and 2014, DAC countries channelled 40% of their ODA to and through the multilateral aid system, a slight increase from the 2009-10 average of 38%. This increase was mainly due to larger ODA shares allocated to the multilateral system for specific themes, sectors or country/regions (multi-bi/non-core). While the share of multi-bi rose from 11% in 2009-10 to 13% in 2013-14, the share of core contributions increased only marginally, from 27% in 2009-10 and 2011-12 to 28% in 2013-14 (Figure 8.7).

Figure 8.7. **DAC countries' share of ODA channelled to and through the multilateral system, two year averages, gross disbursements**



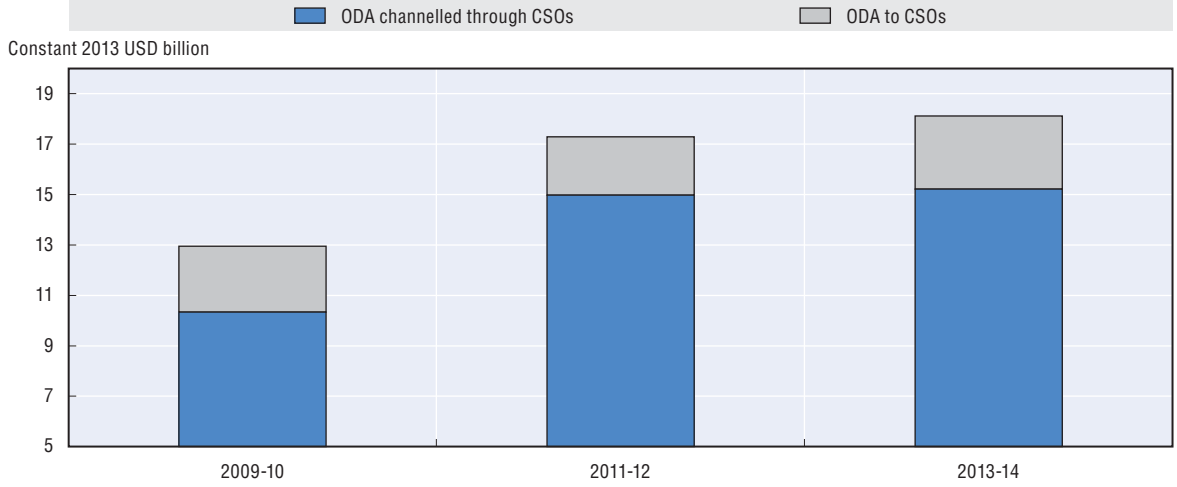
Source: OECD (2016d), "Detailed aid statistics: Official bilateral commitments by sector", *OECD International Development Statistics* (database), *http://dx.doi.org/10.1787/data-00073-en* (accessed 22 April 2016).

StatLink http://dx.doi.org/10.1787/888933357874

ODA allocations to and through civil society organisations

In 2014, DAC countries channelled USD 19 billion in official development assistance to and through civil society organisations (CSOs) (Figure 8.8). This accounted for 17.4% of total bilateral aid. While the share of bilateral aid allocated to and through CSOs differs widely among DAC members, the average share of total bilateral aid for all DAC countries over the last three years has been 16.7%.

Figure 8.8. **Bilateral ODA to and through CSOs, total DAC countries, two year averages, gross disbursements**



Note: CSOs: civil society organisations; ODA: official development assistance.
Source: OECD (2016d), "Detailed aid statistics: Official bilateral commitments by sector", *OECD International Development Statistics* (database), *http://dx.doi.org/10.1787/data-00073-en* (accessed 22 April 2016).

StatLink http://dx.doi.org/10.1787/888933357888

Development co-operation for gender equality and women's empowerment

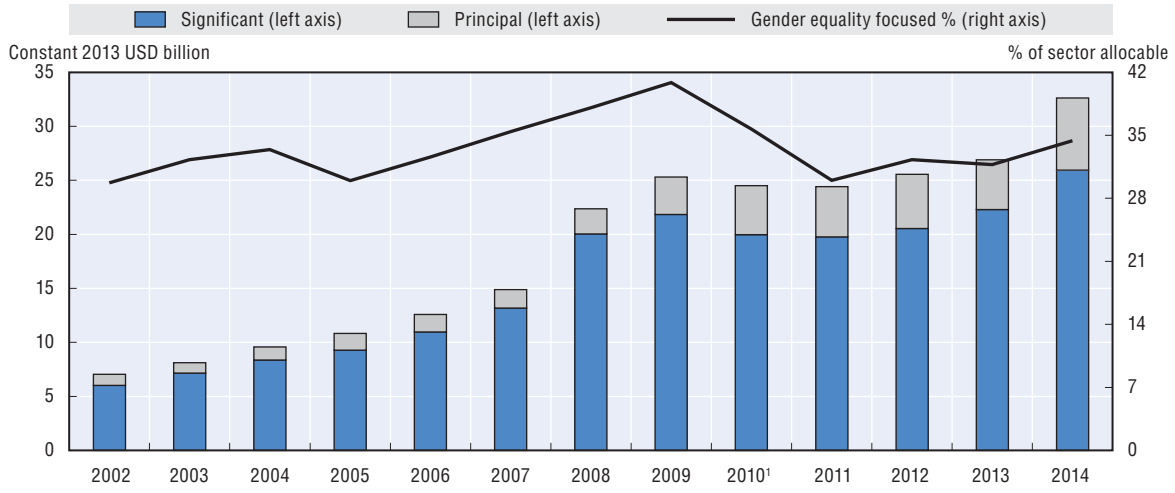
Gender equality is widely recognised as an important end in its own right and a prerequisite for sustainable development. The Busan Partnership agreement calls for a redoubling of efforts to implement commitments in this area (Fourth High-Level Forum, 2011). Adequate financing for

gender equality and women's rights will be critical for making the gender equality commitments of the Busan Partnership a reality and accelerating progress towards gender equality and women's rights beyond 2015.

The DAC Gender Equality Marker is a statistical instrument to measure aid that is focused on achieving gender equality and women's empowerment. Activities are classified as "principal" when gender equality is a primary objective, "significant" when gender equality is an important but secondary objective, or "not targeted". All DAC members screen their activities against the DAC Gender Equality Marker. The marker is an important tool for strengthening accountability and transparency in DAC provider financing for gender equality and women's rights.

In the profiles of DAC members that follow, ODA supporting gender equality and women's empowerment is presented for each country in terms of: 1) the volume of ODA in support of gender equality; 2) the share of bilateral allocable ODA committed for significant or principal activities; and 3) the share of bilateral ODA in support of gender equality by sector. In some cases, fluctuations in a DAC country's ODA for gender equality may be partly due to variations in the way the gender marker has been applied from one year to the next. The calculation of bilateral allocable aid changed for data as of 2010.[9] In 2014, DAC countries committed a total of USD 33 billion for gender equality and women's empowerment (Figure 8.9). The DAC country average for the share of development co-operation that had a gender equality and women's empowerment objective was 34% in 2014.

Figure 8.9. **Total DAC countries' ODA for gender equality and women's empowerment, 2002-14, commitments**



1. Break in calculation of bilateral allocable aid.

Source: OECD (2016d), "Detailed aid statistics: Official bilateral commitments by sector", *OECD International Development Statistics* (database), *http://dx.doi.org/10.1787/data-00073-en* (accessed 22 April 2016).

StatLink http://dx.doi.org/10.1787/888933357892

Development co-operation for the environment, including the Rio conventions

The United Nations Framework Convention on Climate Change (UNFCCC), the Convention on Biological Diversity (CBD) and the United Nations Convention to Combat Desertification (UNCCD), collectively known as the Rio conventions, were established following the 1992 United Nations Conference on Environment and Development in Rio de Janeiro. Signatory countries committed to incorporating the principles of sustainable development and global environmental concerns into their national development agendas, while providing developing countries with financial and technical resources for this purpose. The developed countries that signed the three Rio conventions in 1992 committed themselves to assist developing countries in implementing them.

Since 1998, the DAC has monitored ODA commitments targeting the objectives of the Rio conventions through the Creditor Reporting System using the "Rio markers". Every bilateral development co-operation activity reported to the Creditor Reporting System should be screened and marked as either: targeting the conventions as a "principal objective" or a "significant objective"; or not targeting the objective. The Rio markers are descriptive and allow for an approximate quantification of financial flows targeting the objectives of the Rio conventions. Finance reported to the UNFCCC and the CBD may be based on alternative definitions and measurement methodologies, and may not be comparable with Rio marker data. In analysing financial flows we recommend looking at trends, over at least three years, in particular to smooth out fluctuations from large multi-year projects programmed and committed in a given year, such as observed in 2010.

In 2014, total commitments of bilateral ODA by OECD-DAC countries targeting the global environmental objectives of the three Rio conventions were USD 27.3 billion, or 20% of total ODA. This represented a real increase of 7% over 2013 (USD 25.5 billion). Of the various global environmental objectives, climate change mitigation received the largest commitments of bilateral ODA in 2014, totalling USD 18.8 billion (14% of total ODA).

External finance beyond ODA

Most DAC members also provide developing countries with official finance that does not qualify as ODA, either because the operations are not primarily development-motivated (e.g. export-related operations) or because they are extended at non-concessional terms (e.g. non-concessional loans from bilateral development finance institutions). In recent years, the DAC has been paying more attention to these flows, partly to explore better ways of monitoring total official support for development in the post-2015 measurement framework. In 2014, DAC countries' gross disbursements of "other official flows" (see Glossary) remained at the same level as in 2013, at USD 24 billion. Korea, Japan, Canada and Germany were the largest providers of other official flows in 2014. Recent DAC surveys have shown that official interventions in support of private sector development are also increasingly used to mobilise private investment in developing countries. For example, in 2012-14, USD 36.4 billion were mobilised from the private sector through official development guarantees, syndicated loans and shares in collective investment vehicles (Benn et al., 2016).

Beyond official finance, developing countries also receive external financial resources from the private sector in DAC member countries. Total net private flows to developing countries at market terms recorded a sharp increase in 2014, totalling USD 403 billion, with the United States, the Netherlands, Germany and Japan being the largest providers. Although private flows are more volatile, this represented an increase of 47% in real terms over 2013.

Net private grants for developing countries by non-governmental organisations and foundations in DAC countries was USD 32 billion in 2014, and represented nearly a quarter of total ODA in 2014. The United States alone accounted for 70% of these flows.

Notes

1. The currencies of DAC members depreciated significantly against the US dollar in 2015, and for some, the depreciation against the dollar has been in excess of 15%.
2. Country programmable aid (CPA), also known as "core" aid, is the portion of an aid donor's programme for individual countries, and over which partner countries could have a significant say. CPA is much closer than ODA to capturing the flows of aid that go to the partner country, and has been proven in several studies to be a good proxy of aid recorded at country level. Read more on CPA at: *www.oecd.org/dac/aid-architecture/cpa.htm*.
3. This figure does not take into account any CPA extended by Saudi Arabia in 2015.
4. A summary of DAC members' progress towards improved targeting of ODA is accessible at: *www.oecd.org/dac/financing-sustainable-development/countries-most-in-needs.htm*.

5. For more information on the OECD's study on aid orphans, see: *www.oecd.org/dac/financing-sustainable-development/fragmentation-orphans.htm*.
6. Total net ODA to least developed countries is calculated as DAC countries' bilateral net ODA and imputed multilateral ODA. Imputed multilateral ODA is a way of estimating the geographical distribution of providers' core contributions to multilateral agencies, based on the geographical breakdown of multilateral agencies' disbursements for the year of reference. For more information, see: *www.oecd.org/dac/stats/oecdmethodologyforcalculatingimputedmultilateraloda.htm*.
7. These documents can be viewed at: *www.oecd.org/development/effectiveness/34428351.pdf*.
8. Free-standing technical co-operation refers to the provision of resources for transferring technical and managerial skills or technology in order to build up general national capacity. It does not refer to the implementation of any specific investment projects.
9. Prior to 2010, bilateral allocable aid was calculated for CRS purpose codes below 50000, i.e. sector allocable aid. As from 2010 data, the calculation of allocable aid is no longer based on sectors but on types of aid. This new methodology slightly extends the scope of aid screened, mainly with the inclusion of humanitarian aid. The calculation includes the following types of aid: sector budget support, core support to NGOs, support to specific funds managed by international organisations, pooled funding, projects, donor country personnel and other technical assistance, and scholarships in donor country.

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Profiles of development co-operation providers

The profiles on DAC members, which are presented in alphabetical order in this section, give key data on resources mobilised by each member for development, with a focus on official development assistance (ODA) key flows, channels and thematic and geographic allocations, as well as information about private sector policies and instruments, in line with the overall focus of the Development Co-operation Report 2016.

This section was prepared by Ida Mc Donnell and Valentina Sanna, in collaboration with Yasmin Ahmad, Joëlline Benefice, Elena Bernaldo, Pierre Blanchard, Olivier Bouret, Gisela Campillo, Jan Corfee-Morlot, Gregory De Paepe, Kerri Elgar, Ann Gordon, Karen Jorgensen, Rahul Malhotra, Hannah Murray Kelly, Cécile Sangaré, Giovanni Maria Semeraro, Guillaume Simon, Andrzej Suchodolski and Valérie Thielemans of the Development Co-operation Directorate, OECD.

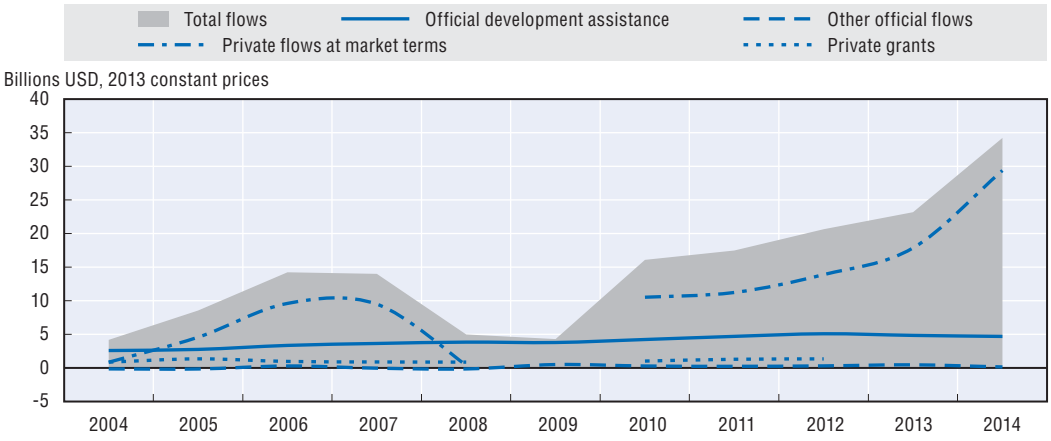
AUSTRALIA

Development challenges as investment and business opportunities: Australia's policy and practices

Australia's 2014 aid policy, *Australian Aid: Promoting Prosperity, Reducing Poverty, Enhancing Stability*, elevates private sector development to one of two pillars of the aid programme. In 2015, the Department of Foreign Affairs and Trade (DFAT) published a ministerial statement on engaging the private sector in aid and development, *Creating Shared Value Through Partnership*, which focuses on how Australia should work with the business sector ranging from dialogue to financial partnerships. The Strategy for Australia's Aid Investments in Private Sector Development sets out three main areas of focus: building better enabling environments for business, supporting growth in specific markets and maximising the development impact of individual businesses. A key change at DFAT is that it aims to engage the private sector actively in all aspects of aid investment decision making.

Financial flows from Australia to developing countries

Figure 9.1. **Net resource flows to developing countries, 2004-14, Australia**



Note: Data on private flows at market terms are not available for 2009 and those for private grants are not available for 2009, 2013 and 2014.

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Australia uses ODA to mobilise other resources for sustainable development

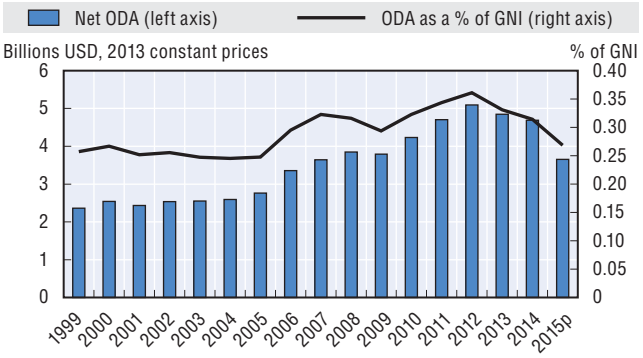
- **Australia contributes to the mobilisation of domestic resources in developing countries by supporting their tax systems.** In 2014, it is estimated that Australia committed USD 8.8 million of its official development assistance (ODA) to tax-related activities in partner countries.
- **It promotes aid for trade to improve developing countries' trade performance and integration into the world economy.** Australia intends to scale up aid-for-trade investments to 20% of the total aid budget. It committed USD 384.2 million (11.9% of its bilateral allocable ODA) to trade-related activities in 2014, a decrease of 9.1% in real terms from 2013. The trend has been decreasing since 2010.
- **Australia has pledged USD 187 million (AUD 200 million) to the Green Climate Fund,** which plays a key role in channelling resources to developing countries and catalysing climate finance at the international and national levels.

Australia's official development assistance

Australia provided USD 3.2 billion in net ODA in 2015 (preliminary data), which represented 0.27% of gross national income (GNI) and a fall of 11.1% in real terms from 2014. Australia's ODA is set to decrease further in light of the government's decision to cut the budget by 20% for 2015/16. It plans, however, to target more innovative and catalytic investments, leveraging other drivers for development, such as private sector investment and domestic finance. Australia is the 16th largest Development Assistance Committee (DAC) provider in terms of ODA/GNI, and the 12th largest by volume. Australia's share of untied ODA (excluding administrative costs and in-donor refugee costs) was 89.1% in 2014 (down from 99.2% in 2013 and 100% in 2012), while the DAC average was 80.6%. The grant element of total ODA was 99.9% in 2014.

Australia reported USD 342.6 million of its in-donor refugee costs as ODA in 2013 (representing 7.1% of its total net ODA). In 2014, Australia did not report expenditure on in-donor refugee costs as ODA. It considers that its processing of irregular migrants does not align with DAC rules for in-donor refugee costs.

Figure 9.2. **Net ODA: Trends in volume and as a share of GNI, 1999-2015, Australia**



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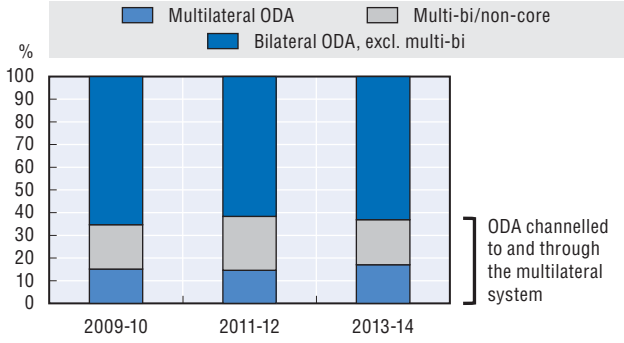
In 2014, 79.9% of ODA was provided bilaterally. Australia allocated 20.1% of total ODA as core contributions to multilateral organisations, compared with the DAC country average of 28.3%. In addition, it channelled 27% of its bilateral ODA for projects implemented by multilateral organisations (multi-bi/non-core).

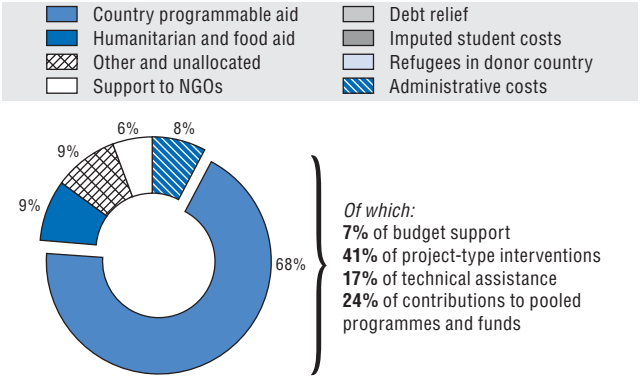
Figure 9.3. **Share of ODA channelled to and through the multilateral system, two year averages, gross disbursements, Australia**



StatLink http://dx.doi.org/10.1787/888933357929

In 2014, 68.4% of bilateral ODA was programmed at partner country level. Australia's share of country programmable aid (CPA) was well above the DAC country average (52.9%); 41% of CPA consisted of project-type interventions.

Figure 9.4. **Composition of bilateral ODA, 2014, gross disbursements, Australia**



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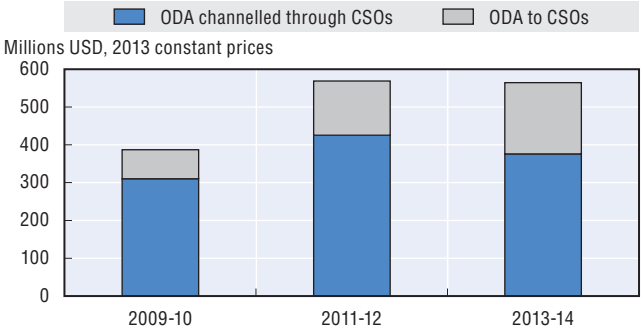
In 2014, USD 566.6 million of bilateral ODA was channelled to and through civil society organisations (CSOs). This was equivalent to 16.1% of bilateral ODA, compared with the DAC average of 17.4%. Aid to and through CSOs increased between 2013 and 2014, both in volume (+16.1%) and as a share of bilateral ODA (from 12.4% to 16.1%).

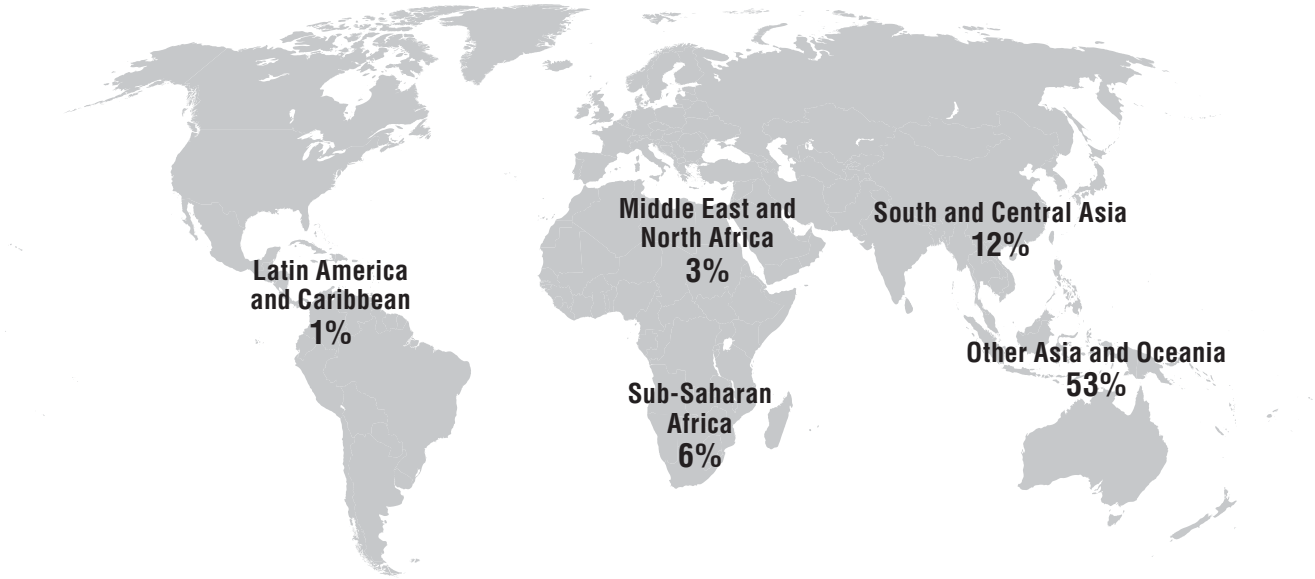
Figure 9.5. **Bilateral ODA to and through CSOs, two year averages, gross disbursements, Australia**



StatLink http://dx.doi.org/10.1787/888933357943

In 2014, bilateral ODA was primarily focused on Asia and Oceania. USD 988.5 million was allocated to Far East Asia, USD 850.4 million to Oceania, and USD 508.5 million to south and central Asia. USD 164.2 million was allocated to sub-Saharan Africa. Bilateral allocations to sub-Saharan Africa are decreasing in line with government policy.

Figure 9.6. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, Australia**



Note: 25% of bilateral ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

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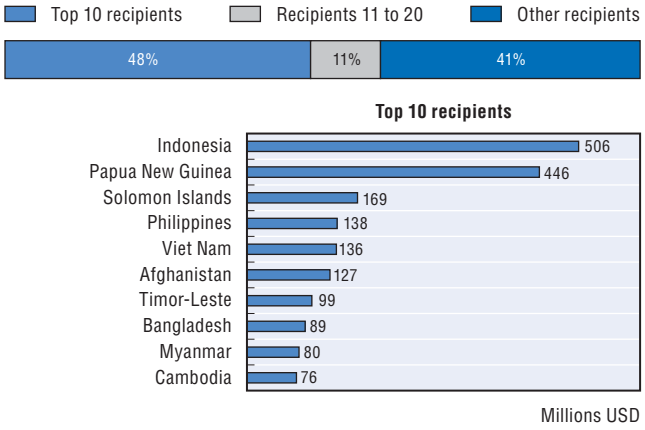
In 2014, 50% of bilateral ODA went to Australia's top 10 recipients. Its top 10 recipients are in the Asia-Pacific region, where Australia has programmes with 33 countries. Its support to fragile states reached USD 911.5 million in 2014 (25.9% of gross bilateral ODA).

Figure 9.7. **Bilateral ODA to top recipients, 2013-14 average, gross disbursements, Australia**



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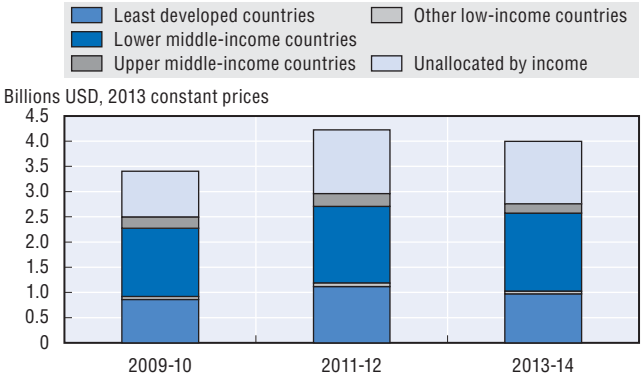
In 2014, 25.2% of Australia's bilateral ODA was allocated to least developed countries (LDCs), corresponding to USD 885.8 million. This is up from 23.5% in 2013 and is in line with the DAC average of 25.6%. Lower middle-income countries received the highest share of bilateral ODA in 2014 (39.7%).

At 0.09% of GNI in 2014, total ODA to LDCs was less than the UN target of 0.15% of GNI.

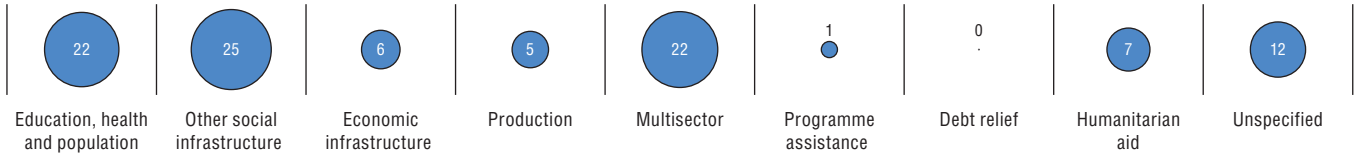
Figure 9.8. **Bilateral ODA by income group, two year averages, gross disbursements, Australia**



StatLink http://dx.doi.org/10.1787/888933357976

In 2014, 49.1% of bilateral ODA was allocated to social infrastructure and services, representing USD 1.7 billion. There was a strong focus on support to government and civil society (USD 646 million), education (USD 529 million), and health (USD 203.4 million). Humanitarian aid amounted to USD 282.9 million.

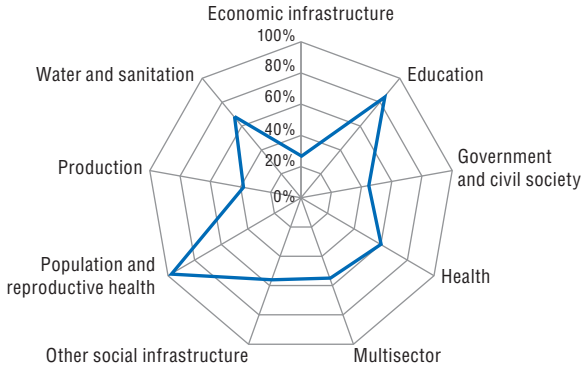
Figure 9.9. **Share of bilateral ODA by sector, 2013-14 average, commitments, Australia**



StatLink http://dx.doi.org/10.1787/888933357986

USD 1.6 billion of bilateral ODA supported gender equality in 2014. Empowering women and girls and promoting gender equality are central to Australia's development co-operation and international diplomacy. To achieve these objectives, the government has set a target requiring that at least 80% of investments, regardless of their objectives, will effectively address gender issues in their implementation. In 2014, 56.6% of Australia's bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective. This is an increase from 22.8% in 2009 and is higher than the 2014 DAC country average of 34.7%. Australia's aid to population, reproductive health and education focuses on gender.

Figure 9.10. **Share of bilateral allocable ODA in support of gender equality by sector, 2014, commitments, Australia**



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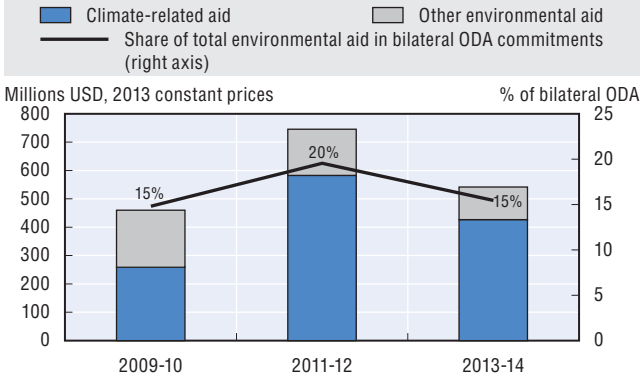
USD 496.5 million of bilateral ODA supported the environment in 2014. Australia's new development policy commits Australia's aid programme to "… actively manage risk by mitigating adverse environmental and social impacts in the aid programme through the application of mandatory safeguard policies…" (Commonwealth of Australia, 2014). In 2014, 15.3% of its bilateral allocable aid focused on the environment, compared with the DAC country average of 32.2%. In 2014, 11% of Australian bilateral allocable aid (USD 357.1 million) focused particularly on climate change, compared with the DAC country average of 23.9%.

Figure 9.11. **Bilateral allocable ODA in support of global and local environment objectives, two year averages, commitments, Australia**



StatLink http://dx.doi.org/10.1787/888933358006

Note to reader: Annex B provides "Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members".

Reference

Commonwealth of Australia (2014), *Australian Aid: Promoting Prosperity, Reducing Poverty, Enhancing Stability*, Department of Foreign Affairs and Trade, Canberra, *www.dfat.gov.au/about-us/publications/Documents/australian-aid-development-policy.pdf*.

AUSTRIA

Development challenges as investment and business opportunities: Austria's policy and practices

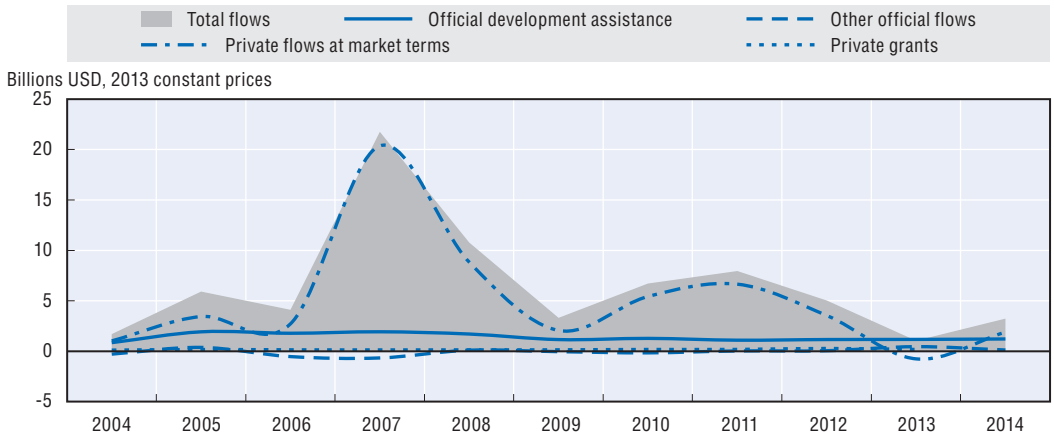
Austria uses its official development assistance to catalyse private investment for sustainable development, in line with the strong focus it places on private sector development in its three-year programmes for development co-operation and its Private Sector and Development Guidelines (2010). Austria focuses on private sector development to improve the business-enabling environment in developing countries and to strengthen the market position of small and medium enterprises in partner countries while also partnering with the Austrian/EU private sector. By means of private sector engagement, Austrian Development Co-operation (ADC) intends to create income, strengthen institutions and enhance availability of public goods in partner countries. Moreover, many private sector projects aim at improving social and environmental standards along the international value/supply chain of the European company involved.

Public-private dialogue is promoted through the CorporAID Platform, which is jointly financed by the ADC, the Ministry of Economy and Austrian companies. CorporAID focuses on "business, development and corporate social responsibility". The 2015 DAC Peer Review of Austria encouraged Austria to develop a broad-based strategy on the role of the private sector in development, with a clear focus on poverty reduction and sustainable development.

Austria engages in private sector development mainly through the operations of the OeEB, the national development finance institution. Its mission is to promote sustainable development (economic, environmental and social) by financing and investing in profitable private sector projects in developing and emerging countries. The OeEB's key products are investment lending, equity participation and advisory programmes.

Financial flows from Austria to developing countries

Figure 10.1. **Net resource flows to developing countries, 2004-14, Austria**



Note: Data on private grants are not available for 2014.

StatLink http://dx.doi.org/10.1787/888933358012

Austria uses ODA to mobilise other resources for sustainable development

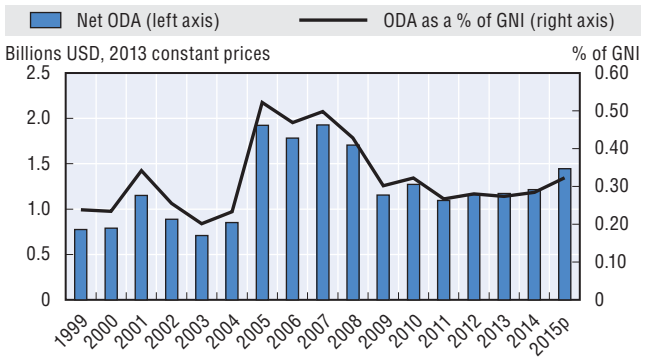
- **Austria contributes to the mobilisation of domestic resources in developing countries by supporting their tax systems.** Austria supports tax-related activities mainly via its multilateral contributions (e.g. to the EU).
- **It promotes aid for trade to improve developing countries' trade performance and integration into the world economy.** It committed USD 68.6 million to trade-related activities in 2014 (22.6% of its bilateral allocable ODA), a 52.6% decrease in real terms from 2013. The trend has been fluctuating over the past few years.
- **Austria has pledged to provide at least USD 25 million to the Green Climate Fund,** which plays a key role in channelling resources to developing countries and catalysing climate finance at the international and national levels.

Austria's official development assistance

In 2015, Austria provided USD 1.2 billion in net ODA (preliminary data), which represented 0.32% of gross national income (GNI) and a 15.4% increase in real terms from 2014, due to increased spending on in-donor refugee costs. Austria is the 13th largest Development Assistance Committee (DAC) provider in terms of ODA as a percentage of GNI, and the 18th in terms of volume. The Austrian government remains committed to achieving the target of 0.7% ODA/GNI and intends to develop a roadmap to achieve this target. However, the outlook for the ODA budget is mixed – while the 2016 budget increased humanitarian assistance, it is not clear whether overall levels will increase. While Austria's share of untied ODA (excluding administrative costs and in-donor refugee costs) has increased, from 44.2% in 2013 to 48.2% in 2014, it is still low compared to the 2014 DAC average of 80.6%. The grant element of total ODA was 100% in 2014.

Austria reported USD 109.5 million of its in-donor refugee costs as ODA in 2014. These costs represented 8.9% of its total net ODA.

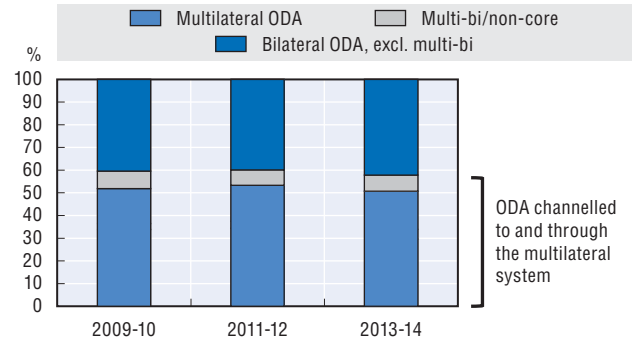
Figure 10.2. **Net ODA: Trends in volume and as a share of GNI, 1999-2015, Austria**



StatLink http://dx.doi.org/10.1787/888933358024

In 2014, 51.8% of Austria's ODA was provided bilaterally. Austria allocated 48.2% of total ODA as core contributions to multilateral organisations, compared with the DAC country average of 28.3%. In addition, it channelled 13% of its bilateral ODA for specific projects implemented by multilateral organisations (multi-bi/non-core).

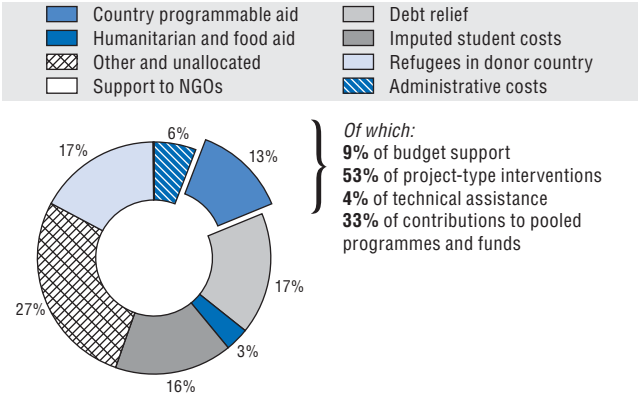
Figure 10.3. **Share of ODA channelled to and through the multilateral system, two year averages, gross disbursements, Austria**



StatLink http://dx.doi.org/10.1787/888933358036

Only 12.9% of Austria's bilateral ODA was programmed at partner country level in 2014. Austria's share of country programmable aid (CPA) was low compared to the DAC country average (52.9%) in 2014. Project-type interventions accounted for 53% of CPA; 27% of bilateral ODA was classified as "other and unallocated".

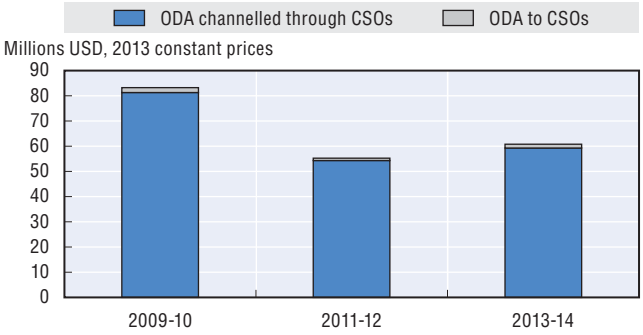
Figure 10.4. **Composition of bilateral ODA, 2014, gross disbursements, Austria**



StatLink http://dx.doi.org/10.1787/888933358042

In 2014, USD 68.9 million of bilateral ODA was channelled to and through civil society organisations (CSOs). ODA channelled to and through CSOs increased by 26.1% in volume compared to 2013. As a share of bilateral ODA, support for CSOs increased from 9.8% in 2013 to 10.7% in 2014. The DAC average was 17.4%.

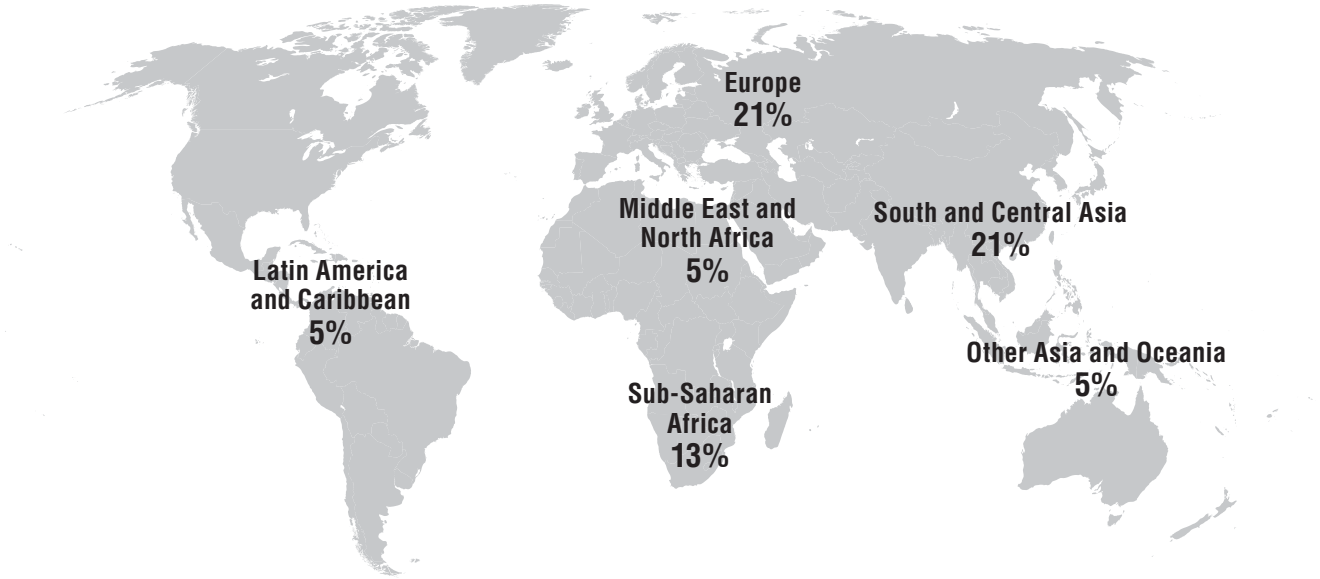
Figure 10.5. **Bilateral ODA to and through CSOs, two year averages, gross disbursements, Austria**



StatLink http://dx.doi.org/10.1787/888933358053

In 2014, bilateral ODA was primarily focused on south and central Asia, Eastern Europe, and sub-Saharan Africa, representing USD 156.3 million to south and central Asia, USD 126.8 million to Eastern Europe, and USD 64.8 million to sub-Saharan Africa – ODA to this region has decreased over the last two years.

Figure 10.6. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, Austria**

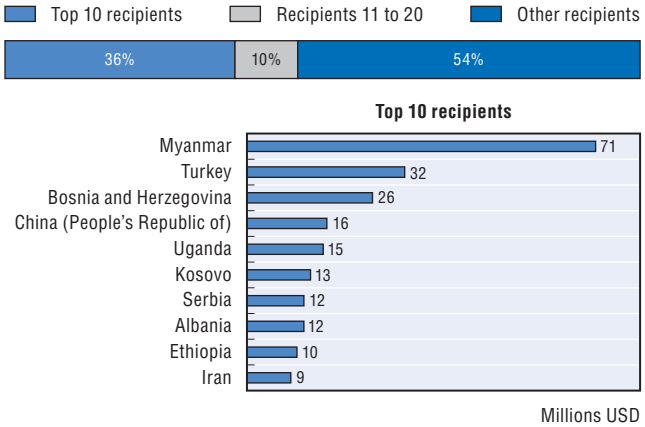


Note: 31% of bilateral ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

StatLink http://dx.doi.org/10.1787/888933358069

Austria allocated 38.5% of its bilateral ODA to its top 10 recipients. Four of its 11 priority partner countries are among its top 10 recipients (Albania, Ethiopia, Kosovo and Uganda). Austria's support to fragile states reached USD 203 million in 2014 (31.7% of gross bilateral ODA).

Figure 10.7. **Bilateral ODA to top recipients, 2013-14 average, gross disbursements, Austria**

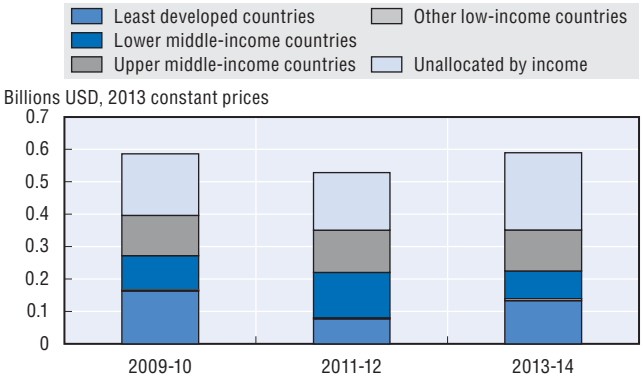


StatLink http://dx.doi.org/10.1787/888933358072

In 2014, 24.9% of Austria's bilateral ODA was allocated to least developed countries (LDCs), amounting to USD 159.8 million and only slightly below the 2014 DAC average of 25.6%. As a share of bilateral ODA, aid to LDCs has increased since 2012, when it was 10.6%. LDCs received the highest share of bilateral ODA in 2014, noting that 40.1% was unallocated by income group.

At 0.08% of GNI in 2014, Austria's total ODA to LDCs was less than the UN target of 0.15% of GNI.

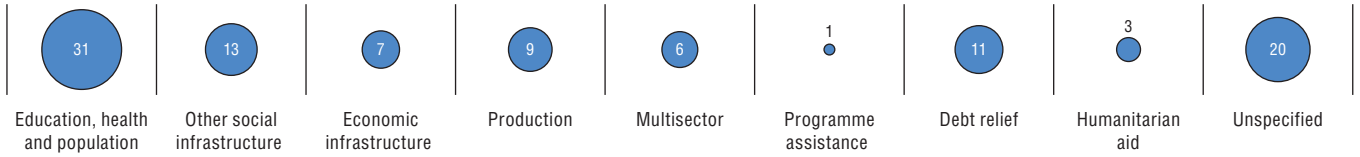
Figure 10.8. **Bilateral ODA by income group, two year averages, gross disbursements, Austria**



StatLink http://dx.doi.org/10.1787/888933358083

In 2014, 41.4% of bilateral ODA was allocated to social infrastructure and services. A total of USD 278.6 million of bilateral ODA was allocated to social sectors, with a strong focus on support to education (USD 168.4 million) and health (USD 40.1 million). Debt relief amounted to USD 106.8 million.

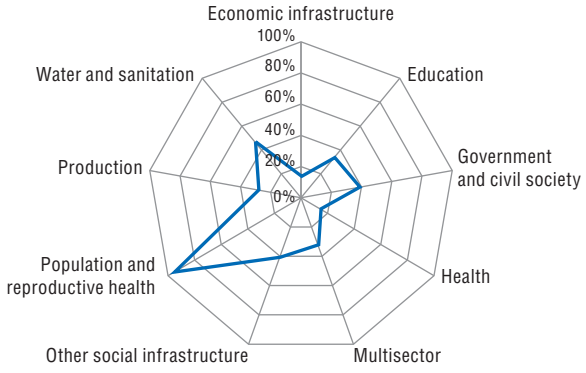
Figure 10.9. **Share of bilateral ODA by sector, 2013-14 average, commitments, Austria**



StatLink http://dx.doi.org/10.1787/888933358099

USD 88.9 million of bilateral ODA supported gender equality in 2014. Support for gender equality is a priority cross-cutting issue for Austrian development co-operation. The 2015 DAC Peer Review recommended that Austria clarify its priorities for mainstreaming cross-cutting themes, and ensure that it has the tools and resources to follow through on these priorities. In 2014, 29.3% of bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective. This is an increase over 2013, when it was 24.8%, but is lower than the share in 2009 (32.5%) and the DAC country average of 34.7% in 2014. Austria's aid to population and reproductive health focuses on gender.

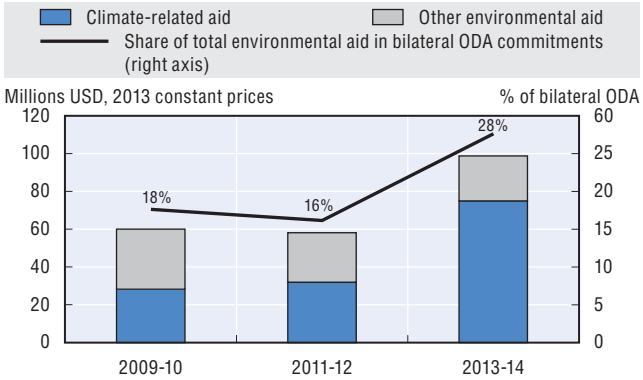
Figure 10.10. **Share of bilateral allocable ODA in support of gender equality by sector, 2014, commitments, Austria**



StatLink http://dx.doi.org/10.1787/888933358101

USD 77.3 million of bilateral ODA supported the environment in 2014. Tackling global environmental issues is a top priority for Austria, although mainstreaming the environment throughout the programme remains work in progress and Austria needs to ensure that it has the tools and resources to follow through on these priorities. In 2014, 25.5% of its bilateral allocable aid focused on the environment and 21.1% (USD 63.9 million) focused particularly on climate change, compared with the respective DAC country averages of 32.2% and 23.9%.

Figure 10.11. **Bilateral allocable ODA in support of global and local environment objectives, two year averages, commitments, Austria**



StatLink http://dx.doi.org/10.1787/888933358114

Note to reader: Annex B provides "Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members".

Reference

OECD (2015), *OECD Development Co-operation Peer Reviews: Austria 2015*, OECD Development Co-operation Peer Reviews, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264227958-en*.

BELGIUM

Development challenges as investment and business opportunities: Belgium's policy and practices

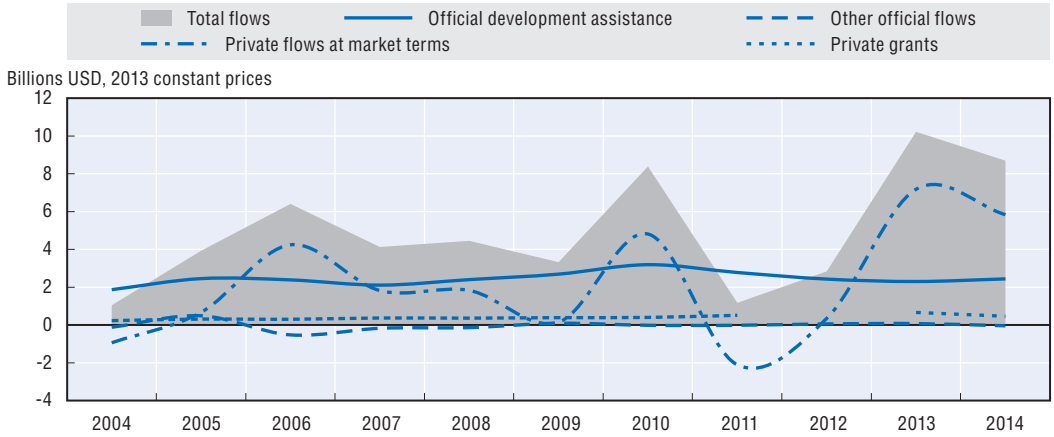
Belgium has been reinforcing its approach to leveraging official development assistance (ODA) and other instruments to increase private investment for development – particularly for the local private sector in developing countries. A number of official instruments have been developed. The Belgian Investment Company for Developing Countries (BIO), the national development finance institution, is the main instrument and focuses on supporting local private sector companies.

BIO's early-stage capital amounts to EUR 5 million. Since its creation in 2001, the Ministry of Foreign Affairs made additional contributions amounting to approximately EUR 700 million to serve its investment portfolio. Financial contributions made by BIO are not conditioned by the involvement of other Belgian players of any type (companies, banks, etc.), but do not exclude it either. The 2015 DAC Peer Review of Belgium recommended that it further strengthen the development impact of BIO's investments and ensure that its other official instruments for leveraging private investments for developing countries also contribute to sustainable development.

According to the 2015 DAC Survey on Mobilisation (Benn et al., 2016), Belgium mobilised USD 18 million from the private sector through syndicated loans and shares in collective investment vehicles in 2012-14, of which 69% targeted climate-related projects.

Financial flows from Belgium to developing countries

Figure 11.1. **Net resource flows to developing countries, 2004-14, Belgium**



Note: Data on private grants are not available for 2012.

StatLink http://dx.doi.org/10.1787/888933358125

Belgium uses ODA to mobilise other resources for sustainable development

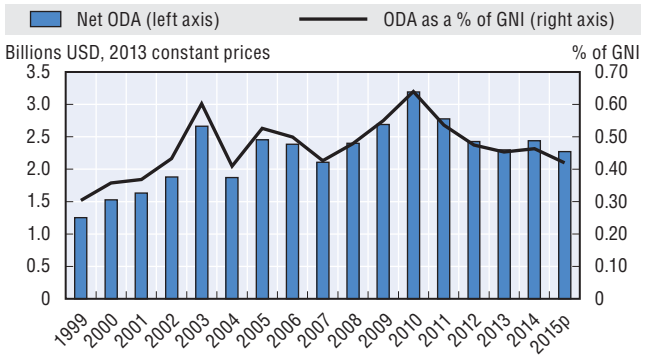
- **Belgium contributes to the mobilisation of domestic resources in developing countries by supporting their tax systems.** In 2014, it is estimated that Belgium committed USD 2.65 million of its ODA to tax-related activities in partner countries.
- **It promotes aid for trade to improve developing countries' trade performance and integration into the world economy.** It committed USD 277.3 million to aid-related activities in 2014 (25.3% of its bilateral allocable ODA), a 37.5% increase in real terms from 2012. The trend has been positive over the past few years.
- **Belgium has pledged USD 82.5 million (EUR 61.6 million) to the Green Climate Fund,** which plays a key role in channelling resources to developing countries and catalysing climate finance at the international and national levels.

Belgium's official development assistance

In 2015, Belgium delivered USD 1.9 billion in net ODA (preliminary data), which represented 0.42% of gross national income (GNI) and a fall of 7.8% in real terms from 2014. Belgium is the 10th largest Development Assistance Committee (DAC) provider in terms of ODA as a percentage of GNI, and the 15th in terms of volume. The outlook for growth in Belgium's ODA is negative. The government's commitment to reach the target of 0.7% ODA/GNI is included in law; however, the 2015 budget announced significant cuts up until 2019. Belgium's share of untied ODA (excluding administrative costs and in-donor refugee costs) was 96.7% in 2014 (down from 98.1% in 2013). The 2014 DAC average was 80.6%. The grant element of total ODA was 99.9% in 2014.

Belgium reported USD 186.7 million of its in-donor refugee costs as ODA in 2014. These costs represented 7.6% of its total net ODA.

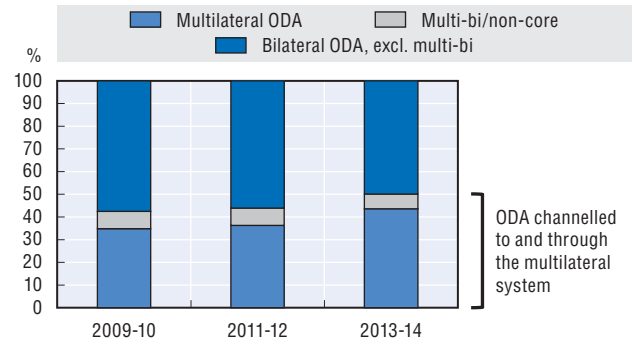
Figure 11.2. **Net ODA: Trends in volume and as a share of GNI, 1999-2015, Belgium**



StatLink http://dx.doi.org/10.1787/888933358139

In 2014, 54.8% of ODA was provided bilaterally. Belgium allocated 45.2% of total ODA as core contributions to multilateral organisations, compared with the DAC country average of 28.3%. In addition, it channelled 9.7% of its bilateral ODA for specific projects implemented by multilateral organisations (multi-bi/non-core).

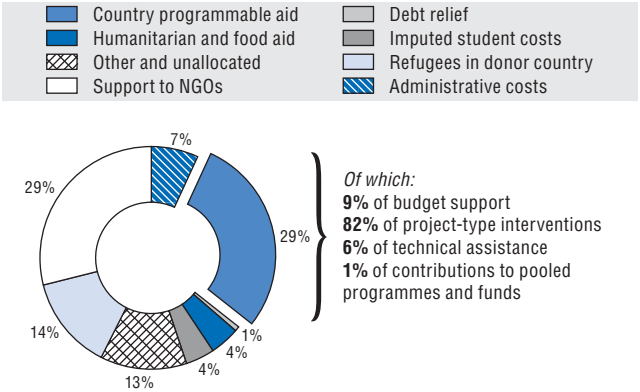
Figure 11.3. **Share of ODA channelled to and through the multilateral system, two year averages, gross disbursements, Belgium**



StatLink http://dx.doi.org/10.1787/888933358149

In 2014, 28.8% of bilateral ODA was programmed at partner country level. The share of country programmable aid (CPA) was low compared with the DAC country average (52.9%) in 2014. Project-type interventions accounted for 82% of CPA.

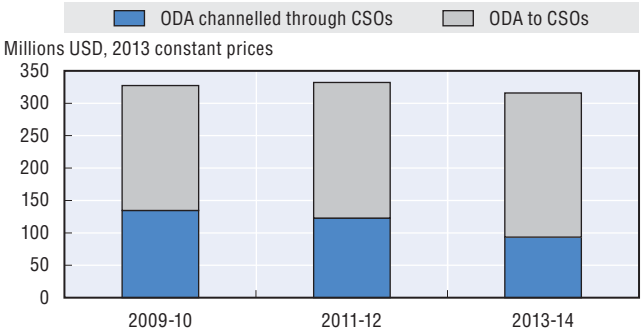
Figure 11.4. **Composition of bilateral ODA, 2014, gross disbursements, Belgium**



StatLink http://dx.doi.org/10.1787/888933358157

In 2014, USD 310.7 million of bilateral ODA was channelled to and through civil society organisations (CSOs). This was equivalent to 22.7% of Belgium's bilateral ODA, compared with the DAC average of 17.4%. Belgium's aid channelled to and through CSOs decreased between 2013 and 2014, both in terms of volume (-4%) and as a share of bilateral aid (from 23.6% to 22.7%).

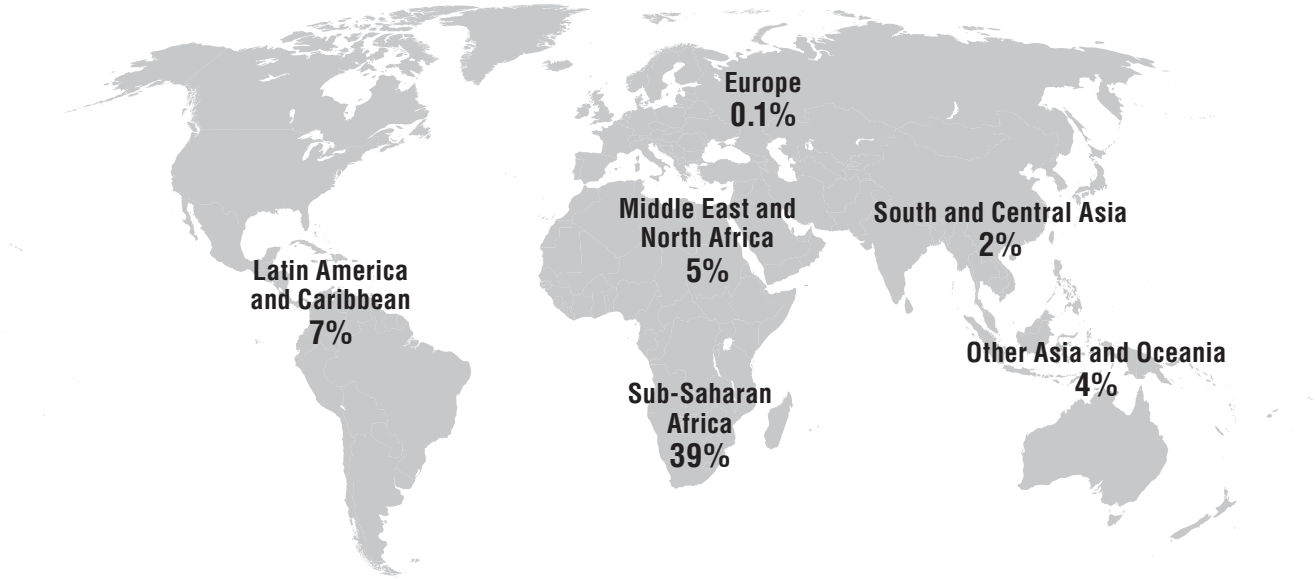
Figure 11.5. **Bilateral ODA to and through CSOs, two year averages, gross disbursements, Belgium**



StatLink http://dx.doi.org/10.1787/888933358161

Bilateral ODA in 2014 was primarily focused on sub-Saharan Africa, with USD 511.8 million allocated to this region. USD 295 million (or 39%) of Belgium's aid to sub-Saharan Africa was allocated to the Great Lakes region, which is a priority for Belgian development co-operation.

Figure 11.6. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, Belgium**

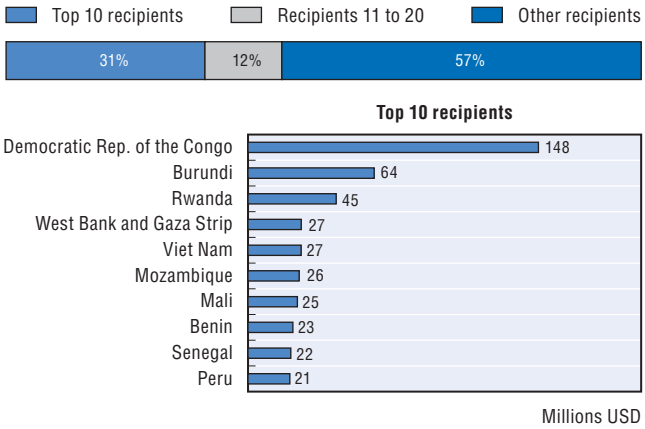


Note: 43% of bilateral ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

StatLink http://dx.doi.org/10.1787/888933358171

In 2014, 29.9% of bilateral ODA went to Belgium's top 10 recipients. Eight of its 14 priority partner countries are among its top 10 recipients. The Democratic Republic of the Congo, Burundi and Rwanda are among its top 5 recipients. Belgium's support to fragile states reached USD 437 million in 2014, accounting for 31.9% of gross bilateral ODA.

Figure 11.7. **Bilateral ODA to top recipients, 2013-14 average, gross disbursements, Belgium**

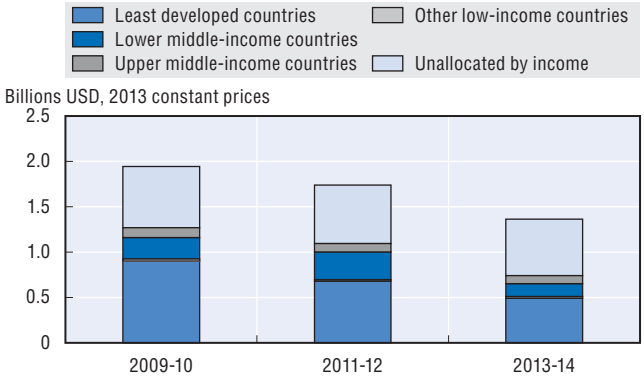


StatLink http://dx.doi.org/10.1787/888933358185

In 2014, 35.1% of Belgium's bilateral ODA was allocated to least developed countries (LDCs), amounting to USD 480 million. This is a decrease from 37% in 2013, but remains higher than the 2014 DAC average of 25.6%. LDCs received the highest share of bilateral ODA in 2014, noting that 47.1% was unallocated by income group.

At 0.16% of GNI in 2014, Belgium's total ODA to LDCs surpassed the UN target of 0.15% of GNI.

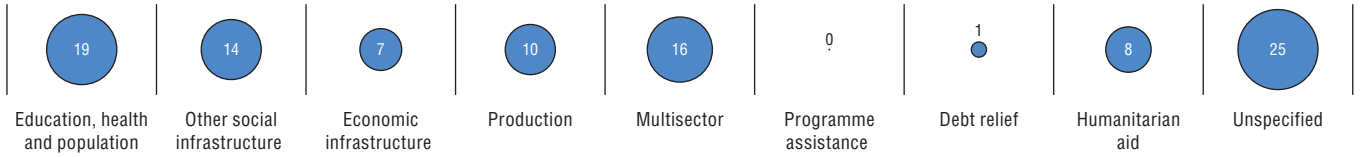
Figure 11.8. **Bilateral ODA by income group, two year averages, gross disbursements, Belgium**



StatLink http://dx.doi.org/10.1787/888933358192

In 2014, 35.4% of bilateral ODA was allocated to social infrastructure and services, for a total of USD 516.8 million. There was a strong focus on health (USD 173.8 million), government and civil society (USD 131.5 million), and education (USD 106.2 million). Humanitarian aid amounted to USD 59.5 million.

Figure 11.9. **Share of bilateral ODA by sector, 2013-14 average, commitments, Belgium**



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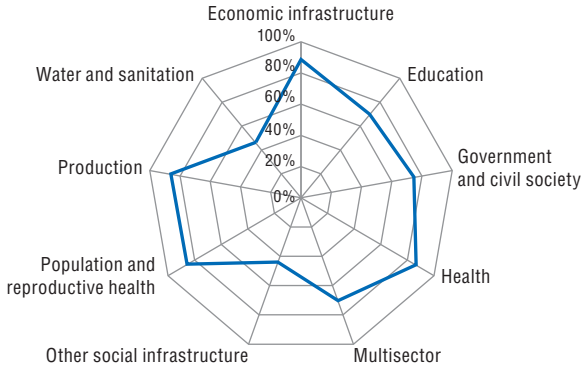
USD 786.2 million of bilateral ODA supported gender equality. Gender equality is a cross-cutting theme in Belgian development co-operation, which in 2013 approved its second National Action Plan for Women, Peace and Security. This plan places a strong emphasis on preventing and combating gender-based violence in conflict and post-conflict zones. In 2014, 73.61% of Belgium's bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective, compared with the DAC country average of 34.7%. This is an increase from 70.6% in 2013 and 38.2% in 2009. Belgium's aid to population and reproductive health, productive sectors, economic infrastructure and health mainly focus on gender.

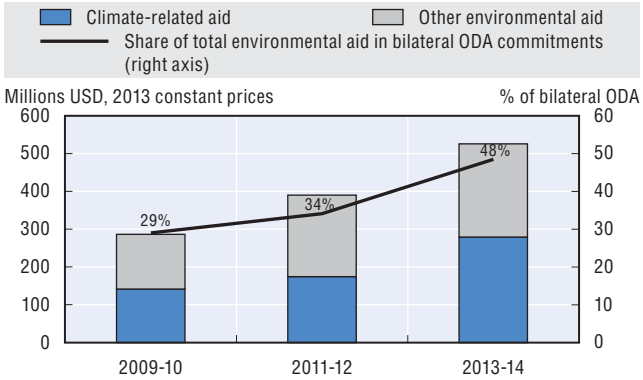
Figure 11.10. **Share of bilateral allocable ODA in support of gender equality by sector, 2014, commitments, Belgium**



StatLink http://dx.doi.org/10.1787/888933358212

USD 577.3 million of bilateral ODA supported the environment in 2014. The environment and climate change are cross-cutting themes for Belgium, which is also reinforcing its strategy and resources for making progress. The share of environment-focused bilateral aid has been increasing since 2007. In 2014, 52.7% of its bilateral allocable aid supported the environment and 27.8% focused particularly on climate change, compared with the respective DAC country averages of 32.2% and 23.9%.

Figure 11.11. **Bilateral allocable ODA in support of global and local environment objectives, two year averages, commitments, Belgium**



StatLink http://dx.doi.org/10.1787/888933358221

Note to reader: Annex B provides "Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members".

Reference

OECD (2015), *OECD Development Co-operation Peer Reviews: Belgium 2015*, OECD Development Co-operation Peer Reviews, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264239906-en*.

CANADA

Development challenges as investment and business opportunities: Canada's policy and practices

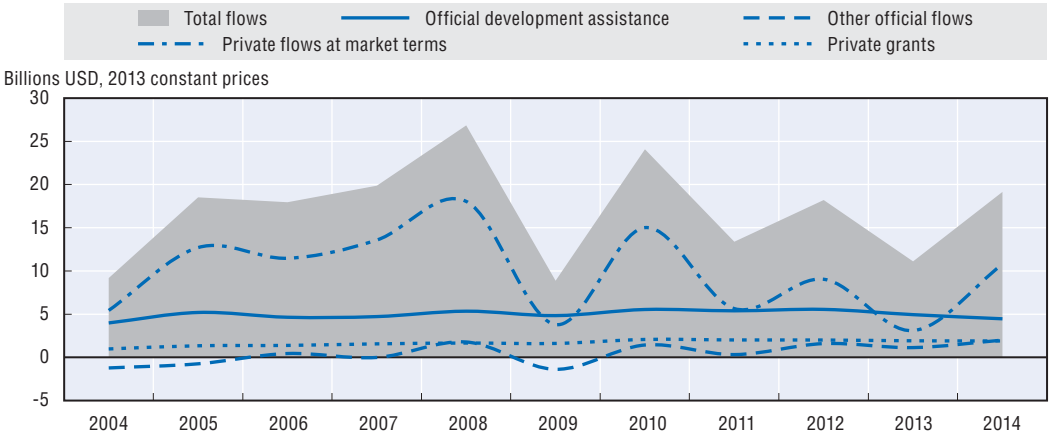
The government of Canada is committed to strengthening its engagement with private sector actors as partners to help reduce global poverty. Canada is placing a stronger emphasis on sustainable economic growth and is developing new and potentially innovative private sector approaches and partnerships. Canada's approach to partnering with the private sector in development highlights the importance of helping developing country partners create the conditions for strong and sustainable private sector-led growth through its Sustainable Economic Growth Strategy and by leveraging local, Canadian, international and multinational private sector actors of all sizes to promote private sector-led growth in developing countries.

An example of Canada's approach is the partnership with Mennonite Economic Development Associates and Sarona Asset Management, supporting a 15-year investment fund that leverages private equity investment of up to CAD 400 million to help the most promising small and medium enterprises in developing countries grow.

According to the 2015 DAC Survey on Mobilisation (Benn et al., 2016), Canada mobilised USD 47 million from the private sector through shares in collective investment vehicles in 2012-14, of which 28% targeted climate-related projects. Although Canada does not have a national development finance institution, it supports private sector development mainly through Global Affairs Canada and the Department of Finance Canada.

Financial flows from Canada to developing countries

Figure 12.1. **Net resource flows to developing countries, 2004-14, Canada**



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Canada uses ODA to mobilise other resources for sustainable development

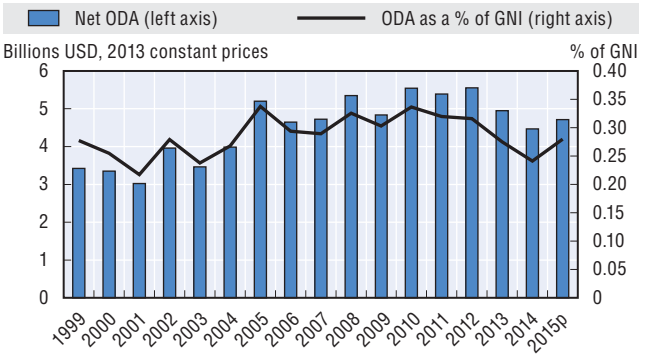
- **Canada contributes to the mobilisation of domestic resources in developing countries by supporting their tax systems.** In 2014, it is estimated that Canada committed USD 3.4 million of its official development assistance (ODA) to tax-related activities in partner countries.
- **It promotes aid for trade to improve developing countries' trade performance and integration into the world economy.** It committed USD 463.3 million to trade-related activities in 2014 (15.7% of its bilateral allocable ODA), a 35.8% decrease in real terms from 2013. The trend has been fluctuating over the past few years.
- **Canada has pledged USD 277 million (CAD 300 million) to the Green Climate Fund,** which plays a key role in channelling resources to developing countries and catalysing climate finance at the international and national levels. In 2016/17, Canada will also contribute a total amount of USD 22.4 million (CAD 30 million) to the Least Developed Countries Fund, which addresses urgent and immediate adaptation needs and supports national adaptation planning processes to reduce medium and long-term vulnerability to the impacts of climate change.

Canada's official development assistance

In 2015, Canada provided USD 4.3 billion in net ODA (preliminary data). This represented 0.28% of gross national income (GNI) and an increase of 17.1% in real terms from 2014, the first since 2012. Canada is the 14th largest Development Assistance Committee (DAC) provider in terms of ODA as a percentage of GNI, and the 8th largest in terms of volume. Canada's share of untied ODA (excluding administrative costs and in-donor refugee costs) was 93% in 2014 (slightly up from 92.8% in 2013), which is well above the DAC average of 80.6%. The grant element of total ODA was 97.2% in 2014.

Canada reported USD 216.4 million of its in-donor refugee costs as ODA in 2014. These costs represented 5.1% of its total net ODA.

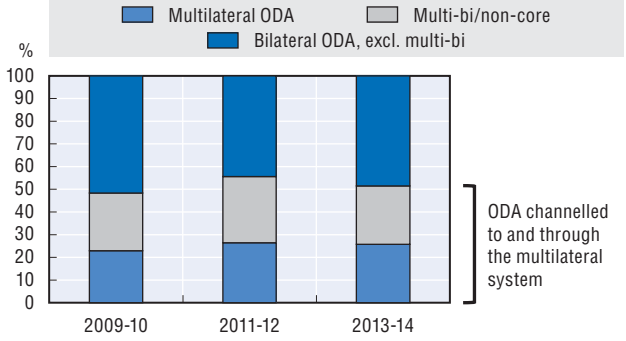
Figure 12.2. **Net ODA: Trends in volume and as a share of GNI, 1999-2015, Canada**



StatLink http://dx.doi.org/10.1787/888933358247

In 2014, 77.6% of ODA was provided bilaterally. In 2014, Canada allocated 22.4% of total ODA as core contributions to multilateral organisations, compared with the DAC country average of 28.3%. In addition, it channelled 32.5% of its bilateral ODA for specific projects implemented by multilateral organisations (multi-bi/non-core).

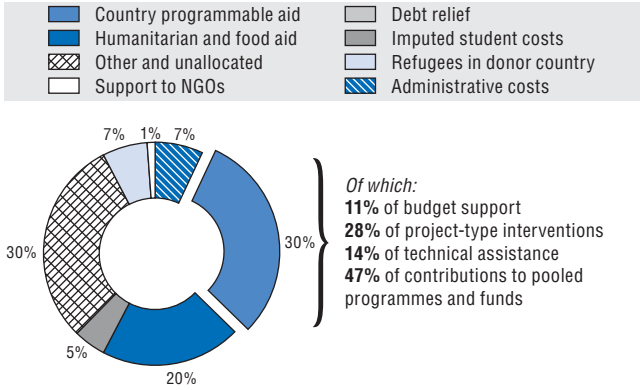
Figure 12.3. **Share of ODA channelled to and through the multilateral system, two year averages, gross disbursements, Canada**



StatLink http://dx.doi.org/10.1787/888933358250

In 2014, 30.3% of bilateral ODA was programmed at partner country level. Canada's share of country programmable aid (CPA) was lower than the DAC country average (52.9%) in 2014. Contributions to pooled programmes and funds accounted for 47% of CPA. Thirty per cent of Canada's bilateral ODA was categorised as "other and unallocated".

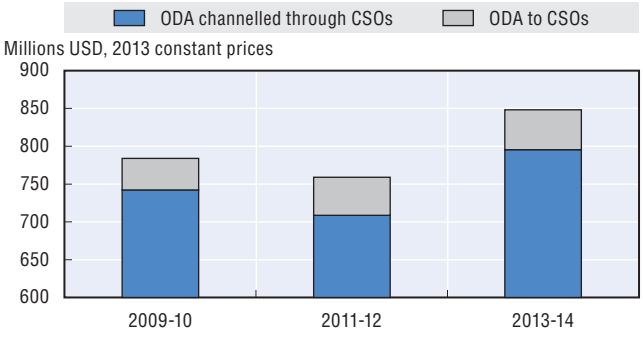
Figure 12.4. **Composition of bilateral ODA, 2014, gross disbursements, Canada**



StatLink http://dx.doi.org/10.1787/888933358263

In 2014, USD 815.4 million of bilateral ODA was channelled to and through civil society organisations (CSOs). Aid channelled to and through CSOs increased between 2013 and 2014, both in terms of volume (+2.6%) and as a share of bilateral ODA (from 23.6% to 24.5%). This share was higher than the DAC country average of 17.4%.

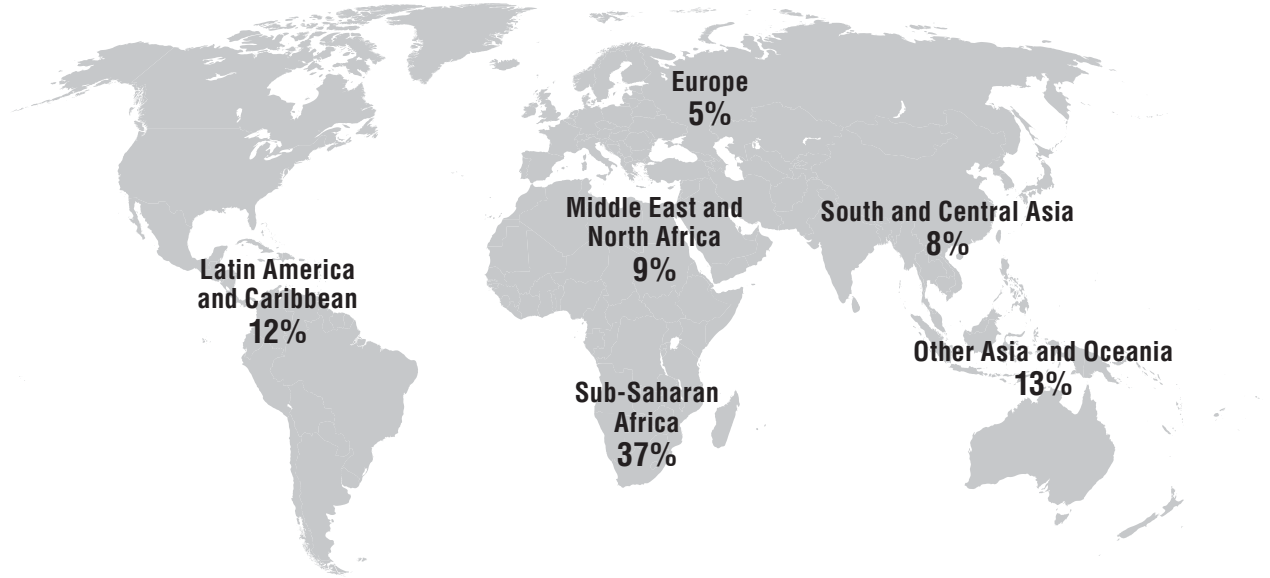
Figure 12.5. **Bilateral ODA to and through CSOs, two year averages, gross disbursements, Canada**



StatLink http://dx.doi.org/10.1787/888933358279

In 2014, bilateral ODA primarily focused on sub-Saharan Africa. USD 1.1 billion of bilateral ODA was allocated to sub-Saharan Africa, and USD 409.6 million to Latin America and the Caribbean.

Figure 12.6. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, Canada**

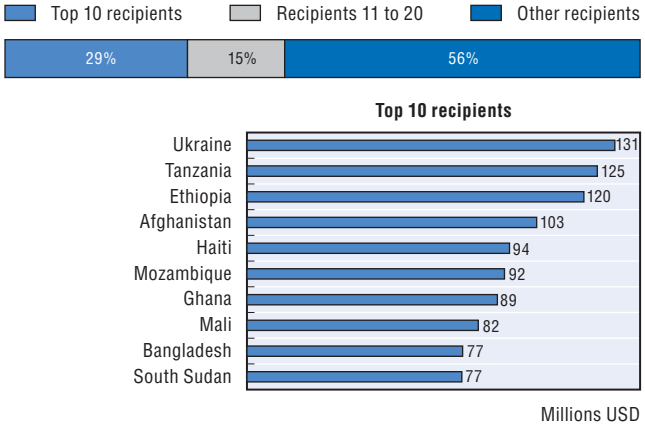


Note: 16% of bilateral ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

StatLink http://dx.doi.org/10.1787/888933358283

In 2014, 30.6% of bilateral ODA went to Canada's top 10 recipients. All of the top 10 recipients of Canadian aid were "countries of focus" – Canada has a total of 20 priority countries. Its support to fragile states reached USD 1.1 billion (30.8% of gross bilateral ODA) in 2014.

Figure 12.7. **Bilateral ODA to top recipients, 2013-14 average, gross disbursements, Canada**

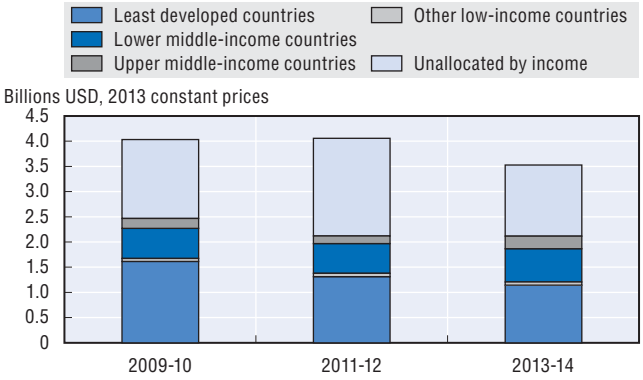


StatLink http://dx.doi.org/10.1787/888933358291

In 2014, 31.3% of bilateral ODA was allocated to least developed countries (LDCs), amounting to USD 1 billion. The share has decreased from 33.6% in 2013, but remains higher than the 2014 DAC average of 25.6%. LDCs received the highest share of bilateral ODA in 2014.

At 0.08% of GNI in 2014, total ODA to LDCs was lower than the UN target of 0.15% of GNI.

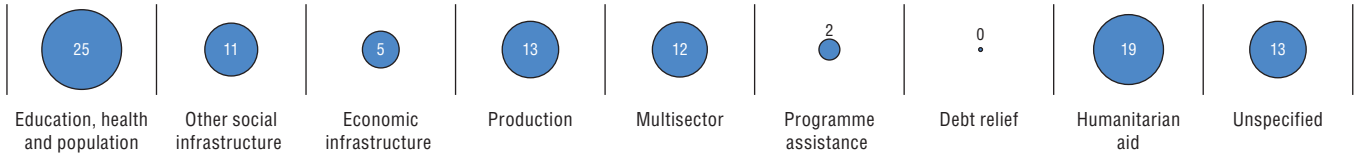
Figure 12.8. **Bilateral ODA by income group, two year averages, gross disbursements, Canada**



StatLink http://dx.doi.org/10.1787/888933358300

In 2014, 37.2% of bilateral ODA was allocated to social infrastructure and services, amounting to USD 1.3 billion. There was a strong focus on support to health (USD 444.3 million), education (USD 409.4 million), and government and civil society (USD 328.4 million). Humanitarian aid amounted to USD 708.5 million.

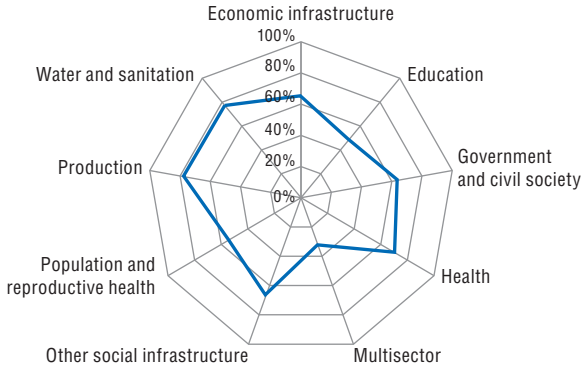
Figure 12.9. **Share of bilateral ODA by sector, 2013-14 average, commitments, Canada**



StatLink http://dx.doi.org/10.1787/888933358318

USD 1.8 billion of bilateral ODA supported gender equality in 2014. Canada has made a long-term effort to mainstream gender equality across its programmes and to bring gender equality into its policy dialogue with partners (OECD, 2013). In 2014, 60.2% of its bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective, compared with the DAC country average of 34.7%. Canada's aid to the productive sector and water and sanitation focuses mainly on gender.

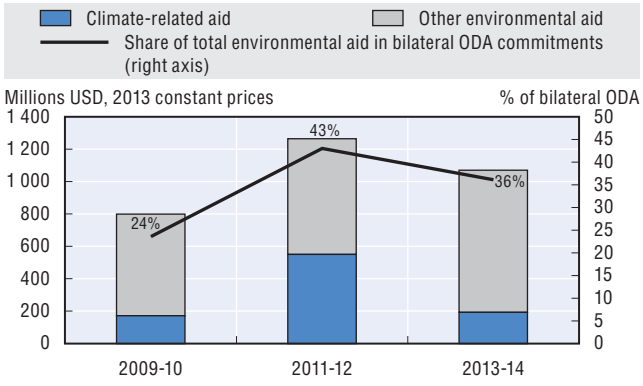
Figure 12.10. **Share of bilateral allocable ODA in support of gender equality by sector, 2014, commitments, Canada**



StatLink http://dx.doi.org/10.1787/888933358327

USD 867.9 million of bilateral ODA supported the environment in 2014. Environmental sustainability is a cross-cutting priority for Canada. In 2014, 29.5% of Canadian bilateral allocable aid supported the environment and 4.5% (USD 133.4 million) focused particularly on climate change, compared with the respective DAC country averages of 32.2% and 23.9%.

Figure 12.11. **Bilateral allocable ODA in support of global and local environment objectives, two year averages, commitments, Canada**



StatLink http://dx.doi.org/10.1787/888933358334

Note to reader: Annex B provides "Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members".

Reference

OECD (2013), *OECD Development Assistance Peer Reviews: Canada 2012*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264200784-en*.

CZECH REPUBLIC

Development challenges as investment and business opportunities: The Czech Republic's policy and practices

The Czech Republic considers that private business activities, investments and innovations are major drivers of productivity, inclusive economic growth and job creation. For this reason, the Czech Republic partners with the private sector to deliver its development co-operation and make efforts to create better conditions for private sector engagement in and beyond development co-operation.

The Ministry of Foreign Affairs and the Czech Development Agency support the Business Platform for Development Co-operation, which strives to motivate Czech business companies to get involved in development co-operation, to respect corporate social responsibility principles and to develop inclusive business models that offer the potential for both commercial success and development impact. Czech companies implement about 40% of the Czech Republic's bilateral development assistance.

With the overall aim of increasing synergies between development co-operation activities implemented by the Czech government, the private sector and non-governmental organisations, the Czech Republic is gradually diversifying its private sector instruments. Although public procurement for implementing bilateral projects continues to be the main instrument, the government also supports business-to-business partnerships (launched in 2013) between Czech and developing country companies and feasibility studies for development and economic projects meeting social needs in partner countries.

The Czech Republic uses ODA to mobilise other resources for sustainable development

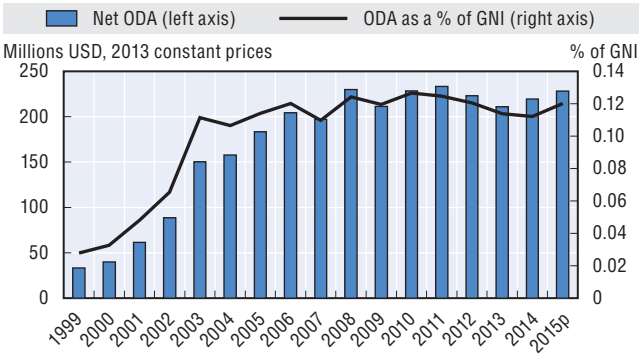
- **The Czech Republic contributes to the mobilisation of domestic resources in developing countries by supporting their tax systems.** In 2014, the Czech Republic continued its programme of technical assistance in the field of public finance management and tax and customs. The programme, implemented through study visits to the Czech Ministry of Finance, is focused on professional staff (including high-ranking officials) from the ministries of finance of its partner countries.
- **It promotes aid for trade to improve developing countries' trade performance and integration into the world economy.** It committed USD 7.4 million (16.2% of its bilateral allocable official development assistance [ODA]) to trade-related activities in 2014, a 14.6% decrease in real terms from 2013. The trend has been decreasing over the past few years.
- **The Czech Republic has pledged USD 5.3 million (CZK 110 million) to the Green Climate Fund,** which plays a key role in channelling resources to developing countries and catalysing climate finance at the international and national levels.

The Czech Republic's official development assistance

In 2015, the Czech Republic provided USD 202 million in net ODA (preliminary data). This represented 0.12% of gross national income (GNI) and an increase of 11.4% in real terms from 2014. It is the 26th largest Development Assistance Committee (DAC) provider in terms of ODA as a percentage of GNI, and the 25th largest in terms of volume. The Czech Republic is committed to a gradual increase in ODA/GNI and will strive to reach the intermediary target agreed at the EU level of 0.33% of GNI by 2030. Its share of untied ODA (excluding administrative costs and in-donor refugee costs) decreased further, from 40.1% in 2013 to 32.4% in 2014, and is far below the 2014 DAC average of 80.6%. The grant element of total ODA was 100% in 2014. At present, data on other official flows, private grants (funds raised by non-governmental organisations and foundations) and private flows at market terms from the Czech Republic to developing countries are not available.

The Czech Republic reported USD 11.6 million of its in-donor refugee costs as ODA in 2014 (representing 5.4% of its total net ODA).

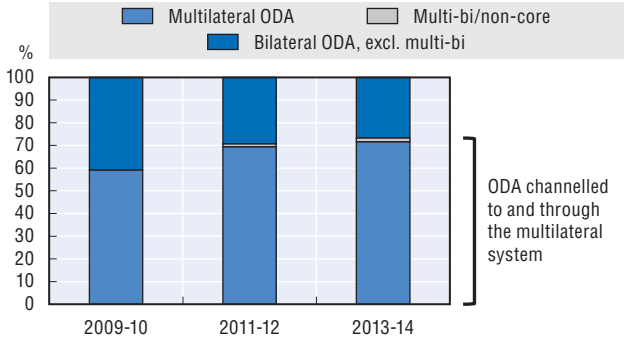
Figure 13.1. **Net ODA: Trends in volume and as a share of GNI, 1999-2015, Czech Republic**



StatLink http://dx.doi.org/10.1787/888933358348

In 2014, 29.5% of ODA was provided bilaterally, totalling USD 62.6 million. The Czech Republic allocated 70.5% of total ODA as core contributions to multilateral organisations, compared with the DAC country average of 28.3%. In addition, it channelled 4.7% of its bilateral ODA to specific projects implemented by multilateral organisations (non-core contributions).

Figure 13.2. **Share of ODA channelled to and through the multilateral system, two year averages, gross disbursements, Czech Republic**

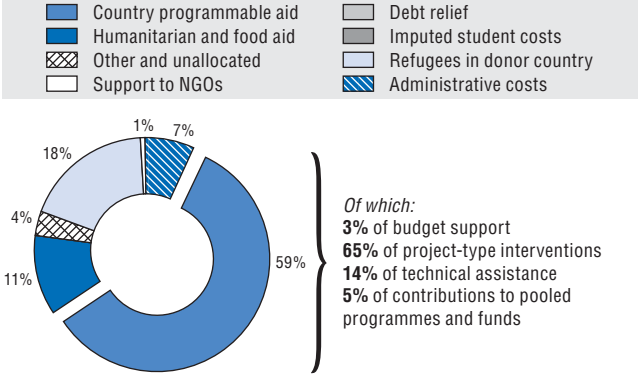


Note: Data on multi-bi/non-core ODA are not available prior to 2011.

StatLink http://dx.doi.org/10.1787/888933358353

In 2014, 58.5% of bilateral ODA was programmed at partner country level. The Czech Republic's share of country programmable aid (CPA) was above the DAC country average of 52.9% in 2014. Project-type interventions made up 65% of CPA.

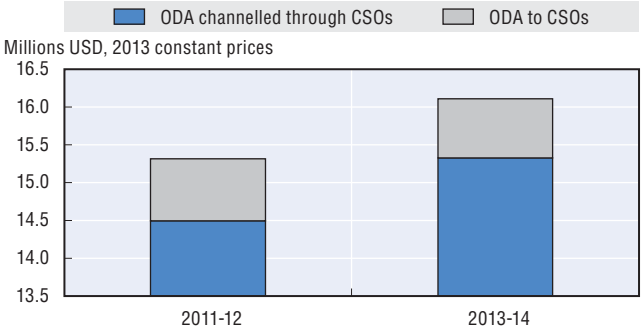
Figure 13.3. **Composition of bilateral ODA, 2014, gross disbursements, Czech Republic**



StatLink http://dx.doi.org/10.1787/888933358367

In 2014, USD 15.4 million of bilateral ODA was channelled to and through civil society organisations (CSOs). Between 2013 and 2014, the Czech Republic's ODA channelled to and through CSOs decreased slightly in terms of volume (-2%) and as a share of bilateral aid, from 28.5% to 24.6%. This share was higher than the 2014 DAC country average of 17.4%.

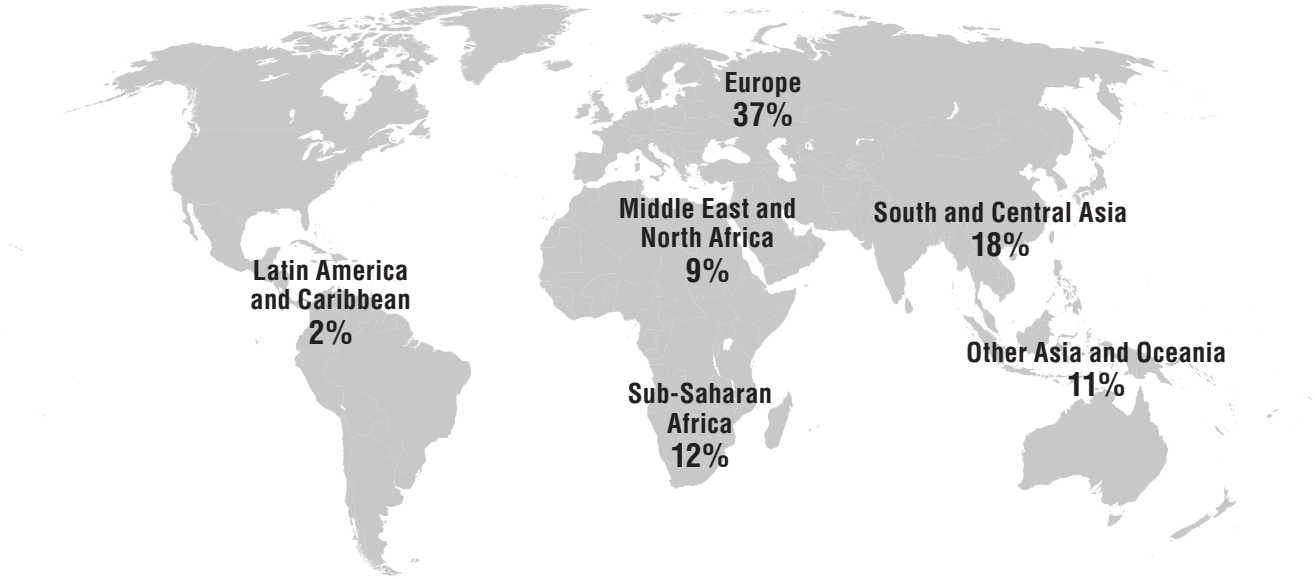
Figure 13.4. **Bilateral ODA to and through CSOs, two year averages, gross disbursements, Czech Republic**



StatLink http://dx.doi.org/10.1787/888933358378

In 2014, bilateral ODA was primarily focused on Eastern Europe, south and central Asia, and sub-Saharan Africa. USD 25.6 million of bilateral ODA was allocated to Eastern Europe, USD 11.1 million to south and central Asia, and USD 7.1 million to sub-Saharan Africa.

Figure 13.5. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, Czech Republic**

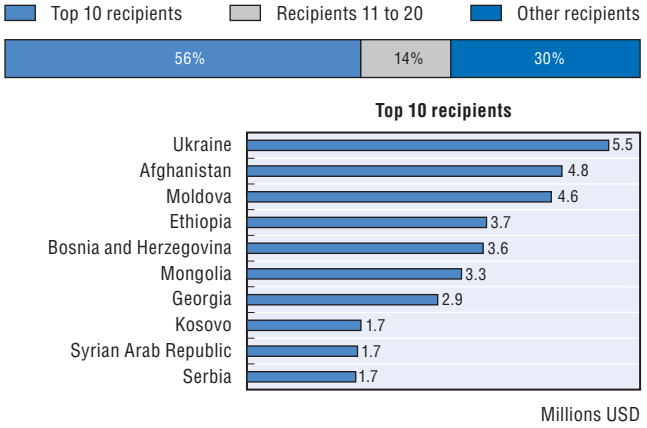


Note: 12% of bilateral ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

StatLink http://dx.doi.org/10.1787/888933358387

In 2014, 60.4% of bilateral ODA went to the Czech Republic's top 10 recipients. Eight of its priority countries are among its top 10 recipients. Its support to fragile states reached USD 22.4 million in 2014 (35.8% of gross bilateral ODA).

Figure 13.6. **Bilateral ODA to top recipients, 2013-14 average, gross disbursements, Czech Republic**

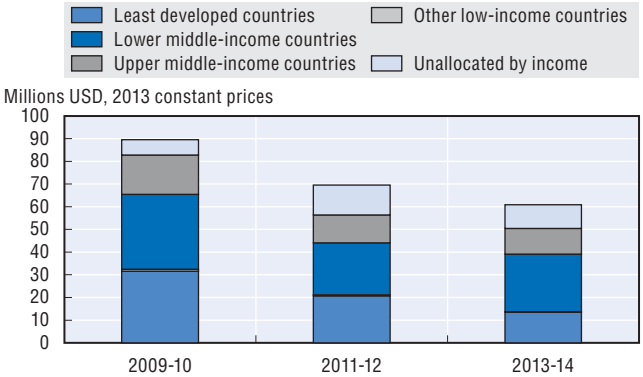


StatLink http://dx.doi.org/10.1787/888933358394

In 2014, 22.9% of bilateral ODA was allocated to least developed countries (LDCs), amounting to USD 14.3 million. The share of ODA to LDCs increased from 21.2% in 2013, but remains lower than the 2014 DAC average of 25.6%. Lower middle-income countries (LMICs) received the highest share of bilateral ODA in 2014 (43.7%).

At 0.03% of GNI in 2014, total ODA to LDCs was far below the UN target of 0.15% of GNI.

Figure 13.7. **Bilateral ODA by income group, two year averages, gross disbursements, Czech Republic**



StatLink http://dx.doi.org/10.1787/888933358402

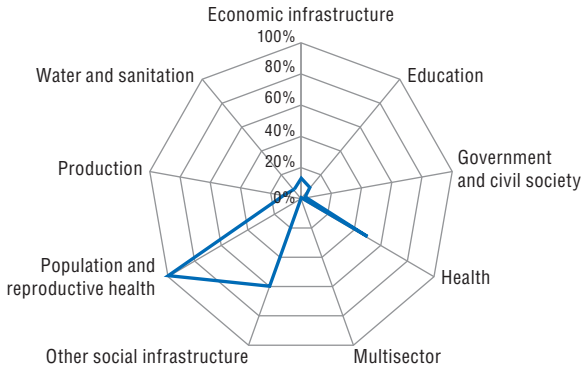
In 2014, 43.5% of bilateral ODA was allocated to social infrastructure and services, amounting to USD 27.5 million, with a strong focus on support to education (USD 10.3 million) and government and civil society (USD 7.9 million). Humanitarian aid amounted to USD 7.2 million. In 2010, the Czech Republic identified five priority areas for its development co-operation: environment, agriculture, social development, economic development and the support of democracy, human rights and social transition (Ministry of Foreign Affairs, 2010).

Figure 13.8. **Share of bilateral ODA by sector, 2013-14 average, commitments, Czech Republic**

StatLink http://dx.doi.org/10.1787/888933358411

The amount of bilateral ODA that supported gender equality reached USD 8.9 million in 2014. Gender equality is one of the cross-cutting principles in the Czech Republic's development co-operation. In 2014, 19.9% of Czech bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective, compared with the DAC country average of 34.7%. The Czech Republic's aid to population and reproductive health focuses on gender.

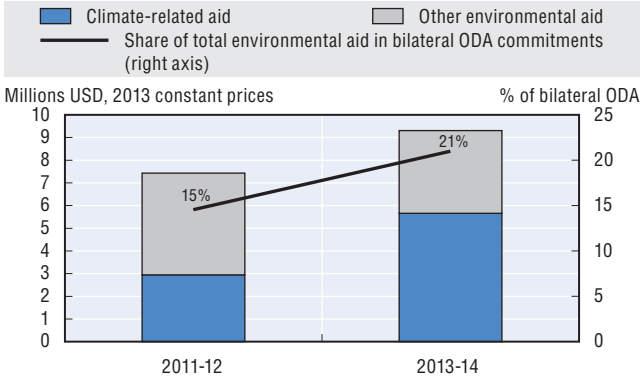
Figure 13.9. **Share of bilateral allocable ODA in support of gender equality by sector, 2014, commitments, Czech Republic**



StatLink http://dx.doi.org/10.1787/888933358425

USD 9.6 million of bilateral ODA supported the environment in 2014. Protection of the environment and the fight against climate change are priority cross-cutting issues for the Czech Republic and are reflected in all of its development activities. The Czech Republic's support to the environment has been increasing in recent years, both in terms of volume and as a share of bilateral aid. In 2014, 21.1% of Czech bilateral allocable aid supported the environment and 11.9% (USD 5.4 million) focused particularly on climate change, compared with the respective DAC country averages of 32.2% and 23.9%.

Figure 13.10. **Bilateral allocable ODA in support of global and local environment objectives, two year averages, commitments, Czech Republic**



Note: Data are not available prior to 2011.

StatLink http://dx.doi.org/10.1787/888933358435

Note to reader: Annex B provides "Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members".

Reference

Ministry of Foreign Affairs (2010), "The Development Cooperation Strategy of the Czech Republic 2010-2017", Ministry of Foreign Affairs, Prague, *www.mzv.cz/file/762314/FINAL__Development_Cooperation_Strategy_2010_2017.pdf*.

DENMARK

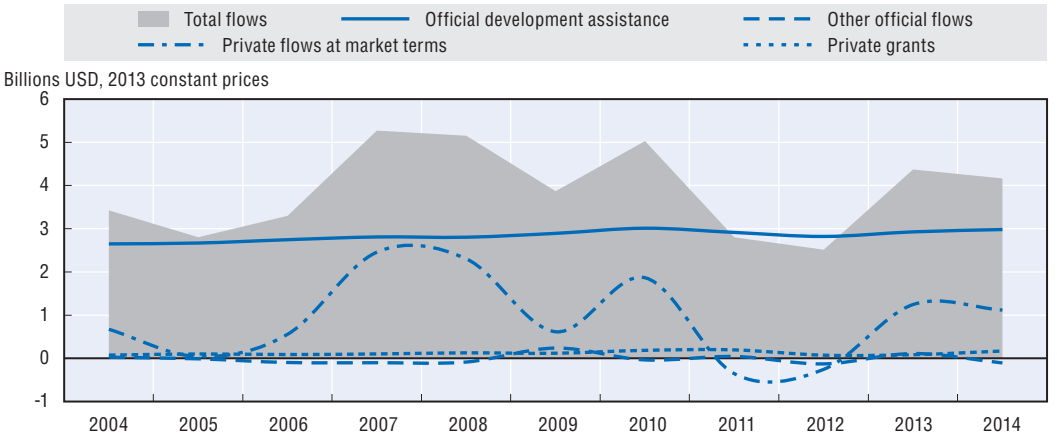
Development challenges as investment and business opportunities: Denmark's policy and practices

Denmark's support to private sector development has increased steadily over the past 15 years, with a focus on value chain development (particularly for agribusiness), small and medium enterprise development and finance, and innovative financing models based on public-private partnerships. Denmark's private sector development strategy aims at creating an enabling environment for private sector development in developing countries. Denmark is looking to develop new instruments for catalysing private financing, matching development challenges with Danish competencies. A key mechanism for co-ordination with business and institutional investors is the joint Danish Investment Fund for Developing Countries (IFU) and the Development Committee of the Ministry of Foreign Affairs, which meets regularly to discuss synergies.

According to the 2015 DAC Survey on Mobilisation (Benn et al., 2016), Denmark mobilised USD 255 million from the private sector through guarantees and shares in collective investment vehicles in 2012-14, of which 64% targeted climate-related projects. Denmark is engaged in private sector development mainly through the IFU's operations.

Financial flows from Denmark to developing countries

Figure 14.1. **Net resource flows to developing countries, 2004-14, Denmark**



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Denmark uses ODA to mobilise other resources for sustainable development

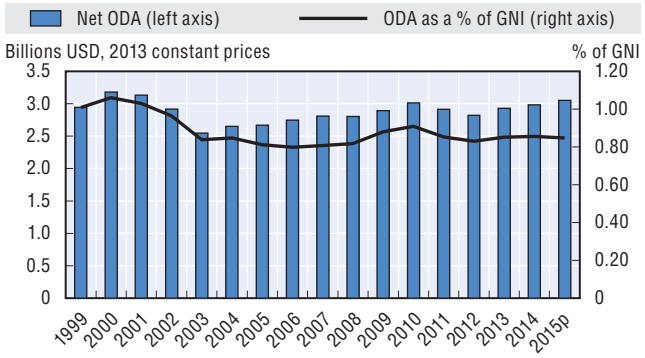
- **Denmark contributes to the mobilisation of domestic resources in developing countries by supporting their tax systems.** In 2014, it is estimated that Denmark committed USD 63 million of its official development assistance (ODA) to tax-related activities in partner countries.
- **It promotes aid for trade to improve developing countries' trade performance and integration into the world economy.** It committed USD 444.5 million to trade-related activities in 2014 (23% of its bilateral allocable ODA), a 4.3% increase in real terms from 2013. The trend has been increasing over the past few years.
- **Denmark has pledged USD 72 million (DKK 400 million) to the Green Climate Fund,** which plays a key role in channelling resources to developing countries and catalysing climate finance at the international and national levels. In 2016, Denmark will also commit (subject to parliamentary approval) a total amount of USD 22.1 million (DKK 156 million) to the Least Developed Countries Fund, which addresses urgent and immediate adaptation needs of least developed countries and supports national adaptation planning processes to reduce medium and long-term vulnerability to the impacts of climate change.

Denmark's official development assistance

In 2015, Denmark provided USD 2.6 billion in net ODA (preliminary data), which represented 0.85% of gross national income (GNI), and a 0.8% increase in real terms from 2014, due to a slight increase in in-donor refugee costs. Denmark is one of six DAC members to exceed the UN target of 0.7% ODA/GNI. It is the 4th largest Development Assistance Committee (DAC) provider in terms of ODA as a percentage of GNI, and the 13th in terms of volume. However, from 2016, Denmark's ODA is expected to drop to approximately 0.7%, in line with new government policy. Budget projections indicate bilateral ODA cuts of 54% and multilateral cuts of 49%. Denmark's share of untied ODA (excluding administrative costs and in-donor refugee costs) was 95.1% in 2014 (down from 96.5% in 2013), compared to the DAC average of 80.6%. The grant element of total ODA was 100% in 2014.

Denmark reported USD 256.3 million of its in-donor refugee costs as ODA in 2014. These costs represented 8.5% of its total net ODA. In-donor refugee costs are expected to triple in 2016 (to 30% of total ODA).

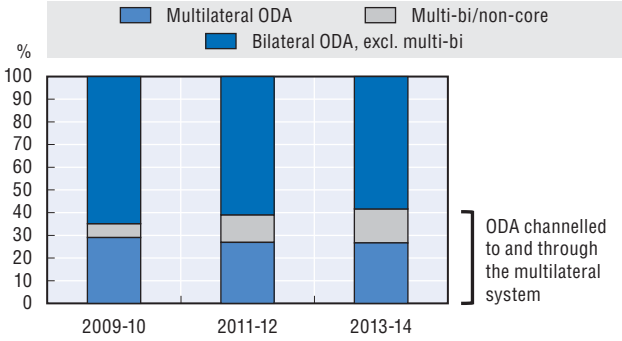
Figure 14.2. **Net ODA: Trends in volume and as a share of GNI, 1999-2015, Denmark**



StatLink http://dx.doi.org/10.1787/888933358452

In 2014, 72.1% of ODA was provided bilaterally. Denmark allocated 27.9% of total ODA as core contributions to multilateral organisations, compared to the DAC country average of 28.3%. In addition, it channelled 20.8% of its bilateral ODA for specific projects implemented by multilateral organisations (multi-bi/non-core).

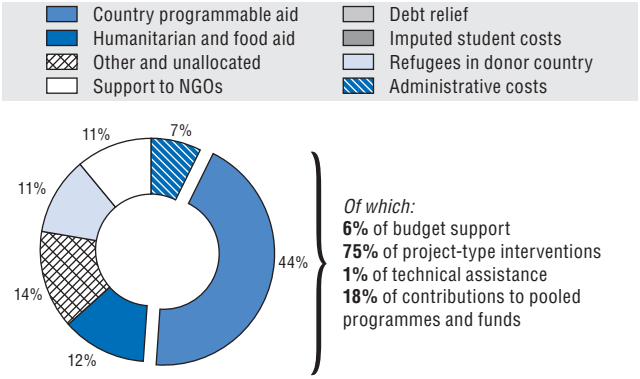
Figure 14.3. **Share of ODA channelled to and through the multilateral system, two year averages, gross disbursements, Denmark**



StatLink http://dx.doi.org/10.1787/888933358464

In 2014, 43.7% of bilateral ODA was programmed at partner country level. Denmark's share of country programmable aid (CPA) was lower than the DAC country average (52.9%). Project-type interventions made up 75% of CPA.

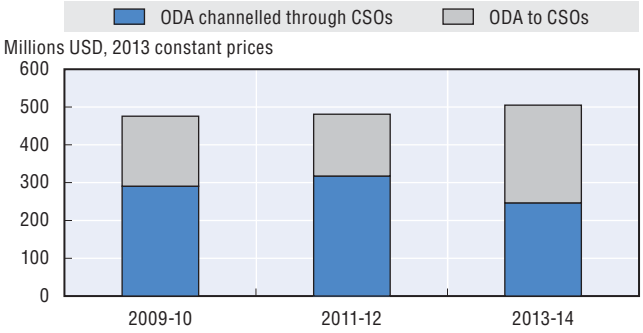
Figure 14.4. **Composition of bilateral ODA, 2014, gross disbursements, Denmark**



StatLink http://dx.doi.org/10.1787/888933358478

In 2014, USD 521.6 million of bilateral ODA was channelled to and through civil society organisations (CSOs). Denmark channelled 22.9% of its bilateral ODA to and through CSOs in 2014, compared with the DAC country average of 17.4%. Aid to and through CSOs increased from 2013 both in volume (+5.2% between 2013 and 2014) and as a share of bilateral ODA (it was 21.3% in 2013).

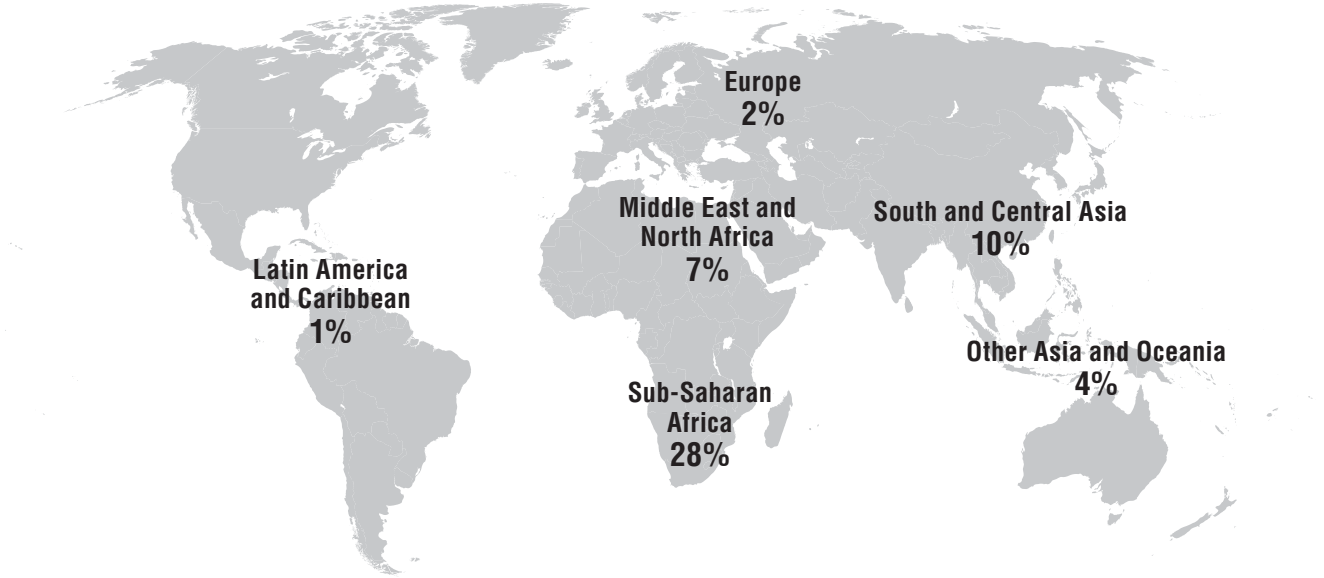
Figure 14.5. **Bilateral ODA to and through CSOs, two year averages, gross disbursements, Denmark**



StatLink http://dx.doi.org/10.1787/888933358482

Bilateral ODA was primarily focused on sub-Saharan Africa and south and central Asia. In 2014, Denmark allocated USD 618 million to sub-Saharan Africa and USD 209.9 million to south and central Asia.

Figure 14.6. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, Denmark**

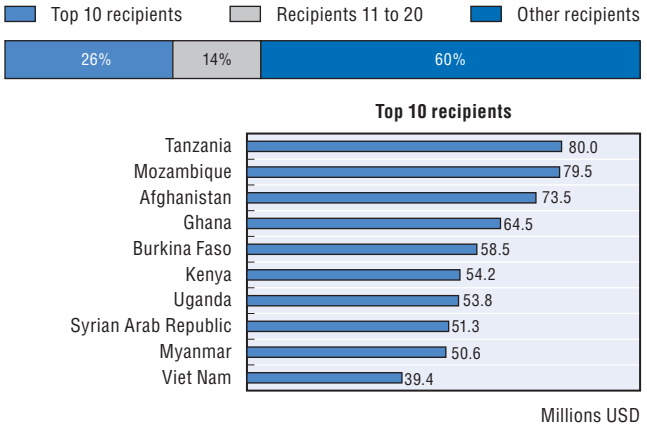


Note: 48% of bilateral ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

StatLink http://dx.doi.org/10.1787/888933358495

In 2014, 25.7% of bilateral ODA went to Denmark's top 10 recipients. Nine of the top 10 recipients of Danish aid were priority countries, with the exception being the Syrian Arab Republic. In 2014, Denmark had a total of 22 priority countries, but this will gradually reduce to 14 priority countries by 2016. In 2014, its support to fragile states reached USD 607.9 million (26.7% of gross bilateral ODA).

Figure 14.7. **Bilateral ODA to top recipients, 2013-14 average, gross disbursements, Denmark**



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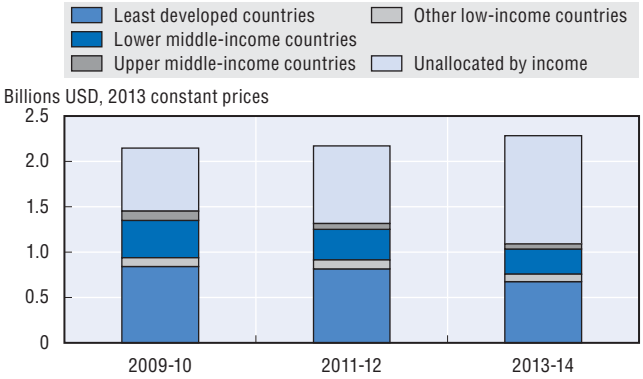
In 2014, 28.6% of bilateral ODA was allocated to least developed countries (LDCs), amounting to USD 649.7 million. This is a decrease from 2012 (37.1%) and 2013 (30.5%), but is higher than the 2014 DAC average of 25.6%. LDCs still received the highest share of bilateral ODA in 2014, noting that 53.4% was unallocated by income group.

At 0.26% of GNI in 2014, total ODA to LDCs was well above the UN target of 0.15% of GNI.

Figure 14.8. **Bilateral ODA by income group, two year averages, gross disbursements, Denmark**



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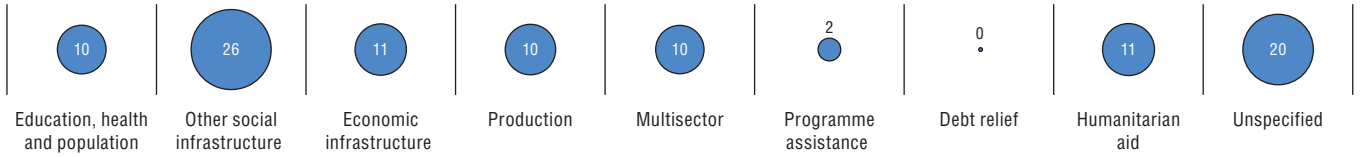
In 2014, 35.6% of bilateral ODA was allocated to social infrastructure and services, reaching USD 736.5 million. There was a strong focus on support to government and civil society (USD 403.2 million), health (USD 121.8 million), and education (USD 91.3 million). USD 264.4 million was allocated to humanitarian aid.

Figure 14.9. **Share of bilateral ODA by sector, 2013-14 average, commitments, Denmark**



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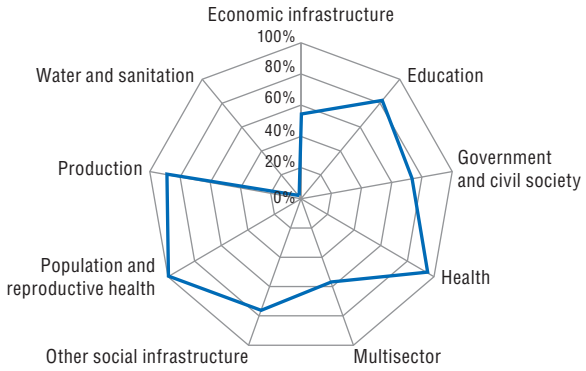
USD 1 billion of bilateral ODA supported gender equality in 2014. Advancing gender equality and women's rights is a major strategic priority for Denmark. In line with the overall 2014 Strategy for Denmark's Development Co-operation (*The Right to a Better Life*), the Strategic Framework for Gender Equality, Rights and Diversity is integrated across Denmark's four priority areas: human rights and democracy, inclusive green growth, social progress, stability and protection. In 2014, 59.5% of Danish bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective, compared with the DAC country average of 34.7%. This is up from previous years (41.1% in 2013 and 35.5% in 2009). Denmark's aid to population and reproductive health, health and productive sector focuses on gender.

Figure 14.10. **Share of bilateral allocable ODA in support of gender equality by sector, 2014, commitments, Denmark**



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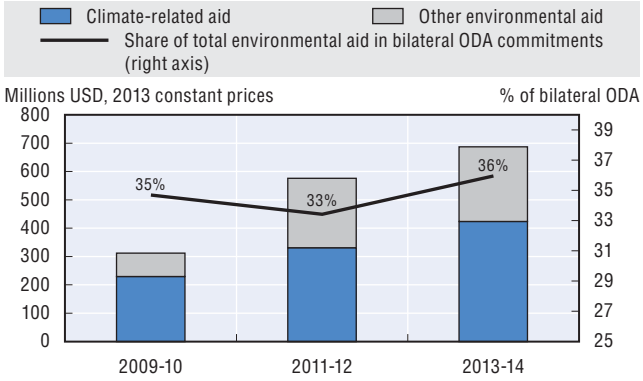
USD 745.6 million of bilateral ODA supported the environment in 2014. Promoting inclusive green growth based on the sustainable management and use of natural resources is one of four overall goals for Danish development co-operation. In 2014, 38.6% of Danish bilateral allocable aid supported the environment and 24.5% (USD 473.3 million) focused particularly on climate change, compared with the respective DAC country averages of 32.2% and 23.9%.

Figure 14.11. **Bilateral allocable ODA in support of global and local environment objectives, two year averages, commitments, Denmark**



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Note to reader: Annex B provides "Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members".

EUROPEAN UNION INSTITUTIONS

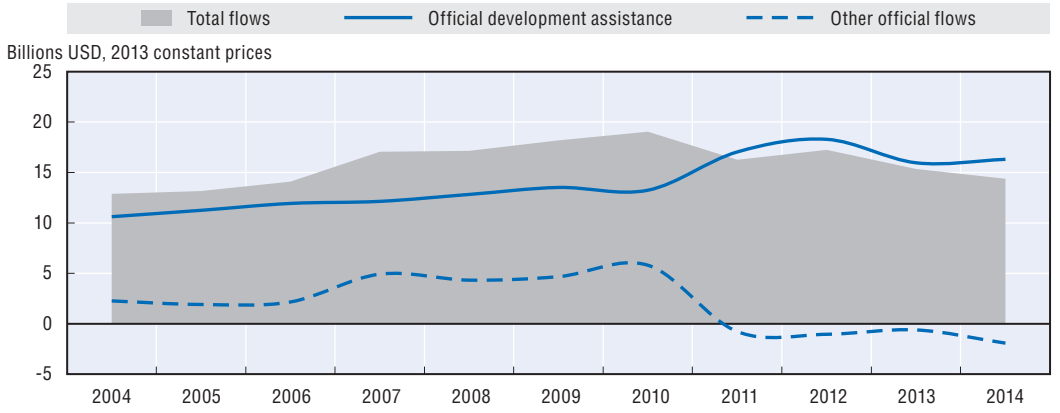
Development challenges as investment and business opportunities: The European Union's policy and practices

Working with and through the private sector in development co-operation is a relatively new way of working for the European Commission, which issued its communication "A stronger role for the private sector in achieving inclusive and sustainable growth in developing countries" in 2014. The objectives of the EU's support for private sector development and its engagement with both the local and international private sectors are: creating a business environment conducive to private sector initiative; mainstreaming private sector development; engaging the private sector in EU development co-operation with a view to achieving inclusive and sustainable growth; and catalysing private sector engagement for development by promoting responsible business practices through EU development policy.

The European Commission increasingly uses blending as one of its tools for achieving EU development policy objectives. It has set up seven facilities to combine EU grants with loans and equity for investments in partner countries, including for infrastructure. In the last seven years, EUR 1.6 billion of EU grants financed over 240 blended projects. According to the 2015 DAC Survey on Mobilisation (Benn et al., 2016), the European Union mobilised USD 150 million from the private sector through guarantees in 2012-14. The European Union is engaged in private sector development mainly through the European Investment Bank and other European finance institutions.

Financial flows from the European Union institutions to developing countries

Figure 15.1. **Net resource flows to developing countries, 2004-14, EU institutions**



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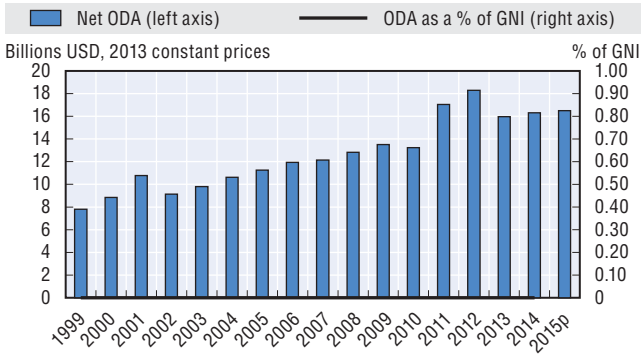
The European Union institutions use ODA to mobilise other resources for sustainable development

- **The EU institutions contribute to the mobilisation of domestic resources in developing countries by supporting their tax systems.** In 2014, it is estimated that they committed USD 9.4 million of their official development assistance (ODA) to tax-related activities in partner countries.
- **They promote aid for trade to improve developing countries' trade performance and integration into the world economy.** They committed USD 7.4 billion to trade-related activities in 2014 (44.2% of their sector-allocable ODA), a 26.2% decrease in real terms from 2013. The trend has been decreasing over the past few years.

The European Union institutions' official development assistance

In 2015, the EU institutions provided USD 13.8 billion in net ODA (preliminary data), which represented a 0.5% fall in real terms from 2014. The EU institutions' ODA budget is determined within the EU multi-year financial framework. ODA grew steadily between 2003 and 2012, when it peaked at USD 17.5 billion. This trend was, however, reversed in 2013. The EU institutions' share of untied ODA (excluding administrative costs and in-donor refugee costs) was 65.6% in 2014 (down from 67% in 2013).

Figure 15.2. **Net ODA: Trends in volume, 1999-2015, EU institutions**

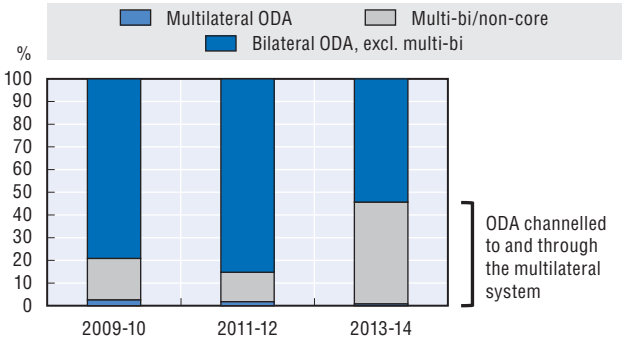


StatLink http://dx.doi.org/10.1787/888933358560

In 2014, almost all of the EU's gross ODA (99.6%) was provided bilaterally. The EU channelled 45.1% of its bilateral ODA for projects implemented by multilateral organisations (multi-bi/non-core).

The EU institutions are unique among DAC members because of the dual role they play in development assistance. In contrast to multilateral organisations that exclusively receive transfers from members, the EU institutions are providers in their own right with their own resources and budgetary authority.

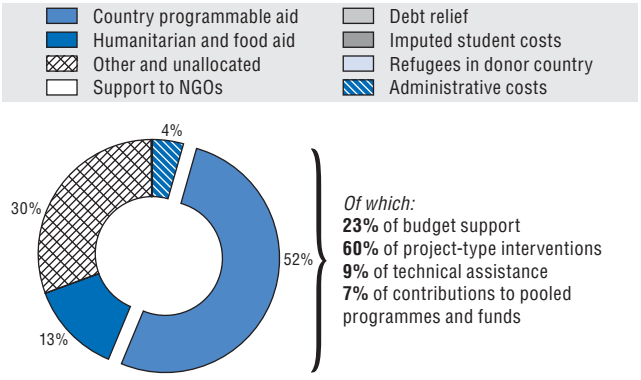
Figure 15.3. **Share of ODA channelled to and through the multilateral system, two year averages, gross disbursements, EU institutions**



StatLink http://dx.doi.org/10.1787/888933358575

In 2014, 51.9% of the EU institutions' bilateral ODA was programmed at partner country level. Project-type interventions accounted for 60% of CPA. Thirty per cent of bilateral ODA was categorised as "other and unallocated".

Figure 15.4. **Composition of bilateral ODA, 2014, gross disbursements, EU institutions**



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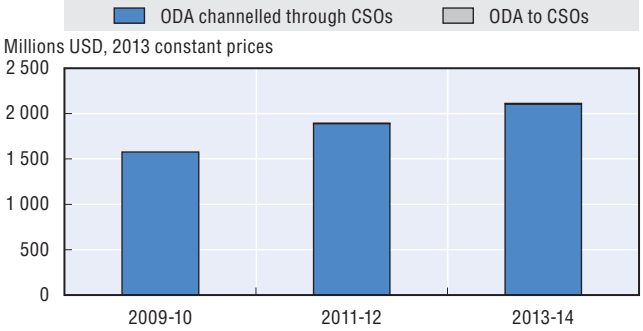
In 2014, USD 2.2 billion of bilateral ODA was channelled to and through civil society organisations (CSOs), corresponding to 11.9% of bilateral ODA. Between 2013 and 2014, aid to and through CSOs increased in terms of volume (by 5.6%), but it remained stable as a share of bilateral aid.

Figure 15.5. **Bilateral ODA to and through CSOs, two year averages, gross disbursements, EU institutions**

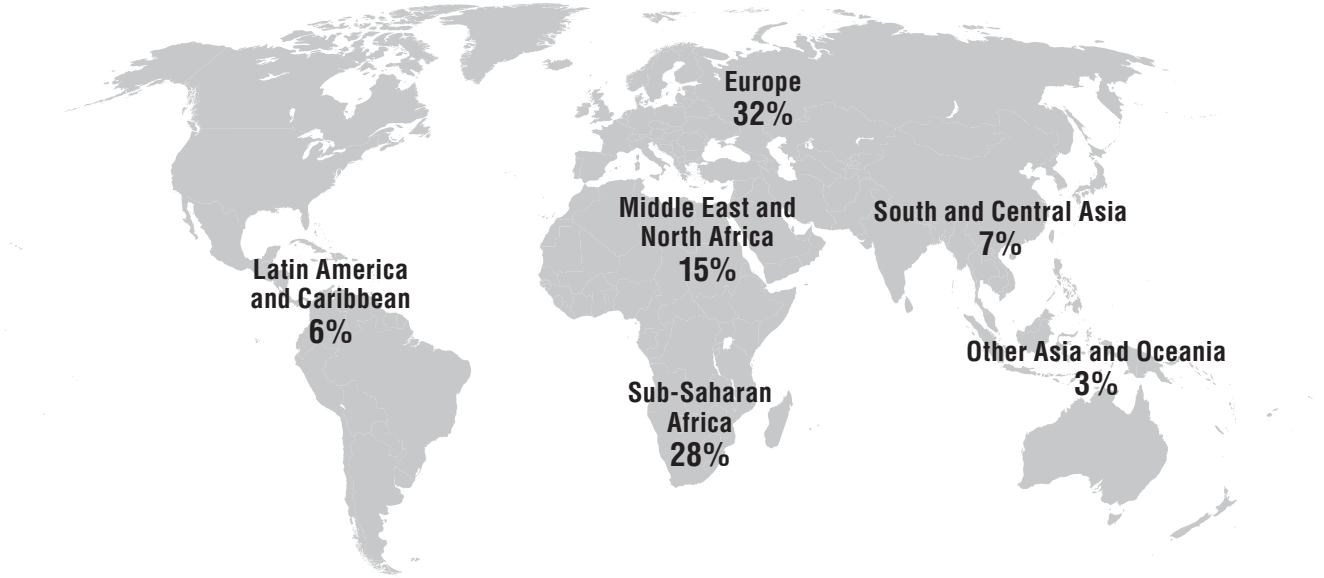


Note: Data on ODA to CSOs are not available for 2009-11.

StatLink http://dx.doi.org/10.1787/888933358596

Bilateral ODA primarily focused on Eastern Europe and sub-Saharan Africa. In 2014, USD 5.8 billion was allocated to Eastern Europe and USD 5.3 billion to sub-Saharan Africa.

Figure 15.6. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, EU institutions**

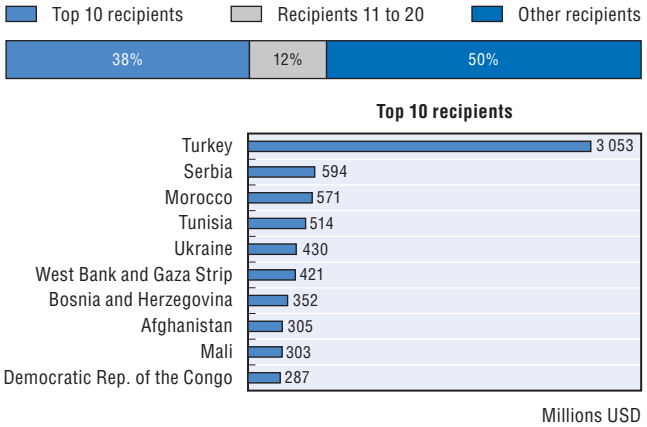


Note: 9% of bilateral ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

StatLink http://dx.doi.org/10.1787/888933358606

In 2014, 38.9% of bilateral ODA went to the top 10 recipients. The European Union has specific agreements and instruments with 79 African, Caribbean and Pacific countries and 9 European accession countries. In 2014, its support to fragile states reached USD 6.3 billion (34.2% of gross bilateral ODA).

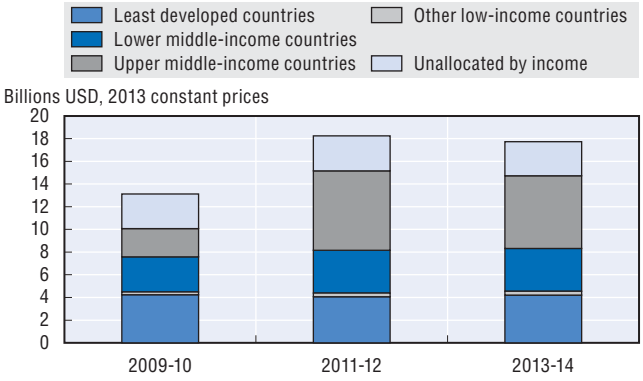
Figure 15.7. **Bilateral ODA to top recipients, 2013-14 average, gross disbursements, EU institutions**



StatLink http://dx.doi.org/10.1787/888933358614

In 2014, 24.7% of bilateral ODA was allocated to least developed countries (LDCs), which amounted to USD 4.5 billion. The share increased from 22.7% in 2013. Upper middle-income countries (UMICs) still received the higher share of bilateral ODA in 2014 (35.6%). This is partly due to the instrument for pre-accession with nine European countries.

Figure 15.8. **Bilateral ODA by income group, two year averages, gross disbursements, EU institutions**



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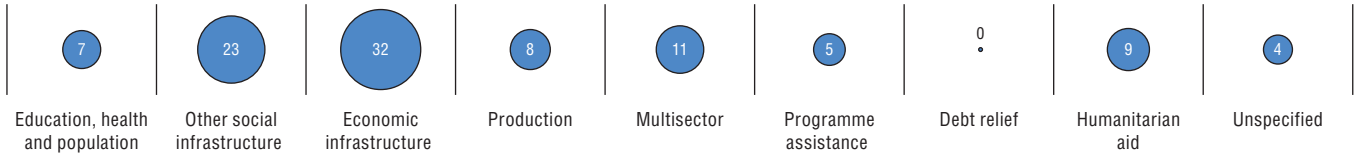
In 2014, nearly two-thirds of bilateral ODA was allocated to social and economic infrastructure and services. USD 3 billion of bilateral ODA was allocated to government and civil society, USD 2.9 billion to banking and financial services, and USD 1.6 billion to energy generation and supply. USD 1.8 billion was allocated to humanitarian aid.

Figure 15.9. **Share of bilateral ODA by sector, 2013-14 average, commitments, EU institutions**



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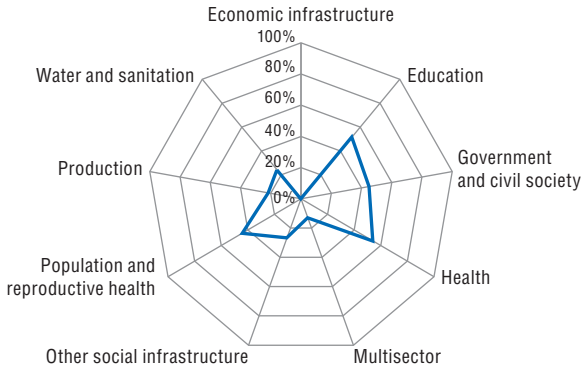
USD 2.9 billion of bilateral ODA supported gender equality in 2014. The EU's commitment to promoting gender equality continues to grow, through, for example, the #heforshe campaign and the Women in Parliament (WIP) event held in Addis Ababa in 2015. Its new Gender Action Plan (GAP II) for 2016-20 aims to place gender equality and the empowerment of girls and women at the heart of the EU's external actions, focusing on three thematic areas: ensuring girls' and women's physical and psychological integrity, promoting their economic and social rights, and strengthening their voice and participation. In 2014, 17.4% of the EU's bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective, compared to 33.5% in 2014. Education and health are the only sectors in which the focus on gender is important.

Figure 15.10. **Share of bilateral allocable ODA in support of gender equality by sector, 2014, commitments, EU institutions**



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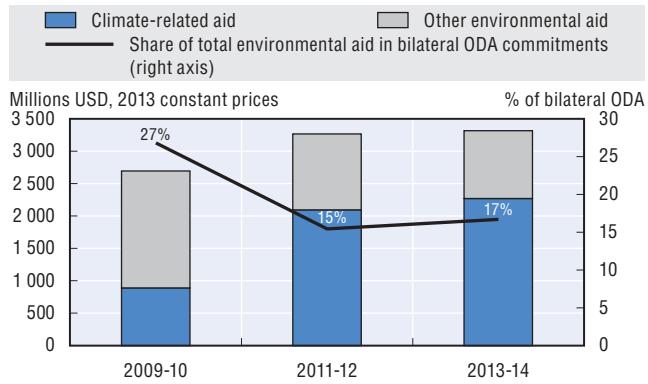
USD 2.4 billion of bilateral ODA supported the environment in 2014. The 2012 DAC Peer Review recommended that the EU develop a strategy to step up progress in mainstreaming environment and climate change issues into development co-operation. The EU institutions' tools and services developed to support mainstreaming into its programme include guidance documents, systematic screening and review of action documents, training seminars and technical assistance, in addition to the knowledge sharing platform available on Capacity4Dev. In 2014, 14.1% of the EU's bilateral allocable aid supported the environment and 10.6% (USD 1.8 billion) focused particularly on climate change.

Figure 15.11. **Bilateral allocable ODA in support of global and local environment objectives, two year averages, commitments, EU institutions**



StatLink http://dx.doi.org/10.1787/888933358658

Note to reader: Annex B provides "Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members".

Reference

OECD (2013), *OECD Development Assistance Peer Reviews: European Union 2012*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264196124-en*.

FINLAND

Development challenges as investment and business opportunities: Finland's policy and practices

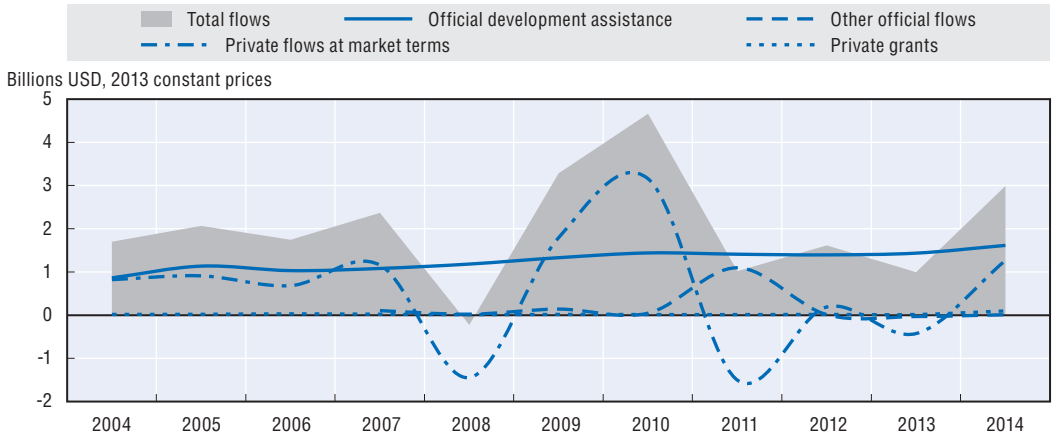
Finland leverages its ODA to support private sector investment in developing countries with a strong emphasis on aid for trade. Its Aid for Trade Action Plan 2012-15 aims to create decent jobs for all with four goals: 1) a sound business-enabling environment that promotes private sector activity; 2) developing countries benefit from international trade and investment; 3) economic activity is based on the sustainable use of natural resources; and 4) people's skills and knowledge produce innovative economic activity.

Finland's key private sector instruments – Finnpartnership, Finnfund and BEAM – are open to ODA-eligible countries. Finnfund, for example, offers long-term risk funding for commercially profitable investments. Since 2014, Finland has been focusing on innovation and base-of-the-pyramid inclusive business. BEAM – Business with Impact – is a joint innovations-for-development programme between the Ministry of Foreign Affairs and the Funding Agency for Technology. With the objective of improving poor people's welfare, BEAM supports innovation and knowledge-sharing between companies, civil society organisations, educational and research institutes, and other organisations.

According to the 2015 DAC Survey on Mobilisation (Benn et al., 2016), Finland mobilised USD 67 million from the private sector through syndicated loans and shares in collective investment vehicles in 2012-14, of which 89% targeted climate-related projects.

Financial flows from Finland to developing countries

Figure 16.1. **Net resource flows to developing countries, 2004-14, Finland**



Note: Data on other official flows are not available for 2005 and 2006.

StatLink http://dx.doi.org/10.1787/888933358667

Finland uses ODA to mobilise other resources for sustainable development

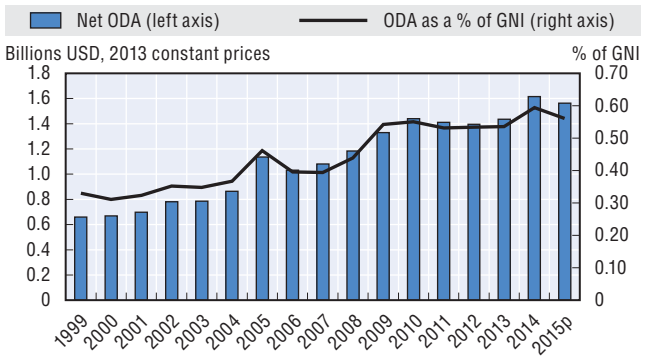
- **Finland contributes to the mobilisation of domestic resources in developing countries by supporting their tax systems.** Strengthening developing countries' national tax bases and enhancing corporate social responsibility of Finnish companies are among the key priorities of Finland's development policy. By signing the Addis Tax Initiative in 2015, Finland committed to doubling its tax support by 2020. Finland will actively take part in the OECD-led work on implementing the recommendations for new global tax rules.
- **It promotes aid for trade to improve developing countries' trade performance and integration into the world economy.** It committed USD 167 million to trade-related activities in 2014 (24.3% of its sector-allocable official development assistance [ODA]), an increase of 14.1% in real terms from 2013. The trend has been increasing over the past few years.
- **Finland has pledged USD 107 million (EUR 80 million) to the Green Climate Fund,** which plays a key role in channelling resources to developing countries and catalysing climate finance at the international and national levels. In 2015, Finland provided USD 1.8 million (EUR 1.6 million) to the Least Developed Countries Fund, which addresses urgent and immediate adaptation needs and supports national adaptation planning processes to reduce medium and long-term vulnerability to the impacts of climate change.

Finland's official development assistance

In 2015, Finland provided USD 1.3 billion in net ODA (preliminary data), which represented 0.56% of gross national income (GNI) and a fall of 5.7% in real terms from 2014. Finland is the 7th largest Development Assistance Committee (DAC) provider in terms of ODA as a percentage of GNI, and the 17th in terms of volume. In 2015, the government decided to cut the budget for development co-operation by EUR 200 million annually starting in 2016. An additional EUR 130 million of grant aid will be converted into loans and capital investment for developing countries. At the same time, Finland, like other EU member countries, committed in 2015 to provide 0.7% of GNI as ODA by 2030. The share of Finnish ODA that is untied (excluding administrative costs and in-donor refugee costs) has increased, from 77.6% in 2013 to 90.4% in 2014, compared to the 2014 DAC average of 80.6%. The grant element of total ODA was 100% in 2014.

Finland reported USD 16.1 million of its in-donor refugee costs as ODA in 2014. These costs represented 1% of its total net ODA.

Figure 16.2. **Net ODA: Trends in volume and as a share of GNI, 1999-2015, Finland**



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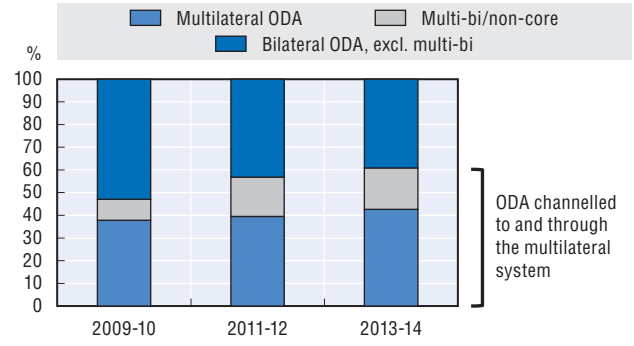
In 2014, 57.4% of ODA was provided bilaterally. Finland allocated 42.6% of total ODA as core contributions to multilateral organisations, above the DAC country average of 28.3%. In addition, it channelled 34.8% of its bilateral ODA for specific projects implemented by multilateral organisations (multi-bi/non-core).

Figure 16.3. **Share of ODA channelled to and through the multilateral system, two year averages, gross disbursements, Finland**



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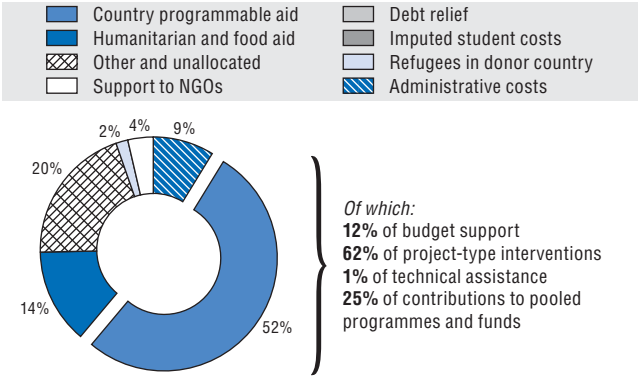
The share of bilateral ODA provided by Finland that was programmed at partner country level was 52.4%. Finland's share of country programmable aid (CPA) was close to the DAC country average (52.9%) in 2014. Project-type interventions accounted for 62% of CPA.

Figure 16.4. **Composition of bilateral ODA, 2014, gross disbursements, Finland**



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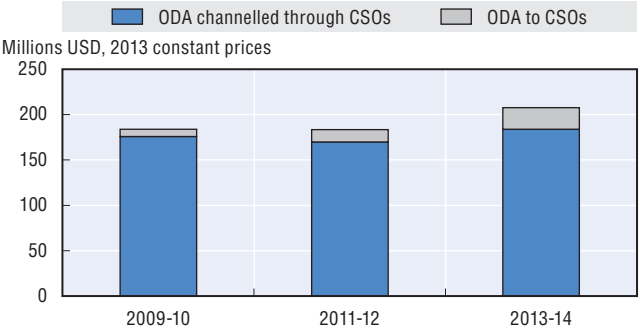
In 2014, USD 214.5 million of bilateral ODA was channelled to and through civil society organisations (CSOs). ODA channelled to and through CSOs increased between 2013 and 2014 in terms of volume (+4.3%), but decreased as a share of bilateral aid (from 24.7% in 2013 to 22.9% in 2014). The share provided in 2014 is higher than the DAC average of 17.4%.

Figure 16.5. **Bilateral ODA to and through CSOs, two year averages, gross disbursements, Finland**



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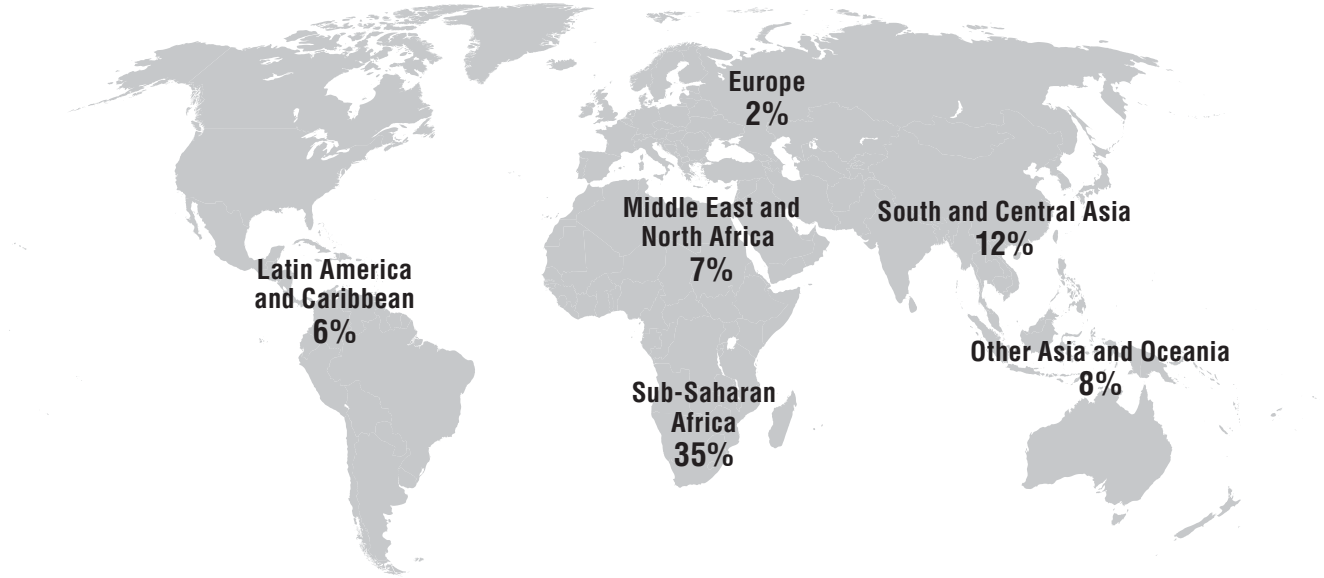
Bilateral ODA was primarily focused on sub-Saharan Africa and south and central Asia. In 2014, USD 324.1 million was allocated to sub-Saharan Africa and USD 114.3 million to south and central Asia.

Figure 16.6. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, Finland**

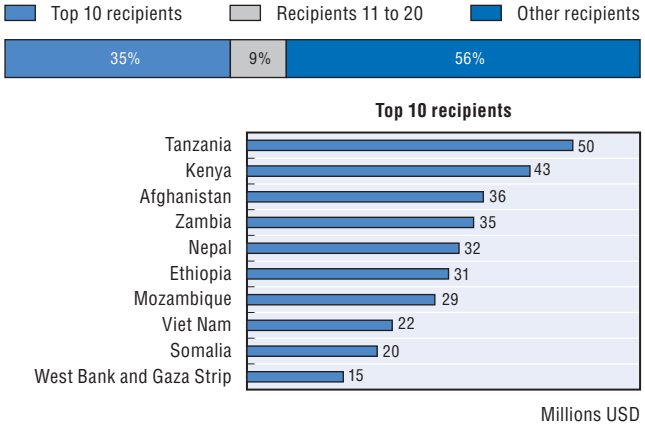


Note: 32% of bilateral ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

StatLink http://dx.doi.org/10.1787/888933358719

In 2014, 37.1% of bilateral ODA went to Finland's top 10 recipients. Its seven long-term partner countries are among its top 10 recipients of bilateral ODA. In 2014, Finland's support to fragile states reached USD 310.5 million (33.1% of gross bilateral ODA).

Figure 16.7. **Bilateral ODA to top recipients, 2013-14 average, gross disbursements, Finland**

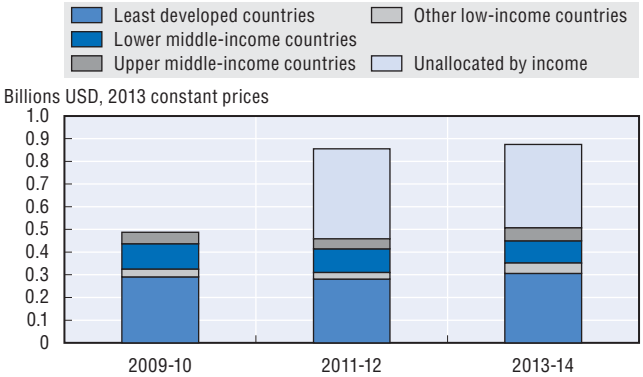


StatLink http://dx.doi.org/10.1787/888933358725

The share of bilateral ODA that was allocated to least developed countries (LDCs) was 34.7%, amounting to USD 325.1 million in 2014. The share decreased slightly from 35.4% in 2013, but remains higher than the 2014 DAC average of 25.6%. LDCs received the highest share of bilateral ODA compared with other income groups in 2014, noting that 40.6% was unallocated by income group.

At 0.21% of GNI in 2014, total ODA to LDCs was above the UN target of 0.15% of GNI.

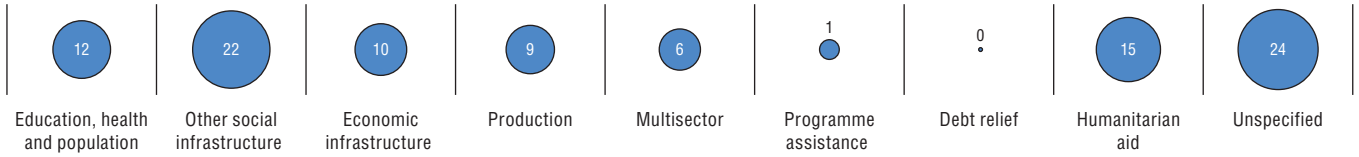
Figure 16.8. **Bilateral ODA by income group, two year averages, gross disbursements, Finland**



StatLink http://dx.doi.org/10.1787/888933358737

In 2014, 35% of bilateral ODA was allocated to social infrastructure and services, amounting to USD 284.9 million, with a strong focus on support to government and civil society (USD 123.5 million) and education (USD 60.8 million). USD 108.5 million was allocated to humanitarian aid.

Figure 16.9. **Share of bilateral ODA by sector, 2013-14 average, commitments, Finland**



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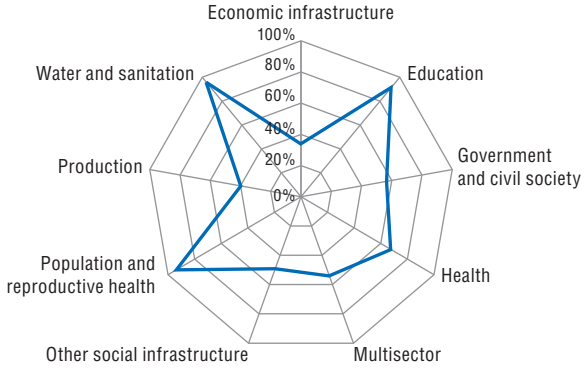
USD 302.6 million of bilateral ODA supported gender equality in 2014. Finland is committed to integrating gender equality into its projects and programmes and the priority areas for its work on gender equality and women's empowerment are: economic empowerment, gender and climate, women, peace and security. In 2014, 44% of its bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective, compared with the DAC country average of 34.7%. This is also an increase from 41.3% in 2013 and 25.4% in 2009. Finland's aid to water and sanitation, population and reproductive health, and education focuses on gender.

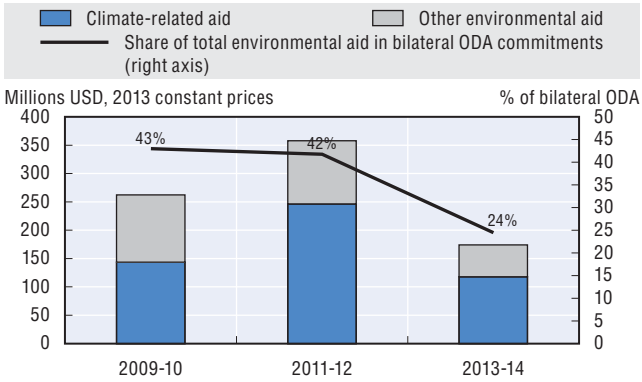
Figure 16.10. **Share of bilateral allocable ODA in support of gender equality by sector, 2014, commitments, Finland**



StatLink http://dx.doi.org/10.1787/888933358758

USD 188.6 million of bilateral ODA supported the environment in 2014. Sustainable use of natural resources, including food security and access to water and energy, is one of the four priorities of Finland's development policy updated in 2016. This priority is well in line with SDGs 2, 6, 7, 13 and 15. Adaptation and mitigation measures to climate change are an important part of this work. In 2014, 27.4% of its bilateral allocable aid focused on the environment and 18.5% (USD 127.3 million) focused on climate change, compared with respective DAC country averages of 32.2% and 23.9%. There was a sharp decrease in the share and volume of total environmental aid between 2011-12 and 2013-14.

Figure 16.11. **Bilateral allocable ODA in support of global and local environment objectives, two year averages, commitments, Finland**



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Note to reader: Annex B provides "Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members".

FRANCE

Development challenges as investment and business opportunities: France's policy and practices

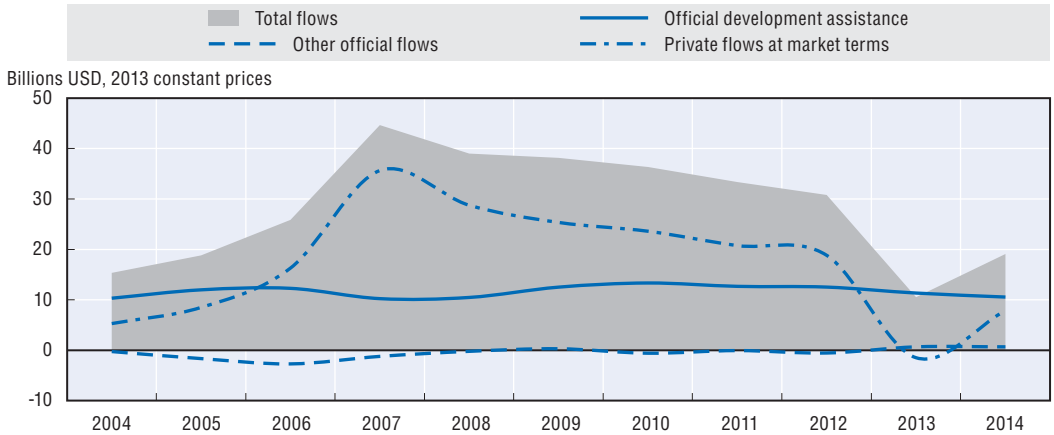
France gives high priority to mobilising resources additional to official development assistance (ODA), including private investment for development and steady and predictable innovative financing. The Agence Française de Développement's (AFD group) strategy towards the private sector aims at supporting the growth of sound and sustainable private companies and businesses which are central stakeholders for economic development, job creation and income for private individuals in the countries where it operates. Activities aim to support: 1) better business-enabling environments for the private sector; 2) the emergence of intermediary public or private business services for small and medium enterprises (SMEs); and 3) the direct development of SMEs, notably through a facilitated access to finance.

Through its subsidiary Proparco, the AFD, along with the Ministry of Economy and Finance (through UBIFRANCE12) supports private investment in emerging and developing economies for growth, low-carbon, sustainable development. The main priorities of its strategy are to increase focus on Africa, fragile and conflict affected states, and on climate change. It offers a range of financial instruments, such as loans, equity, guarantees and financial engineering. Its focus lies mainly on infrastructure, especially for renewable energies and energy efficiency, agriculture and agro-industry, the banking sector, health, and education.

According to the 2015 DAC Survey on Mobilisation (Benn et al., 2016), France mobilised USD 1.6 billion from the private sector through guarantees, syndicated loans and shares in collective investment vehicles in 2012-14. The AFD was the most active institution in this area, in particular through its guarantee programme ARIZ. Credit lines were also very important over the same period, although they were not included in the survey.

Financial flows from France to developing countries

Figure 17.1. **Net resource flows to developing countries, 2004-14, France**



Note: Data on private grants are not available.

StatLink http://dx.doi.org/10.1787/888933358771

France uses ODA to mobilise other resources for sustainable development

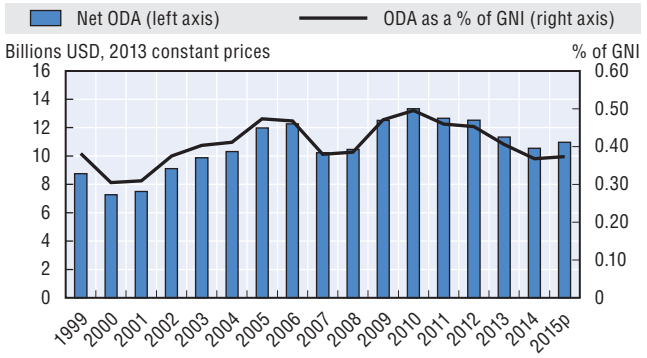
- **France promotes aid for trade to improve developing countries' trade performance and integration into the world economy.** France committed USD 2.6 billion to trade-related activities in 2014 (37.6% of its bilateral allocable ODA), an 8.6% increase in real terms from 2013. The trend has been fluctuating over the past few years.
- **France has pledged USD 1 billion (EUR 775 million) to the Green Climate Fund,** which plays a key role in channelling resources to developing countries and catalysing climate finance at the international and national levels. In 2016, France will also contribute a total amount of USD 26.5 million (EUR 25 million) to the Least Developed Countries Fund, which addresses urgent and immediate adaptation needs and supports national adaptation planning processes to reduce medium and long-term vulnerability to the impacts of climate change.

France's official development assistance

In 2015, France provided USD 9.2 billion in net ODA (preliminary data), which represented 0.37% of gross national income (GNI) and a 2.8% increase in real terms from 2014, the first since 2010. France is the 11th largest Development Assistance Committee (DAC) provider in terms of ODA as a percentage of GNI, and the 5th largest in terms of volume. France is committed, at European level, to collectively achieve a 0.7% ODA/GNI ratio by 2030. France's share of untied ODA (excluding administrative costs and in-donor refugee costs) was 92.3% in 2014 (increasing from 90.1% in 2013), compared to the DAC average of 80.6%. The grant element of total ODA was 85.6% in 2014, higher than in 2013 (when it stood at 84.4%) but below the DAC compliance grant element norm of 86%.

France reported USD 485.1 million of its in-donor refugee costs as ODA in 2014. These costs represented 4.6% of its total net ODA.

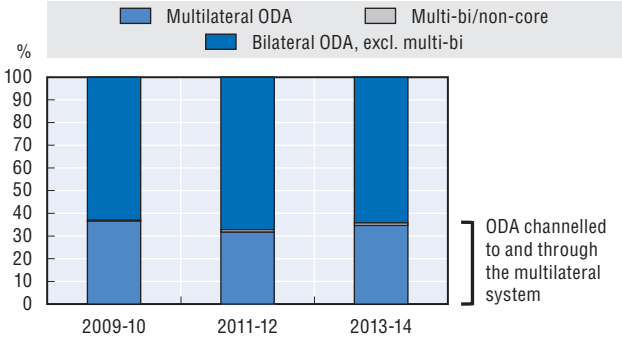
Figure 17.2. **Net ODA: Trends in volume and as a share of GNI, 1999-2015, France**



StatLink http://dx.doi.org/10.1787/888933358780

In 2014, 66.3% of ODA was provided bilaterally. France allocated 33.7% of total ODA as core contributions to multilateral organisations, compared with the DAC country average of 28.3%. In addition, it channelled 1.4% of its bilateral ODA for specific projects implemented by multilateral organisations (multi-bi/non-core).

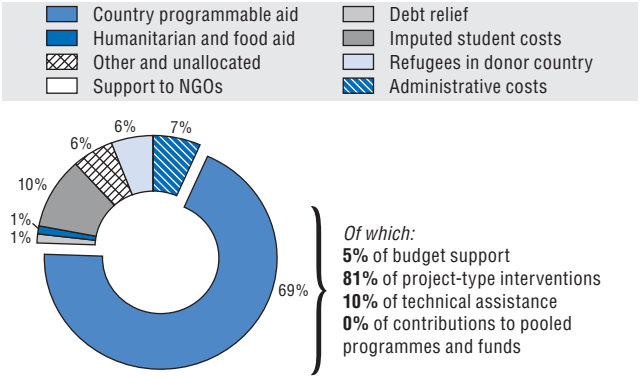
Figure 17.3. **Share of ODA channelled to and through the multilateral system, two year averages, gross disbursements, France**



StatLink http://dx.doi.org/10.1787/888933358797

In 2014, 68.9% of French gross bilateral ODA was programmed at partner country level. France's share of country programmable aid (CPA) was higher than the DAC country average (52.9%) in 2014. Project-type interventions made up 81% of CPA.

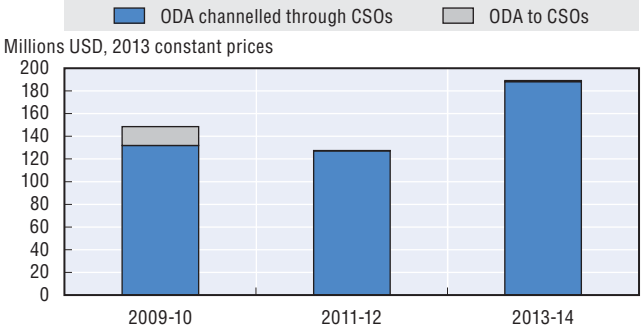
Figure 17.4. **Composition of bilateral ODA, 2014, gross disbursements, France**



StatLink http://dx.doi.org/10.1787/888933358808

In 2014, USD 268.8 million of bilateral ODA was channelled to and through civil society organisations (CSOs). France's ODA to and through CSOs increased between 2013 and 2014 in terms of volume (it more than doubled), and as a share of bilateral aid. This share (3.2% in 2014) was, however, low compared with the DAC country average of 17.4%.

Figure 17.5. **Bilateral ODA to and through CSOs, two year averages, gross disbursements, France**

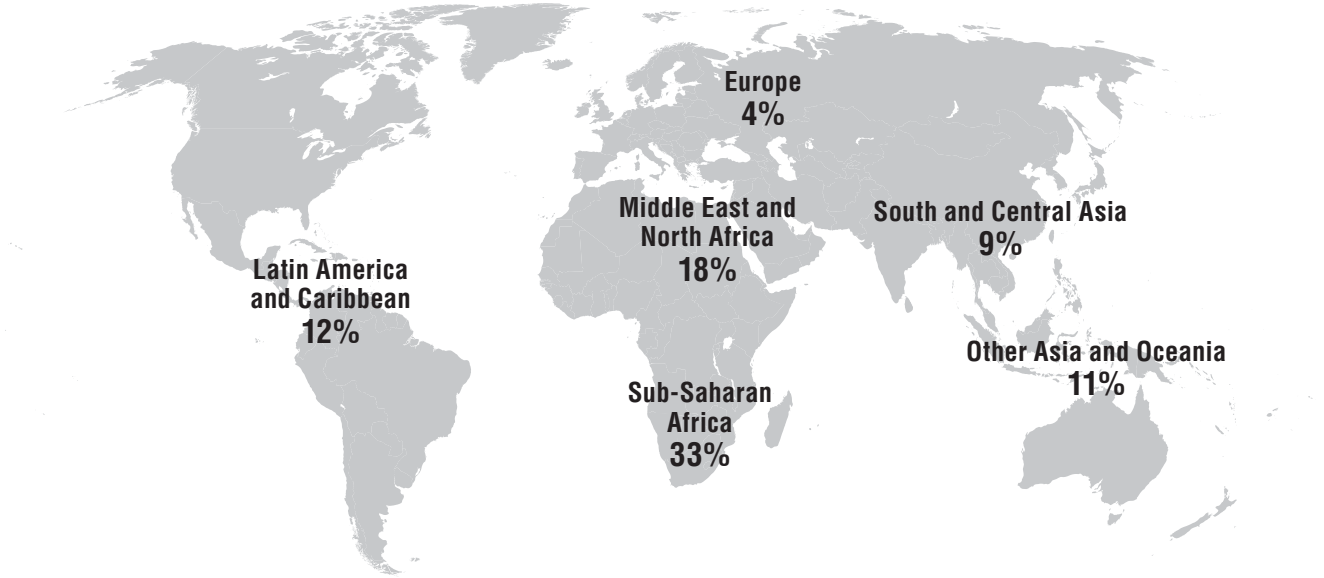


Note: Data on ODA to CSOs are not available for 2012 and 2014.

StatLink http://dx.doi.org/10.1787/888933358815

In 2014, bilateral ODA primarily focused on sub-Saharan Africa and the Middle East and North Africa. In 2014, France allocated USD 2.8 billion to sub-Saharan Africa, USD 1.1 billion to North Africa and USD 258.8 million to the Middle East.

Figure 17.6. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, France**

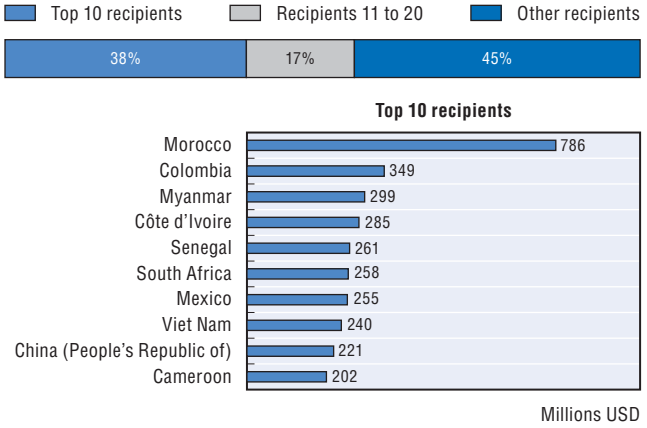


Note: 13% of bilateral ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

StatLink http://dx.doi.org/10.1787/888933358829

In 2014, 39% of bilateral ODA went to France's top 10 recipients. France has 16 priority partner countries in sub-Saharan Africa, which should receive at least 50% of French grant ODA. Its support to fragile states reached USD 2 billion in 2014 (22.8% of gross bilateral ODA).

Figure 17.7. **Bilateral ODA to top recipients, 2013-14 average, gross disbursements, France**

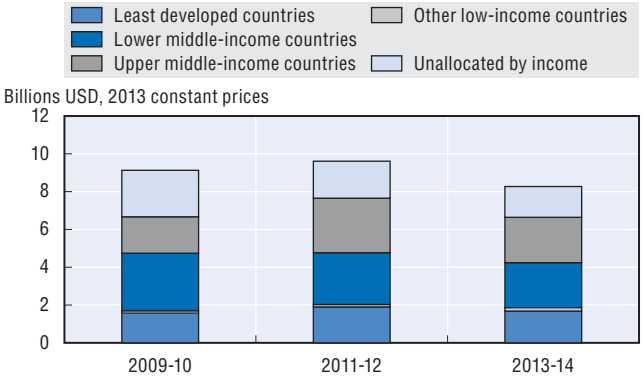


StatLink http://dx.doi.org/10.1787/888933358837

In 2014, 17.7% of gross bilateral ODA was allocated to least developed countries (LDCs), amounting to USD 1.5 billion. This is a decrease from 2013 (22.9%), and is lower than the 2014 DAC average of 25.6%. Upper middle-income countries received the highest share of bilateral ODA in 2014 (30.6%).

At 0.09% of GNI in 2014, ODA to LDCs was lower than the UN target of 0.15% of GNI.

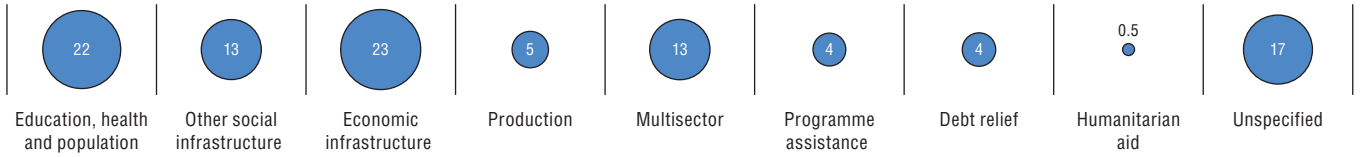
Figure 17.8. **Bilateral ODA by income group, two year averages, gross disbursements, France**



StatLink http://dx.doi.org/10.1787/888933358841

In 2014, 37.1% of France's bilateral ODA was committed to social infrastructure and services, amounting to USD 3.4 billion, with a strong focus on support to education (USD 1.5 billion) and water and sanitation (USD 1.1 billion). USD 2.1 billion (23.6% of bilateral ODA) was allocated to economic infrastructure and services, mainly to transport and storage (USD 1.3 billion) and energy generation and supply (USD 788.9 million).

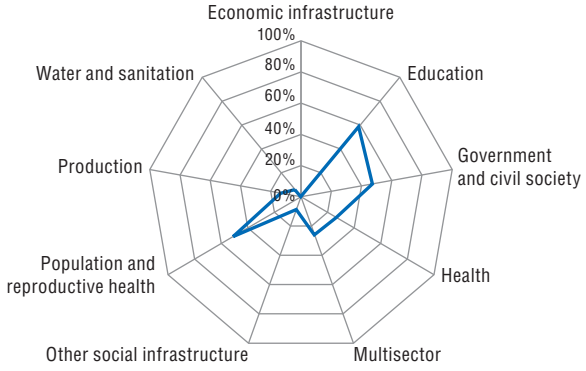
Figure 17.9. **Share of bilateral ODA by sector, 2013-14 average, commitments, France**



StatLink http://dx.doi.org/10.1787/888933358852

USD 958.9 million of bilateral ODA supported gender equality in 2014. France has made positive steps to integrate gender equality into its development co-operation with a new "gender and development" strategy (2013-17) and a "cross-sectoral framework on gender" framing the AFD's support (OECD, 2014). In 2014, 15.2% of French bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective, compared with the DAC country average of 34.7%. This was a decrease from 19% in 2013. Education, population and reproductive health are the only sectors in which the focus on gender is strong.

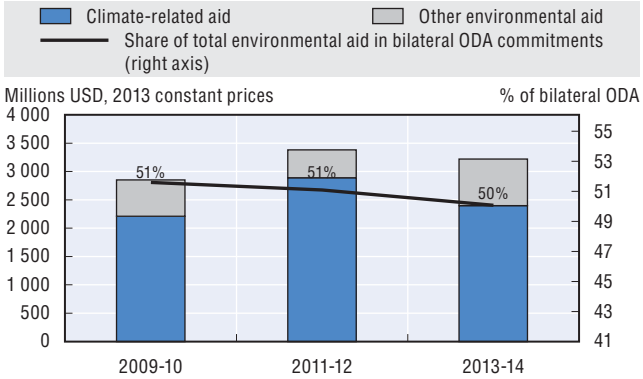
Figure 17.10. **Share of bilateral allocable ODA in support of gender equality by sector, 2014, commitments, France**



StatLink http://dx.doi.org/10.1787/888933358864

USD 3.6 billion of bilateral ODA supported the environment in 2014. France has made positive steps to integrate the environment and climate change into its development co-operation (OECD, 2014). In 2014, 52.2% of French bilateral allocable aid supported the environment and 40.7% (USD 2.8 billion) focused on climate change, compared with the respective DAC country averages of 32.2% and 23.9%.

Figure 17.11. **Bilateral allocable ODA in support of global and local environment objectives, two year averages, commitments, France**



StatLink http://dx.doi.org/10.1787/888933358878

Note to reader: Annex B provides "Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members".

Reference

OECD (2014), *OECD Development Co-operation Peer Reviews: France 2013*, OECD Development Co-operation Peer Reviews, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264196193-en*.

GERMANY

Development challenges as investment and business opportunities: Germany's policy and practices

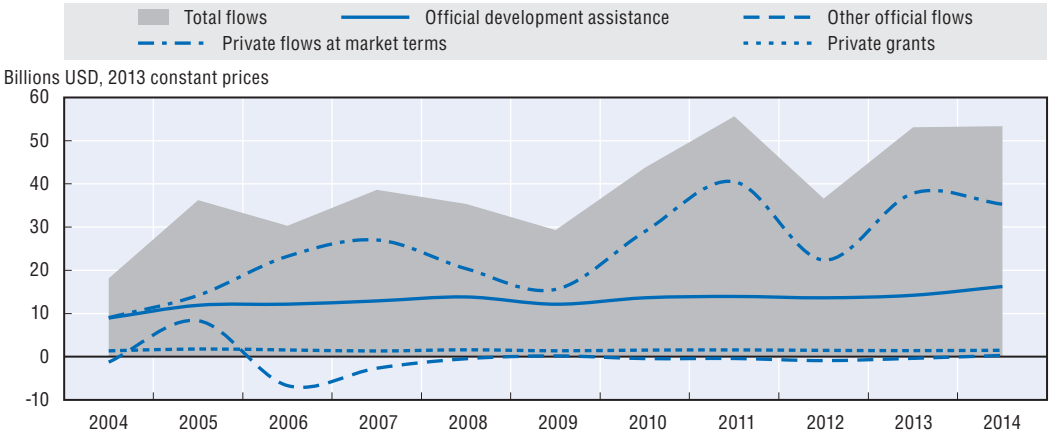
Germany uses public development finance to leverage engagement and investment from the private sector for sustainable development, seeking to build synergies among the various German stakeholders at home and in partner countries (OECD, 2015). It mobilises a wide range of instruments as part of its financial co-operation – from concessional loans to risk capital provision and guarantees – which are extended by KfW, Germany's development finance institution. In its financial (KfW) and technical co-operation (GIZ) activities, Germany has also developed some innovative approaches for engaging with developing country, German and international companies. For example, Germany has set up a "Trade Policy and Trade Promotion Fund" that aims at building the capacities of partner country decision makers and non-state actors to develop and implement coherent and comprehensive strategies for the promotion of trade and investment. In addition, the fund promotes the cross-linkage of state and non-state stakeholders so that they can jointly develop and implement trade strategies.

Deutsche Investitions – und Entwicklungsgesellschaft (DEG), a subsidiary of the KfW, is dedicated to promoting business initiatives in developing and emerging economies by financing operations and providing advisory services.

According to the 2015 DAC Survey on Mobilisation (Benn et al., 2016), Germany mobilised USD 251 million from the private sector through the KfW's guarantees and shares in collective investment vehicles in 2012-14. Credit lines were also very important over the same period, although they were not covered by the survey.

Financial flows from Germany to developing countries

Figure 18.1. **Net resource flows to developing countries, 2004-14, Germany**



StatLink http://dx.doi.org/10.1787/888933358880

Germany uses ODA to mobilise other resources for sustainable development

- **Germany contributes to the mobilisation of domestic resources in developing countries by supporting their tax systems.** In 2014, it is estimated that Germany committed USD 276 000 of its official development assistance (ODA) to tax-related activities in partner countries.
- **It promotes aid for trade to improve developing countries' trade performance and integration into the world economy.** It committed USD 7.7 billion to trade-related activities in 2014 (49.4% of its sector-allocable ODA), a 50.6% increase in real terms from 2013. The trend has been increasing over the past few years.
- **Germany has pledged USD 1 billion (EUR 750 million) to the Green Climate Fund,** which plays a key role in channelling resources to developing countries and catalysing climate finance at the international and national levels. In 2015/16, Germany will also contribute a total amount of USD 53 million (EUR 50 million) to the Least Developed Countries Fund, which addresses urgent and immediate adaptation needs and supports national adaptation planning processes to reduce medium and long-term vulnerability to the impacts of climate change.

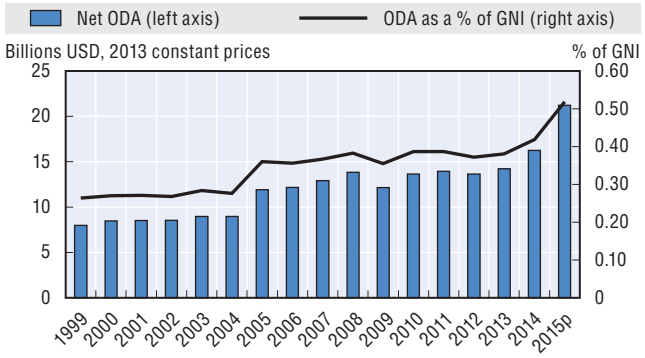
Germany's official development assistance

In 2015, Germany provided USD 17.8 billion in net ODA (preliminary data). This represented 0.52% of gross national income (GNI) and a 25.9% increase in real terms from 2014, due mostly to an increase in-donor refugee costs. Germany is the ninth largest Development Assistance Committee (DAC) provider in terms of ODA as a percentage of GNI, and the third largest in terms of volume. Germany's ODA reached a record high in 2015 and is set to continue to rise up to 2019. Like other EU member countries, it is committed to meeting the 0.7% ODA/GNI target by 2030.

Germany's share of untied ODA (excluding administrative costs and in-donor refugee costs) was 83.6% in 2014 (up from 80.1% in 2013), compared to the DAC average of 80.6%. The grant element of total ODA was 83.6% in 2014 (decreasing from 86.9% in 2013 and 88.4% in 2012), below the DAC compliance grant element norm of 86%.

Germany reported USD 171.4 million of its in-donor refugee costs as ODA in 2014. These costs represented 1% of its total net ODA.

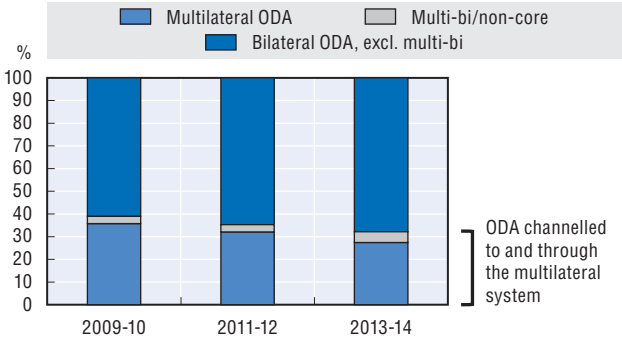
Figure 18.2. **Net ODA: Trends in volume and as a share of GNI, 1999-2015, Germany**



StatLink http://dx.doi.org/10.1787/888933358895

In 2014, 74.3% of ODA was provided bilaterally. Germany allocated 25.7% of total ODA as core contributions to multilateral organisations, compared with the DAC country average of 28.3%. In addition, it channelled 6.2% of its bilateral ODA for specific projects implemented by multilateral organisations (multi-bi/non-core contributions).

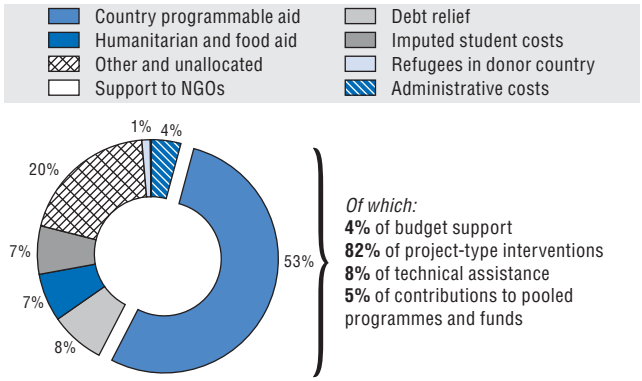
Figure 18.3. **Share of ODA channelled to and through the multilateral system, two year averages, gross disbursements, Germany**



StatLink http://dx.doi.org/10.1787/888933358901

In 2014, 53.4% of bilateral ODA was programmed at partner country level. Germany's share of country programmable aid (CPA) was slightly above the DAC country average (52.9%) in 2014. Project-type interventions accounted for 82% of CPA.

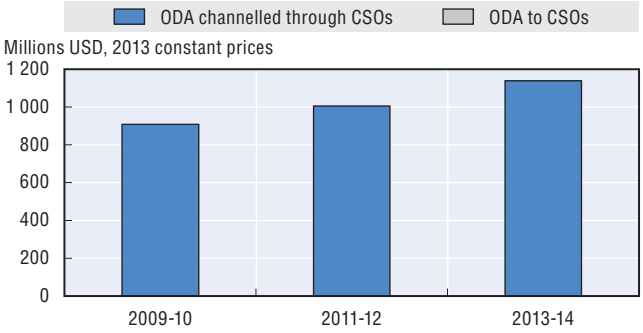
Figure 18.4. **Composition of bilateral ODA, 2014, gross disbursements, Germany**



StatLink http://dx.doi.org/10.1787/888933358917

In 2014, USD 1.2 billion of bilateral ODA was channelled through civil society organisations (CSOs), corresponding to 8.2% of bilateral aid, compared with the DAC country average of 17.4%. Between 2013 and 2014, ODA through CSOs increased in terms of volume (+4.2%), but decreased as a share of bilateral ODA (it was 9.7% in 2013).

Figure 18.5. **Bilateral ODA to and through CSOs, two year averages, gross disbursements, Germany**

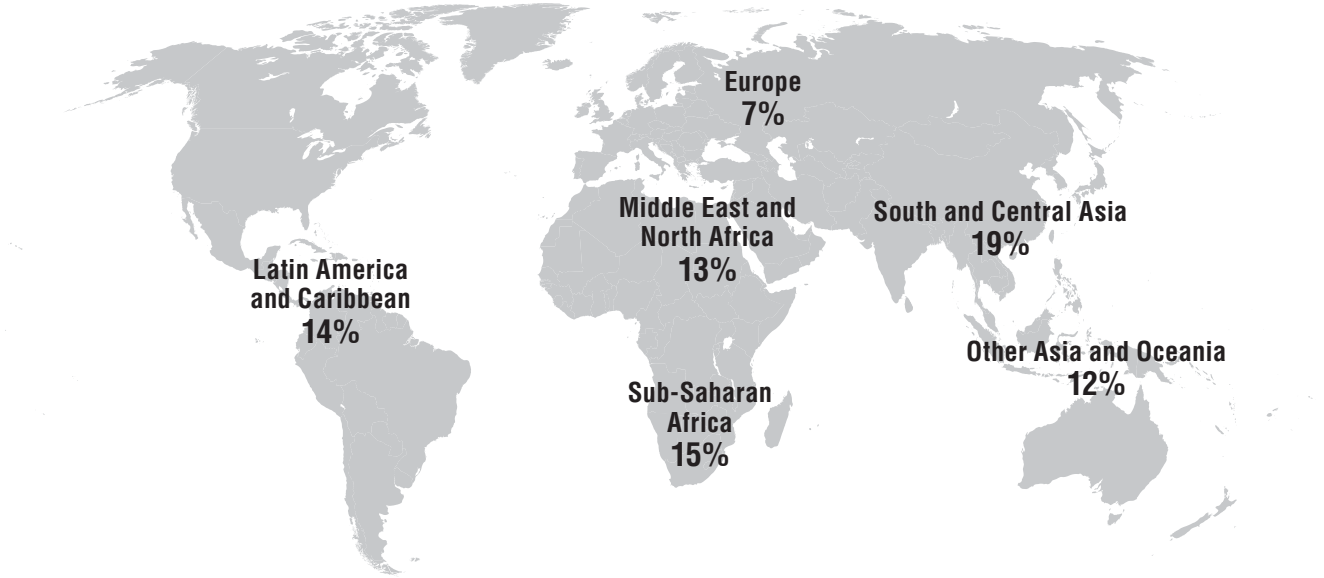


Note: Data on ODA to civil society organisations are not available.

StatLink http://dx.doi.org/10.1787/888933358927

Bilateral ODA primarily focused on south and central Asia and sub-Saharan Africa. In 2014, USD 3 billion was allocated to south and central Asia, and USD 2 billion was allocated to sub-Saharan Africa.

Figure 18.6. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, Germany**

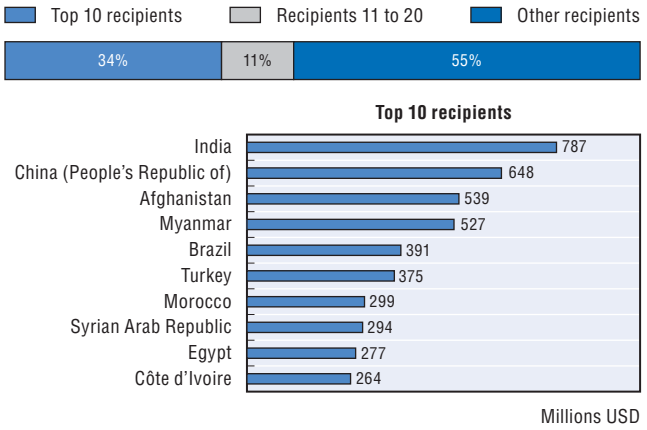


Note: 19% of bilateral ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

StatLink http://dx.doi.org/10.1787/888933358930

In 2014, 37.4% of bilateral ODA went to Germany's top 10 recipients. Germany has bilateral programmes with 50 partner countries. It co-operates with another 29 countries on thematic issues. The 2015 DAC Peer Review of Germany found that there has been an increase in German funds which are not allocated geographically, which would explain a relatively low concentration of its aid by country. In 2014, its support to fragile states reached USD 3.8 billion (26.8% of gross bilateral ODA).

Figure 18.7. **Bilateral ODA to top recipients, 2013-14 average, gross disbursements, Germany**

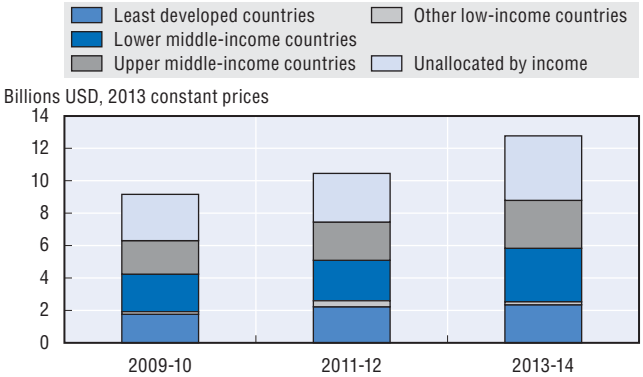


StatLink http://dx.doi.org/10.1787/888933358942

In 2014, 20.6% of bilateral ODA was allocated to least developed countries (LDCs), amounting to USD 3 billion. This is an increase from 15.8% in 2013 but is still lower than the 2014 DAC average (25.6%). In 2014, upper middle-income countries received the highest share of bilateral ODA (24.6%) compared with other income groups.

At 0.10% of GNI in 2014, total ODA to LDCs was lower than the UN target of 0.15% of GNI.

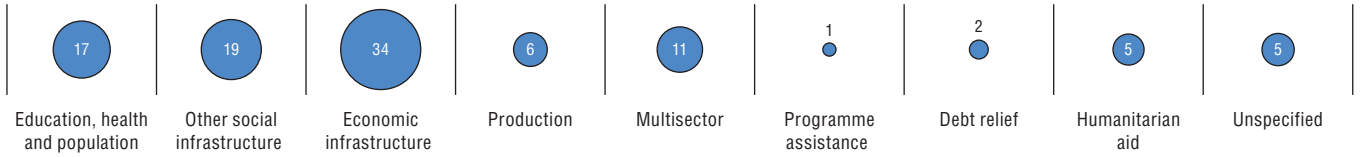
Figure 18.8. **Bilateral ODA by income group, two year averages, gross disbursements, Germany**



StatLink http://dx.doi.org/10.1787/888933358956

In 2014, 36.1% of Germany's bilateral ODA was allocated to economic infrastructure and services, amounting to USD 6.5 billion, with a strong focus on energy generation and supply (USD 3.9 billion). USD 5.9 billion was allocated to social infrastructure and services, with a focus on support to education (USD 2.1 billion) and government and civil society (USD 2 billion).

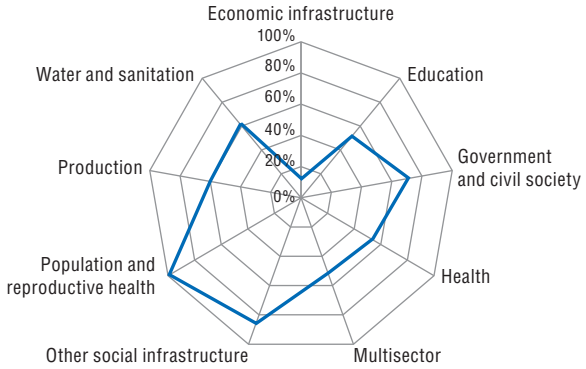
Figure 18.9. **Share of bilateral ODA by sector, 2013-14 average, commitments, Germany**



StatLink http://dx.doi.org/10.1787/888933358967

USD 5.9 billion of bilateral ODA supported gender equality in 2014. The BMZ integrates gender equality into programming through political dialogue, empowerment and gender mainstreaming. According to the 2015 DAC Peer Review, Germany should match its commitment to gender equality with adequate leadership, resources and tools. In 2014, 39% of German bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective, compared with 41.5% in 2013 and 44.7% in 2009. The DAC country average was 34.7% in 2014. Germany's aid to population and reproductive health and other social infrastructure focuses on gender.

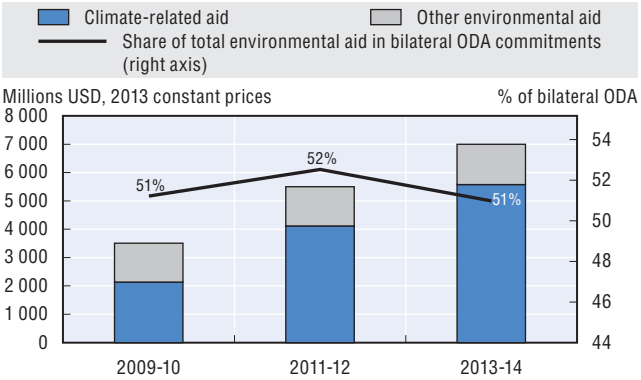
Figure 18.10. **Share of bilateral allocable ODA in support of gender equality by sector, 2014, commitments, Germany**



StatLink http://dx.doi.org/10.1787/888933358976

USD 8.5 billion of bilateral ODA supported the environment in 2014. Climate change is well embedded in the programme along with the environment and natural resource issues (OECD, 2015). Germany helps partner countries to identify the causes of environmental and climate risks, strengthen their governance structures and policies, and develop regional co-operation. Capacity building and technology transfer are key components of Germany's support (ibid.). In 2014, the share of German bilateral allocable aid focusing on the environment reached 54.8%, compared to the DAC country average of 32.2%. Germany's financial commitment to climate change mitigation has steadily increased in recent years. Its share of bilateral allocable aid reached 46.9% in 2014 (USD 7.3 billion), compared to the DAC country average of 23.9%.

Figure 18.11. **Bilateral allocable ODA in support of global and local environment objectives, two year averages, commitments, Germany**



StatLink http://dx.doi.org/10.1787/888933358989

Note to reader: Annex B provides "Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members".

Reference

OECD (2015), *OECD Development Co-operation Peer Reviews: Germany 2015*, OECD Development Co-operation Peer Reviews, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264246133-en*.

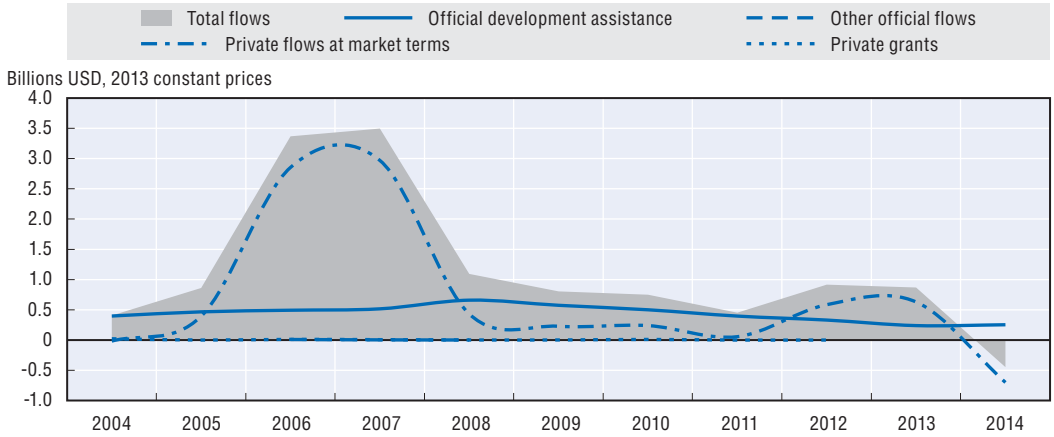
GREECE

Development challenges as investment and business opportunities: Greece's policy and practices

Greece emphasises the positive role that can be played by the private sector in promoting sustainable development and reducing poverty through job creation. It sees the public and private sectors playing complementary roles with business adding value to development goals through corporate social responsibility. Given the severe fiscal constraints that Greece faces and its commitment to Agenda 2030 for Sustainable Development, Greece is looking into the possibility of working with or through the private sector in order to promote sustainable development.

Financial flows from Greece to developing countries

Figure 19.1. **Net resource flows to developing countries, 2004-14, Greece**



Note: Data on private grants are not available for 2013 and 2014. Data on other official flows are not available for 2005 and from 2009 onwards.

StatLink http://dx.doi.org/10.1787/888933358997

Greece uses ODA to mobilise other resources for sustainable development

- **Greece promotes aid for trade to improve developing countries' trade performance and integration into the world economy.** It committed USD 16 600 to trade-related activities in 2014 (0.2% of its bilateral allocable ODA), a further decrease of 76.5% in real terms from 2013. The trend has been negative since 2011.

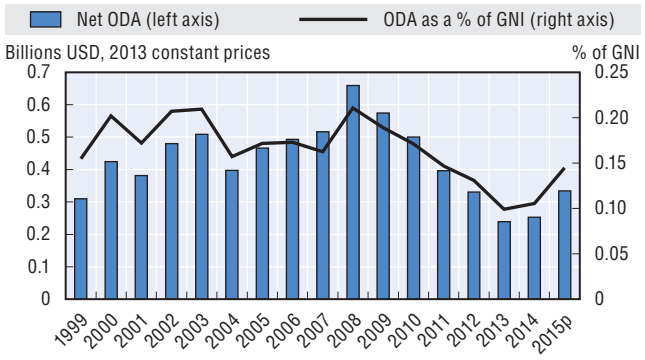
Greece's official development assistance

In 2015, Greece provided USD 282 million in net ODA (preliminary data), which represented 0.14% of gross national income (GNI) and an increase of 38.7% in real terms from 2014, partly due to in-donor refugee costs. Greece's ODA budget decreased between 2009 and 2013, as a direct consequence of the severe economic crisis, and started to grow again in 2014. Greece is the 26th largest Development Assistance Committee (DAC) provider in terms of its share of ODA as a percentage of GNI, and the 24th in terms of volume.

Greece's share of untied ODA (excluding administrative costs and in-donor refugee costs) was 22% in 2014, showing an important increase from 2013 (when it was at 2.7%), but still well below the 2014 DAC average of 80.6%. The high share of tied aid reflects the composition of Greece's aid portfolio, affected by severe fiscal constraints in recent years, which has a high share of tied technical co-operation (i.e. scholarships, imputed students' costs – considered by the DAC as tied by definition). The grant element of total ODA was 100% in 2014.

Greece reported USD 21.3 million of its in-donor refugee costs as ODA in 2014. These costs represented 8.6% of its total net ODA.

Figure 19.2. **Net ODA: Trends in volume and as a share of GNI, 1999-2015, Greece**



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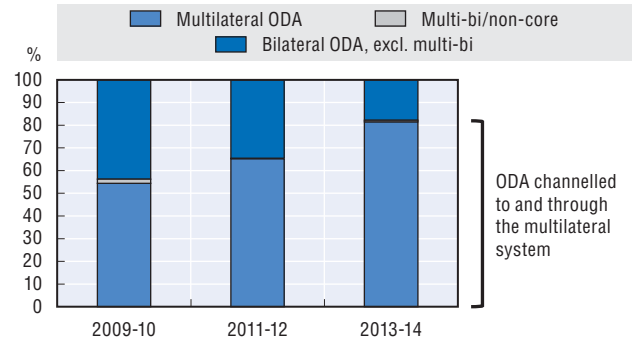
In 2014, 18.6% of Greece's ODA was provided bilaterally. Greece allocated 81.4% of total ODA as core contributions to multilateral organisations, compared with the DAC country average of 28.3%. This high share reflects the overall decline in its ODA. In addition, it channelled 4.1% of its bilateral ODA for specific projects implemented by multilateral organisations (multi-bi/non-core contributions).

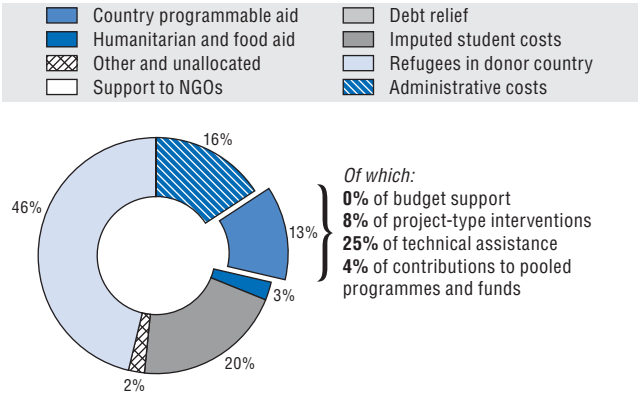
Figure 19.3. **Share of ODA channelled to and through the multilateral system, two year averages, gross disbursements, Greece**



StatLink http://dx.doi.org/10.1787/888933359011

In 2014, only 13% of Greece's bilateral ODA was programmed at partner country level. Greece's share of country programmable aid (CPA) was low compared to the DAC country average (52.9%) in 2014. This is explained by its limited grant-giving funds, its high spending for refugees in Greece (46% of bilateral aid) and imputed student costs. Technical assistance accounted for 25% of CPA.

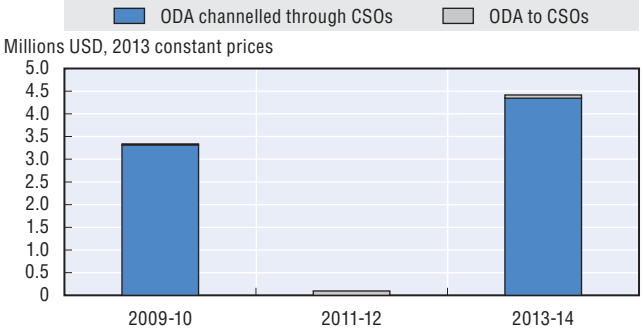
Figure 19.4. **Composition of bilateral ODA, 2014, gross disbursements, Greece**



StatLink http://dx.doi.org/10.1787/888933359023

In 2014, USD 4.2 million of bilateral ODA was channelled to and through civil society organisations (CSOs), corresponding to 9.2% of bilateral aid (compared to the DAC country average of 17.4%).

Figure 19.5. **Bilateral ODA to and through CSOs, two year averages, gross disbursements, Greece**



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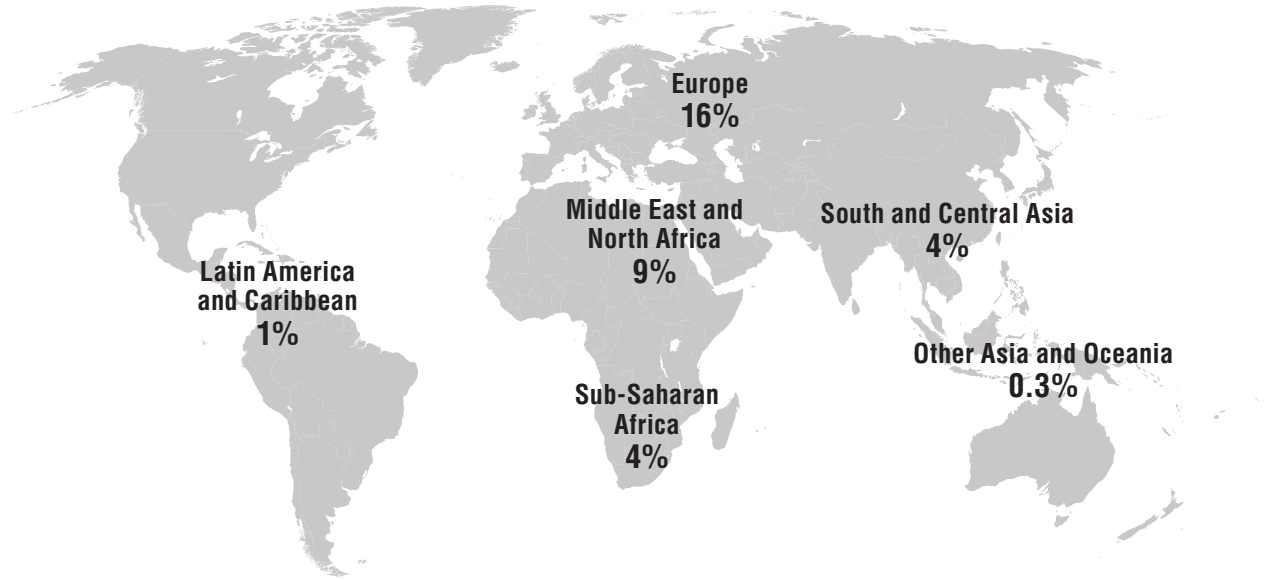
Bilateral ODA primarily focused on Eastern Europe. In 2014, USD 7.3 million was allocated to Eastern Europe and USD 3.7 million to the Middle East.

Figure 19.6. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, Greece**

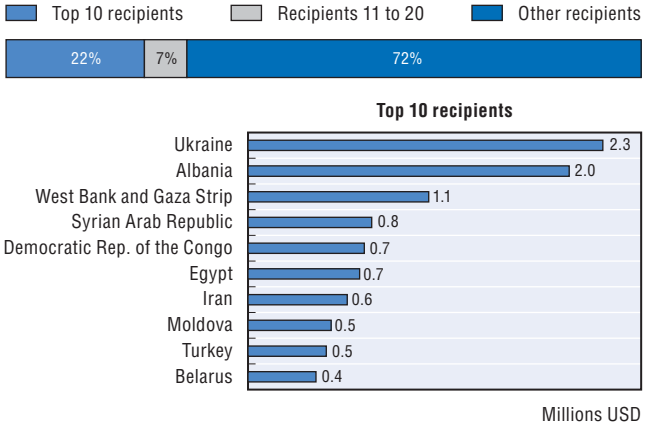


Note: 66% of bilateral ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

StatLink http://dx.doi.org/10.1787/888933359041

In 2014, 22.3% of bilateral ODA went to Greece's top 10 recipients. It has 18 priority partner countries. All of Greece's priority countries feature on its list of top 10 recipients. In 2014, its support to fragile states reached USD 6.2 million (13.5% of gross bilateral ODA).

Figure 19.7. **Bilateral ODA to top recipients, 2013-14 average, gross disbursements, Greece**



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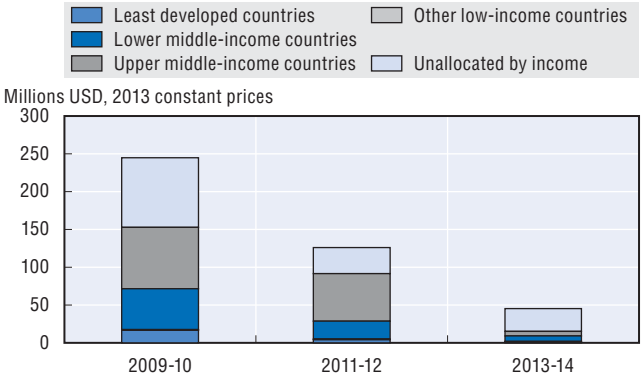
In 2014, 4% of bilateral ODA was allocated to least developed countries (LDCs), amounting to USD 1.9 million. This is a slight increase from 3.3% in 2013, but is still far from the DAC average of 25.6% in 2014. Lower middle-income countries received the highest share of bilateral ODA in 2014 (17%), noting that 64.3% was unallocated by income group.

At 0.02% of GNI in 2014, total ODA to LDCs was far below the UN target of 0.15% of GNI.

Figure 19.8. **Bilateral ODA by income group, two year averages, gross disbursements, Greece**



StatLink http://dx.doi.org/10.1787/888933359061

In 2014, 27.2% of bilateral ODA was allocated to social infrastructure and services, equal to USD 12.5 million, with a strong focus on education (USD 10.9 million).

Figure 19.9. **Share of bilateral ODA by sector, 2013-14 average, commitments, Greece**

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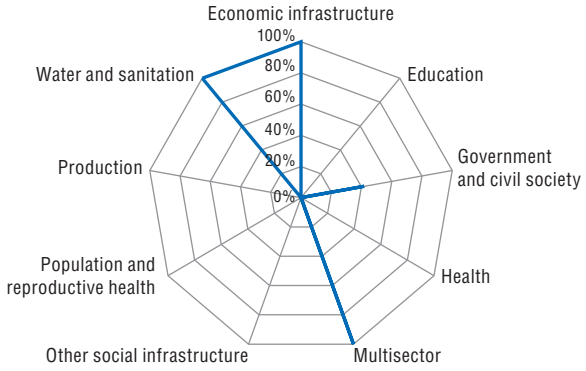
USD 5.1 million of bilateral ODA supported gender equality in 2014. Gender equality is a priority issue for Greece, which provides equal opportunities to male and female students from developing countries granted tertiary scholarships and studying in Greek universities. In 2014, 75.9% of its bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective, compared to the DAC country average of 34.7%. This is down from 2013, when it stood at 80.6%.

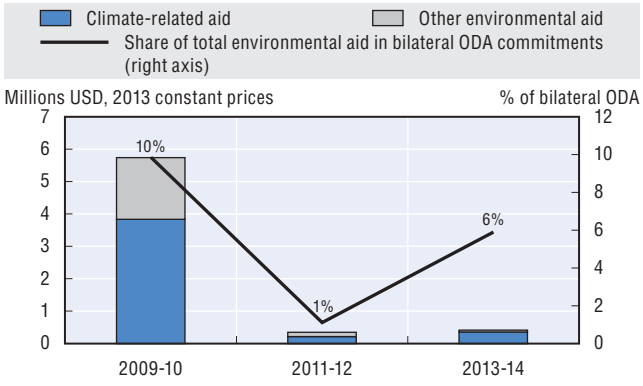
Figure 19.10. **Share of bilateral allocable ODA in support of gender equality by sector, 2014, commitments, Greece**



StatLink http://dx.doi.org/10.1787/888933359089

USD 0.3 million of bilateral ODA supported the environment in 2014. The share of Greek bilateral allocable aid focusing on the environment reached 3.1% in 2014, compared to 16.3% in 2009 and a 2014 DAC country average of 32.2%. The share of its bilateral allocable aid focusing on climate change was 3.1% in 2014 (USD 0.3 million), compared to the DAC country average of 23.9%.

Figure 19.11. **Bilateral allocable ODA in support of global and local environment objectives, two year averages, commitments, Greece**



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Note to reader: Annex B provides "Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members".

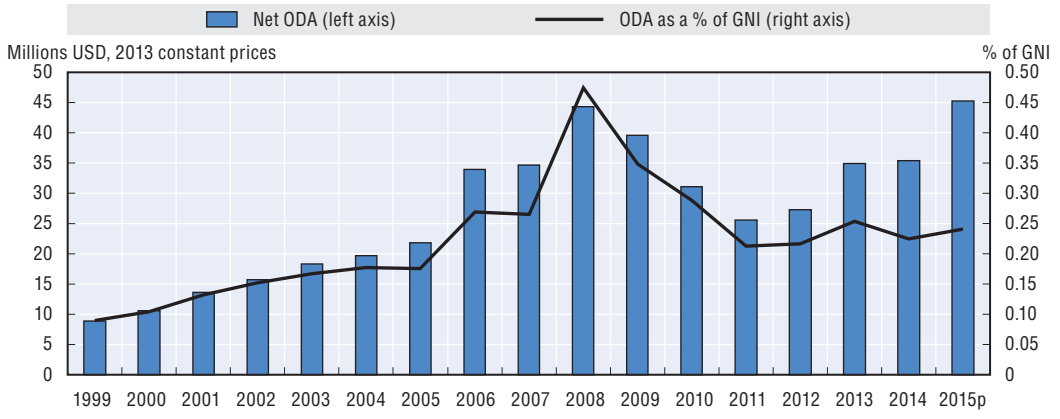
ICELAND

Financial flows from Iceland to developing countries

In 2015, Iceland delivered USD 39 million in net ODA (preliminary data), which represented 0.24% of its gross national income (GNI) and an 11.3% increase in real terms from 2014. Iceland is committed to achieving 0.7% ODA/GNI, and this commitment has been accompanied by an increase in official development assistance (ODA), both in terms of volume and as a share of GNI since 2012. Iceland is the 17th largest Development Assistance Committee (DAC) provider in terms of ODA as a percentage of GNI, and the 28th in terms of volume. Iceland untied 100% of its ODA (excluding administrative costs and in-donor refugee costs) in 2014, compared to the DAC average of 80.6%. Its ODA was also fully untied in 2013 and 2012. The grant element of total ODA was 100% in 2014. At present, data on other official flows, private grants (funds raised by non-governmental organisations and foundations) and private flows at market terms from Iceland to developing countries are not available.

Iceland reported USD 2.6 million of its in-donor refugee costs as ODA in 2014. These costs represented 6.8% of its total net ODA.

Figure 20.1. **Net ODA: Trends in volume and as a share of GNI, 1999-2015, Iceland**



StatLink http://dx.doi.org/10.1787/888933359100

Development challenges as investment and business opportunities: Iceland's policy and practices

Iceland is in the process of writing a new Development Cooperation Policy, for which approaches for engaging the private sector are being considered. While Iceland does not have specific private sector instruments, its work within the geothermal energy sector has significant private sector aspects both as regards implementation, leveraging other sources of finance and creating more enabling environments for the private sector in developing countries.

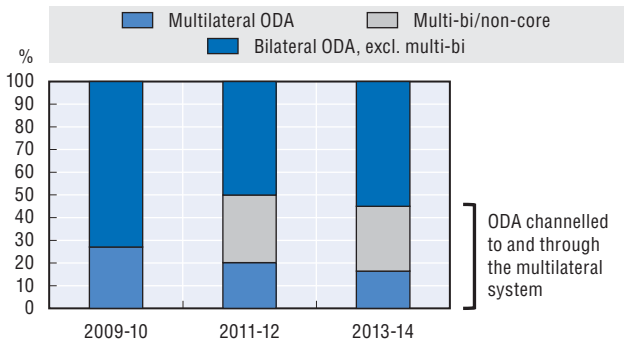
Iceland uses ODA to mobilise other resources for sustainable development

- **Iceland promotes aid for trade to improve developing countries' trade performance and integration into the world economy.** It committed USD 9.5 million (37.1% of its bilateral allocable ODA) to trade-related activities in 2014, a 14.1% decrease in real terms from 2013. The trend has been fluctuating over the past few years.
- **Iceland has pledged USD 1.3 million to the Green Climate Fund,** which plays a key role in channelling resources to developing countries and catalysing climate finance at the international and national levels.

Iceland's official development assistance

In 2014, 82.9% of ODA was provided bilaterally, totalling USD 30.9 million. Iceland allocated 17.1% of total ODA as core contributions to multilateral organisations, compared with the DAC country average of 28.3%. In addition, it channelled 33.3% of its bilateral ODA for specific projects implemented by multilateral organisations (multi-bi/non-core contributions). Iceland provides contributions to multilateral organisations such as the United Nations agencies and the World Bank.

Figure 20.2. **Share of ODA channelled to and through the multilateral system, two year averages, gross disbursements, Iceland**

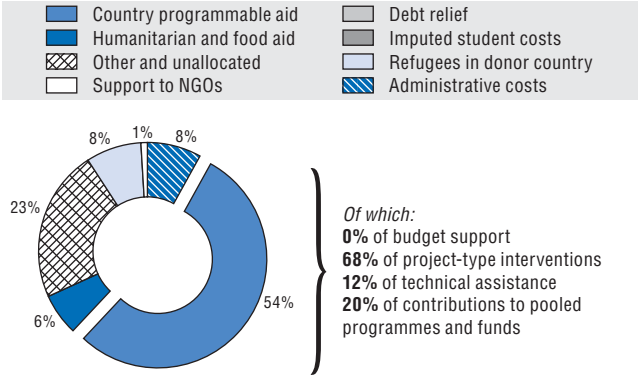


Note: Data on multi-bi/non-core ODA are not available prior to 2011.

StatLink http://dx.doi.org/10.1787/888933359110

In 2014, 53.9% of bilateral ODA was programmed at partner country level. Iceland's share of country programmable aid (CPA) was higher than the DAC country average (52.9%) in 2014. Project-type interventions made up 68% of CPA. The proportion of bilateral ODA categorised as other and unallocated equalled 23%.

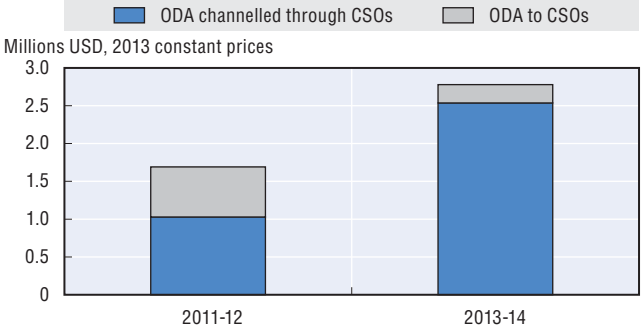
Figure 20.3. **Composition of bilateral ODA, 2014, gross disbursements, Iceland**



StatLink http://dx.doi.org/10.1787/888933359123

In 2014, USD 2.8 million of bilateral ODA was channelled to and through civil society organisations (CSOs). Between 2013 and 2014 Iceland's aid channelled to and through CSOs decreased both in volume (-11.6%) and as a share of bilateral ODA, from 10% in 2013 to 8.9% in 2014. This share was lower than the DAC average of 17.4%.

Figure 20.4. **Bilateral ODA to and through CSOs, two year averages, gross disbursements, Iceland**

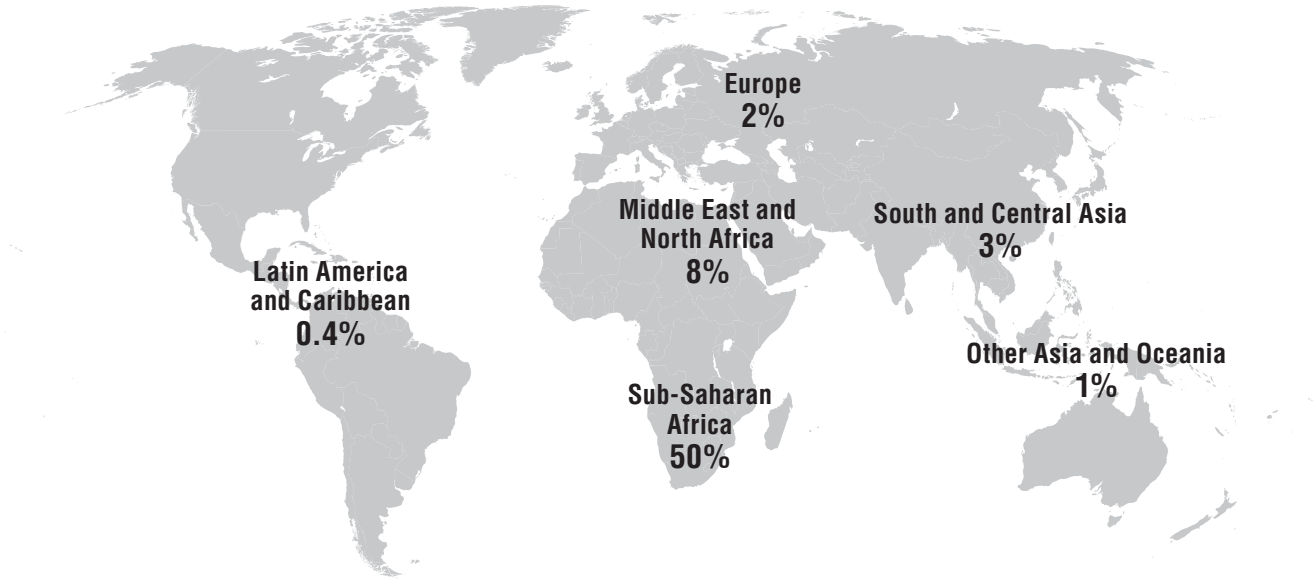


Note: Data on ODA to CSOs are not available prior to 2011.

StatLink http://dx.doi.org/10.1787/888933359133

Half of bilateral ODA was focused on sub-Saharan Africa. In 2014, USD 14.8 million was allocated to sub-Saharan Africa.

Figure 20.5. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, Iceland**

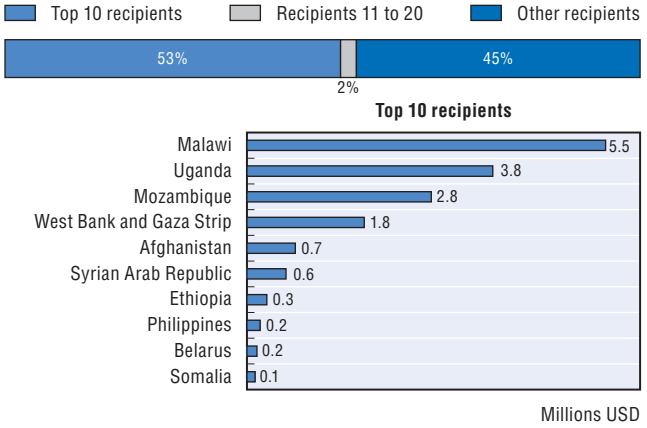


Note: 37% of ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

StatLink http://dx.doi.org/10.1787/888933359148

In 2014, 50.4% of bilateral ODA went to Iceland's top 10 recipients. Its three priority partner countries – Malawi, Uganda and Mozambique – are the top three recipients of its ODA. In 2013, its support to fragile states reached USD 7.4 million (24% of gross bilateral ODA).

Figure 20.6. **Bilateral ODA to top recipients, 2013-14 average, gross disbursements, Iceland**

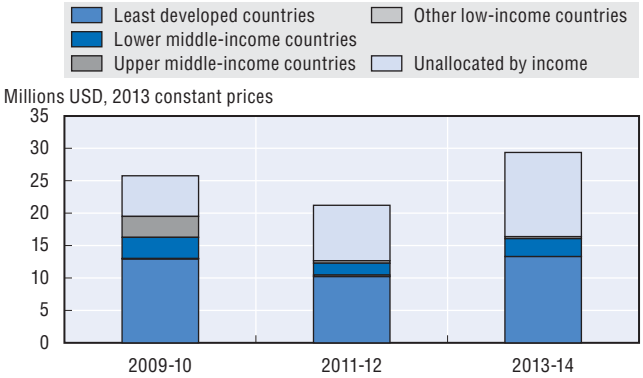


StatLink http://dx.doi.org/10.1787/888933359152

In 2014, 42.1% of bilateral ODA was allocated to least developed countries (LDCs), amounting to USD 13 million. This is a decrease from 48.6% in 2013, but is still far above the DAC average of 25.6% in 2014. LDCs received the highest share of bilateral ODA in 2014, noting that 48% was unallocated by income group.

At 0.09% of GNI in 2014, total ODA to LDCs was below the UN target of 0.15% of GNI.

Figure 20.7. **Bilateral ODA by income group, two year averages, gross disbursements, Iceland**

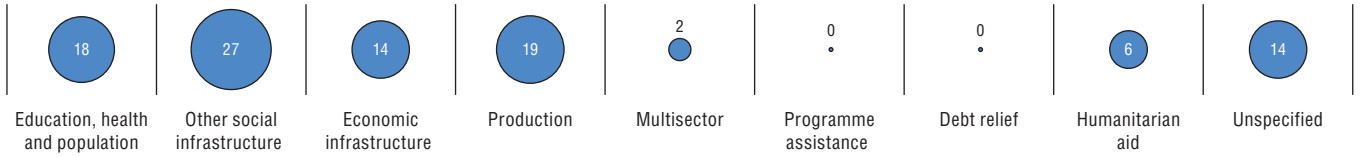


Note: Data concerning other low-income countries are only available for 2009.

StatLink http://dx.doi.org/10.1787/888933359166

In 2014, 44% of bilateral ODA was allocated to social infrastructure and services, amounting to USD 13.6 million, with a strong focus on government and civil society (USD 4 million). USD 5.1 million was allocated to the production sectors, in particular to fishing (USD 4.4 million) and USD 4.4 million to economic infrastructure and services.

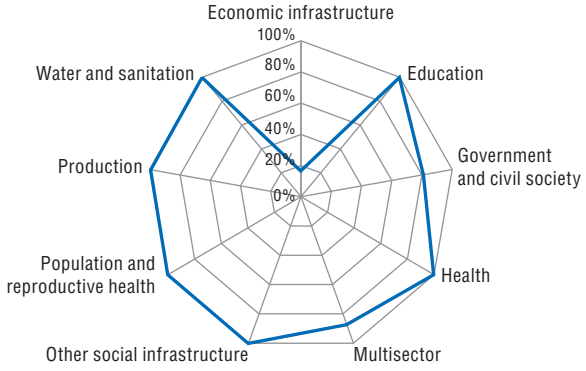
Figure 20.8. **Share of bilateral ODA by sector, 2013-14 average, commitments, Iceland**



StatLink http://dx.doi.org/10.1787/888933359176

USD 20.6 million of bilateral ODA supported gender equality in 2014. Gender equality is one of two cross-cutting themes (with environment) in Iceland's development co-operation and is solidly integrated into its projects and programmes. In 2014, 80.6% of Iceland's bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective, compared with the DAC country average of 34.7%. This is down from 83.4% in 2013. Iceland has also been striving to promote gender equality in its multilateral support, mainly through the United Nations and the World Bank. Iceland supports gender equality through investments in all sectors.

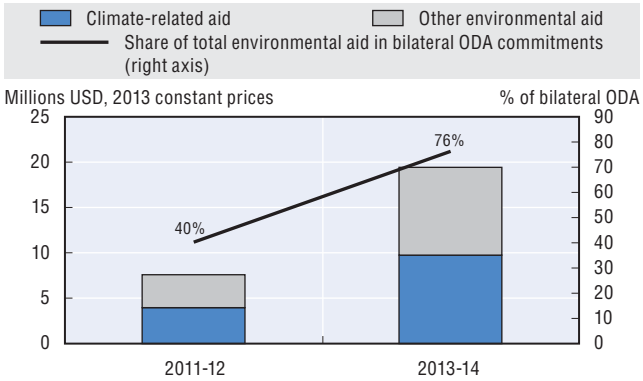
Figure 20.9. **Share of bilateral allocable ODA in support of gender equality by sector, 2014, commitments, Iceland**



StatLink http://dx.doi.org/10.1787/888933359187

USD 19.4 million of bilateral ODA supported the environment in 2014. Environment is one of two cross-cutting themes in Iceland's development co-operation and is solidly integrated into its projects and programmes. In 2014, 75.9% of Iceland's bilateral allocable aid supported the environment and 39.1% (USD 10 million) focused particularly on climate change, compared with the respective DAC country averages of 32.2% and 23.9%.

Figure 20.10. **Bilateral ODA in support of global and local environment objectives, two year averages, commitments, Iceland**



StatLink http://dx.doi.org/10.1787/888933359197

Note to reader: Annex B provides "Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members".

IRELAND

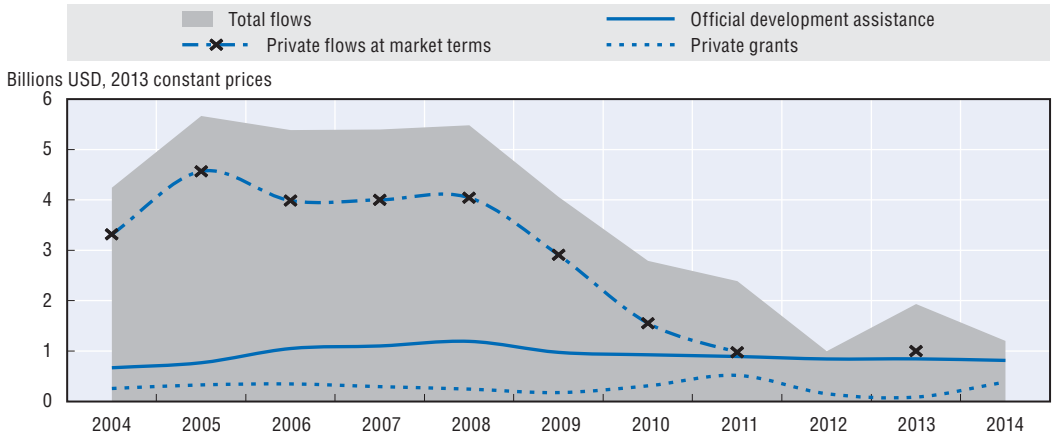
Development challenges as investment and business opportunities: Ireland's policy and practices

Ireland's policy for international development – One World One Future – identifies trade and economic growth as a priority area for action. This includes developing an Inclusive Economic Growth policy and committing to the continued implementation of the Africa Strategy for the Department of Foreign Affairs and Trade (September 2011).

Substantive engagement with the private sector is a relatively new policy direction for Irish Aid. Its Inclusive Economic Growth Policy will be adopted in 2016 and will include a component on private sector development. Work on the policy in 2015 focused on the poorest/most excluded from economic growth, typically smallholder agricultural producers and the markets and commodities that they depend on, and how social protection mechanisms can be used to stimulate private productive investment in and for the poorest sectors of the economy.

Financial flows from Ireland to developing countries

Figure 21.1. **Net resource flows to developing countries, 2004-14, Ireland**



Note: Data on other official flows are not available; data on private flows are not available for 2012 and 2014.

StatLink http://dx.doi.org/10.1787/888933359205

Ireland uses ODA to mobilise other resources for sustainable development

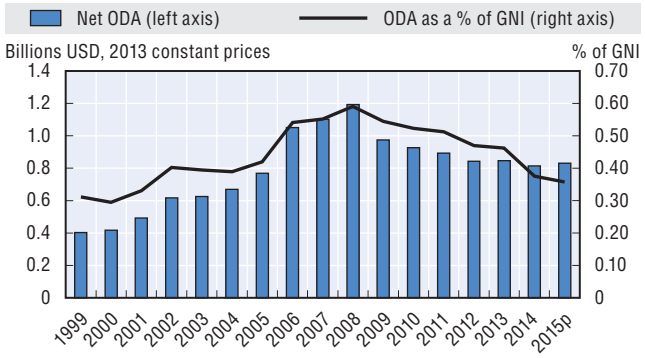
- **Ireland contributes to the mobilisation of domestic resources in developing countries by supporting their tax systems.** In 2014, it is estimated that Ireland committed USD 265 000 of its official development assistance (ODA) to tax-related activities in partner countries.
- **It promotes aid for trade to improve developing countries' trade performance and integration into the world economy.** It committed USD 49.5 million (10.6% of its bilateral allocable ODA) to trade-related activities in 2014, an 8.6% decrease in real terms from 2013. The trend has been fluctuating over the past few years.
- **Ireland has pledged USD 2 million (EUR 2.7 million) to the Green Climate Fund,** which plays a key role in channelling resources to developing countries and catalysing climate finance at the international and national levels. Ireland will continue to support the Least Developed Countries Fund (LDCF), and will provide – subject to budget approval – at least USD 6.4 million (EUR 6 million) by 2020. The LDCF addresses urgent and immediate adaptation needs and supports national adaptation planning processes to reduce medium and long-term vulnerability to the impacts of climate change.

Ireland's official development assistance

In 2015, Ireland provided USD 718 million in net ODA (preliminary data), which represented 0.36% of gross national income (GNI) and a 1.9% increase in real terms from 2014. Ireland is the 12th largest Development Assistance Committee (DAC) in terms of ODA as a percentage of GNI, and the 19th largest in terms of volume. In its budget statement for 2016, the government increased, for the first time in seven years, the ODA budget. Ireland, like other EU member countries, made a new commitment to meeting the 0.7% ODA/GNI target by 2030. Its share of untied ODA (excluding administrative costs and in-donor refugee costs) was 98% in 2014 (down from 100% in 2013 and 2012), compared with the DAC average of 80.6%. The grant element of total ODA was 100% in 2014.

Ireland reported USD 0.3 million of its in-donor refugee costs as ODA in 2014. These costs represented 0.04% of its total net ODA.

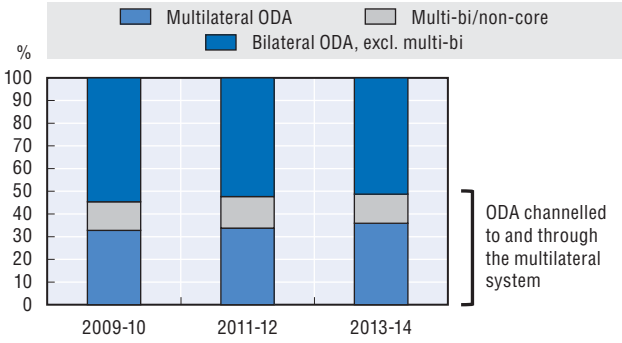
Figure 21.2. **Net ODA: Trends in volume and as a share of GNI, 1999-2015, Ireland**



StatLink http://dx.doi.org/10.1787/888933359218

In 2014, 63.6% of ODA was provided bilaterally. In 2014, Ireland allocated 36.4% of total ODA as core contributions to multilateral organisations, compared with the DAC country average of 28.3%. In addition, it channelled 19.4% of its bilateral ODA for specific projects implemented by multilateral organisations (multi-bi/non-core contributions).

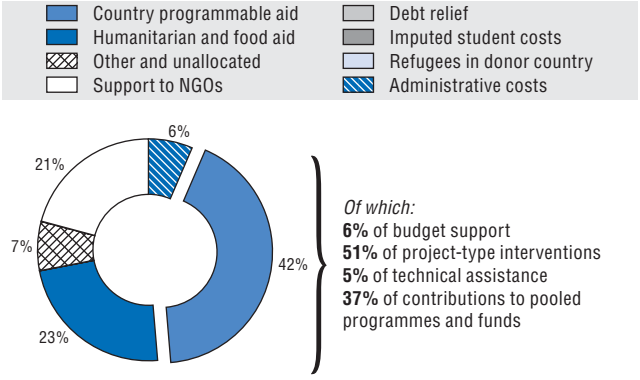
Figure 21.3. **Share of ODA channelled to and through the multilateral system, two year averages, gross disbursements, Ireland**



StatLink http://dx.doi.org/10.1787/888933359227

In 2014, 42.2% of bilateral ODA was programmed at partner country level. Ireland's share of country programmable aid (CPA) was lower than the DAC country average (52.9%); 51% of its CPA consisted of project-type interventions. Core aid to non-governmental organisations (NGOs) and humanitarian assistance accounted for almost half of bilateral ODA.

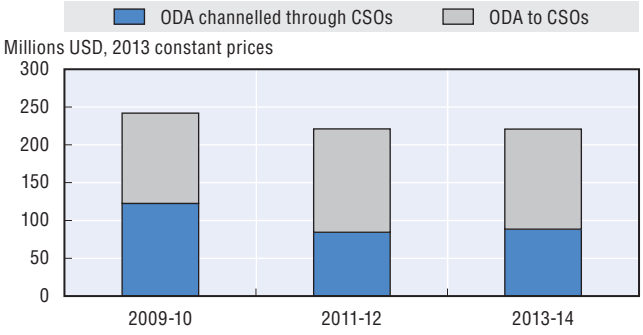
Figure 21.4. **Composition of bilateral ODA, 2014, gross disbursements, Ireland**



StatLink http://dx.doi.org/10.1787/888933359236

In 2014, USD 222.3 million of bilateral ODA was channelled to and through civil society organisations (CSOs). This equalled 42.8% of bilateral ODA, compared with the DAC average of 17.4%. Between 2013 and 2014, Irish aid channelled through and to CSOs increased, both in volume (+6.7%) and as a share of bilateral aid (from 40.3% to 42.8%).

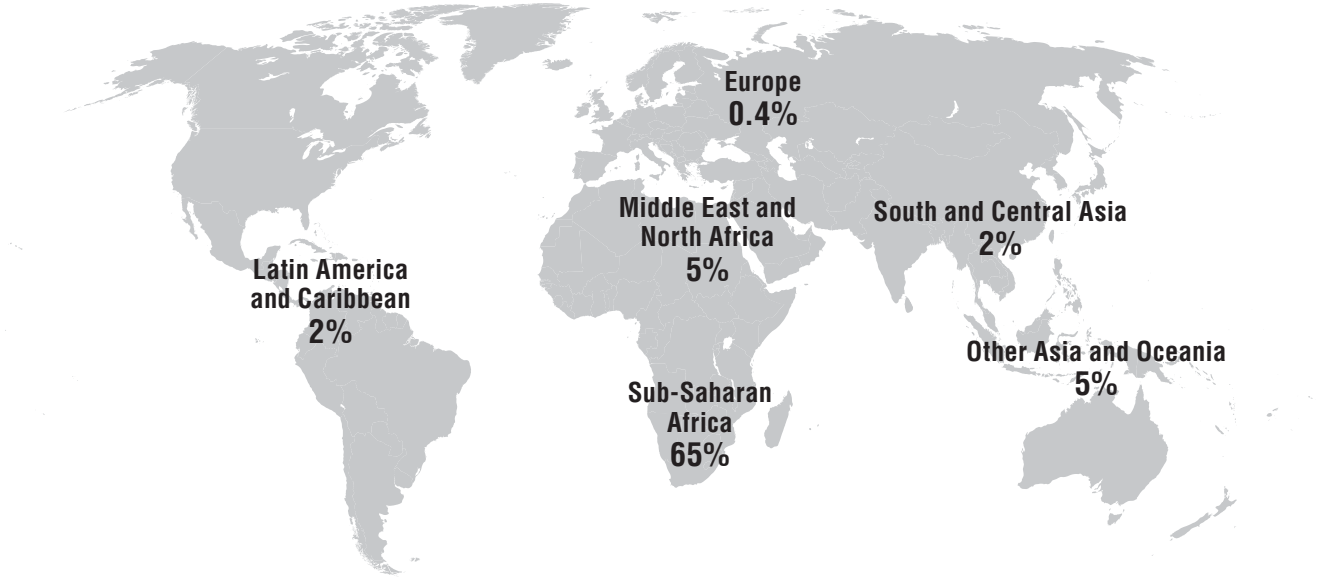
Figure 21.5. **Bilateral ODA to and through CSOs, two year averages, gross disbursements, Ireland**



StatLink http://dx.doi.org/10.1787/888933359242

Bilateral ODA was primarily focused on sub-Saharan Africa. In 2014, Ireland allocated USD 340.1 million to sub-Saharan Africa, USD 30.1 million to the Middle East and USD 24 million to Far East Asia.

Figure 21.6. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, Ireland**

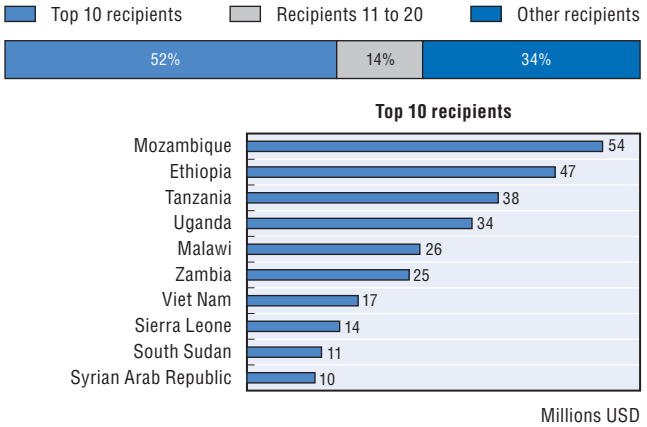


Note: 21% of bilateral ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

StatLink http://dx.doi.org/10.1787/888933359254

In 2014, 53.4% of bilateral ODA went to Ireland's top 10 recipients. Eight of its nine key partner countries are among its top 10 recipients, showing that it concentrates its aid allocations on partner countries. Irish support to fragile states was USD 219 million in 2014 (42.2% of gross bilateral ODA).

Figure 21.7. **Bilateral ODA to top recipients, 2013-14 average, gross disbursements, Ireland**

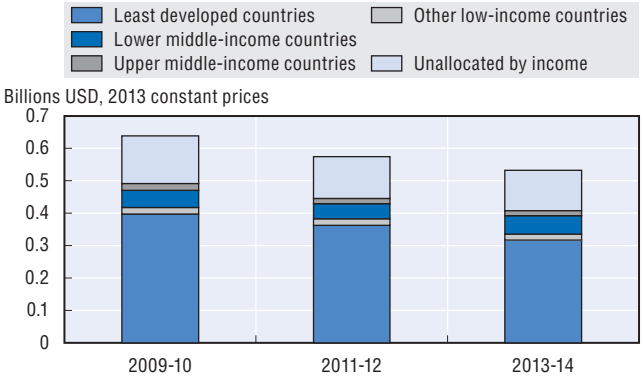


StatLink http://dx.doi.org/10.1787/888933359268

In 2014, 59.6% of bilateral ODA was allocated to least developed countries (LDCs), amounting to USD 309.4 million. The share allocated to LDCs fell slightly from 2010 (when it stood at 65.2%) to 2013 (59.6%) – it has stabilised since 2013. Ireland ranked highest among DAC members for the share of bilateral ODA allocated to LDCs in 2014 (the DAC average was 25.6%).

At 0.18% of GNI in 2014, total ODA to LDCs exceeds the UN target of 0.15% of GNI.

Figure 21.8. **Bilateral ODA by income group, two year averages, gross disbursements, Ireland**



StatLink http://dx.doi.org/10.1787/888933359278

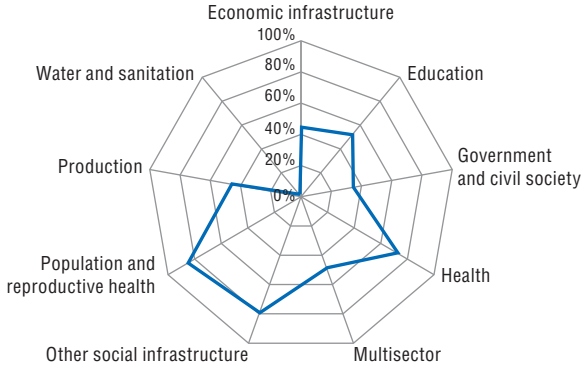
In 2014, 48.6% of bilateral ODA, or USD 254.2 million, was allocated to social infrastructure and services, with a strong focus on health (USD 86.7 million) and support to government and civil society (USD 78.4 million). Humanitarian aid amounted to USD 100.8 million.

Figure 21.9. **Share of bilateral ODA by sector, 2013-14 average, commitments, Ireland**

StatLink http://dx.doi.org/10.1787/888933359285

USD 228.3 million of bilateral ODA supported gender equality in 2014. Ireland plays an agenda-setting role on gender equality and women's empowerment and continues to strengthen its mainstreaming approaches through, for example, its Annual Monitoring Report on Gender Equality. In 2014, 49% of its bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective (up from 28% in 2009 and 44% in 2013), compared with the DAC country average of 34.7%. Ireland's aid to population and reproductive health, other social infrastructure, and health focuses on gender equality.

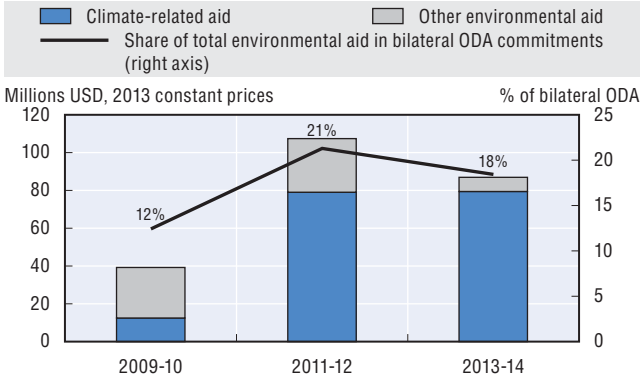
Figure 21.10. **Share of bilateral allocable ODA in support of gender equality by sector, 2013, commitments, Ireland**



StatLink http://dx.doi.org/10.1787/888933359297

USD 86.9 million of bilateral ODA supported the environment in 2014. Environmental sustainability, climate change and development are growing priority issues for Ireland. In 2014, 18.5% of its bilateral allocable aid supported the environment, compared with the DAC country average of 32.2%. Also, 18.4% of Irish bilateral allocable aid focused on climate change, compared with the DAC country average of 23.9%.

Figure 21.11. **Bilateral allocable ODA in support of global and local environment objectives, two year averages, commitments, Ireland**



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Note to reader: Annex B provides "Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members".

ITALY

Development challenges as investment and business opportunities: Italy's policy and practices

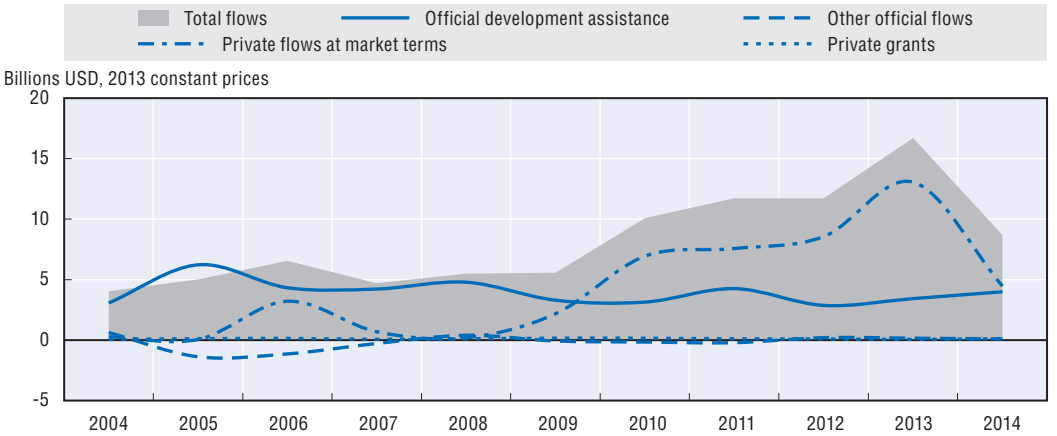
Italy's overarching private sector strategy is contained in the Three Year Guidelines 2014-16, which identify the private sector as a key strategic sector, with an emphasis on the creation of "territorial partnerships" and networks of small and medium enterprises (SMEs), women's entrepreneurship, market access and international trade. Recent changes in legislation (Law 125/2014) foresee new and specific provisions in favour of the private sector, considered both as an actor and as an enabler of development, with a specific, catalytic role for a national development bank, Cassa Depositi e Prestiti. In the future, Italian Cooperation believes it will be useful to develop innovative instruments and to find new ways of engaging Italian SMEs more effectively in development co-operation.

Italy is engaged in private sector development through Società Italiana per le Imprese all'Estero S.p.A. (SIMEST), its development finance institution, which was set up in 1991 to support Italian private companies investing in developing countries. Working alongside Italian companies, SIMEST can acquire up to 49% of the equity capital of foreign firms, both directly and through a venture capital fund, to support foreign investment in countries outside the European Union.

Italian Cooperation is currently funding 23 programmes in the private sector for a total investment of approximately EUR 300 million. Its main instruments are "matching" and "blending" mechanisms, as well as capacity building provided directly to counterparts in partner countries.

Financial flows from Italy to developing countries

Figure 22.1. **Net resource flows to developing countries, 2004-14, Italy**



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Italy uses ODA to mobilise other resources for sustainable development

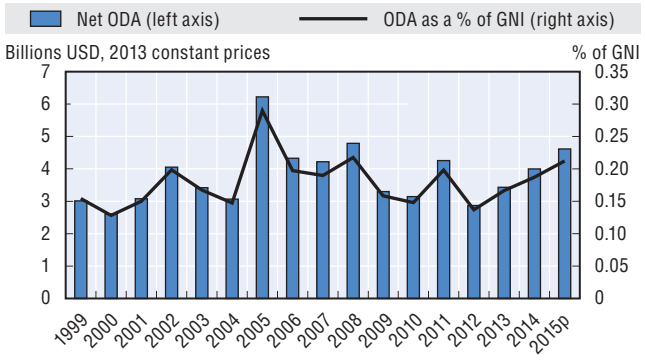
- **It promotes aid for trade to improve developing countries' trade performance and integration into the world economy.** It committed USD 109.8 million (17.3% of its bilateral allocable ODA) to trade-related activities in 2014, a 16.4% increase in real terms from 2013. The trend has been fluctuating over the past few years.
- **Italy has pledged USD 334 million (EUR 250 million) to the Green Climate Fund,** which plays a key role in channelling resources to developing countries and catalysing climate finance at the international and national levels. Italy committed to provide USD 2 million by the end of 2015 to the Least Developed Countries Fund, which addresses urgent and immediate adaptation needs of least developed countries (LDCs) and supports national adaptation planning processes to reduce medium and long-term vulnerability to the impacts of climate change.

Italy's official development assistance

In 2015, Italy provided USD 3.8 billion in net ODA (preliminary data), which represented 0.21% of gross national income (GNI) and a 14.2% increase in real terms from 2014. After an important decrease between 2008 and 2012, Italy's ODA began to grow again in 2013, both in terms of volume and as a percentage of GDP. The country has committed to raising its ODA/GNI ratio to 0.28-0.31% in 2017, and at European level to collectively achieve a 0.7% ODA/GNI ratio by 2030. Italy is the 19th largest Development Assistance Committee (DAC) provider in terms of ODA as a percentage of GNI, and the 10th largest in terms of volume. Italy's share of untied ODA (excluding administrative costs and in-donor refugee costs) was 93.7% in 2014 (up from 87.6% in 2013), while the DAC average was 80.6%. The grant element of total ODA was 99.9% in 2014.

Italy reported USD 839.9 million of its in-donor refugee costs as ODA in 2014. These costs represented 21% of its total net ODA.

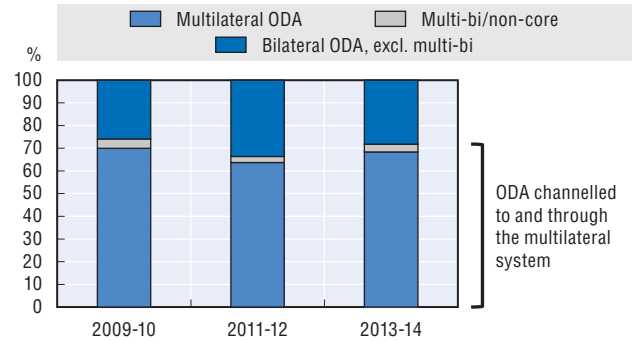
Figure 22.2. **Net ODA: Trends in volume and as a share of GNI, 1999-2015, Italy**



StatLink http://dx.doi.org/10.1787/888933359320

In 2014, 35.6% of ODA was provided bilaterally. Italy allocated 64.4% of total ODA as core contributions to multilateral organisations, compared with the DAC country average of 28.3%. In addition, it channelled 10.9% of its bilateral ODA for specific projects implemented by multilateral organisations (multi-bi/non-core contributions).

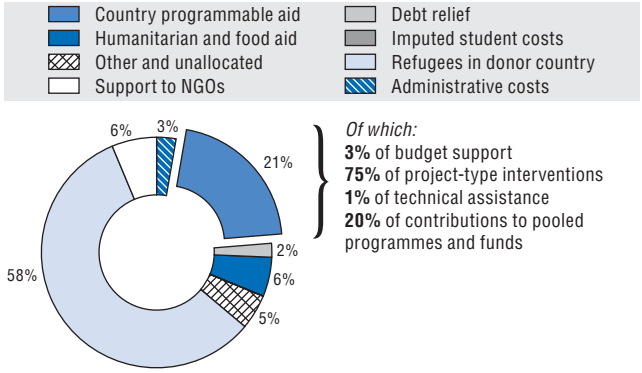
Figure 22.3. **Share of ODA channelled to and through the multilateral system, two year averages, gross disbursements, Italy**



StatLink http://dx.doi.org/10.1787/888933359339

In 2014, 21% of bilateral ODA was programmed at partner country level. Italy's share of country programmable aid (CPA) was low compared with the DAC country average of 52.9%. Project-type interventions accounted for 75% of CPA. Fifty-eight per cent of bilateral ODA was allocated to refugees in donor country.

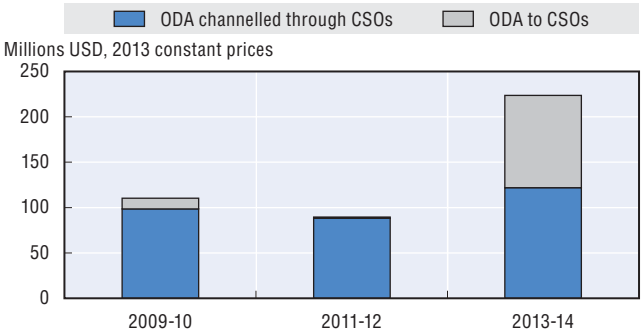
Figure 22.4. **Composition of bilateral ODA, 2014, gross disbursements, Italy**



StatLink http://dx.doi.org/10.1787/888933359349

In 2014, USD 185.5 million of bilateral ODA was channelled to and through civil society organisations (CSOs). After an important increase between 2012 and 2013, aid channelled to and through CSOs in 2014 decreased both in terms of volume (-29.5% from 2013) and as a share of bilateral ODA (from 27.7% in 2013 to 12.7% in 2014); the DAC country average was 17.4% in 2014.

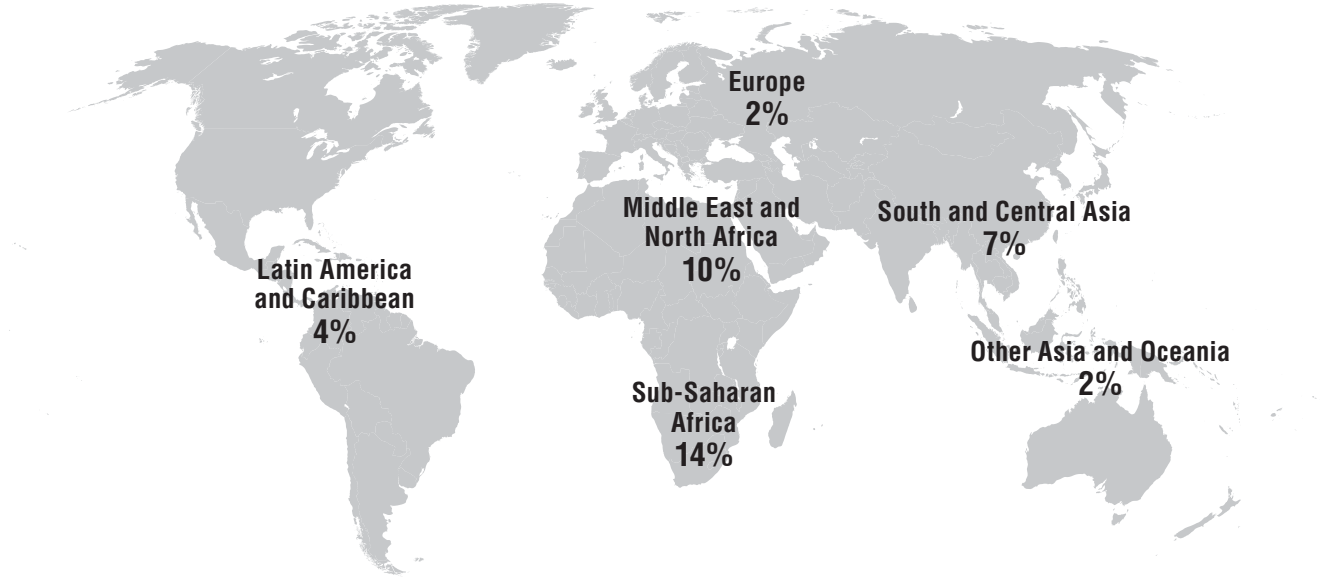
Figure 22.5. **Bilateral ODA to and through CSOs, two year averages, gross disbursements, Italy**



StatLink http://dx.doi.org/10.1787/888933359353

In 2014, bilateral ODA mainly focused on sub-Saharan Africa. USD 182.2 million was allocated to sub-Saharan Africa, USD 89.1 million to the Middle East, and USD 68.6 million to south and central Asia.

Figure 22.6. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, Italy**

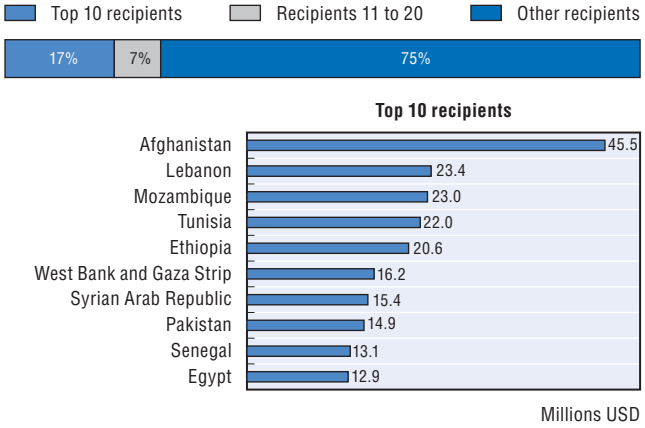


Note: 62% of bilateral ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

StatLink http://dx.doi.org/10.1787/888933359369

In 2014, 15.3% of bilateral ODA went to Italy's top 10 recipients. It has reduced its number of priority countries, from 35 in 2010 to 20 in 2014. Its support to fragile states reached USD 257.3 million in 2014 (17.6% of gross bilateral ODA).

Figure 22.7. **Bilateral ODA to top recipients, 2013-14 average, gross disbursements, Italy**



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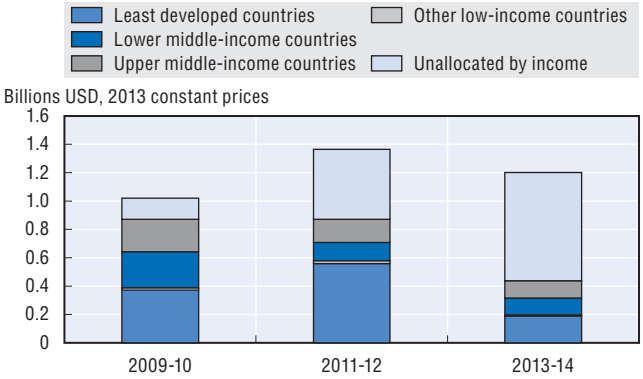
In 2014, 13.3% of bilateral ODA was allocated to LDCs, amounting to USD 194.1 million. Aid to LDCs as a share of bilateral ODA has been falling since 2011, when it stood at 47.8%. The 2014 DAC country average was 25.6%. LDCs received the highest share of bilateral ODA, noting that 67.8% was unallocated by income group.

At 0.04% of GNI in 2014, total ODA to LDCs was far from the UN target of 0.15% of GNI.

Figure 22.8. **Bilateral ODA by income group, two year averages, gross disbursements, Italy**



StatLink http://dx.doi.org/10.1787/888933359386

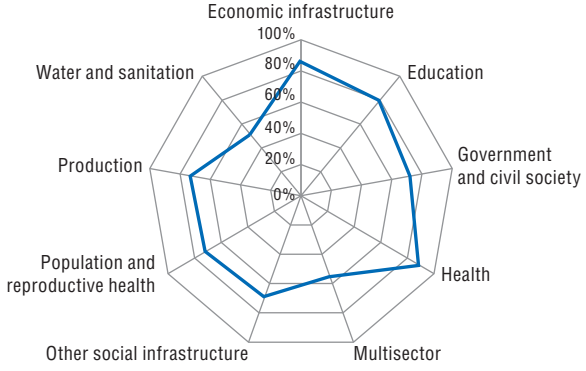
In 2014, 20.3%, or USD 311 million, of bilateral ODA was allocated to social infrastructure and services, with a strong focus on education (USD 99.8 million), government and civil society (USD 84.7 million), and health (USD 66.6 million). Humanitarian aid amounted to USD 91.1 million.

Figure 22.9. **Share of bilateral ODA by sector, 2013-14 average, commitments, Italy**

StatLink http://dx.doi.org/10.1787/888933359396

USD 245.7 million of Italy's bilateral ODA supported gender equality. Italy approved new guidelines for gender equality in 2010. Nevertheless, mainstreaming gender remains challenging (OECD, 2014). In 2014, 69.3% of Italian bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective, an increase compared with 59.9% in 2013 and 10.7% in 2009. The DAC country average was 34.7% in 2014. At over 80%, a high share of Italy's aid to health, economic infrastructure and education sectors focuses on gender.

Figure 22.10. **Share of bilateral allocable ODA in support of gender equality by sector, 2014, commitments, Italy**



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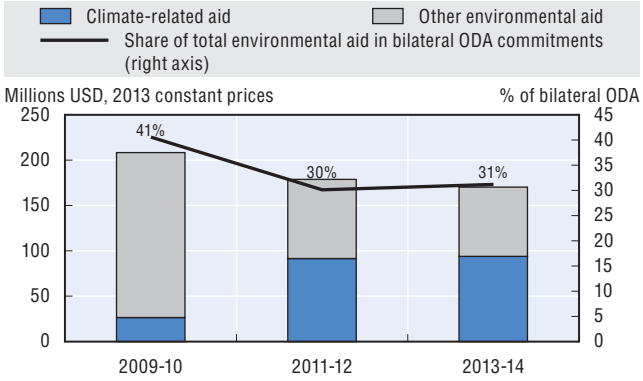
USD 182.3 million of bilateral ODA supported the environment in 2014. Italy issued environmental guidelines in 2011. However, mainstreaming the environment throughout its development co-operation remains a challenge (OECD, 2014). In 2014, 28.7% of Italian bilateral allocable aid supported the environment and 15.7% (USD 100 million) focused particularly on climate change, compared with respective DAC country averages of 32.2% and 23.9%.

Figure 22.11. **Bilateral allocable ODA in support of global and local environment objectives, two year averages, commitments, Italy**



StatLink http://dx.doi.org/10.1787/888933359410

Note to reader: Annex B provides "Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members".

Reference

OECD (2014), *OECD Development Co-operation Peer Reviews: Italy 2014*, OECD Development Co-operation Peer Reviews, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264213241-en*.

JAPAN

Development challenges as investment and business opportunities: Japan's policy and practices

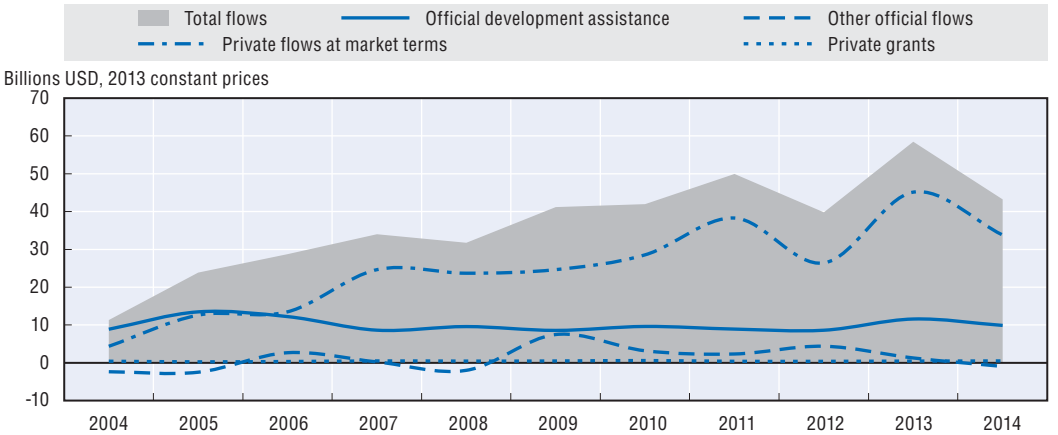
The Development Cooperation Charter (February 2015) states that the government of Japan will promote development co-operation through public-private partnerships using the resources of the private sector and promoting private-led growth, in order to support the economic development of developing countries, which will also contribute to robust growth of the Japanese economy. Private flows to developing countries consistently remain the greatest source of financing from Japan.

The 2014 DAC Peer Review of Japan found that it is using its financial instruments to respond to growing demand for private sector engagement in the development process of its partner countries. It brings an internally coherent approach to its engagement with partner countries by targeting sectors where development intersects with business opportunities.

The Japan International Cooperation Agency (JICA) closely collaborates with private enterprises and provides various supports to the activities of the private sector in order to bring about better development results with efficiency and effectiveness. The "Private Sector Investment Finance (PSIF)" is a JICA scheme supporting development projects in developing countries by Japanese and other countries' private enterprises. Through the provision of loans and equity, the PSIF supports businesses with positive impacts on socio-economic development in developing countries, such as public-private partnership (PPP) infrastructure projects, base of the pyramid (BoP) or inclusive business, and business expansions of small and medium enterprises (SMEs) abroad.

Financial flows from Japan to developing countries

Figure 23.1. **Net resource flows to developing countries, 2004-14, Japan**



StatLink http://dx.doi.org/10.1787/888933359422

Japan uses ODA to mobilise other resources for sustainable development

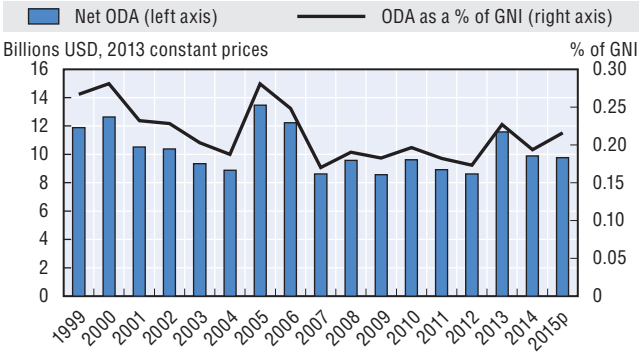
- **It promotes aid for trade to improve developing countries' trade performance and integration into the world economy.** It committed USD 9.5 billion (62.7% of its bilateral allocable ODA) to trade-related activities in 2014, a 1.4% decrease in real terms from 2013. The trend has been positive in recent years.
- **Japan signed USD 1.5 billion (JPY 154.03 billion) to the Green Climate Fund,** which plays a key role in channelling resources to developing countries and catalysing climate finance at the international and national levels.

Japan's official development assistance

In 2015, Japan provided USD 9.3 billion in net ODA (preliminary data). This represented 0.22% of gross national income (GNI) and a 12.4% increase in real terms from 2014. Japan is the 18th largest Development Assistance Committee (DAC) provider in terms of ODA as a percentage of GNI, and the 4th largest in terms of volume. In 2014, the untied share of Japanese total bilateral ODA, excluding technical co-operation, was 90%, an increase of 1 percentage point from 2013. (Japan's ODA includes a large technical co-operation programme, but Japan does not report its tying status. The share of total Japanese bilateral aid reported as untied was 78.1% in 2014.) With respect to the implementation of the *DAC Recommendation on Untying ODA to the LDCs and HIPCs* (OECD, 2008), Japan notified the DAC during the 2014 peer review that, in accordance with paragraph 21, it now reserves the right to use tied aid as part of its ODA to all non-LDC highly indebted poor countries (HIPCs). The grant element of total ODA was 87% in 2014, a fall from 89.1% in 2013.

Japan reported USD 0.6 million of its in-donor refugee costs as ODA in 2014 (representing 0.01% of its total net ODA).

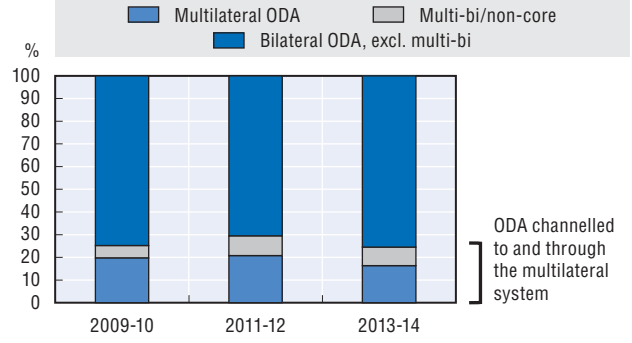
Figure 23.2. **Net ODA: Trends in volume and as a share of GNI, 1999-2015, Japan**



StatLink http://dx.doi.org/10.1787/888933359438

In 2014, 79.3% of ODA was provided bilaterally. Japan allocated 20.7% of total ODA as core contributions to multilateral organisations, compared with the DAC country average of 28.3%. In addition, it channelled 11.4% of its bilateral ODA for specific projects implemented by multilateral organisations (multi-bi/non-core contributions).

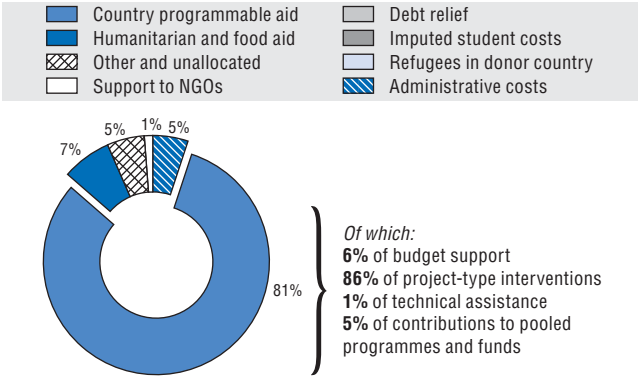
Figure 23.3. **Share of ODA channelled to and through the multilateral system, two year averages, gross disbursements, Japan**



StatLink http://dx.doi.org/10.1787/888933359440

In 2014, Japan programmed 81.3% of bilateral ODA at partner country level. Japan's share of country programmable aid (CPA) was well above the DAC country average of 52.9% in 2014. Project-type interventions totalled 86% of CPA.

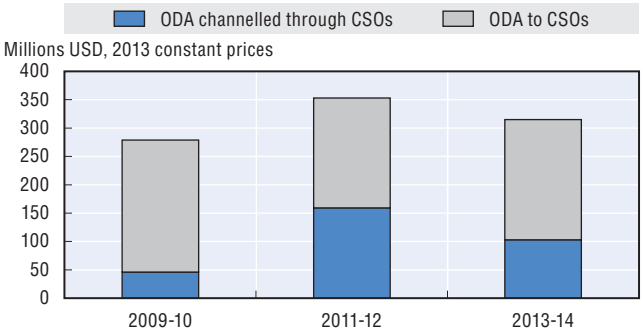
Figure 23.4. **Composition of bilateral ODA, 2014, gross disbursements, Japan**



StatLink http://dx.doi.org/10.1787/888933359456

In 2014, USD 291.6 million of bilateral ODA was channelled to and through civil society organisations (CSOs). Between 2013 and 2014 Japan's aid channelled to and through CSOs fell in terms of volume (-2.4%) but increased as a share of bilateral ODA (from 1.6% in 2013 to 2.3% in 2014). The DAC country average for aid to and through CSOs was 17.4% in 2014.

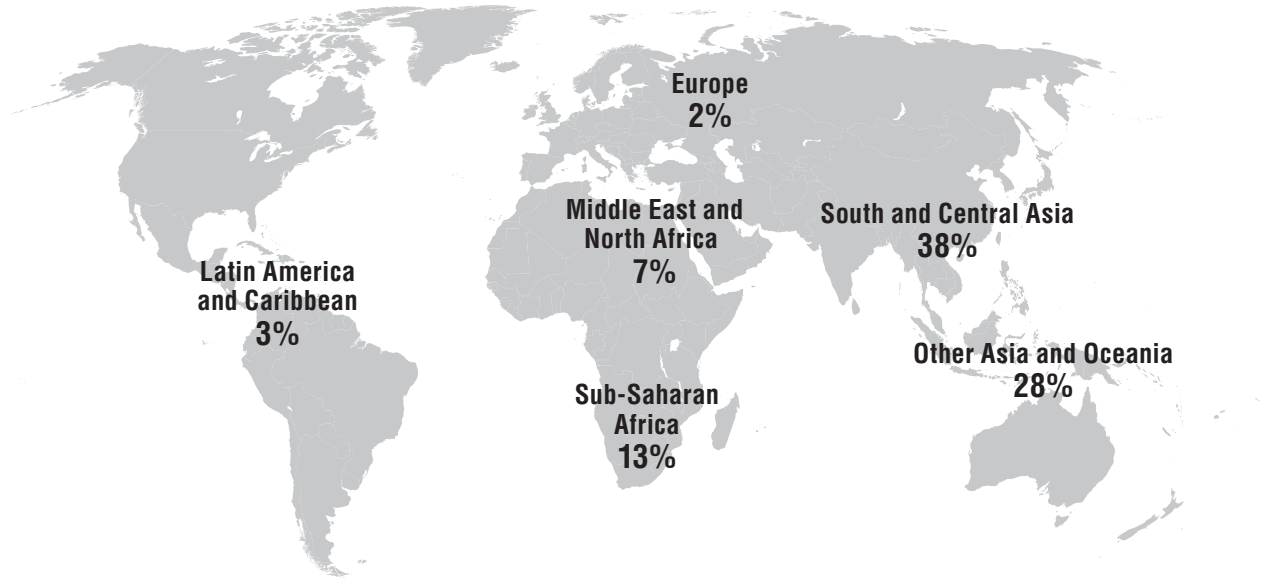
Figure 23.5. **Bilateral ODA to and through CSOs, two year averages, gross disbursements, Japan**



StatLink http://dx.doi.org/10.1787/888933359463

Bilateral ODA was heavily focused on Asia. In 2014, USD 3.3 billion was allocated to south and central Asia, and USD 4 billion to Far East Asia. USD 1.3 billion was allocated to sub-Saharan Africa.

Figure 23.6. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, Japan**

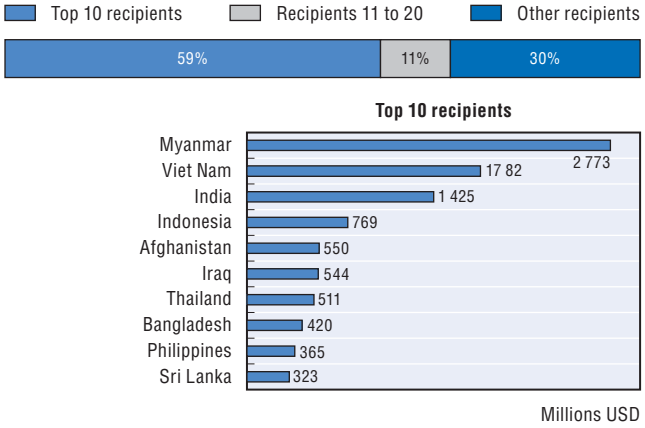


Note: 10% of bilateral ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

StatLink http://dx.doi.org/10.1787/888933359478

In 2014, 51.8% of bilateral ODA went to Japan's top 10 recipients. Six of its priority partners were among its top 10 recipients in 2013-14. Japan's support to fragile states reached USD 3 billion in 2014 (24.3% of gross bilateral ODA).

Figure 23.7. **Bilateral ODA to top recipients, 2013-14 average, gross disbursements, Japan**

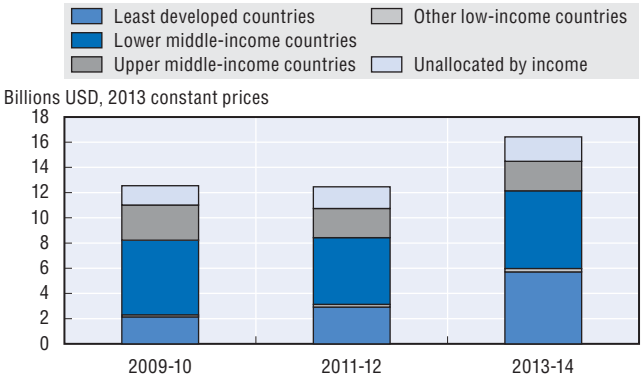


StatLink http://dx.doi.org/10.1787/888933359487

In 2014, 18.4% of bilateral ODA was provided to least developed countries (LDCs), amounting to USD 2.3 billion. This is a significant decrease from 2013, when the share reached 45.8% due to exceptional debt forgiveness to Myanmar, but it is also lower than the 2012 share of 22%. The 2014 DAC country average was 25.6%. Lower middle-income countries received the highest share of bilateral ODA in 2014 (47.6%).

At 0.07% of GNI in 2014, total ODA to LDCs was lower than the UN target of 0.15% of GNI.

Figure 23.8. **Bilateral ODA by income group, two year averages, gross disbursements, Japan**



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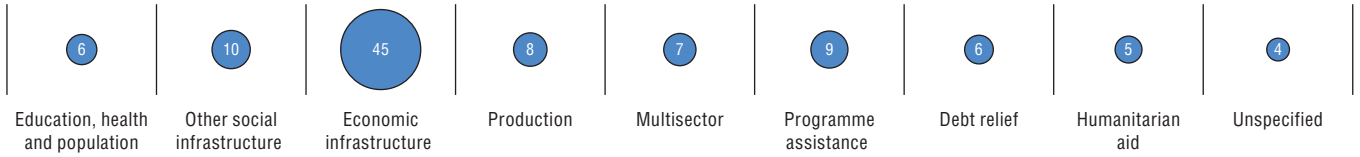
Nearly 50% of bilateral ODA was allocated to economic infrastructure and services in 2014, or a total of USD 8 billion, with a strong focus on transport and storage (USD 4.8 billion) and energy generation and supply (USD 2.9 billion). USD 790 million was allocated to education and USD 765.1 million to water and sanitation, as a part of social sector allocation. Humanitarian aid amounted to USD 1.1 billion.

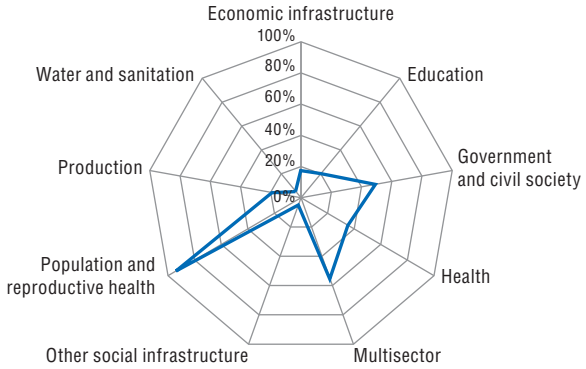
Figure 23.9. **Share of bilateral ODA by sector, 2013-14 average, commitments, Japan**



StatLink http://dx.doi.org/10.1787/888933359506

USD 3.1 billion of bilateral ODA supported gender equality. In 2014, 22% of Japan's bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective, compared to the DAC country average of 34.7%. This was up from 2013 (17.5%) and 2009 (11.6%). Japan's aid to population and reproductive health focuses mainly on gender. In 2013, the government of Japan announced a new and significant emphasis on women's empowerment in its development co-operation.

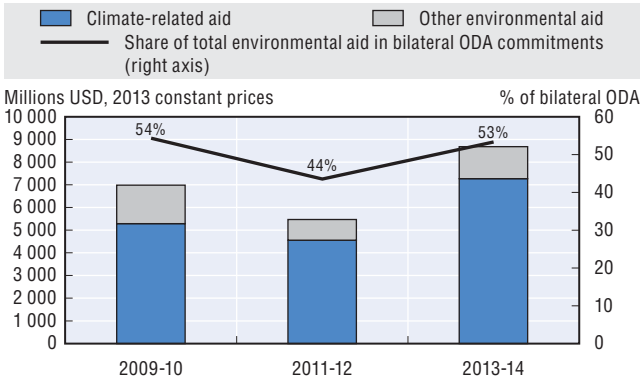
Figure 23.10. **Share of bilateral allocable ODA in support of gender equality by sector, 2014, commitments, Japan**



StatLink http://dx.doi.org/10.1787/888933359513

USD 8.7 billion of bilateral ODA supported the environment in 2014. Japan has maintained strong financial commitments to the environment and climate change. In 2014, 57.4% of its bilateral allocable aid supported the environment and 44.8% (USD 6.8 billion) focused particularly on climate change, compared with the respective DAC country averages of 32.2% and 23.9%.

Figure 23.11. **Bilateral allocable ODA in support of global and local environment objectives, two year averages, commitments, Japan**



StatLink http://dx.doi.org/10.1787/888933359520

Note to reader: Annex B provides "Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members".

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KOREA

Development challenges as investment and business opportunities: Korea's policy and practices

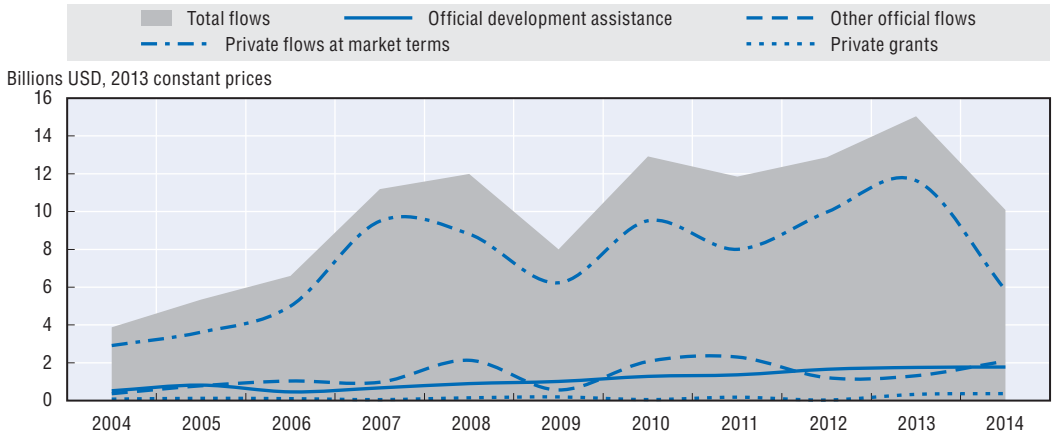
Korea's second mid-term ODA Policy (2016-20) focuses on diversifying partnerships with the private sector and contributing to an inclusive business model. Building on its own experience with public-private partnership (PPP) and Korean businesses' corporate social responsibility in developing countries, Korea is stepping up efforts to translate innovative ideas and partnerships into business opportunities to generate income and create markets in developing countries. Korea is engaged in private sector development mainly through the overseas loans and investment programmes of the Export-Import Bank of Korea (Eximbank) – the official export credit agency. Its mission is to develop the Korean economy by promoting international economic co-operation. Eximbank's primary services include export loans, trade finance and guarantee programmes.

A key priority for the Eximbank's Economic Development Cooperation Fund (EDCF) is to support the private sector through PPP loans, equity participation, etc. Since creating a PPP team in 2012, the EDCF has designed several PPP pilot projects, built up a Social Overhead Capital Council in developing countries, introduced a guarantee programme and is preparing a legal framework for low-concessional loans whose financial resources are provided by the private sector.

The Korea International Cooperation Agency (KOICA) supports business opportunities and market creation in partner countries through partnership with social enterprises, co-operatives and micro-financiers. For example, in 2015, KOICA launched its Creative Technology Solutions Program, providing seed grants and mentoring to social entrepreneurs with ideas and prototypes for inclusive and innovative technology that tackle development issues in partner countries. It is also piloting impact investment through a revolving fund with a partner philanthropic foundation to improve access to financing of small and medium enterprises (SMEs) in partner countries. Through its Inclusive Business Opportunity Creation programme, KOICA leveraged around USD 4.3 million from the private sector in 2015.

Financial flows from Korea to developing countries

Figure 24.1. **Net resource flows to developing countries, 2004-14, Korea**



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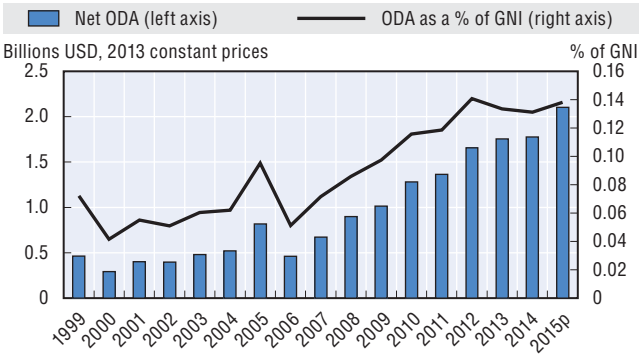
Korea uses ODA to mobilise other resources for sustainable development

- **Korea contributes to the mobilisation of domestic resources in developing countries by supporting their tax systems.** In 2014, it is estimated that Korea committed USD 4.2 million of its official development assistance (ODA) to tax-related activities in partner countries.
- **It promotes aid for trade to improve developing countries' trade performance and integration into the world economy.** It committed USD 1.1 billion (46.4% of its sector-allocable ODA) to trade-related activities in 2014, a 45% increase in real terms from 2013. The trend has been fluctuating over the past few years.
- **Korea is the host of the Green Climate Fund, to which it has pledged USD 100 million.** The fund plays a key role in channelling resources to developing countries and catalysing climate finance at the international and national levels.

Korea's official development assistance

In 2015, Korea provided USD 1.9 billion in net ODA (preliminary data), which represented 0.14% of gross national income (GNI) and an 8.3% increase in real terms from 2014.* Korea is the 24th largest Development Assistance Committee (DAC) provider in terms of its ODA as a percentage of GNI, and the 14th largest by volume. Korea missed its ODA/GNI target of 0.25% by 2015 due to several reasons: the global economic downturn, tighter fiscal policy in Korea and a change in the calculation of GNI. It has, however, set a new target of 0.30% ODA/GNI by 2030. To help reach this target Korea plans to publish an ODA growth plan with milestones. Korea's share of untied ODA (excluding administrative costs and in-donor refugee costs) was 53.2% in 2014 (down from 55.1% in 2013), compared to the DAC average of 80.6%. The grant element of total ODA was 95.1% in 2014.

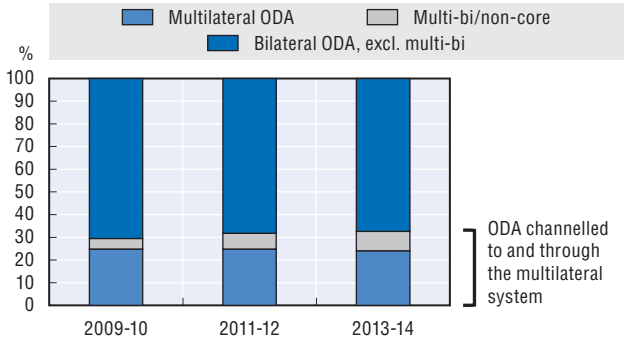
Figure 24.2. **Net ODA: Trends in volume and as a share of GNI, 1999-2015, Korea**



StatLink http://dx.doi.org/10.1787/888933359549

In 2014, 76.2% of ODA was provided bilaterally. Korea allocated 23.8% of total ODA as core contributions to multilateral organisations, compared with the DAC country average of 28.3%. In addition, it channelled 11.3% of its bilateral ODA for specific projects implemented by multilateral organisations (multi-bi/non-core contributions).

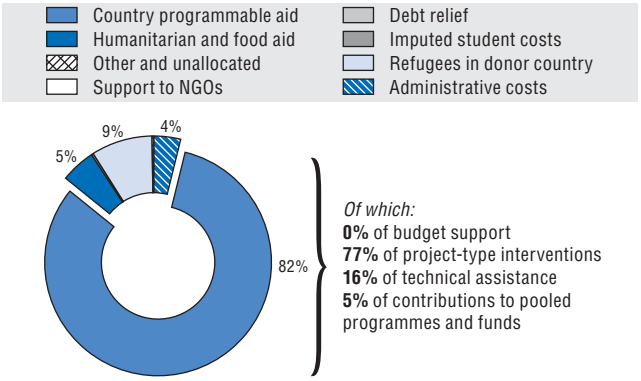
Figure 24.3. **Share of ODA channelled to and through the multilateral system, two year averages, gross disbursements, Korea**



StatLink http://dx.doi.org/10.1787/888933359555

In 2014, 82% of bilateral ODA was programmed at partner country level. Korea's bilateral programme is characterised by a high proportion of country programmable aid (CPA), which was well above the DAC country average of 52.9% in 2014. This is explained mainly by its low levels of other bilateral expenditures, such as in-donor refugee costs, humanitarian assistance and debt relief. Project-type interventions amounted to 77% of CPA.

Figure 24.4. **Composition of bilateral ODA, 2014, gross disbursements, Korea**



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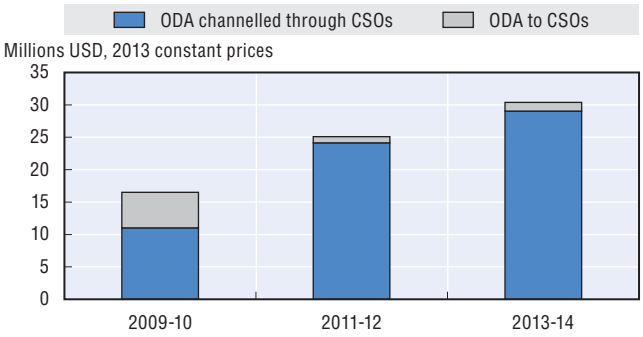
In 2014, USD 34.6 million of bilateral ODA was channelled to and through civil society organisations (CSOs). Korea's ODA channelled to and through CSOs has increased in volume in recent years (+19.4% between 2013 and 2014). It has, however, been relatively steady as a share of bilateral ODA since 2010. This share amounted to 2.3% in 2014, compared with the DAC country average of 17.4%.

Figure 24.5. **Bilateral ODA to and through CSOs, two year averages, gross disbursements, Korea**

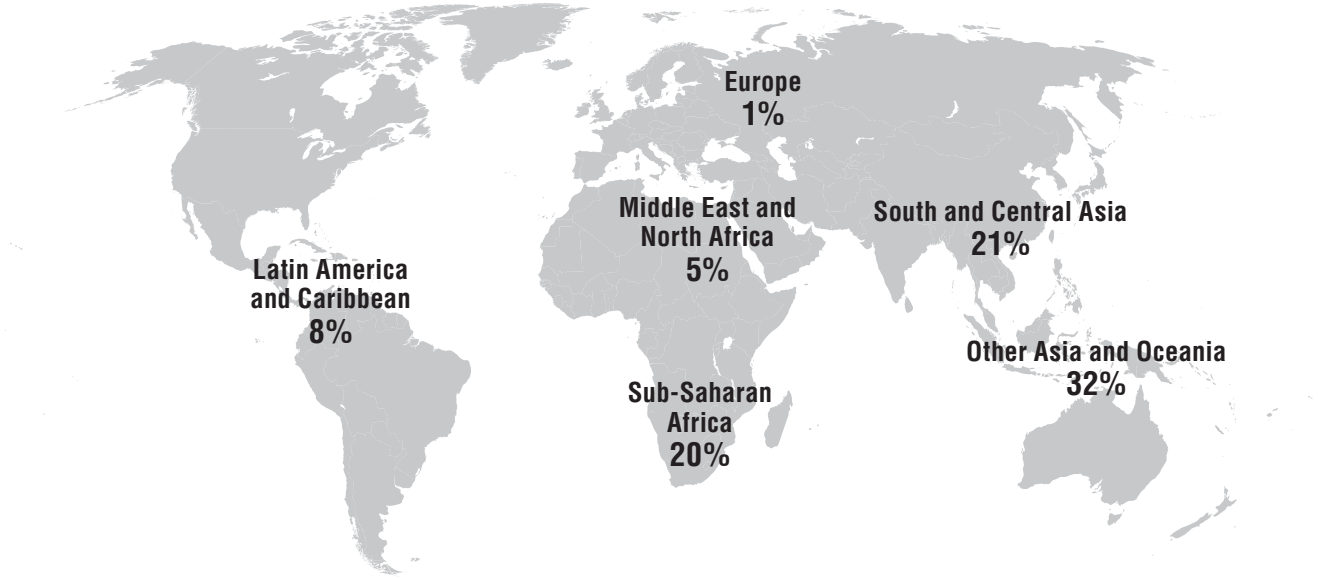


StatLink http://dx.doi.org/10.1787/888933359570

* Korea does not report to the DAC on ODA-eligible assistance to the Democratic People's Republic of Korea (DPRK). The ODA-eligible portion of its assistance to the DPRK was estimated at approximately USD 13.3 million in 2014.

Bilateral ODA was primarily focused on Asia. In 2014, USD 426.9 million was allocated to Far East Asia and USD 283.3 million to south and central Asia. USD 317.7 million was allocated to sub-Saharan Africa.

Figure 24.6. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, Korea**



Note: 13% of bilateral ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

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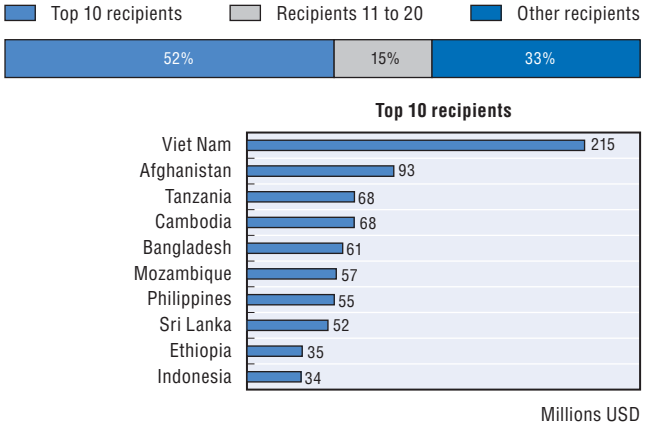
In 2014, 49.8% of bilateral ODA went to Korea's top 10 recipients. Seven of its 26 priority partner countries are among its top 10 recipients. Korea's support to fragile states reached USD 436.6 million in 2014 (29.6% of gross bilateral ODA).

Figure 24.7. **Bilateral ODA to top recipients, 2013-14 average, gross disbursements, Korea**



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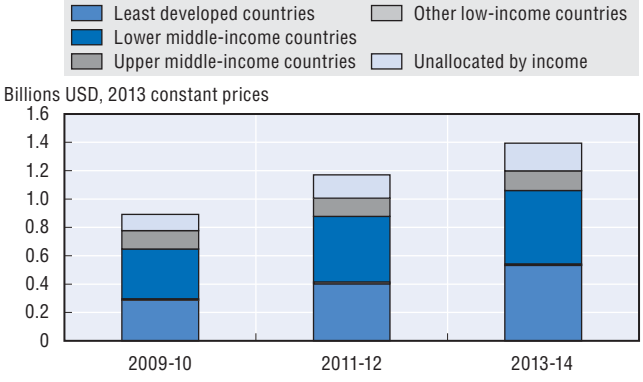
In 2014, 38.1% of bilateral ODA was allocated to least developed countries (LDCs), reaching USD 562.6 million. The share remained stable from 2013 and is higher than the 2014 DAC average of 25.6%. LDCs received the highest share of bilateral ODA in 2014.

At 0.05% of GNI in 2014, total ODA to LDCs was lower than the UN target of 0.15% of GNI.

Figure 24.8. **Bilateral ODA by income group, two year averages, gross disbursements, Korea**



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In 2014, 40.7% of Korea's bilateral ODA was allocated to social infrastructure and services, amounting to USD 967.1 million, with a strong focus on support to health (USD 292.7 million), education (USD 228.7 million), and water and sanitation (USD 225.4 million). USD 812.9 million (34.2% of bilateral ODA) was allocated to economic infrastructure and services, with a strong focus on transport and storage (USD 771.3 million).

Figure 24.9. **Share of bilateral ODA by sector, 2013-14 average, commitments, Korea**

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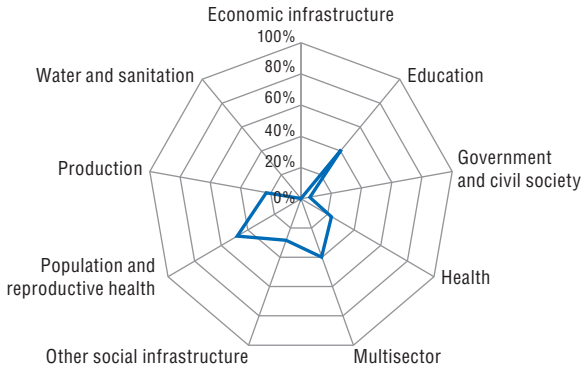
USD 308.3 million of bilateral ODA supported gender equality. In 2014, 13.4% of Korea's bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective, compared with the DAC country average of 34.7%. This is up from 2.4% in 2009 and 9.9% in 2013. Population and reproductive health and education are the only sectors in which the focus on gender is important. Through its 2015 Gender Awareness Guidelines, Korea is stepping-up efforts to better mainstream gender equality into its projects and to report on the gender marker.

Figure 24.10. **Share of bilateral allocable ODA in support of gender equality by sector, 2014, commitments, Korea**



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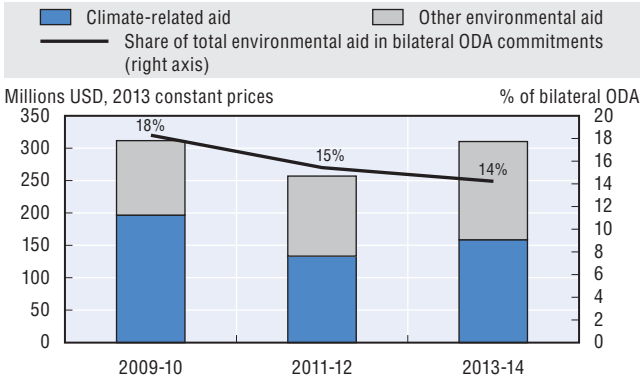
USD 241.8 million of bilateral ODA supported the environment in 2014. Korea committed to increase its green ODA to 30% by 2020 and is making an effort to improve the integration of the environment and climate change into its development co-operation. In 2014, 10.5% of its bilateral allocable aid supported the environment and 3% (USD 69.3 million) focused specifically on climate change, compared with the respective DAC country averages of 32.2% and 23.9%.

Figure 24.11. **Bilateral allocable ODA in support of global and local environment objectives, two year averages, commitments, Korea**



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Note to reader: Annex B provides "Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members".

LUXEMBOURG

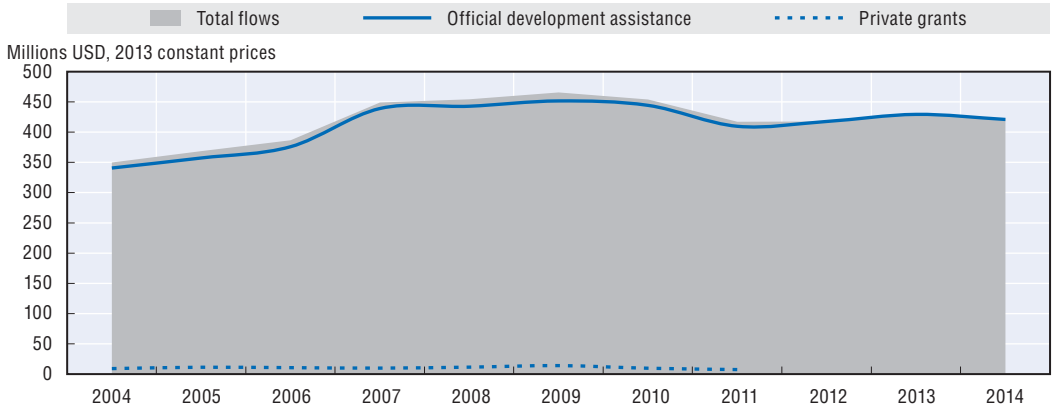
Development challenges as investment and business opportunities: Luxembourg's policy and practices

Strengthening the local private sector in developing countries is one of the main objectives of Luxembourg's Action Plan for Development Effectiveness 2014-16. In addition, Luxembourg strongly supports the inclusive finance sector. For example, the Ministry of Foreign and European Affairs (MFEA) is a founding member of the microfinance labelling agency LuxFlag, which has contributed to professionalise the inclusive finance sector in Luxembourg and beyond. Together with actors of the financial sector, the MFEA has initiated the Luxembourg Microfinance and Development Fund (LMDF), which facilitates access to responsible finance in developing countries.

Luxembourg also finances ad hoc initiatives together with the private sector to provide expertise in niche sectors such as ICT and renewable energies. Its approach focuses on: 1) measurable development impact; 2) additionality; 3) neutrality; 4) shared interest and co-financing; 5) demonstration effect; and 6) adherence to social, environmental and fiscal standards. Its new "Business Partnership Programme" will, for example, encourage small and medium enterprises (SMEs) in developed countries to work directly with SMEs in Luxembourg's partner countries, provided that the project respects the criteria set up by the European Commission.

Financial flows from Luxembourg to developing countries

Figure 25.1. **Net resource flows to developing countries, 2004-14, Luxembourg**



Note: Data on other official flows and private flows at market terms are not available; data on private grants are not available from 2012.

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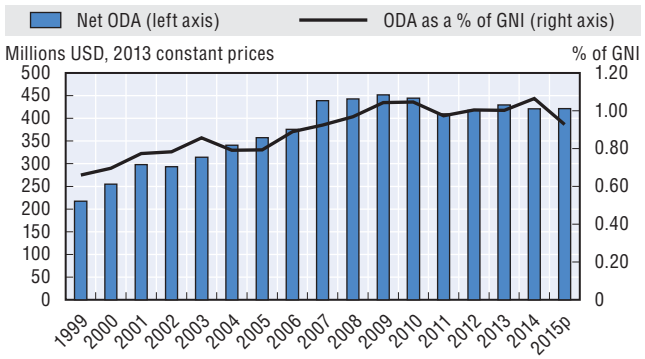
Luxembourg uses ODA to mobilise other resources for sustainable development

- **Luxembourg contributes to the mobilisation of domestic resources in developing countries by supporting their tax systems.** In 2014, it is estimated that Luxembourg committed USD 663 000 of its official development assistance (ODA) to tax-related activities in partner countries.
- **Luxembourg promotes aid for trade to improve developing countries' trade performance and integration into the world economy.** It committed USD 44.6 million (16.1% of bilateral allocable ODA) to trade-related activities in 2014, a 1.7% increase in real terms from 2013. The trend has remained stable in recent years.
- **Luxembourg has pledged USD 46.7 million (EUR 35 million) to the Green Climate Fund,** which plays a key role in channelling resources to developing countries and catalysing climate finance at the international and national levels.

Luxembourg's official development assistance

In 2015, Luxembourg provided USD 361 million in net ODA (preliminary data), which represented 0.93% of gross national income (GNI) and a decrease of 1.2% in real terms from 2014. Luxembourg is the 3rd largest Development Assistance Committee (DAC) provider in terms of ODA as a percentage of GNI – and one of only six DAC members to have met the UN target of 0.7% – and the 22nd in terms of volume. Luxembourg's share of untied ODA (excluding administrative costs and in-donor refugee costs) increased from 97% in 2013 to 97.5% in 2014, and is above the DAC average of 80.6%. The grant element of total ODA was 100% in 2014.

Figure 25.2. **Net ODA: Trends in volume and as a share of GNI, 1999-2015, Luxembourg**



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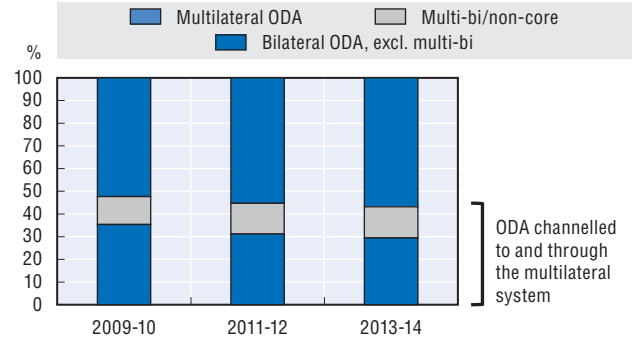
In 2014, 71.3% of ODA was provided bilaterally. Luxembourg allocated 28.7% of total ODA as core contributions to multilateral organisations, in line with the DAC country average of 28.3%. In addition, it channelled 18.5% of its bilateral ODA for specific projects implemented by multilateral organisations (multi-bi/non-core contributions).

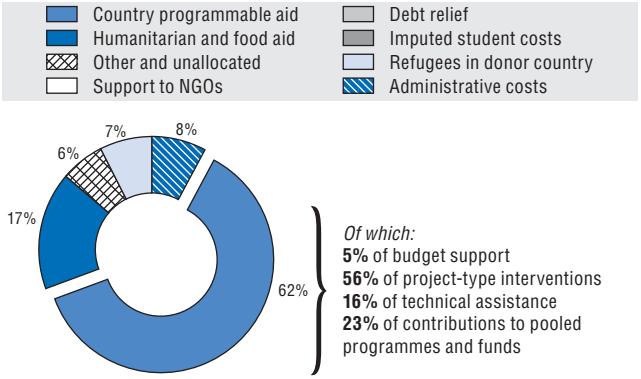
Figure 25.3. **Share of ODA channelled to and through the multilateral system, two year averages, gross disbursements, Luxembourg**



StatLink http://dx.doi.org/10.1787/888933359664

In 2014, 61.6% of bilateral ODA was programmed at partner country level. Luxembourg's share of country programmable aid (CPA) was above the 2014 DAC country average of 52.9%. Project-type interventions made up 56% of CPA. Humanitarian and food aid amounted to 16.9% of bilateral aid.

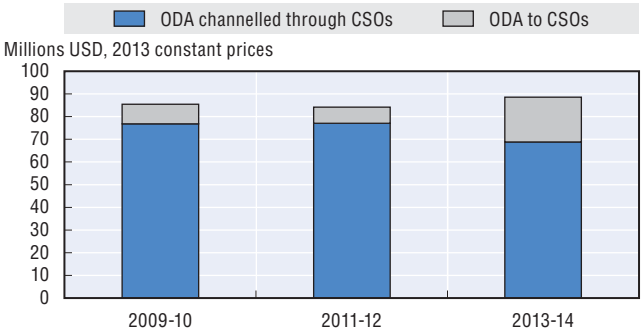
Figure 25.4. **Composition of bilateral ODA, 2014, gross disbursements, Luxembourg**



StatLink http://dx.doi.org/10.1787/888933359674

In 2014, USD 86.4 million of bilateral ODA was channelled to and through civil society organisations (CSOs). ODA channelled to and through CSOs decreased between 2013 and 2014 both by volume (-5.8%) and as a share of bilateral ODA (from 30.2% in 2013 to 28.4% in 2014). The DAC country average was 17.4% in 2014.

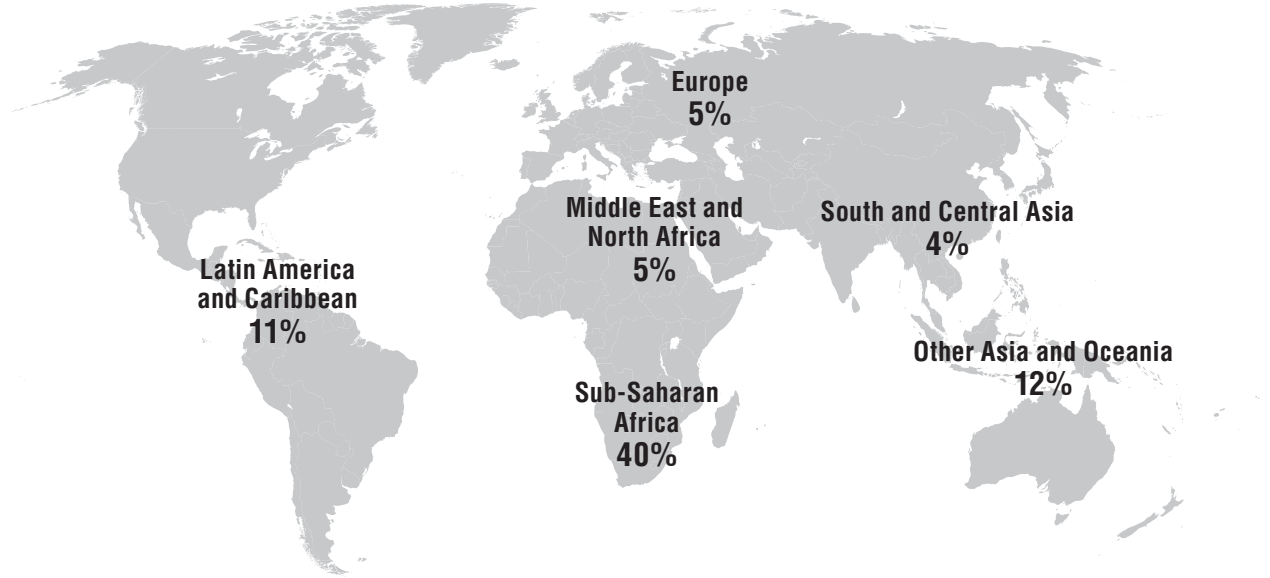
Figure 25.5. **Bilateral ODA to and through CSOs, two year averages, gross disbursements, Luxembourg**



StatLink http://dx.doi.org/10.1787/888933359688

Bilateral ODA was primarily focused on sub-Saharan Africa. In 2014, USD 127.2 million was allocated to sub-Saharan Africa and USD 36.2 million to Far East Asia.

Figure 25.6. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, Luxembourg**

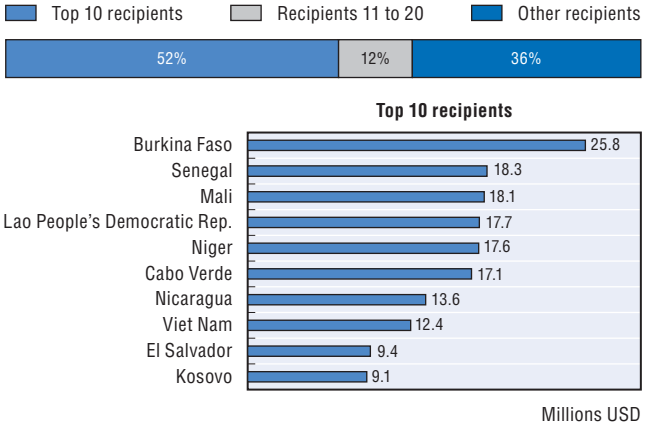


Note: 22% of bilateral ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

StatLink http://dx.doi.org/10.1787/888933359693

In 2014, 53% of bilateral ODA went to Luxembourg's top 10 recipients. Luxembourg has nine priority partner countries, all of which are among its top 10 recipients. In 2014, its support to fragile states reached USD 84.6 million (27.8% of gross bilateral ODA).

Figure 25.7. **Bilateral ODA to top recipients, 2013-14 average, gross disbursements, Luxembourg**

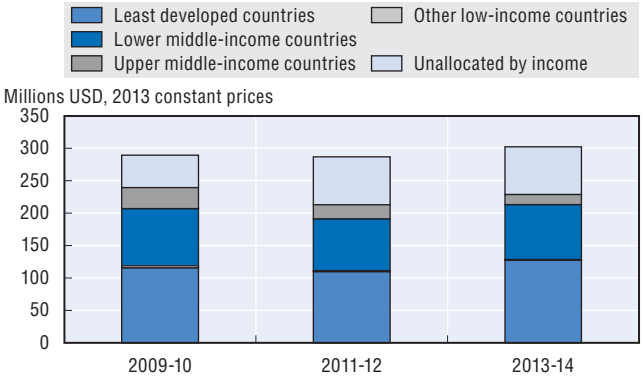


StatLink http://dx.doi.org/10.1787/888933359700

In 2014, 44.4% of bilateral ODA was allocated to least developed countries (LDCs), amounting to USD 135.2 million. The share has increased from 39.8% in 2013 and is above the 2014 DAC average of 25.6%. LDCs received the highest share of bilateral ODA in 2013 compared with other income groups.

At 0.43% of Luxembourg's GNI in 2014, total ODA to LDCs far exceeds the UN target of 0.15% of GNI.

Figure 25.8. **Bilateral ODA by income group, two year averages, gross disbursements, Luxembourg**



StatLink http://dx.doi.org/10.1787/888933359719

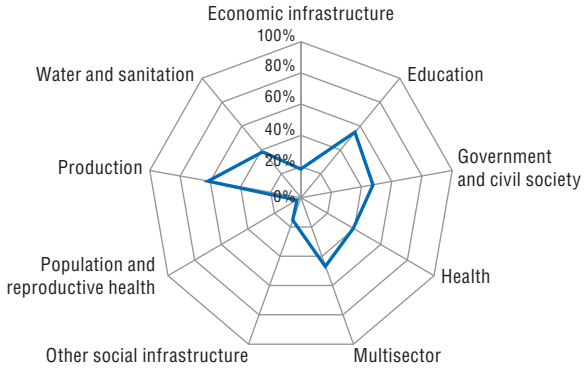
In 2014, 46.1% of bilateral ODA was allocated to social infrastructure and services, or USD 138.4 million, with a strong focus on education (USD 53.2 million) and health (USD 40.8 million). Humanitarian aid amounted to USD 48.3 million.

Figure 25.9. **Share of bilateral ODA by sector, 2013-14 average, commitments, Luxembourg**

StatLink http://dx.doi.org/10.1787/888933359724

USD 84.8 million of bilateral ODA supported gender equality in 2014. Luxembourg mainstreams gender in its programmes while also promoting standard-setting in international bodies (OECD, 2012). In 2014, 30.5% of its bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective, compared with the DAC country average of 34.7%. This is up from 20.4% in 2013.

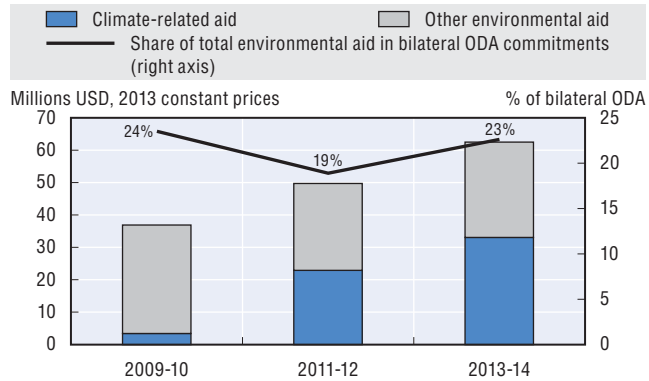
Figure 25.10. **Share of bilateral allocable ODA in support of gender equality by sector, 2014, commitments, Luxembourg**



StatLink http://dx.doi.org/10.1787/888933359738

USD 68.2 million of bilateral ODA supported the environment in 2014. Luxembourg has developed a holistic approach to the environment and climate change in its development co-operation. It is using impact analysis and environmental evaluation more systematically. Particular attention is paid to mainstreaming the environment into the procurement policies of both Luxembourg's development co-operation and in partner countries. In 2014, 24.6% of its bilateral allocable aid supported the environment and 13.8% (USD 38.2 million) focused particularly on climate change, compared with the respective DAC country averages of 32.2% and 23.9%.

Figure 25.11. **Bilateral allocable ODA in support of global and local environment objectives, two year averages, commitments, Luxembourg**



StatLink http://dx.doi.org/10.1787/888933359741

Note to reader: Annex B provides "Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members".

Reference

OECD (2012), *Development Assistance Committee (DAC) Peer Review 2012: Luxembourg*, OECD, Paris, *www.oecd.org/dac/peer-reviews/LUXEMBOURG%20in%20CRC%20template%20April%202013.pdf*.

NETHERLANDS

Development challenges as investment and business opportunities: The Netherlands's policy and practices

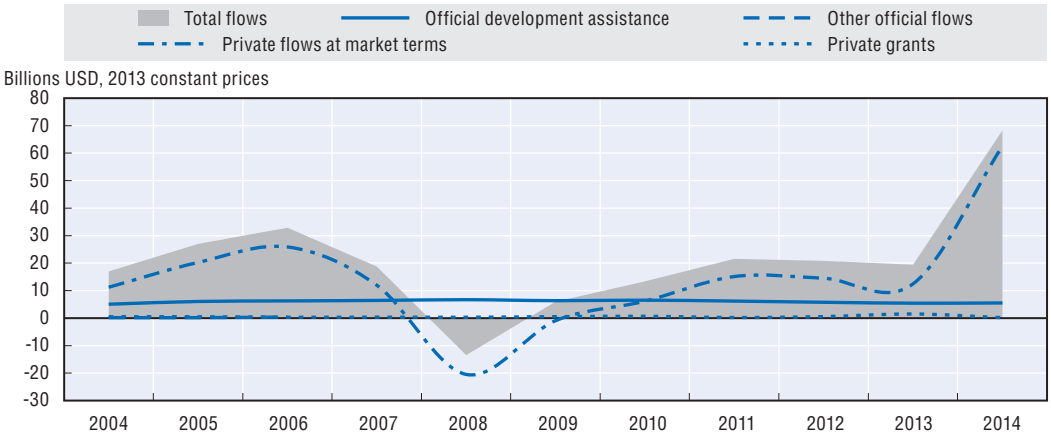
Private sector development has become a key component of Dutch development co-operation since 2010, reflecting the priority that the government places on economic development in its development policy. The Netherlands has created new public-private partnerships (PPPs) to promote sustainable entrepreneurship and food security and facilities to support Dutch small and medium enterprise (SME) investments in emerging markets, such as the Infrastructure Development Fund (IDF) and the Credit Fund for Micro and Small Enterprises (MASSIF). The facility for development-relevant export transactions was also transformed into a grant facility to support developing countries in the development, implementation, operation and maintenance of public infrastructure. Furthermore, the Dutch Good Growth Fund was launched in 2014: a revolving fund which provides funding for inclusive growth in 68 least developed countries (LDCs) and middle-income countries (MICs) generated by Dutch and/or local SMEs. The government also seeks to spur innovation in private finance as shown, for example, by its support to the "Health Insurance Fund" of the Pharmaccess Foundation, which subsidises insurance premiums for low-income groups.

The FMO (the Netherlands Development Finance Company) is the Dutch development bank. With an investment portfolio of EUR 8 billion, the FMO finances businesses, projects and financial institutions in developing and emerging markets, with the aim of supporting sustainable private sector development. The FMO also manages funds for the Dutch government such as the Infrastructure Development Fund (IDF), Access to Energy Fund (AEF) and Fund Emerging Markets for Developing Countries (FOM-OS) of the Ministry of Foreign Affairs.

According to the 2015 DAC Survey on Mobilisation (Benn et al., 2016), the Netherlands mobilised USD 680 million from the private sector through shares in collective investment vehicles in 2012-14.

Financial flows from the Netherlands to developing countries

Figure 26.1. **Net resource flows to developing countries, 2004-14, Netherlands**



Note: Data on other official flows are not available from 2007.

StatLink http://dx.doi.org/10.1787/888933359752

The Netherlands uses ODA to mobilise other resources for sustainable development

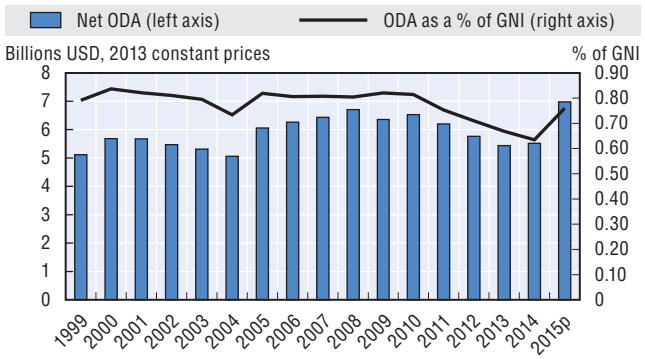
- **The Netherlands contributes to the mobilisation of domestic resources in developing countries by supporting their tax systems.** In 2014, it is estimated that the Netherlands committed USD 1.4 million of its official development assistance (ODA) to tax-related activities in partner countries.
- **It promotes aid for trade to improve developing countries' trade performance and integration into the world economy.** It committed USD 1.1 billion (37.9% of its bilateral allocable ODA) to trade-related activities in 2014, a 37.2% increase in real terms from 2013. The trend has been fluctuating over the past few years.
- **The Netherlands has pledged USD 134 million (EUR 100 million) to the Green Climate Fund,** which plays a key role in channelling resources to developing countries and catalysing climate finance at the international and national levels.

The Netherlands' official development assistance

In 2015, the Netherlands provided USD 5.8 billion in net ODA (preliminary data), which represented 0.76% of gross national income (GNI) and an increase of 24.4% in real terms from 2014, due mostly to a rise in in-donor refugee costs. The Netherlands is committed, at European level, to collectively achieve a 0.7% ODA/GNI ratio by 2030. The Netherlands is the fifth largest Development Assistance Committee (DAC) provider in terms of ODA as a percentage of GNI, the seventh largest by volume, and one of only six DAC members to have met the UN target of 0.7%. The Netherlands' share of untied ODA (excluding administrative costs and in-donor refugee costs) was 98.4% in 2014 (up from 96.7% in 2013), above the DAC average of 80.6%. The grant element of total ODA was 100% in 2014.

The Netherlands reported USD 935.4 million of its in-donor refugee costs as ODA in 2014. These costs represented 16.8% of its total net ODA.

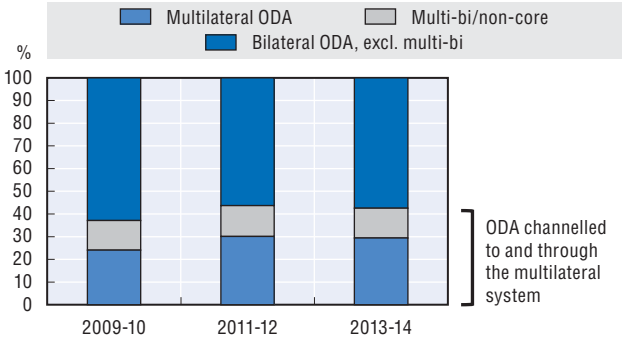
Figure 26.2. **Net ODA: Trends in volume and as a share of GNI, 1999-2015, Netherlands**



StatLink http://dx.doi.org/10.1787/888933359761

In 2014, 73% of ODA was provided bilaterally. The Netherlands allocated 27% of total ODA as core contributions to multilateral organisations, slightly below the DAC country average of 28.3%. In addition, it channelled 17.4% of its bilateral ODA for specific projects implemented by multilateral organisations (multi-bi/non-core contributions).

Figure 26.3. **Share of ODA channelled to and through the multilateral system, two year averages, gross disbursements, Netherlands**



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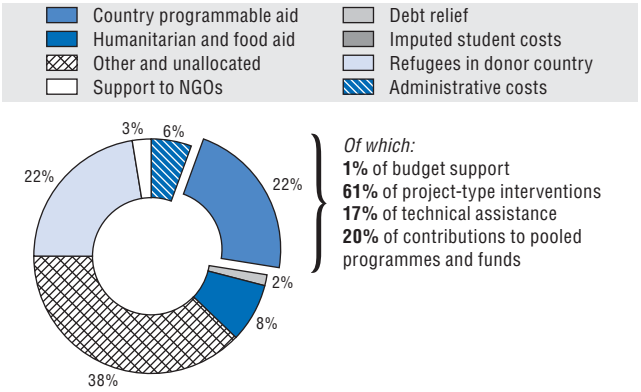
In 2014, only 21.9% of bilateral ODA was programmed at partner country level. The Netherlands' share of country programmable aid (CPA) was lower than the DAC country average of 52.9% in 2014. Project-type interventions accounted for 61% of CPA. Thirty-eight per cent of the Netherlands' bilateral ODA was reported as "other and unallocated".

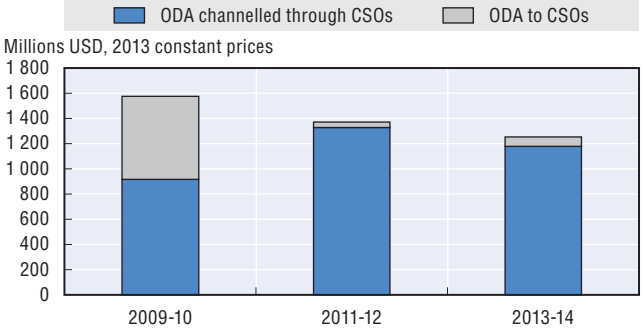
Figure 26.4. **Composition of bilateral ODA, 2014, gross disbursements, Netherlands**



StatLink http://dx.doi.org/10.1787/888933359783

In 2014, USD 1.2 billion of bilateral ODA was channelled to and through civil society organisations (CSOs). Between 2013 and 2014, aid channelled to and through CSOs decreased in volume (-6.9%) and as a share of bilateral aid (from 33.9% to 29.2%). This share was higher than the 2014 DAC country average (17.4%).

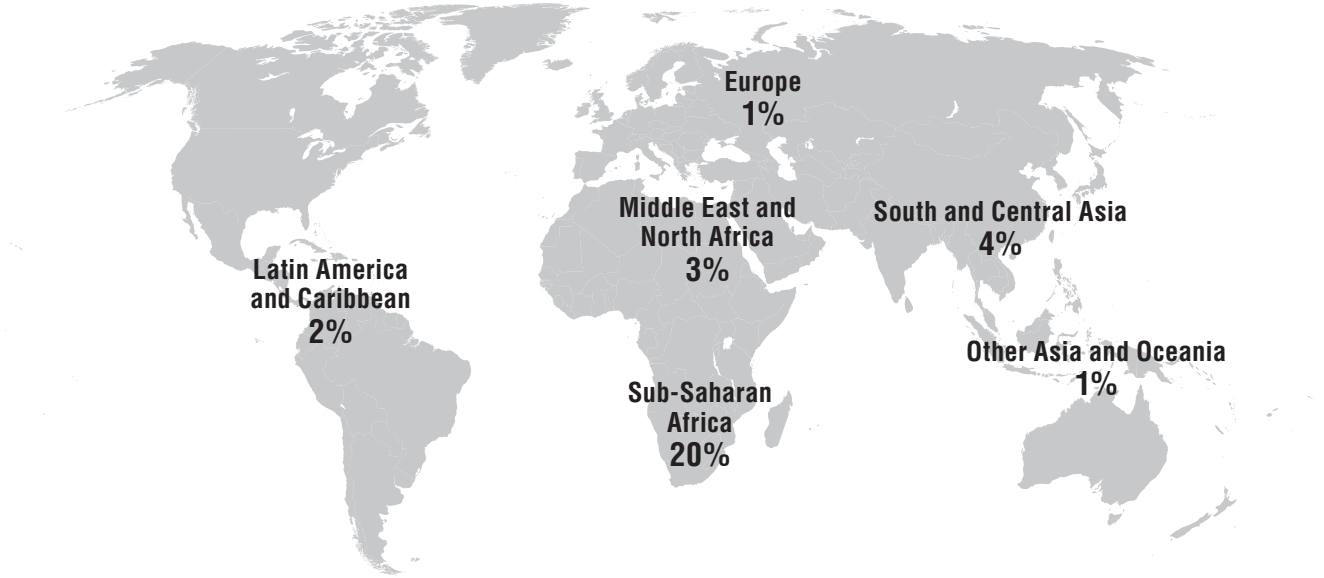
Figure 26.5. **Bilateral ODA to and through CSOs, two year averages, gross disbursements, Netherlands**



StatLink http://dx.doi.org/10.1787/888933359792

The largest share of bilateral ODA was directed towards sub-Saharan Africa. In 2014, USD 747.2 million was allocated to sub-Saharan Africa and USD 148.4 million to south and central Asia.

Figure 26.6. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, Netherlands**

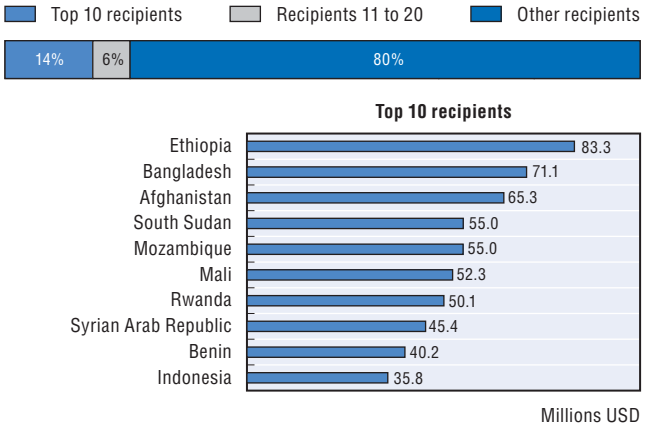


Note: 69% of bilateral ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

StatLink http://dx.doi.org/10.1787/888933359806

In 2014, 12.6% of bilateral ODA went to the Netherlands' top 10 recipients. Nine of its 15 priority partner countries are on the list of its top 10 recipients. It has taken steps to concentrate its bilateral ODA on fewer countries. In 2014, its support to fragile states reached USD 646.2 million (15.5% of gross bilateral ODA).

Figure 26.7. **Bilateral ODA to top recipients, 2013-14 average, gross disbursements, Netherlands**

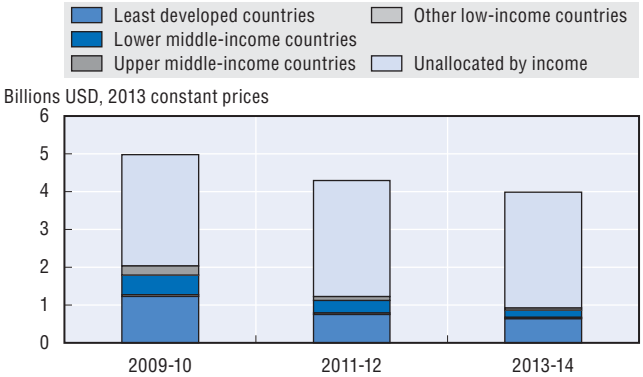


StatLink http://dx.doi.org/10.1787/888933359810

In 2014, 14.2% of bilateral ODA was allocated to least developed countries (LDCs), amounting to USD 592.6 million. This is a decrease from 18.2% in 2013 and is far lower than the 2014 DAC average of 25.6%. LDCs received the highest share of bilateral ODA in 2014, noting that 79.7% of bilateral ODA was unallocated by income group.

At 0.13% of the Netherlands' GNI in 2014, total ODA to LDCs was below the UN target of 0.15% of GNI.

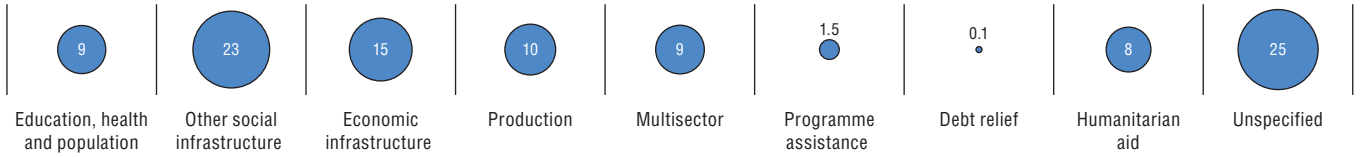
Figure 26.8. **Bilateral ODA by income group, two year averages, gross disbursements, Netherlands**



StatLink http://dx.doi.org/10.1787/888933359825

In 2014, 51% of the Netherlands' bilateral ODA was allocated to social and economic infrastructure and services. USD 1.1 billion was allocated to social sectors, with a strong focus on support to government and civil society (USD 497.8 million), population and reproductive health (USD 247.1 million), and water and sanitation (USD 207.5 million). USD 894.7 million was allocated to economic infrastructure and services, with a strong focus on business and other services (USD 812.1 million). Humanitarian aid amounted to USD 381.4 million.

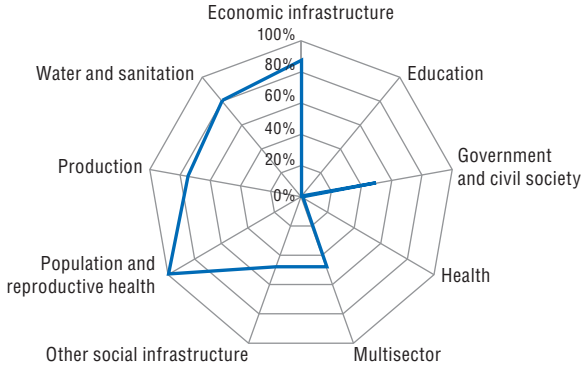
Figure 26.9. **Share of bilateral ODA by sector, 2013-14 average, commitments, Netherlands**



StatLink http://dx.doi.org/10.1787/888933359836

USD 1.6 billion of bilateral ODA supported gender equality. In 2014, 57.1% of the Netherlands' bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective, compared with the DAC country average of 34.7%. This is up from 29% in 2013. The Netherlands' aid to population and reproductive health, economic infrastructure, and water and sanitation focuses on gender.

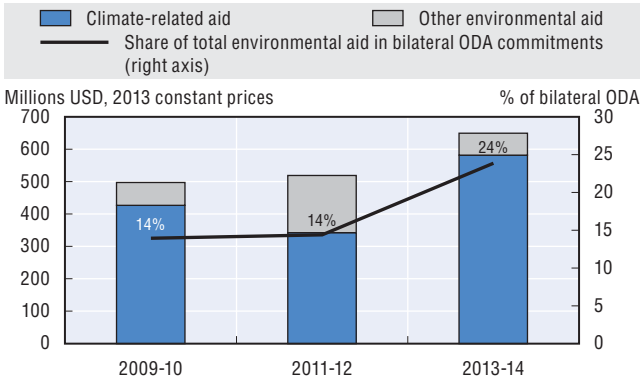
Figure 26.10. **Share of bilateral allocable ODA in support of gender equality by sector, 2014, commitments, Netherlands**



StatLink http://dx.doi.org/10.1787/888933359840

USD 441.5 million of Dutch bilateral ODA commitments supported environmental outcomes in 2014. The Netherlands focuses on promoting a sustainable and safe living environment and poverty reduction through sustainable environment and water management and investments in climate change – mitigation and adaptation. However, the share of bilateral allocable aid supporting the environment was 15.8% in 2014, compared with the DAC country average of 32.2%. In 2014, 15.4% of bilateral allocable aid (USD 430.1 million) focused on climate change, compared with the DAC country average of 23.9%.

Figure 26.11. **Bilateral allocable ODA in support of global and local environment objectives, two year averages, commitments, Netherlands**



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Note to reader: Annex B provides "Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members".

NEW ZEALAND

Development challenges as investment and business opportunities: New Zealand's policy and practices

The New Zealand Aid Programme Strategic Plan 2015-2019 outlines a significant change in the way it will address private sector development, which is becoming a mainstream issue across all of its development work. The primary objectives of New Zealand's private sector engagement strategy are: 1) to support widespread, inclusive development in partner countries through increased incomes, employment and revenue; 2) to drive innovation, efficiency and sustainability in development activities; and 3) to leverage alternative sources of funding for development.

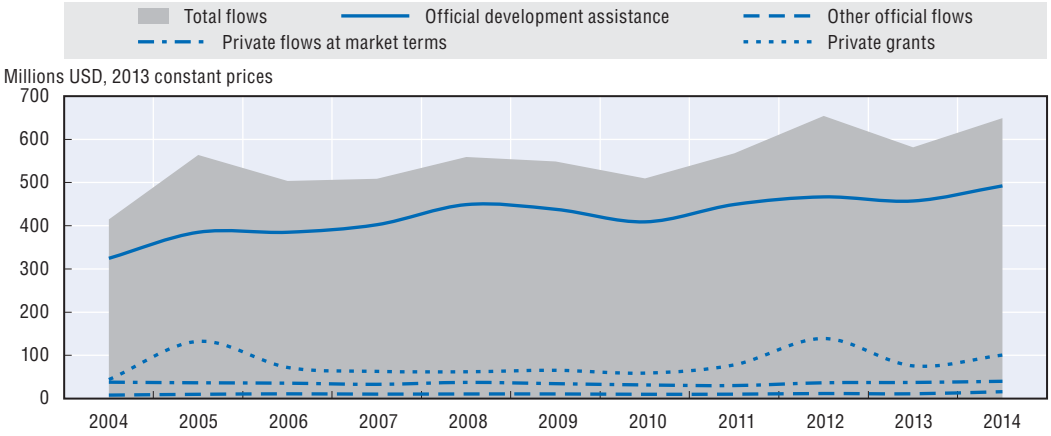
The 2015 DAC Peer Review of New Zealand found that it is developing a promising and strategic approach to working with the private sector based on lessons from past experience, and with a focus on leveraging New Zealand's comparative advantage, particularly in the energy, fisheries, agriculture and tourism sectors.

Increasingly, New Zealand engages at a regional level to promote private sector development. One recent highlight was the Pacific Energy Summit co-hosted by New Zealand in 2013, which convened development partners, Pacific countries and the private sector to identify opportunities for development and investment in energy efficiency and renewable energy initiatives. The summit secured NZD 635 million in funding for Pacific energy projects.

The Partnerships for International Development Fund established in 2012 is New Zealand's main mechanism for leveraging private finance and private sector expertise. New Zealand organisations contribute knowledge, expertise and financial resources to partner country organisations to deliver activities that align with partner country and New Zealand Aid Programme priorities.

Financial flows from New Zealand to developing countries

Figure 27.1. **Net resource flows to developing countries, 2004-14, New Zealand**



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New Zealand uses ODA to mobilise other resources for sustainable development

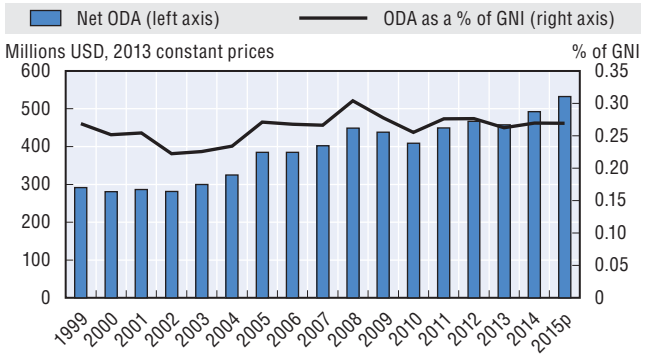
- **New Zealand contributes to the mobilisation of domestic resources in developing countries by supporting their tax systems.** In 2014, it is estimated that New Zealand committed USD 14.5 million of its official development assistance (ODA) to tax-related activities in partner countries.
- **It promotes aid for trade to improve developing countries' trade performance and integration into the world economy.** It committed USD 197.6 million (40.5% of its sector-allocable ODA) to trade-related activities in 2014, a 75.6% increase in real terms from 2013. The trend has been increasing over the past few years.
- **New Zealand has pledged USD 2.6 million (NZD 3 million) to the Green Climate Fund,** which plays a key role in channelling resources to developing countries and catalysing climate finance at the international and national levels.

New Zealand's official development assistance

In 2015, New Zealand provided USD 438 million in net ODA (preliminary data), which represented 0.27% of gross national income (GNI) and an increase of 1.7% in real terms from 2014. New Zealand is the 15th largest Development Assistance Committee (DAC) provider in terms of ODA as a percentage of GNI, and the 21st largest by volume. New Zealand's share of untied ODA (excluding administrative costs and in-donor refugee costs) was 81.8% in 2014 (down from 88% in 2013), compared with the DAC average of 80.6%. The grant element of total ODA was 100% in 2014.

New Zealand reported USD 19.8 million of its in-donor refugee costs as ODA in 2014. These costs represented 3.9% of its total net ODA.

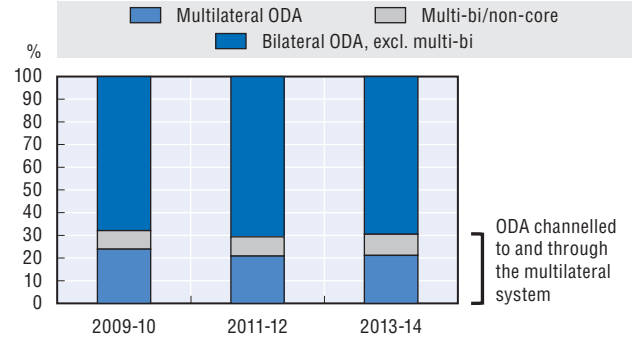
Figure 27.2. **Net ODA: Trends in volume and as a share of GNI, 1999-2015, New Zealand**



StatLink http://dx.doi.org/10.1787/888933359874

In 2014, 80.8% of ODA was provided bilaterally. New Zealand allocated 19.2% of total ODA as core contributions to multilateral organisations, compared with the DAC country average of 28.3%. In addition, it channelled 17.3% of its bilateral ODA for specific projects implemented by multilateral organisations (multi-bi/non-core contributions).

Figure 27.3. **Share of ODA channelled to and through the multilateral system, two year averages, gross disbursements, New Zealand**



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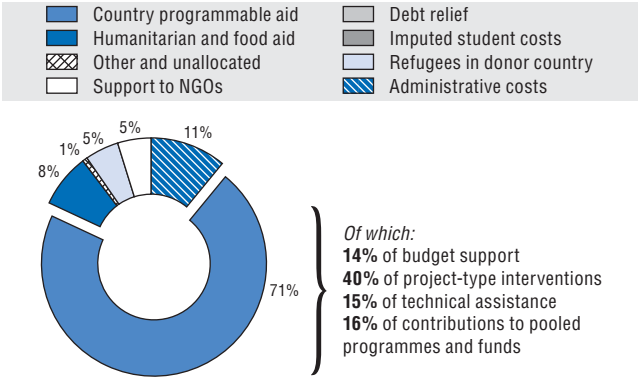
In 2014, New Zealand programmed 71% of bilateral ODA at partner country level. New Zealand's share of country programmable aid (CPA) was well above the DAC country average (52.9%). Project-type interventions accounted for 40% of CPA.

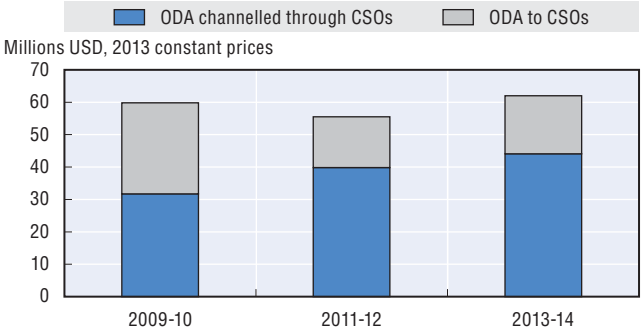
Figure 27.4. **Composition of bilateral ODA, 2014, gross disbursements, New Zealand**



StatLink http://dx.doi.org/10.1787/888933359894

In 2014, USD 65 million of bilateral ODA was channelled to and through civil society organisations (CSOs). ODA channelled to and through CSOs increased between 2013 and 2014 in terms of volume (+3.9%) but decreased as a share of bilateral ODA (from 17.4% in 2013 to 15.9% in 2014). This share was lower than the 2014 DAC country average of 17.4%.

Figure 27.5. **Bilateral ODA to and through CSOs, two year averages, gross disbursements, New Zealand**



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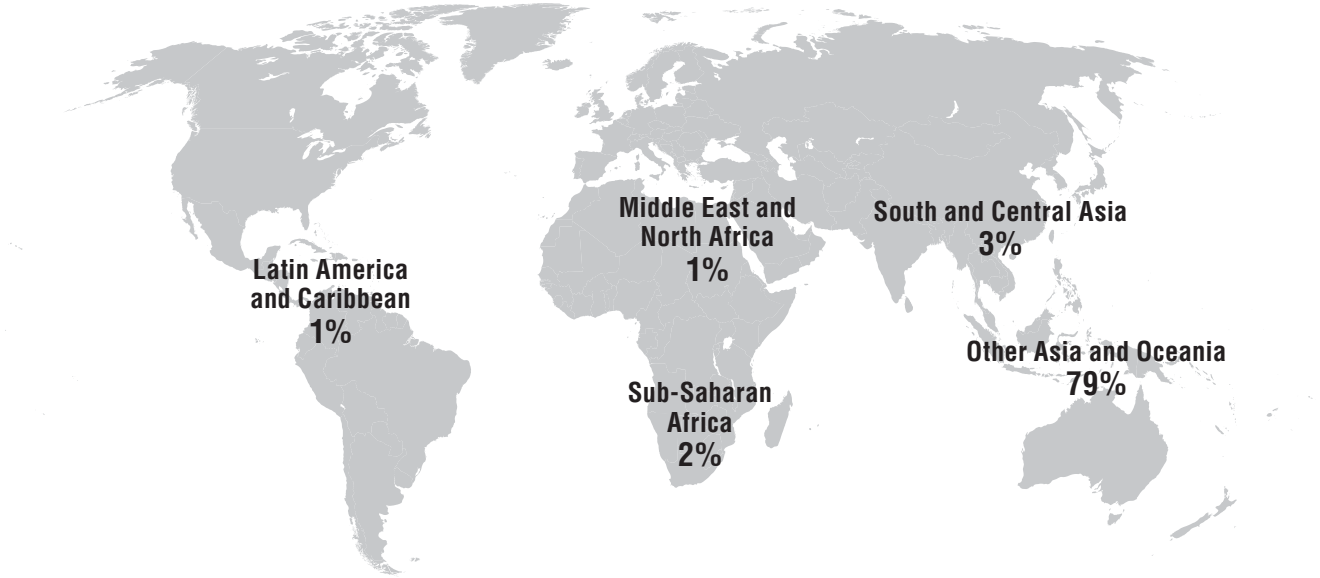
Bilateral ODA was strongly focused on Oceania and Asia. In 2014, USD 266 million was allocated to Oceania, USD 59.6 million to Far East Asia, and USD 9.8 million to south and central Asia.

Figure 27.6. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, New Zealand**

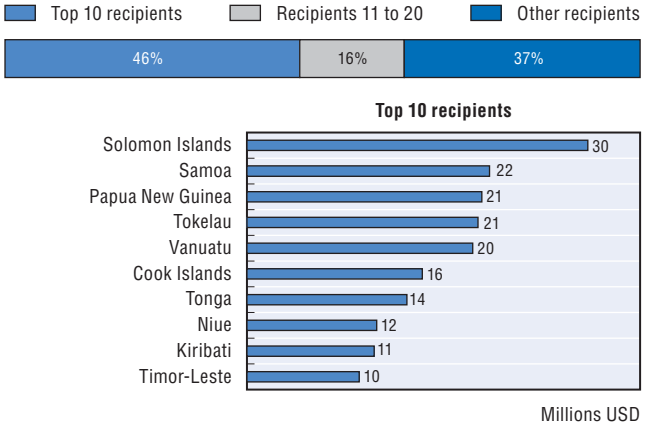


Note: 14% of bilateral ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

StatLink http://dx.doi.org/10.1787/888933359918

In 2014, 46.7% of bilateral ODA went to New Zealand's top 10 recipients. Nine of its top 10 recipients are priority partner countries. Its support to fragile states reached USD 85.2 million in 2014 (20.8% of its gross bilateral ODA).

Figure 27.7. **Bilateral ODA to top recipients, 2013-14 average, gross disbursements, New Zealand**

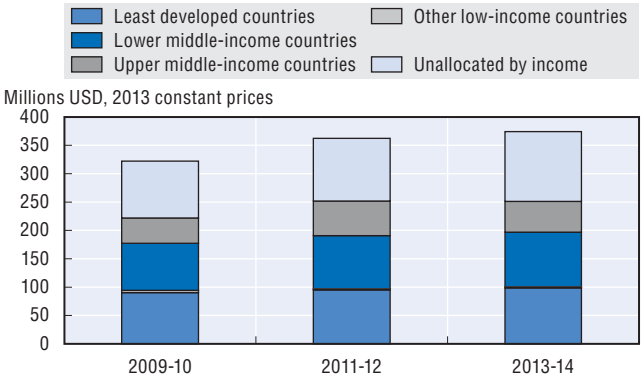


StatLink http://dx.doi.org/10.1787/888933359922

In 2014, 27.7% of bilateral ODA was allocated to least developed countries (LDCs), reaching USD 113.3 million. This is an increase from 24.9% in 2013 and is higher than the 2014 DAC average of 25.6%. Compared with other income groups, LDCs received the highest share of bilateral ODA in 2014.

At 0.07% of New Zealand's GNI in 2014, total ODA to LDCs was lower than the UN target of 0.15% of GNI. This reflects the geographical focus of New Zealand's ODA on small island developing states (SIDS) in Oceania and Asia, many of which are not LDCs.

Figure 27.8. **Bilateral ODA by income group, two year averages, gross disbursements, New Zealand**



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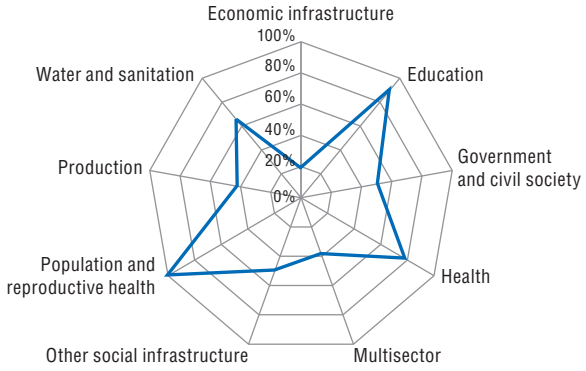
In 2014, 40.4% of bilateral ODA was allocated to social infrastructure and services, representing USD 229.8 million, with a strong focus on education (USD 73.5 million) and support to government and civil society (USD 87.7 million). USD 65.6 million was allocated to energy generation and supply (included under ODA to economic infrastructure and services) and USD 54.9 million to agriculture (included under ODA to production sectors). USD 33.8 million was allocated to humanitarian aid.

Figure 27.9. **Share of bilateral ODA by sector, 2013-14 average, commitments, New Zealand**

StatLink http://dx.doi.org/10.1787/888933359940

USD 240.6 million of bilateral ODA supported gender equality. In 2014, 49.3% of New Zealand's bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective, compared with the DAC country average of 34.7%. New Zealand's aid to population and reproductive health and education focuses on gender.

Figure 27.10. **Share of bilateral allocable ODA in support of gender equality by sector, 2014, commitments, New Zealand**



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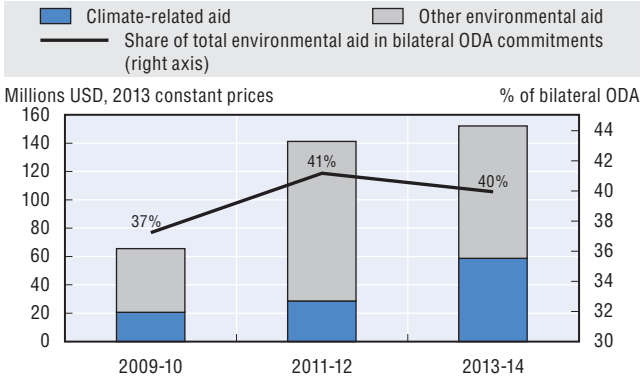
USD 210.7 million of bilateral ODA contributed to environmental outcomes in 2014. The share of New Zealand's bilateral allocable aid that focused on the environment was 43.2% and 18.7% (USD 91 million) focused on climate change (mostly on adaptation), compared with the respective DAC country averages of 32.2% and 23.9%.

Figure 27.11. **Bilateral allocable ODA in support of global and local environment objectives, two year averages, commitments, New Zealand**



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Note to reader: Annex B provides "Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members".

NORWAY

Development challenges as investment and business opportunities: Norway's policy and practices

Norway has been placing greater emphasis on private sector development in recent years and continues to strengthen its approach. This growing commitment is reflected in the government's new white paper "Working together: Private sector development in Norwegian development cooperation" (Meld. St. 35, 2014-15). The main focus of this paper was to identify how Norway's private sector development co-operation should be organised and which measures the government will pursue to use development assistance strategically to mobilise private investments that promote development, job creation and poverty reduction.

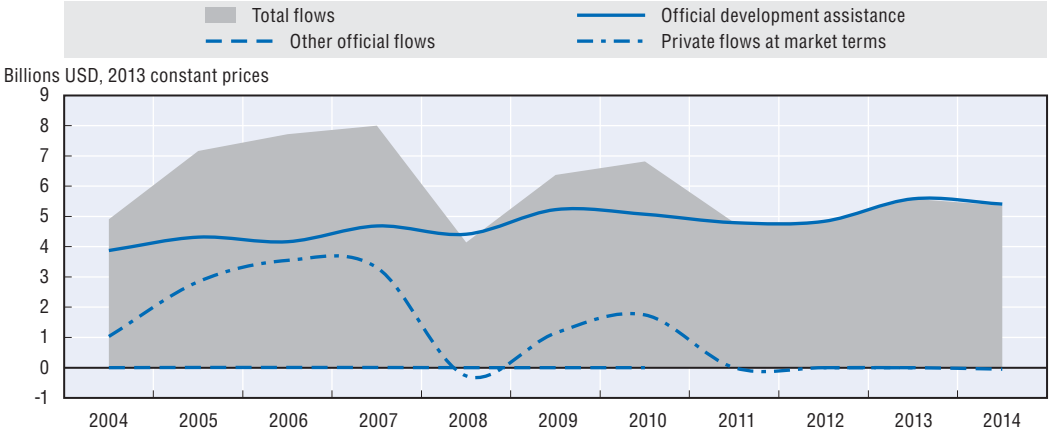
Norway is engaged in private sector development mainly through the operations of Norfund – the Norwegian Investment Fund for Developing Countries – its national development finance institution. Norfund was established by the Norwegian parliament in 1997, as the government's main instrument for combating poverty through private sector development. Norfund's objective is to contribute to sustainable commercial businesses in developing countries.

Norway has developed a range of aid-funded support programmes to increase partnership with the private sector, including equity investments in renewable energy, finance and agribusiness. Through its Oil for Development programme, it assists countries in managing their petroleum resources in a sustainable way.

According to the 2015 DAC Survey on Mobilisation (Benn et al., 2016), Norway mobilised USD 104 million from the private sector through shares in collective investment vehicles in 2012-14, of which 21% targeted climate-related projects.

Financial flows from Norway to developing countries

Figure 28.1. **Net resource flows to developing countries, 2004-14, Norway**



Note: Data on private grants are not available; data on other official flows are not available for 2011; data on private flows at market terms are not available for 2014.

StatLink http://dx.doi.org/10.1787/888933359979

Norway uses ODA to mobilise other resources for sustainable development

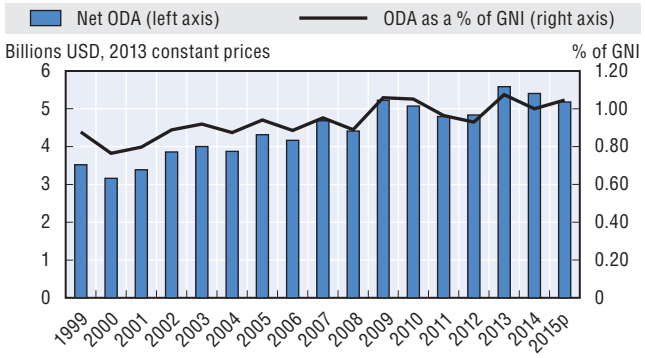
- **Norway contributes to the mobilisation of domestic resources in developing countries by supporting their tax systems.** In 2014, it is estimated that Norway committed USD 6.5 million of its official development assistance (ODA) to tax-related activities in partner countries.
- **It promotes aid for trade to improve developing countries' trade performance and integration into the world economy.** It committed USD 684.1 million (18.7% of its bilateral allocable ODA) to trade-related activities in 2014, a 17.1% decrease in real terms from 2013. The trend has been fluctuating over the past few years.
- **Norway has pledged USD 258 million (NOK 1.6 billion) to the Green Climate Fund,** which plays a key role in channelling resources to developing countries and catalysing climate finance at the international and national levels.

Norway's official development assistance

In 2015, Norway provided USD 4.3 billion in net ODA (preliminary data), which represented 1.05% of gross national income (GNI) and an 8.7% increase in real terms from 2014, due primarily to increased in-donor refugee costs. Norway is the second largest Development Assistance Committee (DAC) provider in terms of ODA as a percentage of GNI, and the ninth largest by volume. Norway is one of only six DAC members to have met the UN target of 0.7% and it has consistently maintained its level of development assistance, having spent about 1% of GNI on ODA every year since 2009. All of Norway's ODA was untied in 2014 (excluding administrative costs and in-donor refugee costs), whilst the DAC average was 80.6%. Its ODA was also fully untied in 2012 and 2013. The grant element of total ODA was 100% in 2014.

Norway reported USD 278.7 million of its in-donor refugee costs as ODA in 2014. These costs represented 5.5% of its total net ODA.

Figure 28.2. **Net ODA: Trends in volume and as a share of GNI, 1999-2015, Norway**



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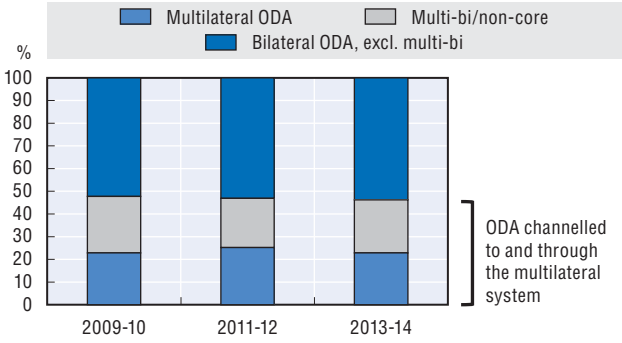
In 2014, 76.6% of ODA was provided bilaterally. Norway allocated 23.4% of total ODA as core contributions to multilateral organisations, compared with the DAC country average of 28.3%. In addition, it channelled 34% of its bilateral ODA for specific projects implemented by multilateral organisations (multi-bi/non-core contributions).

Figure 28.3. **Share of ODA channelled to and through the multilateral system, two year averages, gross disbursements, Norway**



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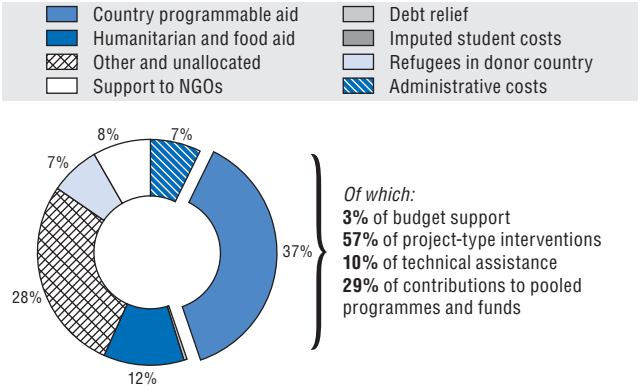
In 2014, 37.5% of bilateral ODA was programmed at partner country level. Norway's share of country programmable aid (CPA) was lower than the DAC country average (52.9%). Project-type interventions accounted for 57% of CPA. A large share (27.9%) of bilateral aid was classified as "other and unallocated".

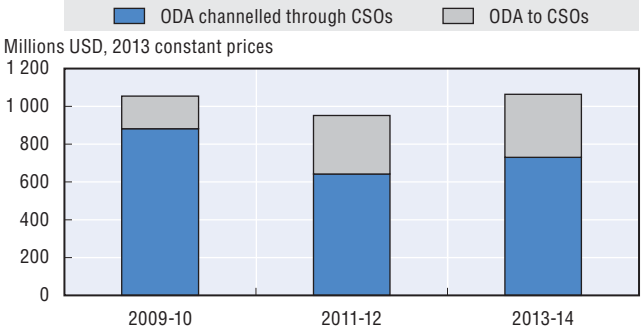
Figure 28.4. **Composition of bilateral ODA, 2014, gross disbursements, Norway**



StatLink http://dx.doi.org/10.1787/888933360000

In 2014, USD 1 billion of Norway's bilateral ODA was channelled to and through civil society organisations (CSOs). Norway's ODA channelled to and through CSOs increased both in volume between 2013 and 2014 (+3.5%) and as a share of bilateral ODA (from 23.7% to 26%). This share was higher than the DAC country average of 17.4%.

Figure 28.5. **Bilateral ODA to and through CSOs, two year averages, gross disbursements, Norway**



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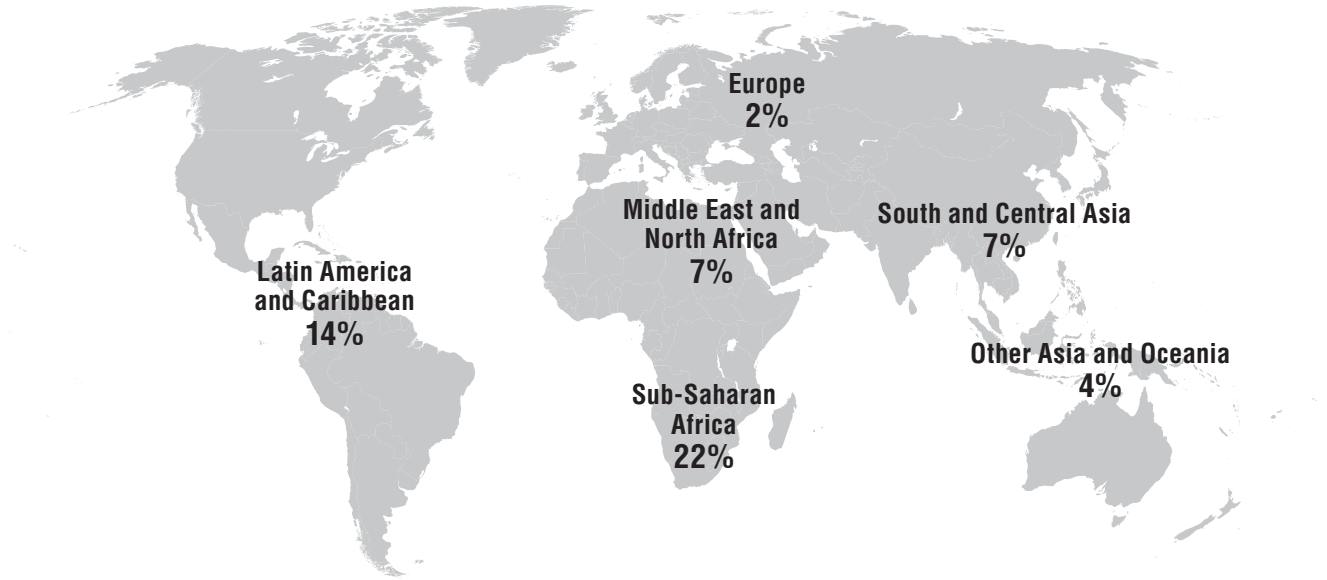
Bilateral ODA primarily focused on sub-Saharan Africa and Latin America. In 2014, USD 841.8 million was allocated to sub-Saharan Africa, USD 342.7 million to Latin America and the Caribbean, and USD 290.3 million to south and central Asia.

Figure 28.6. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, Norway**

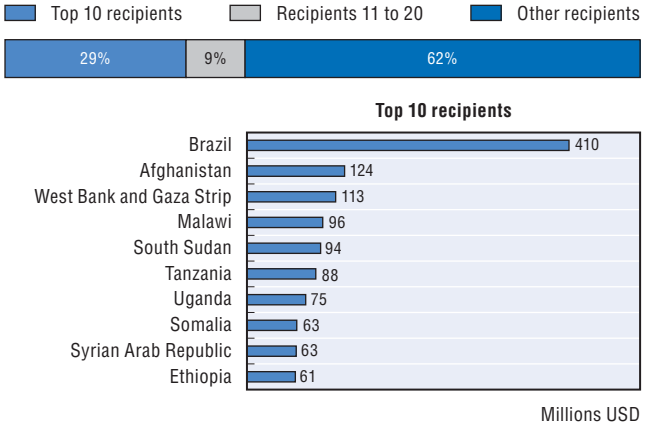


Note: 44% of bilateral ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

StatLink http://dx.doi.org/10.1787/888933360021

In 2014, 23.3% of bilateral ODA went to Norway's top 10 recipients. Seven of its 12 focus countries are among its top 10 recipients. In 2014, its support to fragile states reached USD 1 billion (26.1% of gross bilateral ODA).

Figure 28.7. **Bilateral ODA to top recipients, 2013-14 average, gross disbursements, Norway**



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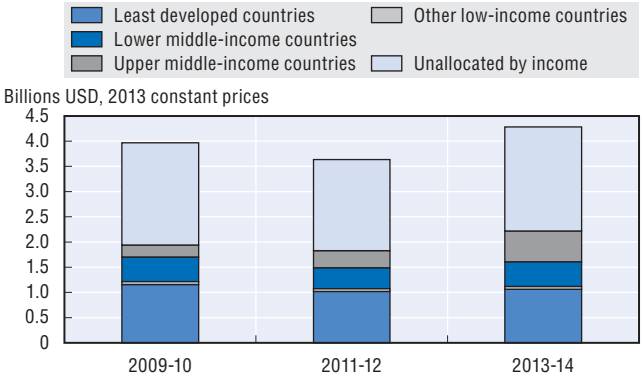
In 2014, 25% of bilateral ODA was allocated to least developed countries (LDCs), amounting to USD 978.5 million. The share has fallen, from 30% in 2011 to 25% in 2014, and is slightly below the 2014 DAC average of 25.6%. LDCs received the highest share of bilateral ODA in 2014, noting that 52.6% was unallocated by income group.

At 0.28% of GNI in 2014, total ODA to LDCs far exceeded the UN target of 0.15% of GNI.

Figure 28.8. **Bilateral ODA by income group, two year averages, gross disbursements, Norway**



StatLink http://dx.doi.org/10.1787/888933360047

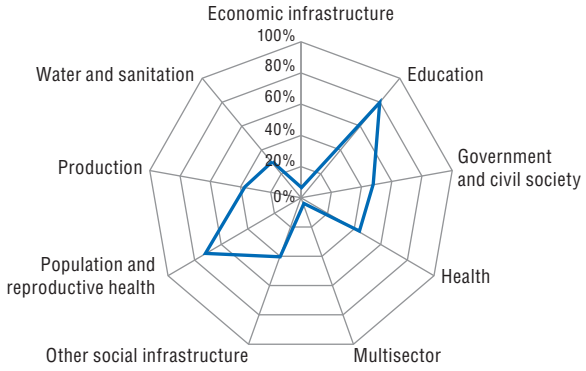
In 2014, 37% of bilateral ODA was allocated to social infrastructure and services, reaching USD 1.6 billion, with a strong focus on support to government and civil society (USD 818.2 million) and education (USD 393.7 million). Humanitarian aid amounted to USD 468.9 million.

Figure 28.9. **Share of bilateral ODA by sector, 2013-14 average, commitments, Norway**

StatLink http://dx.doi.org/10.1787/888933360051

USD 1.2 billion of bilateral ODA supported gender equality in 2014. Gender is a long-standing focus of Norway's development programme, both as a thematic priority and a cross-cutting issue (OECD, 2014). Norway has already geared up its support to important gender-related Sustainable Development Goal targets and is committed to include them in its development co-operation. In 2014, 31.7% of its bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective, compared with the DAC country average of 34.7%. This is a decrease over 2013 (34.9%). Norway's aid to education and population and reproductive health focuses on gender.

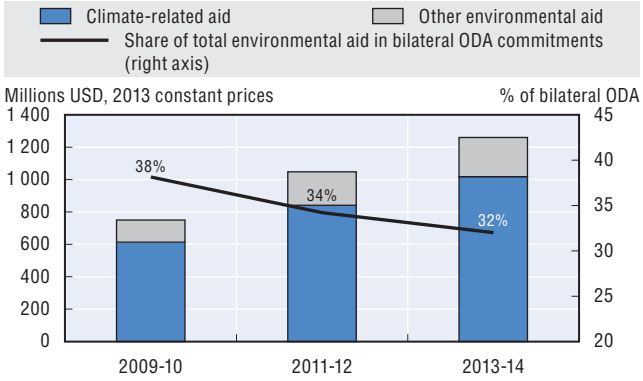
Figure 28.10. **Share of bilateral allocable ODA in support of gender equality by sector, 2014, commitments, Norway**



StatLink http://dx.doi.org/10.1787/888933360069

USD 1.3 billion of bilateral ODA supported the environment in 2014. Norway is strongly committed to supporting environmental and climate change activities. It is making progress with mainstreaming these issues in its development co-operation (OECD, 2014). In 2014, 34.3% of its bilateral allocable aid focused on the environment and 27% (USD 987.9 million) focused specifically on climate change, compared with the respective DAC country averages of 32.2% and 23.9%.

Figure 28.11. **Bilateral allocable ODA in support of global and local environment objectives, two year averages, commitments, Norway**



StatLink http://dx.doi.org/10.1787/888933360078

Note to reader: Annex B provides "Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members".

Reference

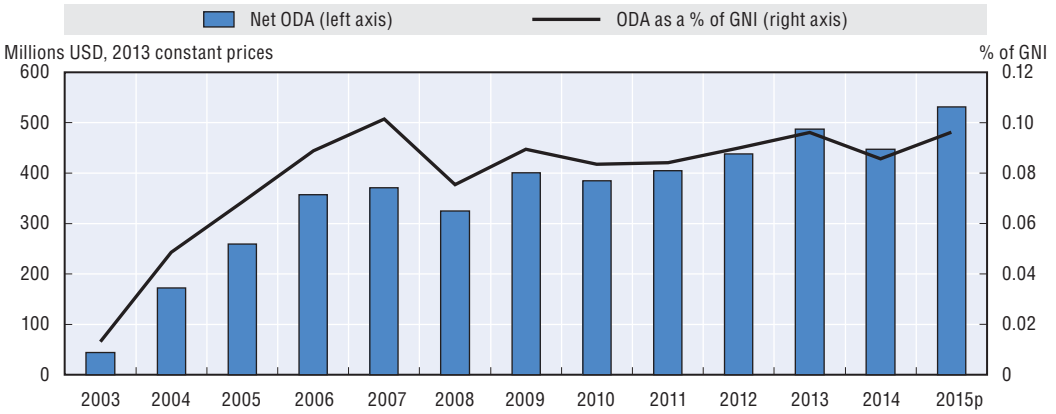
OECD (2014), *OECD Development Co-operation Peer Reviews: Norway 2013*, OECD Development Co-operation Peer Reviews, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264196315-en*.

POLAND

Financial flows from Poland to developing countries

In 2015, Poland provided USD 442 million in net ODA (preliminary data), which represented 0.10% of gross national income (GNI) and a 16.8% increase in real terms from 2014. Poland is committed to attain the 0.33% ODA/GNI ratio when political and financial conditions permit, and will strive to achieve it by 2030, as agreed at the EU level in 2015. Poland is the 28th (last) largest Development Assistance Committee (DAC) provider in terms of official development assistance (ODA) as a percentage of GNI, and the 20th largest by volume. Poland's share of untied ODA (excluding administrative costs and in-donor refugee costs) was 10.6% in 2014 (down from 62.7% in 2013), compared to the DAC average of 80.6%. The grant element of total ODA was 90% in 2014. At present, data on other official flows, private grants (funds raised by non-governmental organisations and foundations) and private flows at market terms from Poland to developing countries are not available.

Figure 29.1. **Net ODA: Trends in volume and as a share of GNI, 2003-15, Poland**



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Development challenges as investment and business opportunities: Poland's policy and practices

Poland recognises the role that the private sector can play for sustainable development and poverty reduction. Its Development Co-operation Programme 2016-20 states that development projects will focus particularly on competitive and innovative micro and small enterprises, on social economy, and on promoting entrepreneurship, especially among women and young people.

Private sector tools developed by Polish Aid include a special grant scheme engaging the Polish private sector in vocational training and promotion of entrepreneurship, productivity and competitiveness in developing countries, and promotion of co-operation between non-governmental organisations and the Polish private sector. Poland also runs a corporate social responsibility (CSR) forum and supports activities that promote corporate social responsibility among Polish companies so that they are better prepared to engage with the private sector in developing countries in the future.

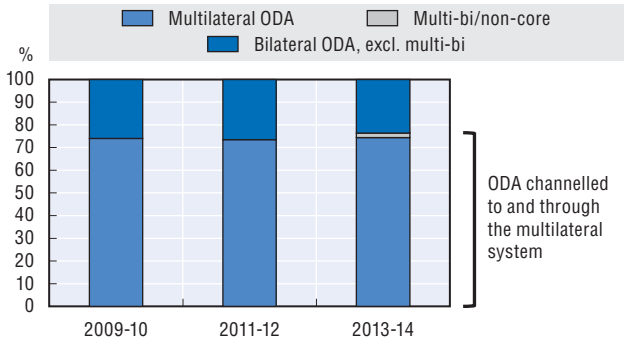
Poland uses ODA to mobilise other resources for sustainable development

- **Poland promotes aid for trade to improve developing countries' trade performance and integration into the world economy.** It committed USD 186.3 million to trade-related activities in 2014 (66.5% of its bilateral allocable ODA).
- **Poland has pledged USD 0.1 million (PLN 0.4 million) to the Green Climate Fund,** which plays a key role in channelling resources to developing countries and catalysing climate finance at the international and national levels.

Poland's official development assistance

Poland delivered 21.9% of ODA bilaterally in 2014. It channelled 78.1% of its ODA to multilateral organisations in 2014, compared with the DAC country average of 28.3%. Its multilateral aid consisted mainly of mandatory assessed contributions to the European Union and other international organisations. In addition, it channelled 3.3% of its bilateral ODA to specific projects implemented by multilateral organisations (multi-bi/non-core contributions).

Figure 29.2. **Share of ODA channelled to and through the multilateral system, two year averages, gross disbursements, Poland**



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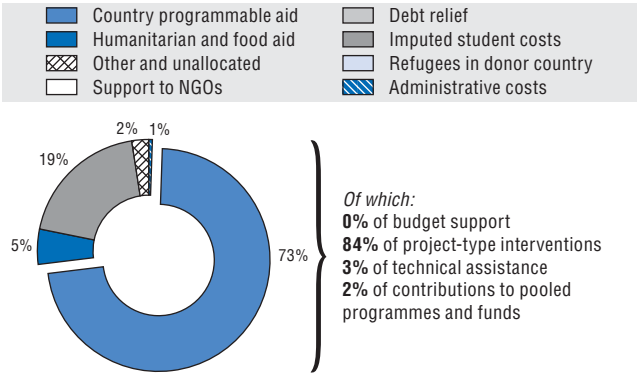
In 2014, 72.5% of bilateral ODA was programmed at partner country level. Poland's share of country programmable aid (CPA) was higher than the DAC country average (52.9%) for 2014. Project-type interventions made up 84% of CPA. Imputed student costs amounted to 19.4% of bilateral ODA.

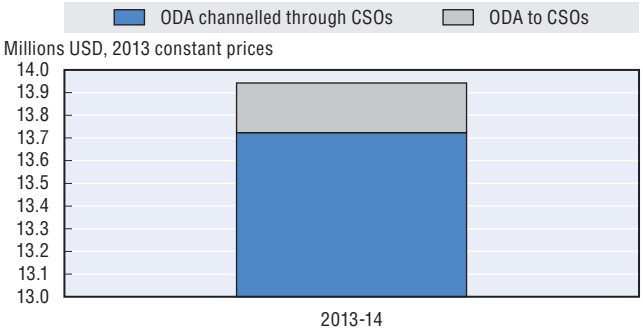
Figure 29.3. **Composition of bilateral ODA, 2014, gross disbursements, Poland**



StatLink http://dx.doi.org/10.1787/888933360106

In 2014, USD 15.5 million of bilateral ODA was channelled to and through civil society organisations (CSOs). Poland's ODA to and through CSOs increased between 2013 and 2014 in volume (+22.7%) and as a share of bilateral aid (from 8.6% to 15%). The DAC country average was 17.4% in 2014.

Figure 29.4. **Bilateral ODA to and through CSOs, 2013-14 average, gross disbursements, Poland**



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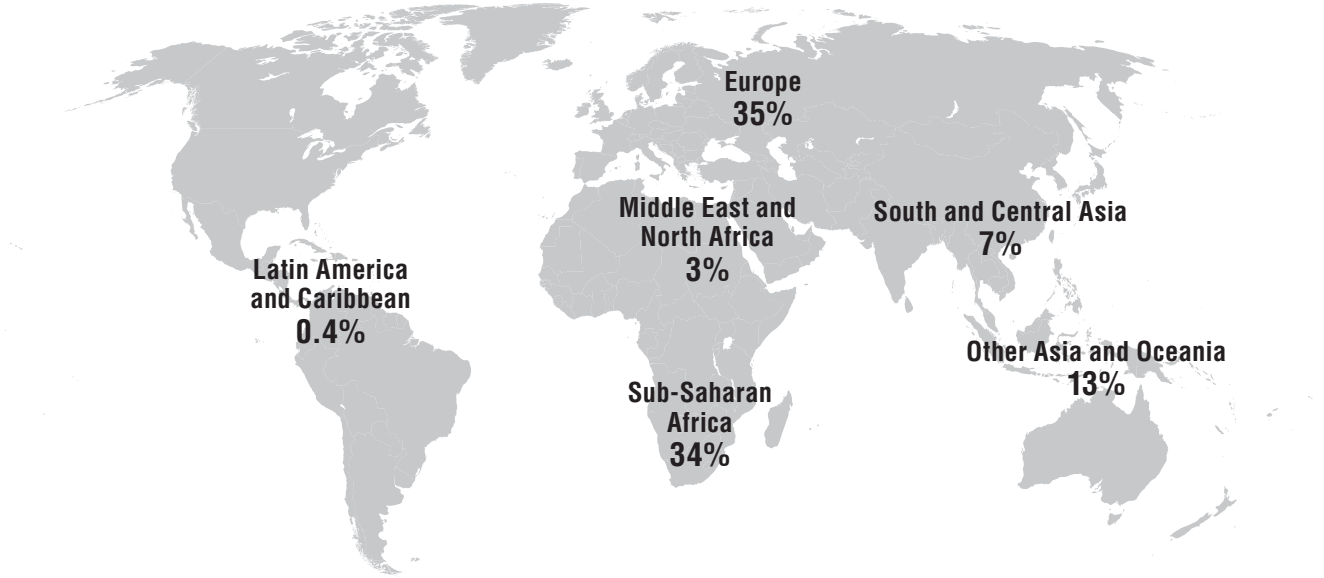
In 2014, bilateral ODA primarily focused on Europe and sub-Saharan Africa. USD 46.9 million was allocated to Eastern Europe, USD 40.9 million to sub-Saharan Africa, and USD 7.3 million to south and central Asia.

Figure 29.5. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, Poland**

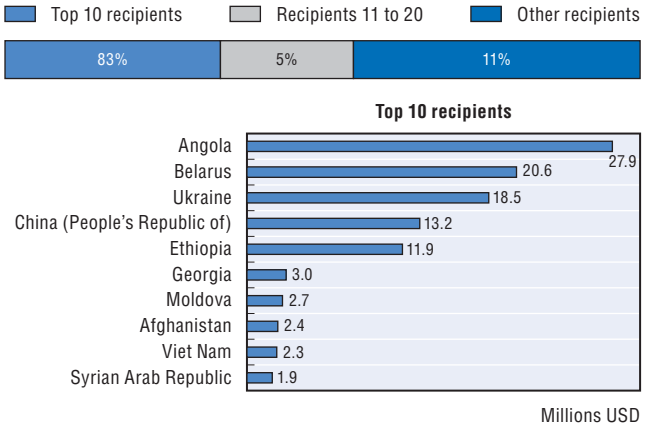


Note: 8% of bilateral ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

StatLink http://dx.doi.org/10.1787/888933360122

In 2014, 87.9% of bilateral ODA went to Poland's top 10 recipients. Poland divides its geographical priorities into two groups: Eastern Partnership countries and selected countries of Africa, central Asia and the Middle East. Six of its priority countries are among its top 10 recipients. Its support to fragile states reached USD 30.8 million in 2014 (29.7% of gross bilateral ODA).

Figure 29.6. **Bilateral ODA to top recipients, 2013-14 average, gross disbursements, Poland**

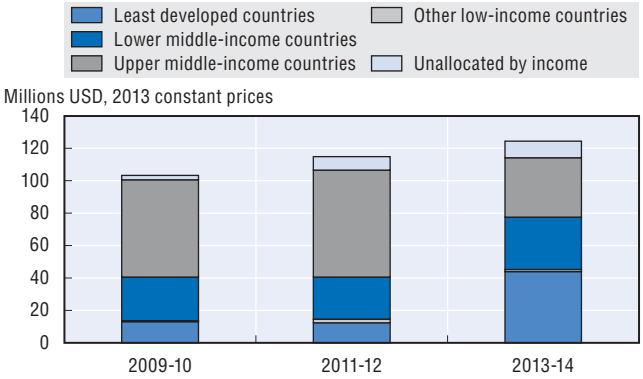


StatLink http://dx.doi.org/10.1787/888933360132

In 2014, 39.8% of bilateral ODA was allocated to least developed countries (LDCs), amounting to USD 41.2 million. This is an increase from 32.2% in 2013 and 9.4% in 2012, and is higher than the 2014 DAC average of 25.6%. LDCs received the highest share of bilateral ODA in 2014.

At 0.02% of GNI in 2014, total ODA to LDCs was far below the UN target of 0.15% of GNI.

Figure 29.7. **Bilateral ODA by income group, two year averages, gross disbursements, Poland**



StatLink http://dx.doi.org/10.1787/888933360144

In 2014, 61.1% of bilateral ODA was allocated to production sectors, reaching USD 184.5 million, with a strong focus on agriculture (USD 183.8 million). Support to social infrastructure and services amounted to USD 53.1 million, with a strong focus on education (USD 31.1 million) and government and civil society (USD 15.1 million). Priority sectors vary among Eastern European countries and its other partner countries. Poland has two priority sectors in its Eastern European partner countries: 1) democratisation and human rights; and 2) support to political and economic transformation. Partner countries in Asia and Africa are supported in the areas of education, environment, development of small and medium enterprises (SMEs), and professionalisation of the public administration.

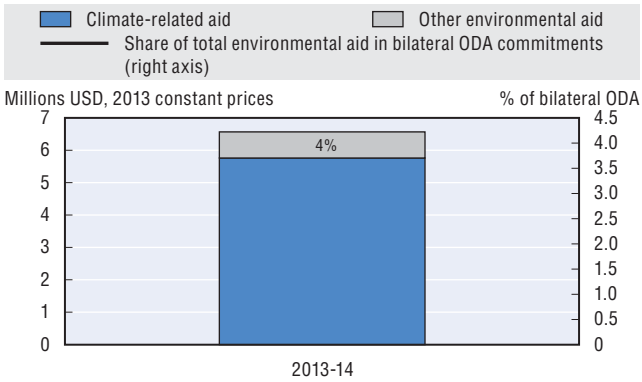
Figure 29.8. **Share of bilateral ODA by sector, 2013-14 average, commitments, Poland**

StatLink http://dx.doi.org/10.1787/888933360151

USD 1.1 million of bilateral ODA supported gender equality in 2014. Gender equality and women's empowerment are among the focus areas of Poland's development co-operation and an integral part of its thematic priority of democracy and human rights. Poland supports projects targeted at enhancing the social and economic status of women and girls in partner countries such as Afghanistan, as well as in other partner countries. All projects supported by the Ministry of Foreign Affairs must integrate gender equality and women's empowerment as a cross-cutting theme. In 2014, 0.4% of its bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective, compared with the DAC country average of 34.7%. Sectors where Poland has a gender focus are health and population and reproductive health.

USD 4.2 million of bilateral ODA supported the environment in 2014. Caring for the natural environment, the sustainable use of natural resources and combating climate change remain among the key principles of Polish development co-operation. Counteracting environmental degradation, climate change mitigation and adaptation are integrated into Poland's sector support. Environmental impact assessments are required for all development projects submitted to "Polish Development Aid". Measures to redress possible negative impacts must be identified. Poland has hosted international meetings devoted to climate change (Poznan UN Climate Change Conference in 2008 and Warsaw UN Climate Change Conference in 2013). In 2014, 1.5% of its bilateral allocable aid supported the environment and 1.3% (or USD 3.5 million) focused on climate change, compared with the respective DAC country averages of 32.2% and 23.9%.

Figure 29.9. **Bilateral allocable ODA in support of global and local environment objectives, 2013-14 average, commitments, Poland**



StatLink http://dx.doi.org/10.1787/888933360160

Note to reader: Annex B provides "Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members".

PORTUGAL

Development challenges as investment and business opportunities: Portugal's policy and practices

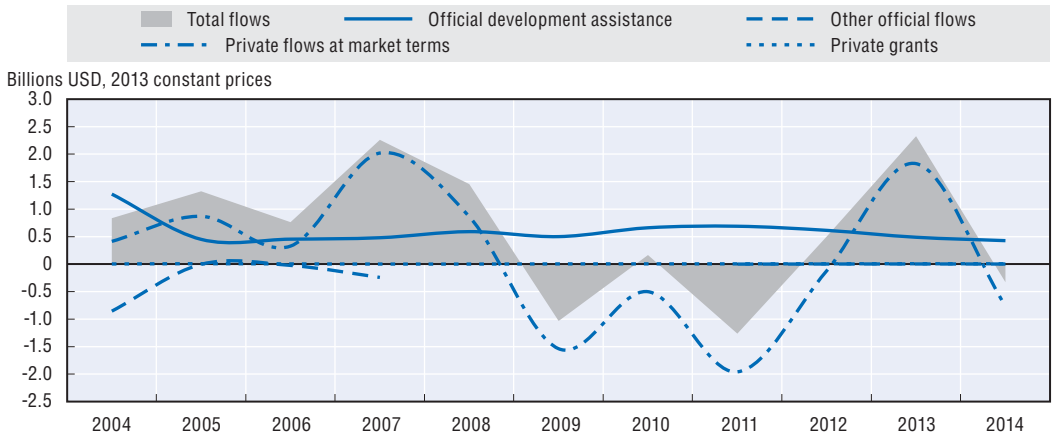
Portugal's Strategic Concept 2014-2020 for its development co-operation places a greater emphasis on private sector development, which has gained in importance in the development programme since 2011. Portugal aims to use its official development assistance (ODA) in a more catalytic manner, notably by increasing its support for private sector development in partner countries through a mutual benefits approach – allowing partner countries to benefit from resources, knowledge and technology sharing while also giving Portuguese companies greater access to foreign markets. The new platform for "Partnership in Development" will facilitate the involvement of the Portuguese private sector in development co-operation.

Portugal is engaged in private sector development mainly through the operations of SOFID, the national development finance institution, which uses a wide range of instruments to leverage private finance. SOFID's funds are limited (USD 17.6 million in 2015) and are currently tied to Portuguese companies. The latest DAC Peer Review of Portugal (OECD, 2015) found that there is scope to increase synergies between SOFID's projects and other ODA-funded projects. In 2014/15, Portugal launched FECOP, the first revolving private sector fund that Camoes, the development co-operation agency, will manage. This USD 13 million fund promotes the development of small and medium enterprises in Mozambique by providing guarantees, interest rate subsidies and technical assistance through local banks to projects promoted by local companies in Mozambique's productive sectors.

According to the 2015 DAC Survey on Mobilisation (Benn et al., 2016), Portugal mobilised USD 21 million from the private sector through guarantees in 2012-14, of which 22% targeted climate-related projects.

Financial flows from Portugal to developing countries

Figure 30.1. **Net resource flows to developing countries, 2004-14, Portugal**



Note: Data on other official flows are not available for 2008-10.

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Portugal uses ODA to mobilise other resources for sustainable development

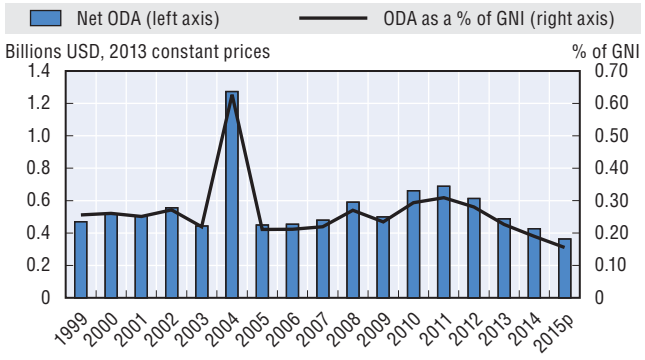
- **Portugal contributes to the mobilisation of domestic resources in developing countries by supporting their tax systems.** In 2014, it is estimated that Portugal committed USD 118 000 of its ODA to tax-related activities in partner countries.
- **It promotes aid for trade to improve developing countries' trade performance and integration into the world economy.** It committed USD 47.1 million (19% of its bilateral allocable ODA) to trade-related activities in 2014, up 103.6% in real terms from 2013.
- **Portugal has pledged USD 2.7 million (EUR 2 million) to the Green Climate Fund,** which plays a key role in channelling resources to developing countries and catalysing climate finance at the international and national levels.

Portugal's official development assistance

In 2015, Portugal provided USD 306 million in net ODA (preliminary data), which represented 0.16% of gross national income (GNI) and a fall of 16.1% in real terms from 2014 due to a decrease in its lending. Portugal's ODA has fallen since 2011, both in volume and as a percentage of GNI. The country's capacity to meet its ODA targets has been compromised by its severe economic recession and the subsequent Economic Adjustment Programme. Portugal intends to meet its ODA target when its economy begins to recover (OECD, 2015) and is committed, at European level, to collectively achieve a 0.7% ODA/GNI ratio by 2030. Portugal is the 21st largest Development Assistance Committee (DAC) provider in terms of ODA as a percentage of GNI, and the 23rd by volume. Portugal's share of untied ODA (excluding administrative costs and in-donor refugee costs) was 34.5% in 2014 (up from 30% in 2013), compared to the DAC average of 80.6%. The grant element of total ODA was 89.7% in 2014 (increasing from 87.7% in 2013).

Portugal reported USD 0.9 million of its in-donor refugee costs as ODA in 2014. These costs represented 0.2% of its total net ODA.

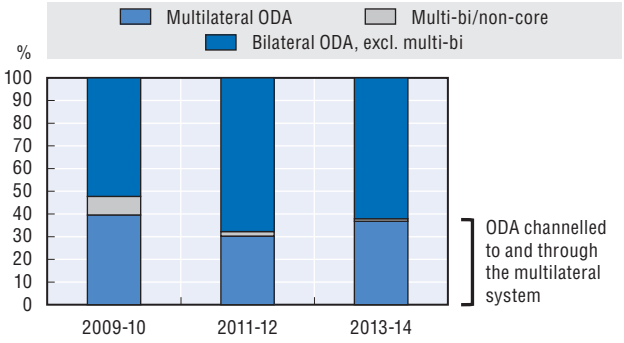
Figure 30.2. **Net ODA: Trends in volume and as a share of GNI, 1999-2015, Portugal**



StatLink http://dx.doi.org/10.1787/888933360180

In 2014, 61.3% of ODA was provided bilaterally. Portugal allocated 38.7% of total ODA as core contributions to multilateral organisations, compared with the DAC country average of 28.3%. In addition, it channelled 1.6% of its bilateral ODA to specific projects implemented by multilateral organisations (multi-bi/non-core contributions).

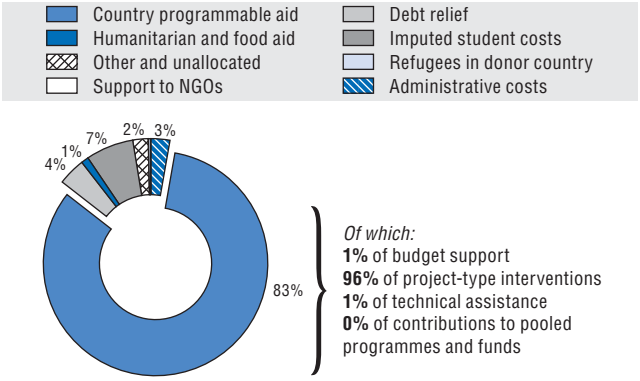
Figure 30.3. **Share of ODA channelled to and through the multilateral system, two year averages, gross disbursements, Portugal**



StatLink http://dx.doi.org/10.1787/888933360192

In 2014, 82.8% of bilateral ODA was programmed at partner country level. This share of country programmable aid (CPA) was high compared with the 2014 DAC country average of 52.9%. Project-type interventions made up 96% of CPA.

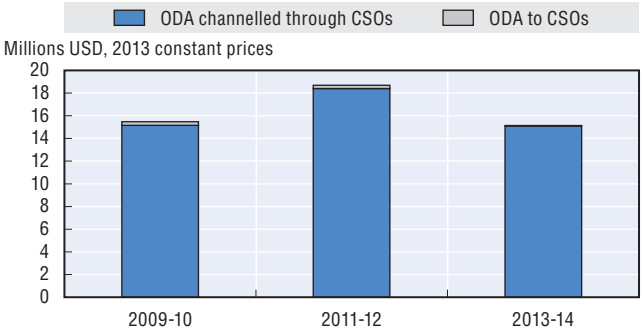
Figure 30.4. **Composition of bilateral ODA, 2014, gross disbursements, Portugal**



StatLink http://dx.doi.org/10.1787/888933360206

In 2014, USD 15.2 million of bilateral ODA was channelled to and through civil society organisations (CSOs). Portugal's ODA to and through CSOs increased between 2013 and 2014 as a share of bilateral ODA (from 4.4% to 5.2%), but decreased slightly in volume terms (-1%). The DAC country average was 17.4% in 2014.

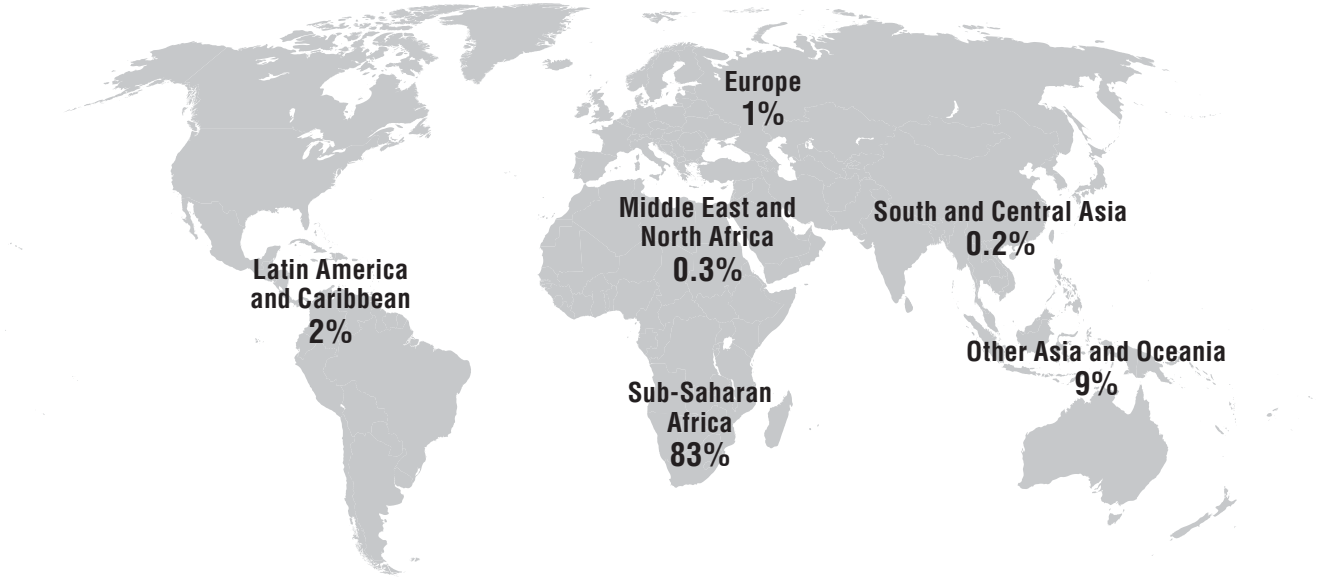
Figure 30.5. **Bilateral ODA to and through CSOs, two year averages, gross disbursements, Portugal**



StatLink http://dx.doi.org/10.1787/888933360216

Bilateral ODA was heavily focused on sub-Saharan Africa. In 2014, USD 240.1 million was allocated to this region and USD 27.7 million was allocated to Far East Asia.

Figure 30.6. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, Portugal**

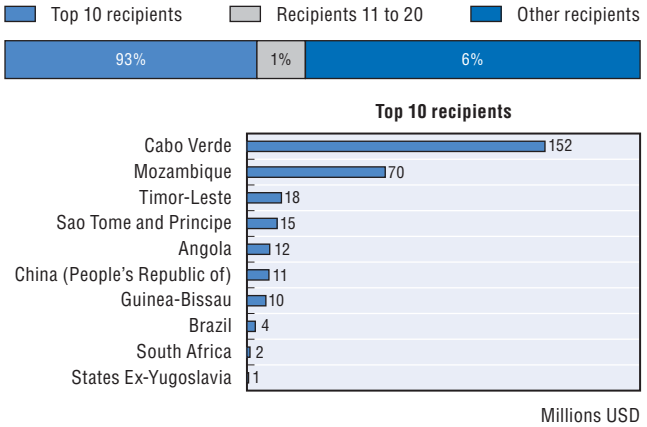


Note: 5% of bilateral ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

StatLink http://dx.doi.org/10.1787/888933360227

In 2014, 92.6% of bilateral ODA went to Portugal's top 10 recipients. Portugal's programme focuses strongly on its six Portuguese-speaking priority partner countries, all of which are among its top 10 recipients. Its support to fragile states reached USD 31.3 million in 2014 (10.8% of gross bilateral ODA).

Figure 30.7. **Bilateral ODA to top recipients, 2013-14 average, gross disbursements, Portugal**

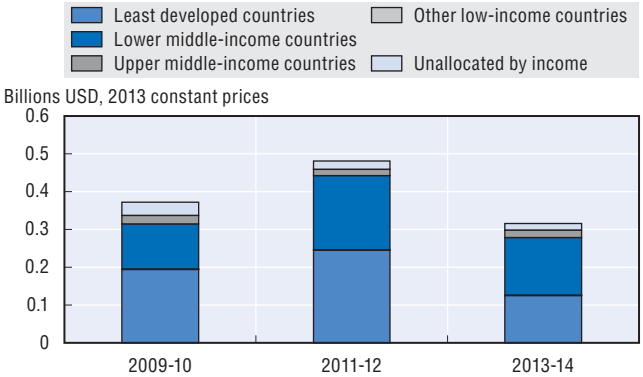


StatLink http://dx.doi.org/10.1787/888933360235

In 2014, 38.9% of bilateral ODA was allocated to least developed countries (LDCs), amounting to USD 113 million. This is a slight decrease from 40.4% in 2013, but is higher than the 2014 DAC average of 25.6%. Lower middle-income countries received the highest share of bilateral ODA in 2014 (49.5%).

At 0.05% of GNI in 2014, total ODA to LDCs was below the UN target of 0.15% of GNI.

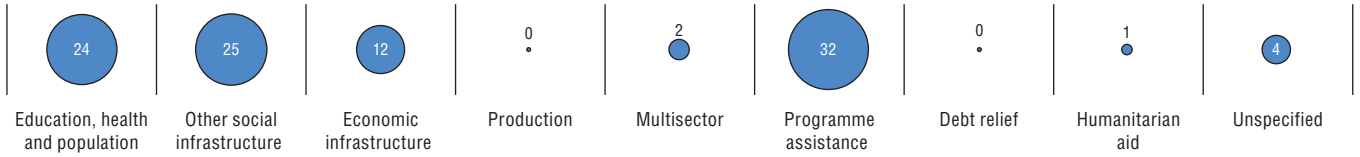
Figure 30.8. **Bilateral ODA by income group, two year averages, gross disbursements, Portugal**



StatLink http://dx.doi.org/10.1787/888933360242

In 2014, 54.7% of bilateral ODA was allocated to social infrastructure and services, amounting to USD 152.5 million, with a strong focus on education (USD 56.4 million) and health (USD 19.3 million). USD 60.4 million was allocated to programme assistance and USD 33.9 million to transport and storage (included under ODA to economic infrastructure and services).

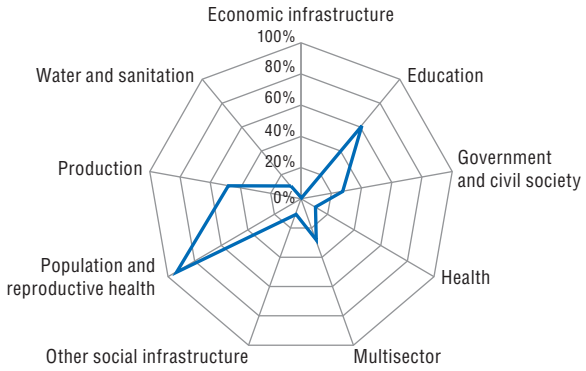
Figure 30.9. **Share of bilateral ODA by sector, 2013-14 average, commitments, Portugal**



StatLink http://dx.doi.org/10.1787/888933360259

USD 36.2 million of bilateral ODA supported gender equality in 2014. Portugal is strongly committed to gender equality and the empowerment of women and girls. However, this commitment has yet to be fully mirrored within its development co-operation programmes (OECD, 2015). In 2014, 14.6% of Portuguese bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective, compared with the DAC country average of 34.7%. This is an increase from 13.7% in 2013 and 4.2% in 2009. Portugal's aid to population and reproductive health focuses on gender.

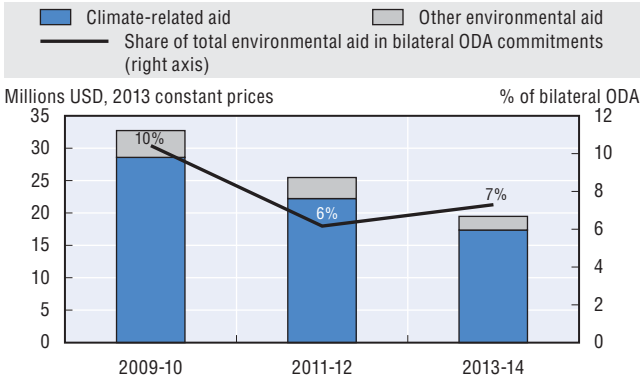
Figure 30.10. **Share of bilateral allocable ODA in support of gender equality by sector, 2014, commitments, Portugal**



StatLink http://dx.doi.org/10.1787/888933360264

USD 14.7 million of bilateral ODA supported the environment in 2014. Portugal's share of environment-focused ODA has increased in recent years, and the country's vision for its development co-operation – the Strategic Concept 2014-2020 – places greater emphasis on the environment. Nevertheless, integrating the environment and climate change across its development co-operation remains a challenge (OECD, 2015). In 2014, 5.9% of its bilateral allocable aid supported the environment and 5.2% (USD 13 million) focused specifically on climate change, compared with the respective DAC country averages of 32.2% and 23.9%.

Figure 30.11. **Bilateral allocable ODA in support of global and local environment objectives, two year averages, commitments, Portugal**



StatLink http://dx.doi.org/10.1787/888933360273

Note to reader: Annex B provides "Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members".

Reference

OECD (2015), *OECD Development Co-operation Peer Reviews: Portugal 2016*, OECD Development Co-operation Peer Reviews, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264248571-en*.

SLOVAK REPUBLIC

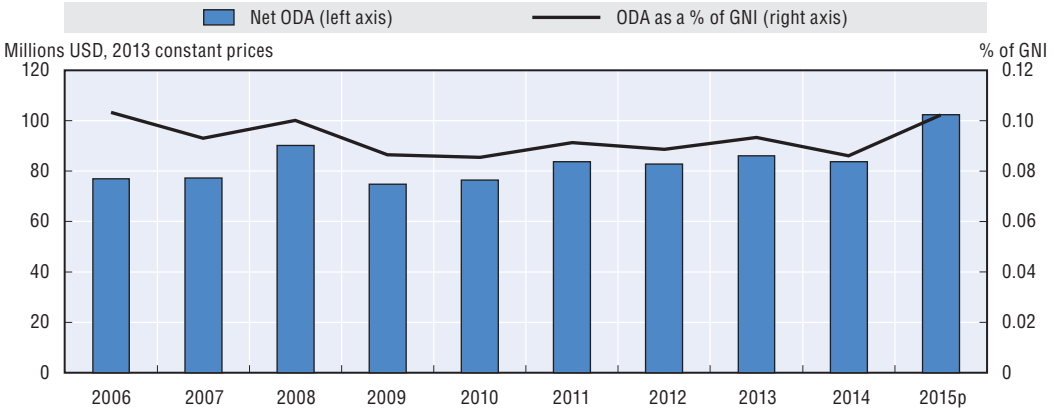
Financial flows from the Slovak Republic to developing countries

In 2015, the Slovak Republic provided USD 86 million in net ODA (preliminary data), which represented 0.1% of gross national income (GNI) and a 23.3% increase in real terms from 2014. The Slovak Republic is committed to gradually meeting the official development assistance (ODA) target of 0.33% adopted at the EU level, when the economy recovers. The Slovak Republic is the 27th largest Development Assistance Committee (DAC) provider in terms of ODA as a percentage of GNI, and 26th by volume.

The Slovak Republic's share of untied ODA (excluding administrative costs and in-donor refugee costs) was approximately 12% in 2014, compared to the DAC average of 83.2%. The grant element of total ODA was 100% in 2014. At present, data on other official flows, private grants (funds raised by non-governmental organisations and foundations) and private flows at market terms from the Slovak Republic to developing countries are not available.

The Slovak Republic reported USD 1 million of its in-donor refugee costs as ODA in 2014. These costs represented 1.2% of its total net ODA.

Figure 31.1. **Net ODA: Trends in volume and as a share of GNI, 2006-15, Slovak Republic**



StatLink http://dx.doi.org/10.1787/888933360285

Development challenges as investment and business opportunities: The Slovak Republic's policy and practices

The Slovak Republic aims to mobilise private financial resources to strengthen its development activities, to help establish Slovak entrepreneurs in priority developing countries, and to strengthen and expand the activities and development impact of Slovak businesses which are already active in priority countries. It launched a Development Meisters initiative in 2015, focused on increasing the capacities and skills of Slovak entrepreneurs to succeed in development business.

The Business Partnership programme – one of the eight main programmes of Slovak Development Co-operation – aims to find synergies between Slovak development co-operation and the business sector in partner countries. The programme focuses on strengthening the socio-economic development of local communities and mobilising private financial resources for development. The programme helps establish partnerships with local business entities in partner countries to strengthen their capacities while helping Slovak entities access new markets – without providing export subsidies.

The Slovak Republic allocated EUR 2 million of its ODA to private sector development through the European Bank for Reconstruction and Development in 2014 and EUR 1 million through the International Finance Corporation in 2015.

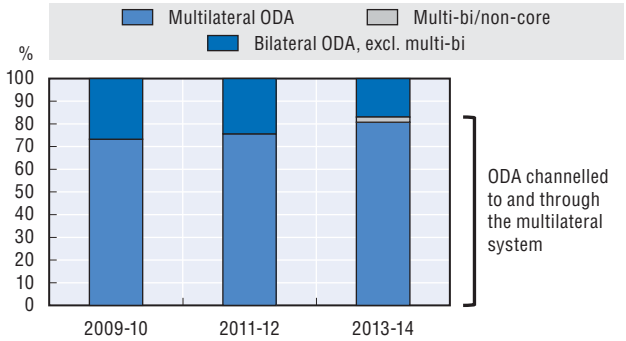
The Slovak Republic uses ODA to mobilise other resources for sustainable development

- **The Slovak Republic contributes to the mobilisation of domestic resources in developing countries** by supporting initiatives to strengthen the tax systems of its partner countries (e.g. via knowledge transfer) as well as by supporting co-ordinated EU efforts in this area. It joined the Addis Tax Initiative (ATI) in December 2015. In 2013-15, the Slovak Republic supported the OECD/G20 Base Erosion and Profit Shifting (BEPS) project through contributions in the amount of EUR 30 000.
- **It promotes aid for trade to improve developing countries' trade performance and integration into the world economy.** It committed USD 1 million to trade-related activities in 2014 (7.5% of its bilateral allocable ODA).

The Slovak Republic's official development assistance

In 2014, 19.7% of the Slovak Republic's ODA was provided bilaterally, while 80.3% of total ODA was allocated as core contributions to multilateral organisations (well above the DAC country average of 28.3%). The major share of its multilateral aid (89%) went to fulfil its assessed contribution to the EU (including the European Development Fund). It also contributed to several other international organisations, notably the European Investment Bank, the United Nations system and the World Bank Group. In addition, it channelled 21.9% of its bilateral ODA to specific projects implemented by multilateral organisations (multi-bi/non-core contributions).

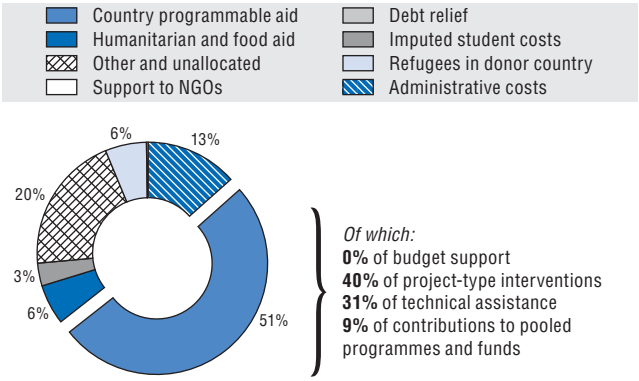
Figure 31.2. **Share of ODA channelled to and through the multilateral system, two year averages, gross disbursements, Slovak Republic**



StatLink http://dx.doi.org/10.1787/888933360290

In 2014, 51% of bilateral ODA was programmed at partner country level. Its share of country programmable aid (CPA) was slightly below the DAC country average (52.9%). Project-type interventions made up 40% of CPA. Twenty per cent of bilateral ODA was classified as "other and unallocated".

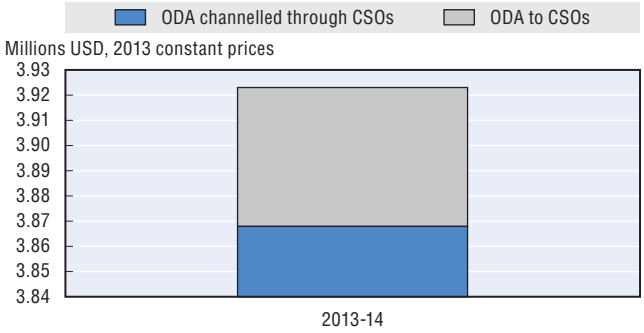
Figure 31.3. **Composition of bilateral ODA, 2014, gross disbursements, Slovak Republic**



StatLink http://dx.doi.org/10.1787/888933360303

In 2014, USD 2.9 million of bilateral ODA was channelled to and through civil society organisations (CSOs). Slovak ODA to and through CSOs fell between 2013 and 2014, both in volume (-41.2%) and as a share of bilateral aid (from 30.6% to 17.6%). The DAC average was 17.4% in 2014.

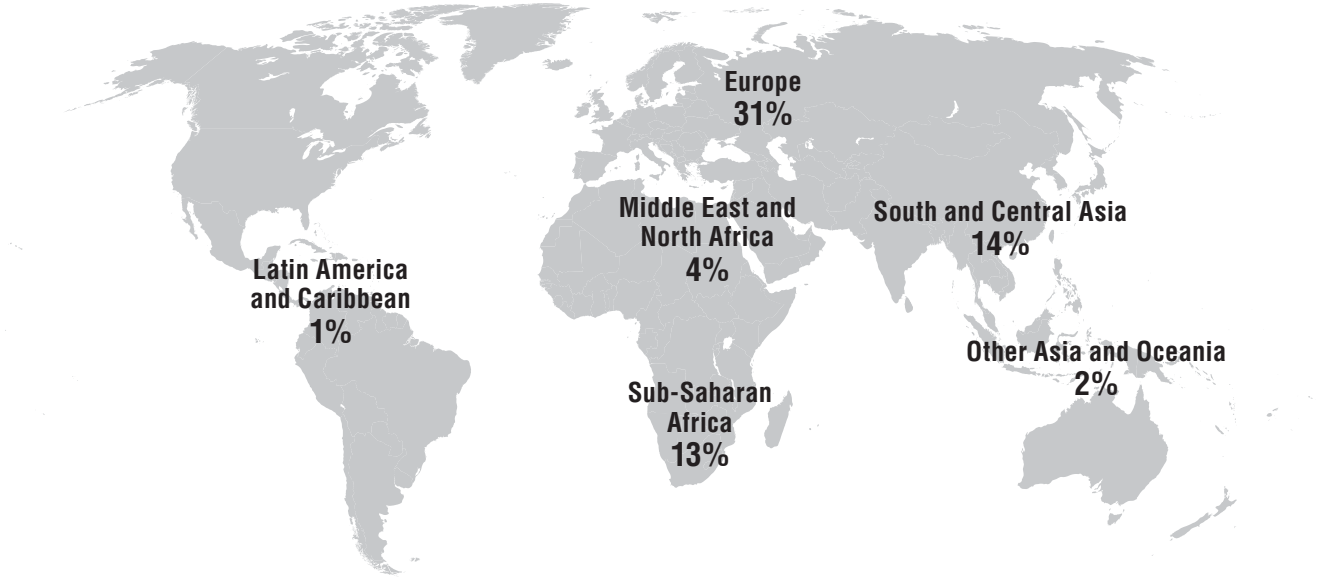
Figure 31.4. **Bilateral ODA to and through CSOs, 2013-14 average, gross disbursements, Slovak Republic**



StatLink http://dx.doi.org/10.1787/888933360319

Bilateral ODA was primarily focused on Eastern Europe. In 2014, USD 5.5 million was allocated to Eastern Europe, USD 1.8 million to sub-Saharan Africa, and USD 1.1 million to south and central Asia.

Figure 31.5. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, Slovak Republic**

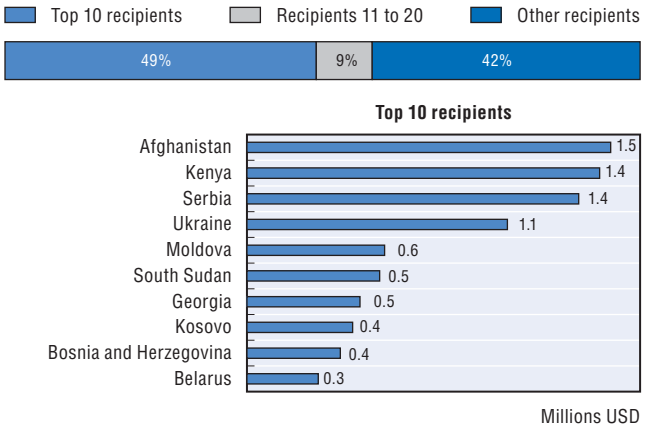


Note: 36% of bilateral ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

StatLink http://dx.doi.org/10.1787/888933360325

In 2014, 42.3% of bilateral ODA went to the Slovak Republic's top 10 recipients. It focuses on ten priority partners, of which there are three programme countries (Afghanistan, Kenya, Moldova), six project countries (Albania, Belarus, Bosnia and Herzegovina, Georgia, Kosovo, Ukraine) and South Sudan. Nine priority countries are among its top 10 recipients. In 2014, its support to fragile states reached USD 3.6 million (22.1% of gross bilateral ODA).

Figure 31.6. **Bilateral ODA to top recipients, 2013-14 average, gross disbursements, Slovak Republic**



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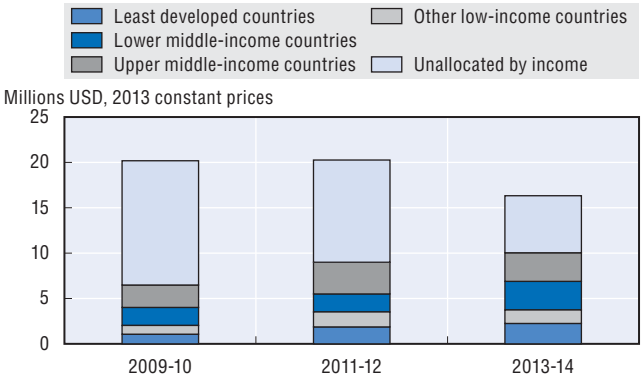
In 2014, 7.1% of bilateral ODA was allocated to least developed countries (LDCs), amounting to USD 1.2 million. This is a decrease from 20.6% in 2013, and is far lower than the 2014 DAC average of 25.6%. Upper middle-income countries received the highest share of bilateral ODA in 2014 (19.3%), noting that 47% of bilateral aid is unallocated by income group.

At 0.02% of GNI in 2014, total ODA to LDCs was far below the UN target of 0.15% of GNI.

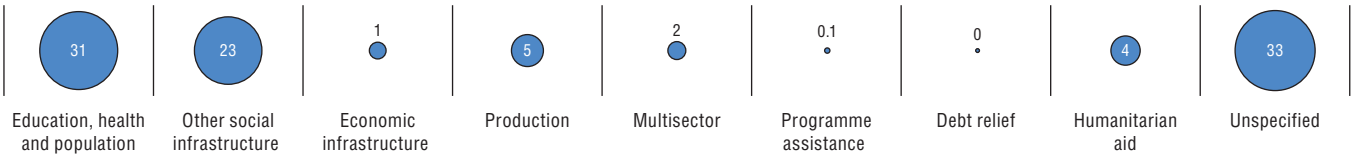
Figure 31.7. **Bilateral ODA by income group, two year averages, gross disbursements, Slovak Republic**



StatLink http://dx.doi.org/10.1787/888933360341

In 2014, 51% of bilateral ODA (USD 8.9 million) was allocated to social infrastructure and services, with a strong focus on education (USD 4.9 million) and support to government and civil society (USD 3.3 million). The Slovak Republic's bilateral co-operation focuses on seven areas: education, healthcare, good governance and building of civil society, agriculture and forestry, water and sanitation, energy, and building a market environment. Priority sectors of engagement are identified in the country strategy papers for programme countries. The Slovak Republic will support sectors in its "project" countries on the basis of the diverse needs of the countries undergoing transformation and on the Slovak Republic's own experience.

Figure 31.8. **Share of bilateral ODA by sector, 2013-14 average, commitments, Slovak Republic**

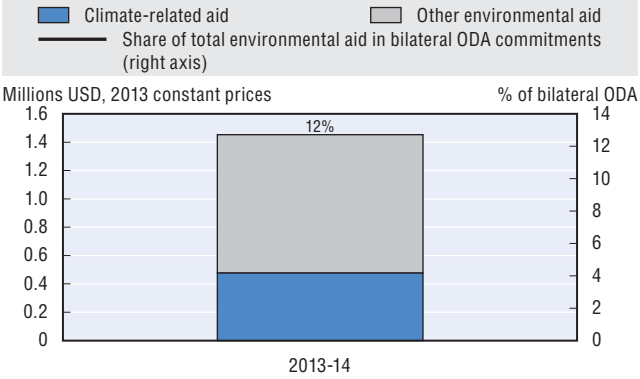


StatLink http://dx.doi.org/10.1787/888933360359

USD 0.3 million of bilateral ODA supported gender equality in 2014. The Slovak Republic considers that gender equality and women's empowerment are crucial for eradicating poverty and promoting economic growth and social development. It plans to mainstream gender equality into its development co-operation programme. In 2014, 2.4% of Slovak bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective, compared with the DAC country average of 34.7%.

USD 1.4 million supported the environment in 2014. The Slovak Republic strives to integrate the environment and climate change into its development co-operation, in accordance with its commitments to mitigation, adaptation and protection of biodiversity. In 2014, 10.7% of its bilateral allocable aid supported the environment and 1.4% (USD 0.2 million) focused specifically on climate change, compared with the respective DAC country averages of 32.2% and 23.9%.

Figure 31.9. **Bilateral allocable ODA in support of global and local environment objectives, 2013-14 average, commitments, Slovak Republic**



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Note to reader: Annex B provides "Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members".

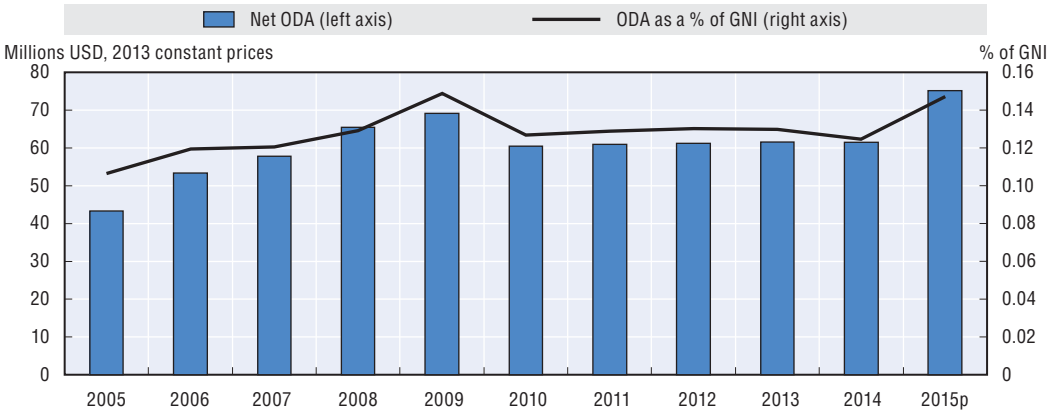
SLOVENIA

Financial flows from Slovenia to developing countries

In 2015, Slovenia provided USD 62 million in net ODA (preliminary data), which represented 0.15% of gross national income (GNI) and a 21.1% increase in real terms from 2014, due in part to the overall scaling up of its aid, but also to higher in-donor refugee costs. Slovenia is the 22nd largest provider of the Development Assistance Committee (DAC) in terms of official development assistance (ODA) as a percentage of GNI, and the 27th in terms of volume. It shall strive to increase its ODA/GNI to 0.33% by 2030 as agreed at the EU level. The grant element of total ODA was 100% in 2014. At present, data on other official flows, private grants (funds raised by non-governmental organisations and foundations) and private flows at market terms from Slovenia to developing countries are not available.

Slovenia reported USD 0.1 million of its in-donor refugee costs as ODA in 2014. These costs represented 0.1% of its total net ODA.

Figure 32.1. **Net ODA: Trends in volume and as a share of GNI, 2005-15, Slovenia**



StatLink http://dx.doi.org/10.1787/888933360377

Development challenges as investment and business opportunities: Slovenia's policy and practices

The Slovenian government engages with a mix of domestic private sector partners through the Centre for International Co-operation and Development (CMSR) and the Slovenian Export and Development Bank (SID Bank). SID was created in 2009 and extends concessional loans. Slovenian companies implement the majority of infrastructure projects in the Western Balkans. The CMSR also promotes opportunities for public-private partnerships. Private sector co-operation also takes place in the framework of UNIDO. Slovenia allocated EUR 110 668 to private sector development in 2014 (membership in the International Center for Promotion of Enterprises).

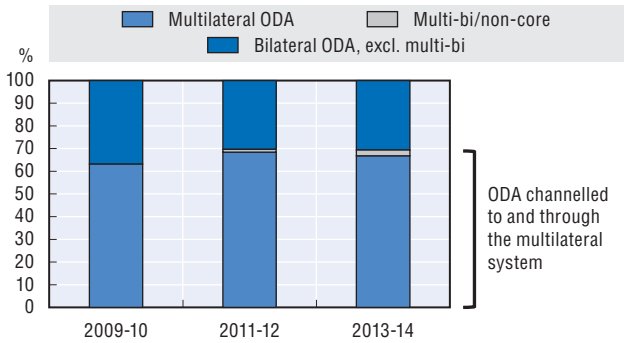
Slovenia uses ODA to mobilise other resources for sustainable development

- **Slovenia contributes to the mobilisation of domestic resources in developing countries by supporting their tax systems.** In 2014, it is estimated that Slovenia extended USD 0.12 million of its ODA to activities for capacity development for finance and tax officials in partner countries from South East Europe.
- **It promotes aid for trade to improve developing countries' trade performance and integration into the world economy.** It committed USD 0.4 million to trade-related activities in 2014 (4.2% of its bilateral allocable ODA).

Slovenia's official development assistance

In 2014, 32.8% of ODA was provided bilaterally. In 2014, 67.1% of Slovenia's ODA was channelled to multilateral organisations, compared with the DAC country average of 28.3%. Slovenia principally allocated its multilateral contributions to the European Union (EU general budget and European Development Fund) to meet its mandatory contributions. The remainder of Slovenia's multilateral ODA consisted of contributions to the World Bank Group, as well as small contributions to the Global Environment Facility and the United Nations agencies. In addition, it channelled 5.7% of its bilateral ODA for specific projects implemented by multilateral organisations (multi-bi/non-core contributions).

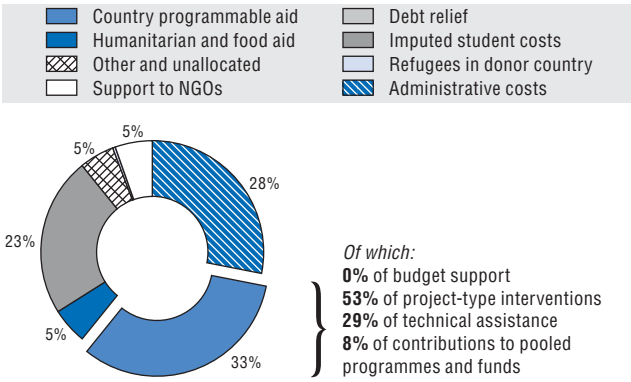
Figure 32.2. **Share of ODA channelled to the multilateral system, two year averages, gross disbursements, Slovenia**



StatLink http://dx.doi.org/10.1787/888933360384

In 2014, 32.7% of bilateral ODA was programmed at partner country level. Slovenia's share of country programmable aid (CPA) was lower than the DAC country average (52.9%). Project-type interventions made up 53% of CPA. Administrative and imputed student costs accounted for half of bilateral aid.

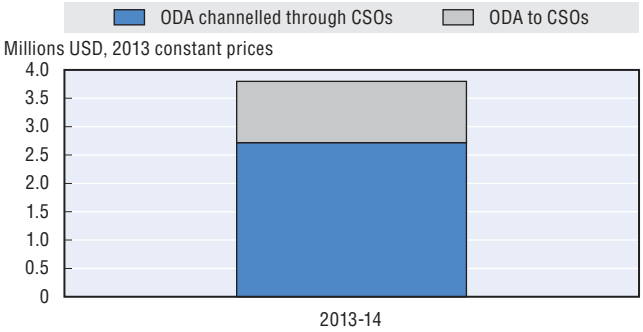
Figure 32.3. **Composition of bilateral ODA, 2014, gross disbursements, Slovenia**



StatLink http://dx.doi.org/10.1787/888933360399

In 2014, USD 3.4 million of bilateral ODA was channelled to and through civil society organisations (CSOs). This was equivalent to 17.1% of bilateral ODA, in line with the DAC country average of 17.4%. Aid to and through CSOs decreased between 2013 and 2014, both in volume (-17%) and as a share of bilateral ODA (from 20.2% to 17.1%).

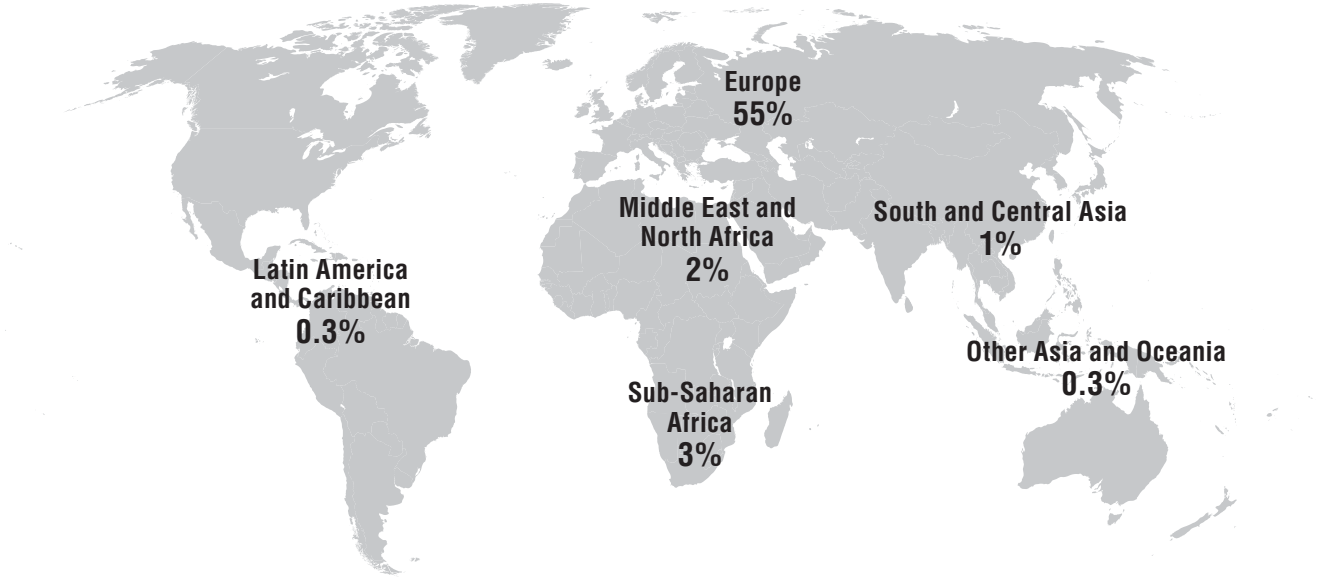
Figure 32.4. **Bilateral ODA to and through CSOs, 2013-14 average, gross disbursements, Slovenia**



StatLink http://dx.doi.org/10.1787/888933360406

Bilateral ODA heavily focused on Eastern Europe (with a strong emphasis on South East Europe). In 2014, USD 12.1 million was allocated to Eastern Europe and USD 0.3 million to sub-Saharan Africa.

Figure 32.5. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, Slovenia**

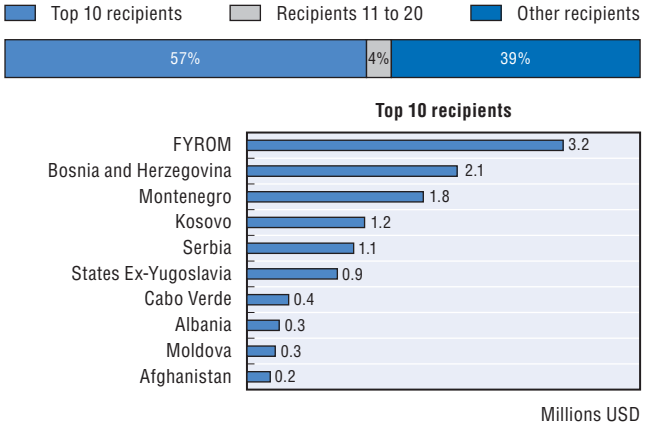


Note: 38% of bilateral ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

StatLink http://dx.doi.org/10.1787/888933360417

In 2014, 60.2% of bilateral ODA went to Slovenia's top 10 recipients. Slovenia has eight priority partner countries, all of which are among its top 10 recipients. In 2014, its support to fragile states reached USD 4.9 million (24.3% of gross bilateral ODA).

Figure 32.6. **Bilateral ODA to top recipients, 2013-14 average, gross disbursements, Slovenia**

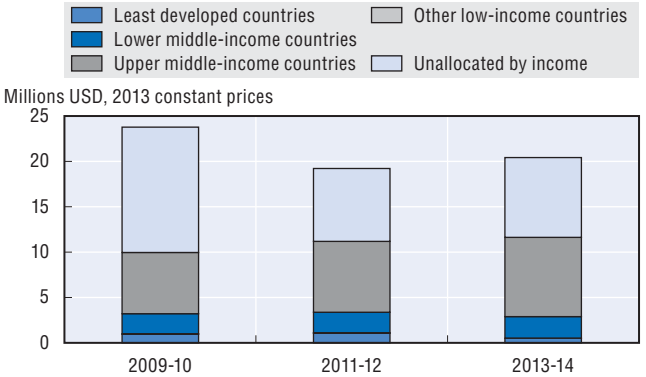


StatLink http://dx.doi.org/10.1787/888933360427

In 2014, 2.2% of bilateral ODA was allocated to least developed countries (LDCs), amounting to USD 0.4 million. This is a decrease from 6.1% in 2010 and 7.9% in 2011, and is far below the 2014 DAC average of 25.6%. Upper middle-income countries received the highest share of bilateral ODA in 2014 (45.9%), while 42% was unallocated by income group.

At 0.02% of GNI in 2014, total ODA to LDCs was far below the UN target of 0.15% of GNI.

Figure 32.7. **Bilateral ODA by income group, two year averages, gross disbursements, Slovenia**



StatLink http://dx.doi.org/10.1787/888933360438

In 2014, 61.5% of Slovenia's bilateral ODA was allocated to social infrastructure and services (USD 12.9 million), with a strong focus on education (USD 6.2 million), support to government and civil society (USD 4 million), and water and sanitation (USD 2.6 million). Until the end of 2015, Slovenia's bilateral co-operation focused on social services, economic services and infrastructure, and multi-sectoral priorities (including climate change adaptation and good governance).

Figure 32.8. **Share of bilateral ODA by sector, 2013-14 average, commitments, Slovenia**

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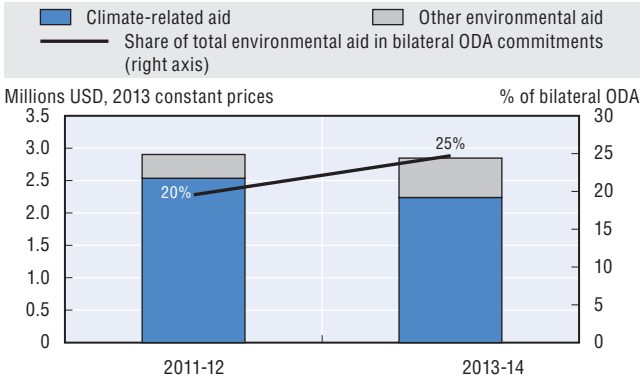
USD 1.1 million of bilateral ODA supported gender equality in 2014. Women's empowerment is one of the cross-cutting themes of Slovenia's development co-operation. The Ministry for Foreign Affairs has developed a draft Gender Strategy. In 2014, 10.4% of Slovenian bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective, compared with the DAC country average of 34.7%. Slovenia has a gender focus in the government and civil society sector.

USD 2.1 million supported the environment in 2014. Environmental protection, with a focus on sustainable water management, is one of the priority themes for Slovenia's development co-operation. In 2011, the Ministry for Foreign Affairs developed a Sustainable Water Management Strategy. In 2014, 20.1% of Slovenian bilateral allocable aid focused on the environment and 15.2% (or USD 1.6 million) focused specifically on climate change, compared with the respective DAC country averages of 32.2% and 23.9%.

Figure 32.9. **Bilateral allocable ODA in support of global and local environment objectives, two year averages, commitments, Slovenia**



StatLink http://dx.doi.org/10.1787/888933360452

Note to reader: Annex B provides "Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members".

SPAIN

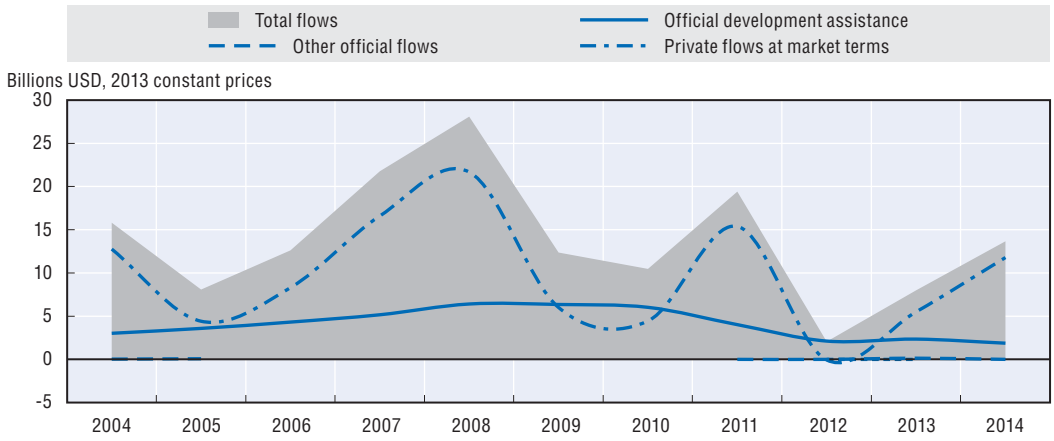
Development challenges as investment and business opportunities: Spain's policy and practices

Spain's strategy on economic growth recommends that Spanish Co-operation work with the private sector. The 2016 DAC Peer Review of Spain found that it has taken the first steps in its commitment to engaging the private sector in development co-operation. Spain has also developed new tools to engage the private sector in development co-operation. Tools include public-private partnerships, an innovation fund and a Development Promotion Fund (FONPRODE). To integrate the private sector more fully into the development co-operation system, Spain has recently set up a working group – which brings together representatives from ministries, the Spanish development co-operation agency (AECID) and civil society – as well as a business unit within the AECID. Also COFIDES, a joint state and privately owned company, provides medium and long-term financial support for viable private direct investment projects in foreign countries, where there is a Spanish interest. COFIDES provides technical support to FONPRODE for the financial management of its reimbursable funds and at the same time is in charge of the funds that promote foreign investment with official support.

According to the 2015 DAC Survey on Mobilisation (Benn et al., 2016), Spain mobilised USD 41 million from the private sector through shares in collective investment vehicles in 2012-14, of which 17% targeted climate-related projects.

Financial flows from Spain to developing countries

Figure 33.1. **Net resource flows to developing countries, 2004-14, Spain**



Note: Data on private grants are only available for 2012 and 2013. Data on other official flows are not available for 2006, 2008 and 2010.

StatLink http://dx.doi.org/10.1787/888933360466

Spain uses ODA to mobilise other resources for sustainable development

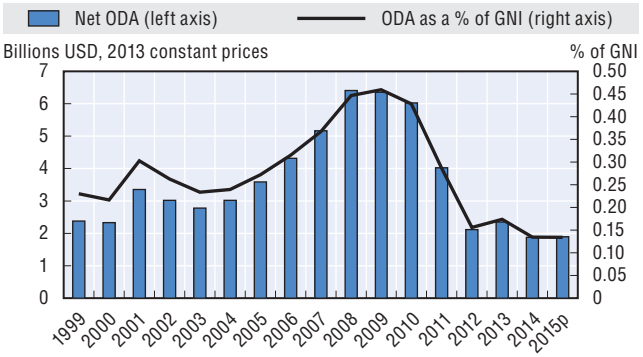
- **Spain contributes to the mobilisation of domestic resources in developing countries by supporting their tax systems.** In 2014, it is estimated that Spain committed USD 1.3 million of its official development assistance (ODA) to tax-related activities in partner countries.
- **It promotes aid for trade to improve developing countries' trade performance and integration into the world economy.** It committed USD 127 million to trade-related activities in 2014 (18.1% of its bilateral allocable ODA), a 32.8% increase in real terms from 2013. The trend has been increasing over the past few years.
- **Spain has pledged USD 160.5 million (EUR 120 million) to the Green Climate Fund,** which plays a key role in channelling resources to developing countries and catalysing climate finance at the international and national levels.

Spain's official development assistance

In 2015, Spain provided USD 1.6 billion in net ODA (preliminary data), which represented 0.13% of gross national income (GNI) and a 1.5% increase in real terms from 2014. Spain is the 25th largest Development Assistance Committee (DAC) provider in terms of ODA as a percentage of GNI, and 16th largest by volume. Spain is committed to reversing the decline in ODA as its economy recovers. That commitment has already translated into projected increases in the 2015 and 2016 ODA budgets after ODA experienced an important decrease both in terms of volume and as a percentage of GNI between 2009 and 2012 and continued to fall in 2014. Spain is committed, at EU level, to collectively achieve a 0.7% ODA/GNI ratio by 2030. Spain's share of untied ODA (excluding administrative costs and in-donor refugee costs) decreased from 85.1% in 2013 to 83.6% in 2014, compared with the DAC average of 80.6% in 2014. The grant element of total ODA was 100% in 2014.

Spain reported USD 18.4 million of its in-donor refugee costs as ODA in 2014. These costs represented 1% of its total net ODA.

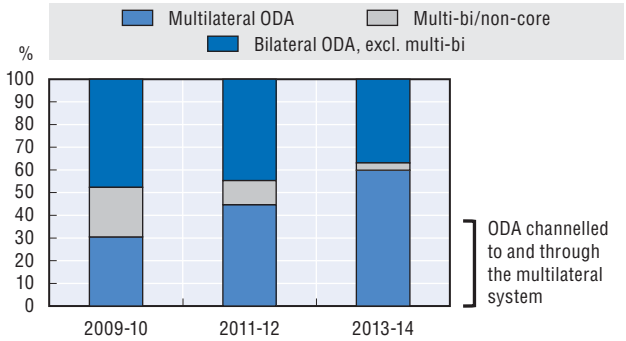
Figure 33.2. **Net ODA: Trends in volume and as a share of GNI, 1999-2015, Spain**



StatLink http://dx.doi.org/10.1787/888933360476

In 2014, 33.3% of Spain's ODA was provided bilaterally. It allocated 66.7% of total ODA as core contributions to multilateral organisations, compared to the DAC country average of 28.3%. In addition, it channelled 12.3% of its bilateral ODA to specific projects implemented by multilateral organisations (multi-bi/non-core contributions).

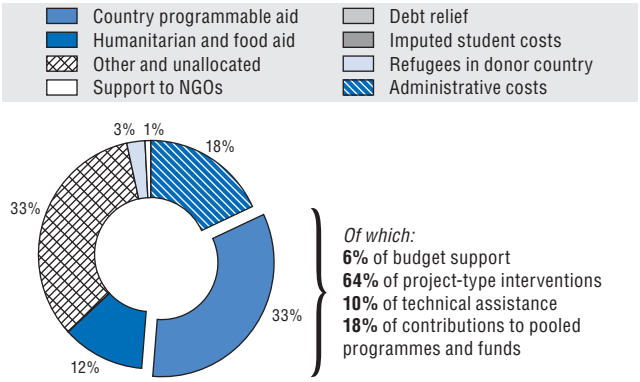
Figure 33.3. **Share of ODA channelled to and through the multilateral system, two year averages, gross disbursements, Spain**



StatLink http://dx.doi.org/10.1787/888933360485

In 2014, 33.2% of bilateral ODA was programmed at partner country level. Spain's share of country programmable aid (CPA) was lower than the DAC country average (52.9%). Project-type interventions accounted for 64% of CPA while 33% of bilateral aid is reported as "other and unallocated".

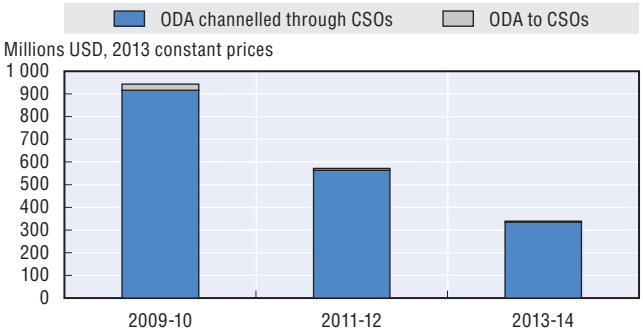
Figure 33.4. **Composition of bilateral ODA, 2014, gross disbursements, Spain**



StatLink http://dx.doi.org/10.1787/888933360491

In 2014, USD 242.5 million of bilateral ODA was channelled to and through civil society organisations (CSOs). ODA channelled to and through CSOs fell between 2013 and 2014 in volume (-25.8%) but increased as a share of bilateral aid (from 30% in 2013 to 34.4% in 2014). The share provided in 2014 is above the DAC country average of 17.4%.

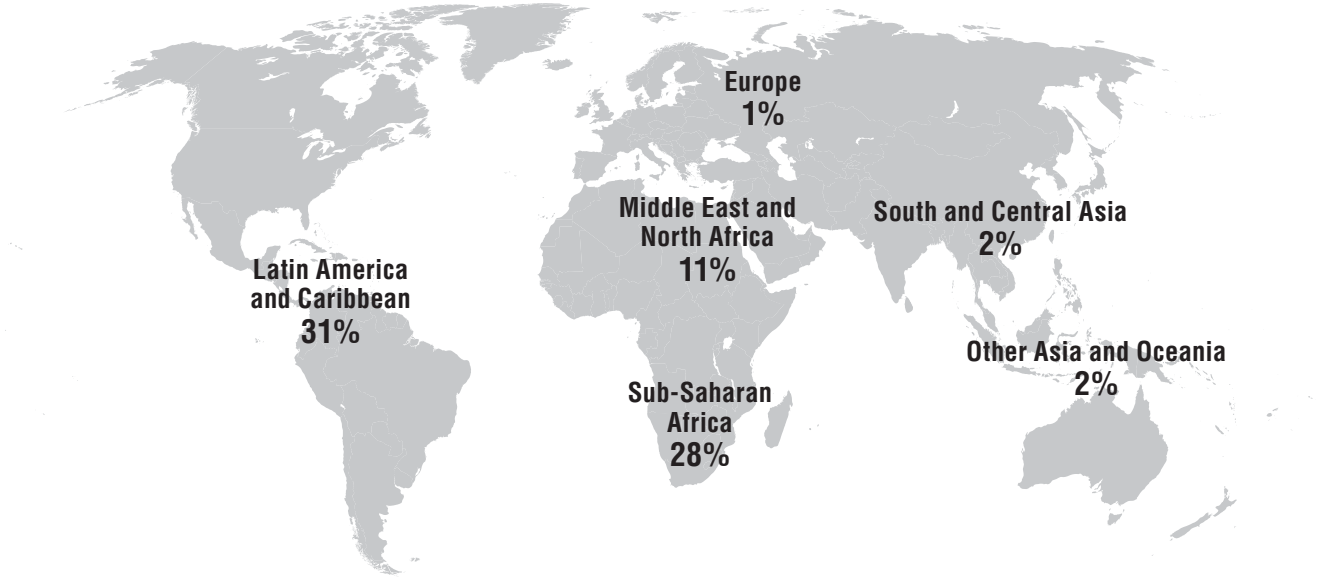
Figure 33.5. **Bilateral ODA to and through CSOs, two year averages, gross disbursements, Spain**



StatLink http://dx.doi.org/10.1787/888933360501

Bilateral ODA was primarily focused on Latin America and the Caribbean and sub-Saharan Africa. In 2014, USD 244.6 million was allocated to Latin America and the Caribbean and USD 127.6 million was allocated to sub-Saharan Africa.

Figure 33.6. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, Spain**

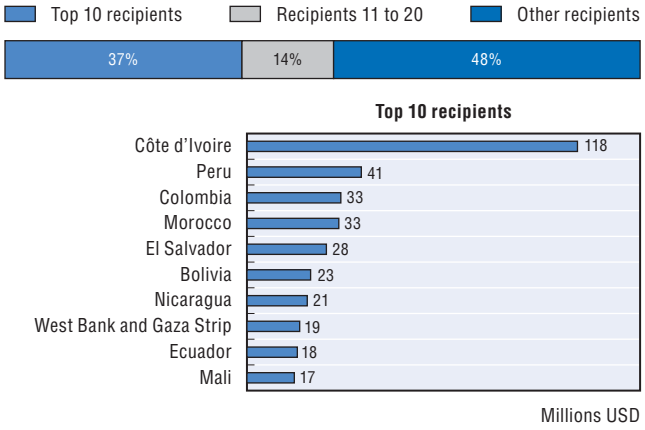


Note: 25% of ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

StatLink http://dx.doi.org/10.1787/888933360515

In 2014, 28.6% of bilateral ODA went to Spain's top 10 recipients. Spain reduced the number of its priority partner countries from 50 in 2012 to 23 in 2014. Nine of its top 10 recipients are priority partner countries. In 2014, its support to fragile states reached USD 132.3 million (18.8% of gross bilateral ODA).

Figure 33.7. **Bilateral ODA to top recipients, 2013-14 average, gross disbursements, Spain**

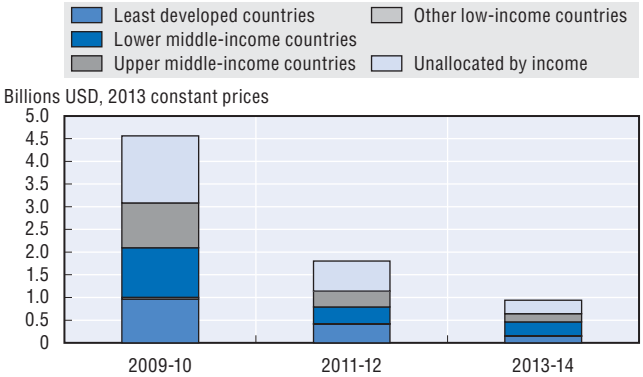


StatLink http://dx.doi.org/10.1787/888933360521

In 2014, 17.8% of bilateral ODA was allocated to least developed countries (LDCs), amounting to USD 125.3 million. This is an increase from 14.5% in 2013, but is lower than the 24.6% share of 2012 and the 2014 DAC average of 25.6%. Lower middle-income countries received the highest share of bilateral ODA in 2014 (23.7%), noting that 42.2% was unallocated by income.

At 0.03% of GNI in 2014, total ODA to LDCs was far below the UN target of 0.15% of GNI.

Figure 33.8. **Bilateral ODA by income group, two year averages, gross disbursements, Spain**



StatLink http://dx.doi.org/10.1787/888933360537

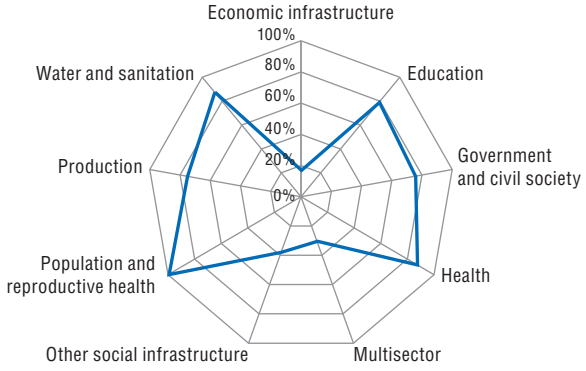
In 2014, 47.6% of bilateral ODA (USD 419.7 million) was allocated to social infrastructure and services, with a strong focus on support to government and civil society (USD 151.7 million), education (USD 78.4 million), and health (USD 71.2 million). USD 95.5 million was allocated to agriculture (accounted as ODA to production sectors). Humanitarian aid amounted to USD 93.5 million.

Figure 33.9. **Share of bilateral ODA by sector, 2013-14 average, commitments, Spain**

StatLink http://dx.doi.org/10.1787/888933360543

USD 491.2 million of bilateral ODA supported gender equality in 2014. Gender equality is an emblem of Spain's development co-operation and is prioritised in its latest strategy. The 2016 DAC Peer Review, however, found that there is room for improvement if gender equality is to be effectively mainstreamed into operations on the ground. In 2014, 69.8% of Spanish bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective, above the DAC country average of 34.7%. This is up from 2013 (when it was 40%). Spain's aid to population and reproductive health, water and sanitation, health and education focuses on gender.

Figure 33.10. **Share of bilateral allocable ODA in support of gender equality by sector, 2014, commitments, Spain**



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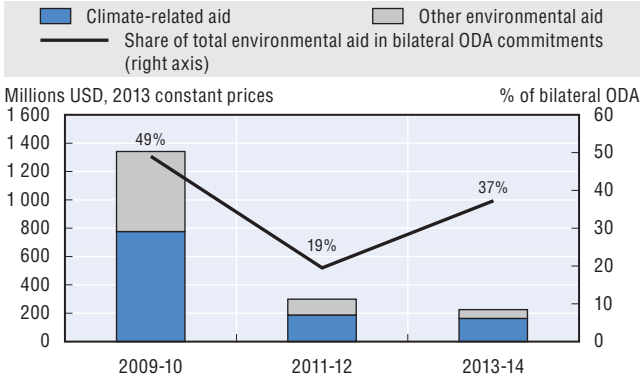
USD 237.7 million of Spain's bilateral ODA supported the environment in 2014. Spain is committed to ensuring the environment is mainstreamed into its projects and programmes, but implementation challenges remain. In 2014, 33.8% of Spanish bilateral allocable aid supported the environment and 22.2% (USD 156 million) focused particularly on climate change, compared with the respective DAC country averages of 32.2% and 23.9%.

Figure 33.11. **Bilateral allocable ODA in support of global and local environment objectives, two year averages, commitments, Spain**



StatLink http://dx.doi.org/10.1787/888933360567

Note to reader: Annex B provides "Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members".

Reference

OECD (2016), *OECD Development Co-operation Peer Reviews: Spain 2016*, OECD Development Co-operation Peer Reviews, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264251175-en*.

SWEDEN

Development challenges as investment and business opportunities: Sweden's policy and practices

Sweden has long-standing experience of working with and through the private sector with a strong emphasis on private sector development in developing countries. It sees partnering with the private sector as a cross-cutting issue which can help achieve the strategic goals of Swedish development co-operation.

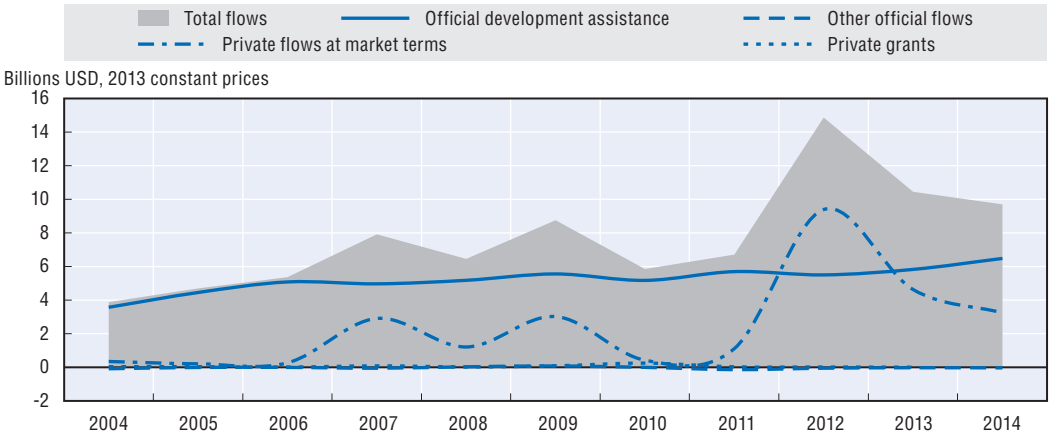
According to the government's instruction, Sida should, *inter alia*, complement and leverage other financial resources that contribute to combating poverty and to long-term sustainable development. Sida's activities with the private sector must be in line with international norms and principles for responsible business and investment. It aims to scale up collaboration with business through guarantees, challenge funds and public-private development partnerships (PPDPs). All Swedish aid channelled through these instruments is untied. The aim is to mobilise additional resources for development and climate issues, including financial, innovation and private sector know-how.

Swedfund is the national development finance institution, operating on behalf of the Swedish government, whose goal is to eliminate poverty by creating sustainable business. Swedfund co-operates with strategic partners, investors and enterprises that are looking to start up or grow their business in emerging markets. Swedfund offers risk capital in the form of equity, loans and funds.

According to the 2015 DAC Survey on Mobilisation (Benn et al., 2016), Sweden mobilised USD 841 million from the private sector through guarantees in 2012-14, of which 44% targeted climate-related projects. Sida was the most active player in this area through its guarantee programme.

Financial flows from Sweden to developing countries

Figure 34.1. **Net resource flows to developing countries, 2004-14, Sweden**



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Sweden uses ODA to mobilise other resources for sustainable development

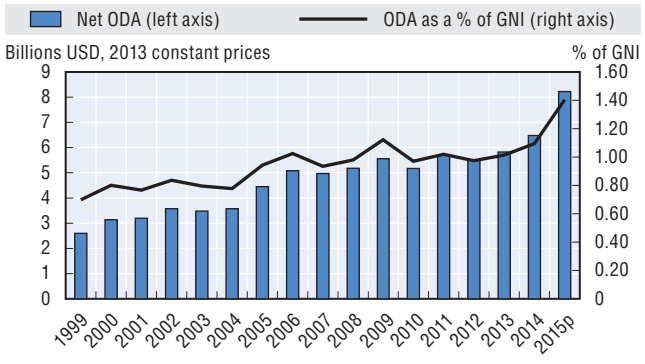
- **Sweden contributes to the mobilisation of domestic resources in developing countries by supporting their tax systems.** In 2014, it is estimated that Sweden committed USD 17.4 million of its official development assistance (ODA) to tax-related activities in partner countries.
- **It promotes aid for trade to improve developing countries' trade performance and integration into the world economy.** It committed USD 446.2 million (15.3% of its bilateral allocable ODA) to trade-related activities in 2014, an 8.6% decrease in real terms from 2013. The trend has been fluctuating in recent years.
- **Sweden has committed USD 581.2 million (SEK 4 billion) to the Green Climate Fund** (making it the largest per capita donor), which plays a key role in channelling resources to developing countries and catalysing climate finance at the international and national levels. In 2016, Sweden intends to provide a grant of USD 11.5 million (SEK 100 million) to the Least Developed Countries Fund, which addresses urgent and immediate adaptation needs and supports national adaptation planning processes to reduce medium and long-term vulnerability to the impacts of climate change.

Sweden's official development assistance

In 2015, Sweden provided USD 7.1 billion in net ODA (preliminary data), which represented 1.4% of gross national income (GNI) and a 36.8% increase in real terms from 2014, mostly due to in-donor refugee costs. Sweden is the largest Development Assistance Committee (DAC) provider in terms of ODA as a percentage of GNI, and the sixth largest by volume. Sweden is one of only six DAC members to have met the UN target of 0.7% and it is committed to continue delivering 1% of its GNI to ODA. Sweden's share of untied ODA (excluding administrative costs and in-donor refugee costs) decreased from 94% in 2013 to 85.8% in 2014, but remains above the DAC average of 80.6% in 2014. The grant element of total ODA was 100% in 2014.

Sweden reported USD 1.1 billion of its in-donor refugee costs as ODA in 2014. These costs represented 17.6% of its total net ODA.

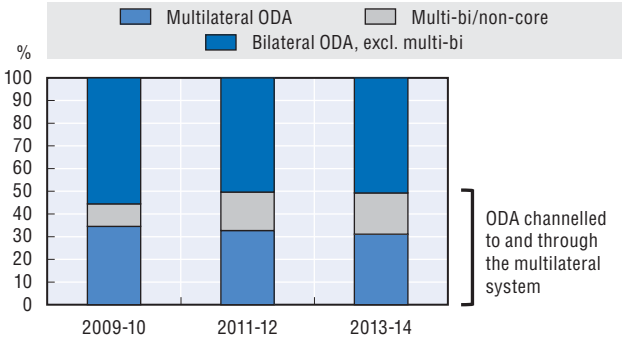
Figure 34.2. **Net ODA: Trends in volume and as a share of GNI, 1999-2015, Sweden**



StatLink http://dx.doi.org/10.1787/888933360588

In 2014, 70% of ODA was provided bilaterally. Sweden allocated 30% of total ODA as core contributions to multilateral organisations, compared with the DAC country average of 28.3%. In addition, it channelled 27.6% of its bilateral ODA to specific projects implemented by multilateral organisations (multi-bi/non-core contributions).

Figure 34.3. **Share of ODA channelled to and through the multilateral system, two year averages, gross disbursements, Sweden**



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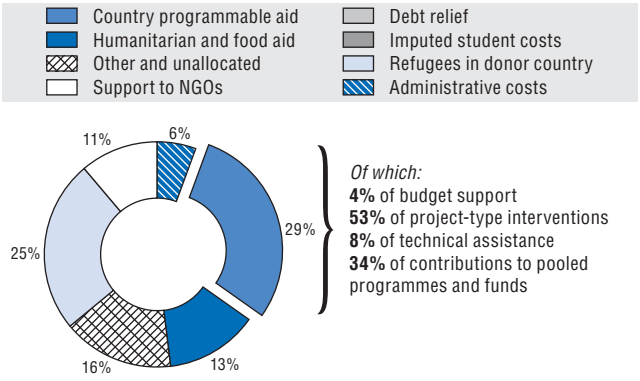
In 2014, 29.2% of bilateral ODA was programmed at partner country level. Sweden's share of country programmable aid (CPA) was lower than the DAC country average (52.9%). Project-type interventions accounted for 53% of CPA.

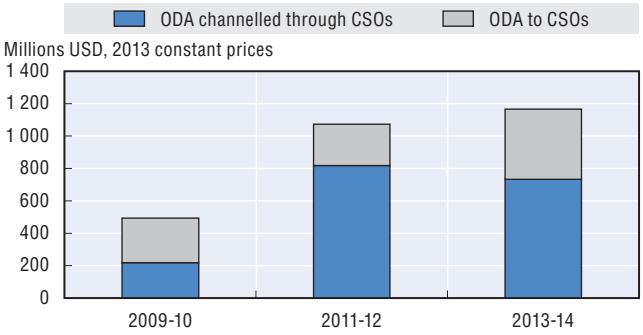
Figure 34.4. **Composition of bilateral ODA, 2014, gross disbursements, Sweden**



StatLink http://dx.doi.org/10.1787/888933360601

In 2014, USD 1.2 billion of bilateral ODA was channelled to and through civil society organisations (CSOs). Between 2013 and 2014, ODA channelled to and through CSOs increased in volume (+5.8% between 2013 and 2014), but decreased as a share of bilateral aid (from 28.4% to 26.1%). This share was higher than the 2014 DAC country average of 17.4%.

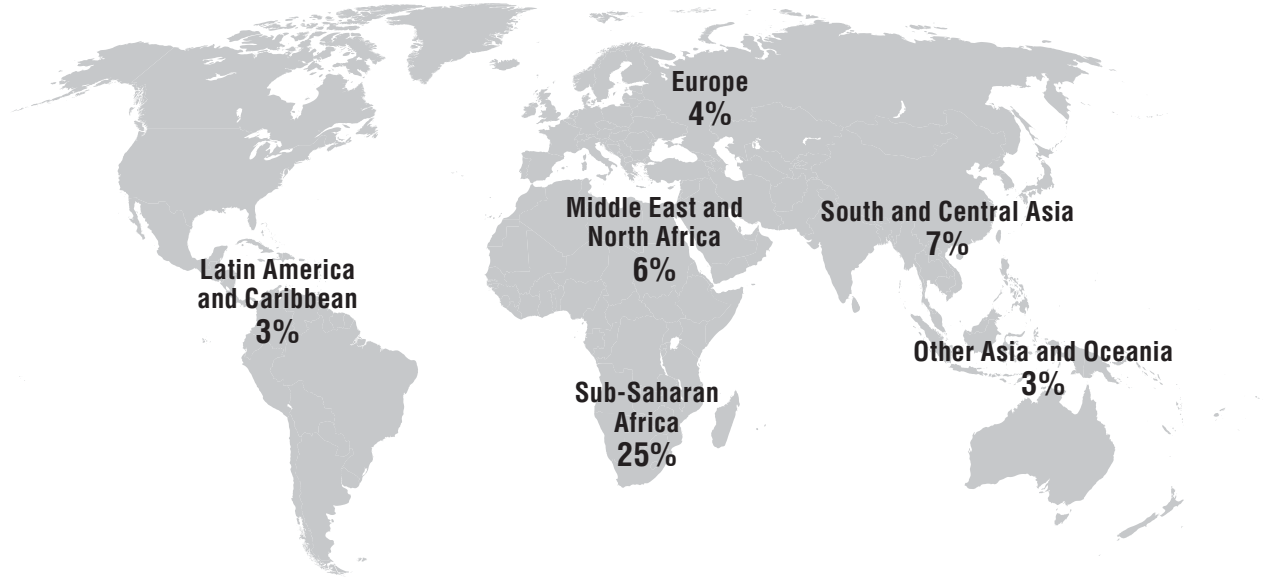
Figure 34.5. **Bilateral ODA to and through CSOs, two year averages, gross disbursements, Sweden**



StatLink http://dx.doi.org/10.1787/888933360613

Bilateral ODA was primarily focused on sub-Saharan Africa. In 2014, USD 1 billion was allocated to sub-Saharan Africa, USD 285.3 million to south and central Asia, and USD 253.1 million to the Middle East.

Figure 34.6. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, Sweden**

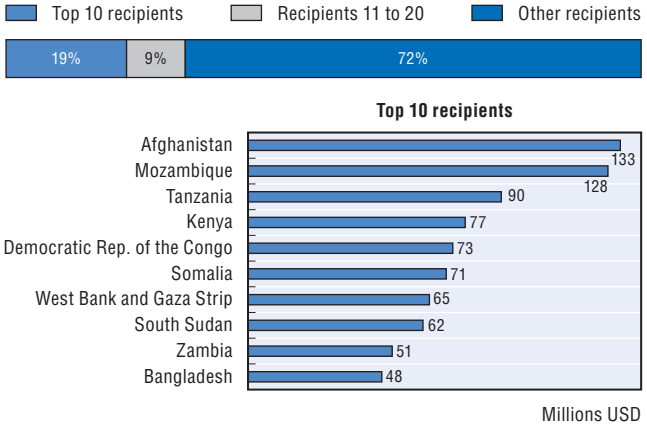


Note: 51% of bilateral ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

StatLink http://dx.doi.org/10.1787/888933360623

In 2014, 17.1% of bilateral ODA went to Sweden's top 10 recipients. All of its top 10 recipients are priority partners for Sweden. In 2014, its support to fragile states reached USD 1.1 billion (24.3% of gross bilateral ODA).

Figure 34.7. **Bilateral ODA to top recipients, 2013-14, gross disbursements, Sweden**

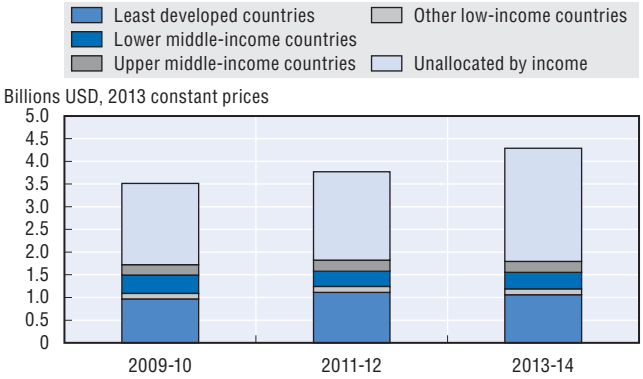


StatLink http://dx.doi.org/10.1787/888933360630

In 2014, 22.5% of bilateral ODA (USD 994.9 million) was allocated to least developed countries (LDCs). This is a decrease from 27.3% allocated to LDCs in 2013, and is lower than the DAC average of 25.6%. LDCs received the highest share of bilateral ODA in 2014, noting that 61.3% was unallocated by income group.

At 0.29% of GNI in 2014, total ODA to LDCs far exceeds the UN target of 0.15% GNI.

Figure 34.8. **Bilateral ODA by income group, two year averages, gross disbursements, Sweden**



StatLink http://dx.doi.org/10.1787/888933360642

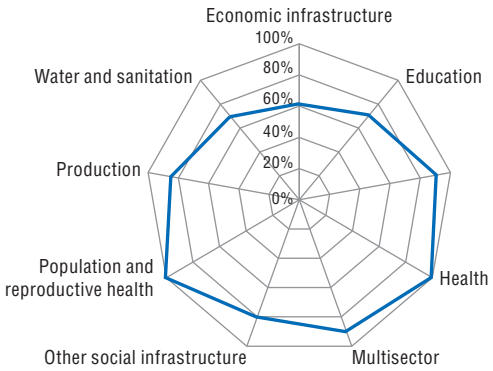
In 2014, 34.6% of bilateral ODA was allocated to social infrastructure and services, for a total of USD 1.5 billion, with a strong focus on support to government and civil society (USD 1 billion). Humanitarian aid amounted to USD 523.4 million.

Figure 34.9. **Share of bilateral ODA by sector, 2013-14 average, commitments, Sweden**

StatLink http://dx.doi.org/10.1787/888933360656

USD 2.4 billion of bilateral ODA supported gender equality in 2014. Gender equality has been solidly integrated into Sweden's projects and programmes (OECD, 2014) as a cross-cutting thematic priority. In 2014, 83.9% of Swedish bilateral sector-allocable aid had gender equality and women's empowerment as a principal or significant objective (up from 81.8% in 2013), compared with the DAC country average of 34.7%. Sweden's aid has an important gender focus in all sectors. Sweden has also been striving to promote gender mainstreaming in its multilateral partners' activities and in global fora. In addition, Sweden's government has adopted a new Feminist Foreign Policy approach, for which development co-operation is a key channel of delivery.

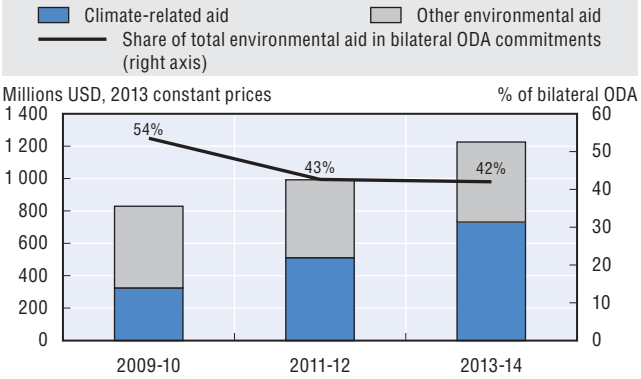
Figure 34.10. **Share of bilateral allocable ODA in support of gender equality by sector, 2014, commitments, Sweden**



StatLink http://dx.doi.org/10.1787/888933360662

USD 1.2 billion of bilateral ODA supported the environment in 2014. Sweden integrates the environment into its programmes and projects. In 2014, 42.6% of its bilateral allocable aid supported the environment and 28.7% (USD 834.1 million) focused on climate change, compared with the respective DAC country averages of 32.2% and 23.9%.

Figure 34.11. **Bilateral allocable ODA in support of global and local environment objectives, two year averages, commitments, Sweden**



StatLink http://dx.doi.org/10.1787/888933360675

Note to reader: Annex B provides "Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members".

Reference

OECD (2014), *OECD Development Co-operation Peer Reviews: Sweden 2013*, OECD Development Co-operation Peer Reviews, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264196254-en*.

SWITZERLAND

Development challenges as investment and business opportunities: Switzerland's policy and practices

Switzerland gives high priority to private sector development and engagement. The objective is to promote the private sector in its partner countries through better framework conditions, a better enabling environment for investment and improved access to finance.

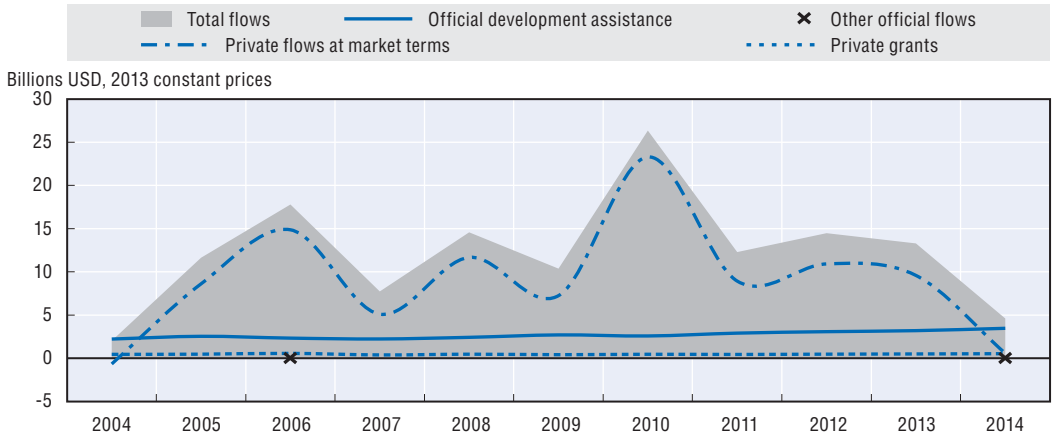
Institutionally, the development and co-operation division of the State Secretariat for Economic Affairs (SECO-WE) has a long-standing experience with working with the private sector, while the Swiss Agency for Development Co-operation (SDC) is also developing more strategic partnerships with the private sector. The aims of SECO's Strategy for Partnering with the Private Sector include knowledge sharing, influencing the behaviour of enterprises, leveraging financial resources and know-how, sharing investment costs and business models.

Switzerland works with a range of instruments including through its development finance institution "SIFEM AG – Swiss Investment Fund for Emerging Markets", the SECO Start-up Fund (an SME credit line) and platforms such as Swiss Sustainable Finance. The World Bank's International Finance Corporation is one of its most important implementing partners for private sector promotion programmes.

According to the 2015 DAC Survey on Mobilisation (Benn et al., 2016), Switzerland mobilised USD 83 million from the private sector through syndicated loans and shares in collective investment vehicles in 2012-14.

Financial flows from Switzerland to developing countries

Figure 35.1. **Net resource flows to developing countries, 2004-14, Switzerland**



Note: Data on other official flows are only available for 2006 and 2014.

StatLink http://dx.doi.org/10.1787/888933360682

Switzerland uses ODA to mobilise other resources for sustainable development

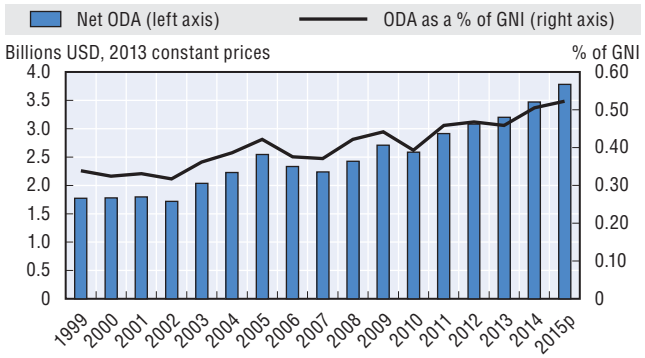
- **Switzerland contributes to the mobilisation of domestic resources in developing countries by supporting their tax systems.** In 2014, it is estimated that Switzerland committed USD 2.2 million of its official development assistance (ODA) to tax-related activities in partner countries. It is likely that this amount understates the efforts undertaken by Switzerland. Its activities go beyond strict tax-related support and support to tax administrations is often embedded in wider public finance management programmes.
- **It promotes aid for trade to improve developing countries' trade performance and integration into the world economy.** It committed USD 429.3 million (16.3% of its bilateral allocable ODA) to trade-related activities in 2014, a 16.4% decrease in real terms from 2013. The trend has been fluctuating during the past few years.
- **Switzerland has pledged USD 100 million to the Green Climate Fund for 2015-17.** This fund plays a key role in channelling resources to developing countries and catalysing climate finance at the international and national levels. Switzerland will also provide USD 6 million (CHF 6.25 million) to the Least Developed Countries Fund between 2015 and 2018. This fund addresses urgent and immediate adaptation needs and supports national adaptation planning processes to reduce medium and long-term vulnerability to the impacts of climate change.

Switzerland's official development assistance

In 2015, Switzerland provided USD 3.5 billion in net ODA (preliminary data), which represented 0.52% of gross national income (GNI) and a 6.7% increase in real terms from 2014. Switzerland is the 8th largest Development Assistance Committee (DAC) provider in terms of ODA as a percentage of GNI, and the 11th by volume. Switzerland's share of untied ODA (excluding administrative costs and in-donor refugee costs) was 93.9% in 2014 (down from 94.6% in 2013), above the DAC average of 80.6%. The grant element of total ODA was 100% in 2014.

Switzerland reported USD 483.5 million of its in-donor refugee costs as ODA in 2014. These costs represented 13.7% of its total net ODA.

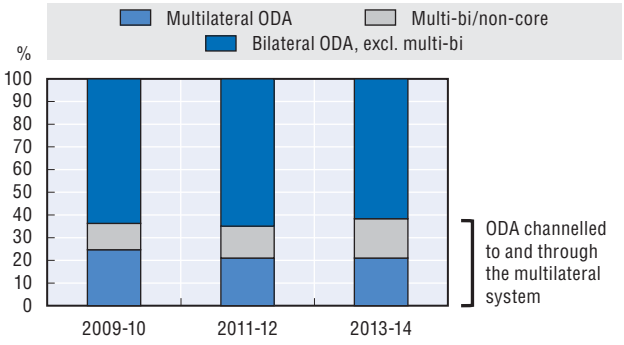
Figure 35.2. **Net ODA: Trends in volume and as a share of GNI, 1999-2015, Switzerland**



StatLink http://dx.doi.org/10.1787/888933360698

In 2014, 79.4% of ODA was provided bilaterally. Switzerland allocated 20.6% of total ODA as core contributions to multilateral organisations, compared with the DAC country average of 28.3%. In addition, it channelled 22.4% of its bilateral ODA to specific projects implemented by multilateral organisations (multi-bi/non-core contributions).

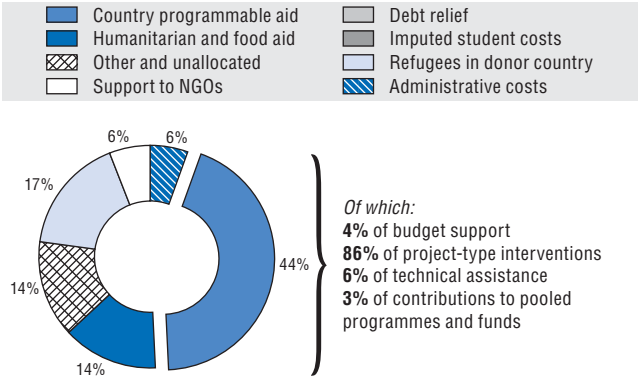
Figure 35.3. **Share of ODA channelled to and through the multilateral system, two year averages, gross disbursements, Switzerland**



StatLink http://dx.doi.org/10.1787/888933360704

In 2014, 43.7% of bilateral ODA was programmed at partner country level. The share of country programmable aid (CPA) was lower than the DAC country average (52.9%). Project-type interventions made up 86% of CPA.

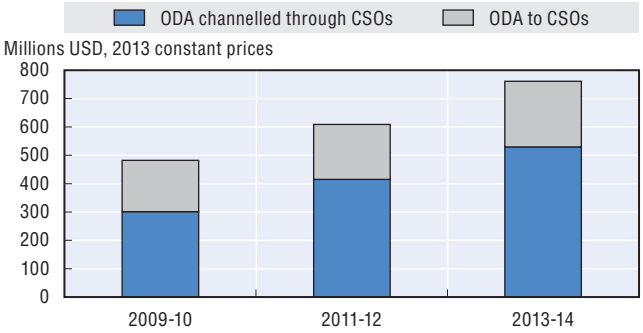
Figure 35.4. **Composition of bilateral ODA, 2014, gross disbursements, Switzerland**



StatLink http://dx.doi.org/10.1787/888933360716

In 2014, USD 817 million of bilateral ODA was channelled to and through civil society organisations (CSOs). ODA channelled to and through CSOs increased between 2013 and 2014 in terms of volume (+12.4%) and remained stable as a share of bilateral aid (at 28.6% in 2014). The share in 2014 was higher than the DAC country average of 17.4%.

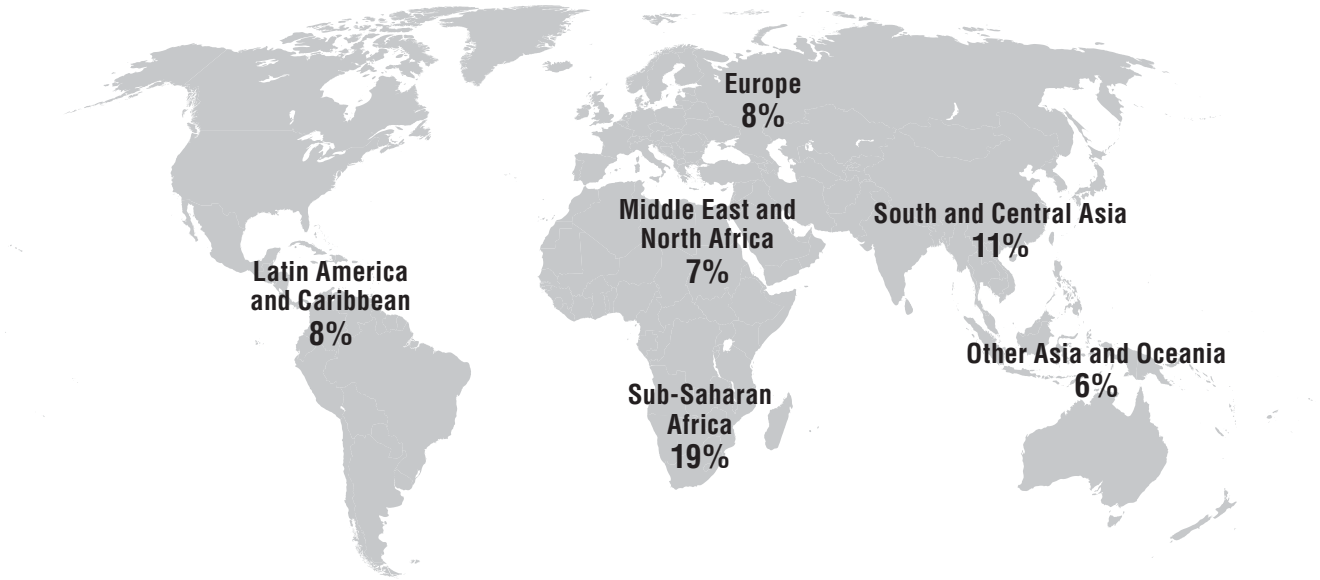
Figure 35.5. **Bilateral ODA to and through CSOs, two year averages, gross disbursements, Switzerland**



StatLink http://dx.doi.org/10.1787/888933360725

Bilateral ODA primarily focused on sub-Saharan Africa. In 2014, USD 555.6 million was allocated to sub-Saharan Africa, USD 313.9 million to south and central Asia, and USD 239.9 million to Eastern Europe.

Figure 35.6. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, Switzerland**

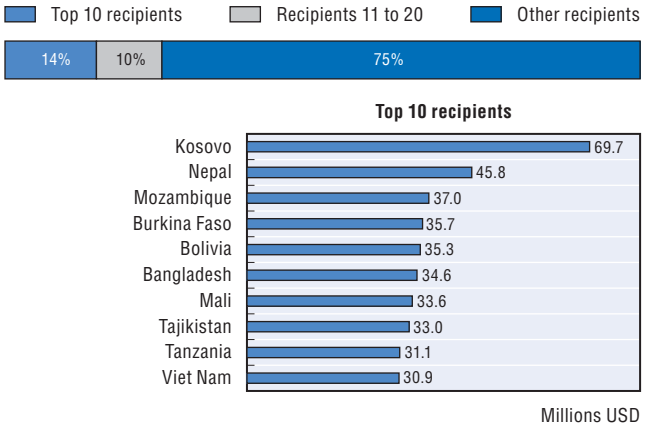


Notes: 40% of bilateral ODA allocated was unspecified by region in 2013-14. This share is not represented on the map. Switzerland's regional programmes and contributions are not captured in bilateral allocations on the map.

StatLink http://dx.doi.org/10.1787/888933360734

In 2014, 14.1% of bilateral ODA went to Switzerland's top 10 recipients. In 2014, Switzerland had 34 priority partner countries, and all countries on the list of top 10 recipients were priority partners for Switzerland. However, from December 2014, Switzerland started to reduce the number of bilateral partner countries and regions. Swiss support to fragile states reached USD 714.9 million in 2014 (25% of gross bilateral ODA).

Figure 35.7. **Bilateral ODA to top recipients, 2013-14, gross disbursements, Switzerland**

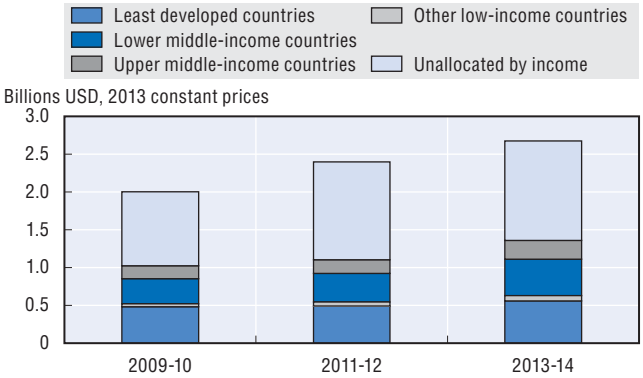


StatLink http://dx.doi.org/10.1787/888933360743

In 2014, 20.8% of bilateral ODA was allocated to LDCs, amounting to USD 595.2 million. This share has remained relatively stable in recent years, but at a lower level compared to the DAC average (25.6% in 2014). LDCs received the highest share of bilateral ODA in 2014, noting that 49.6% was unallocated by income group.

At 0.12% of its GNI in 2014, total ODA to LDCs was lower than the UN target of 0.15% of GNI.

Figure 35.8. **Bilateral ODA by income group, two year averages, gross disbursements, Switzerland**



StatLink http://dx.doi.org/10.1787/888933360758

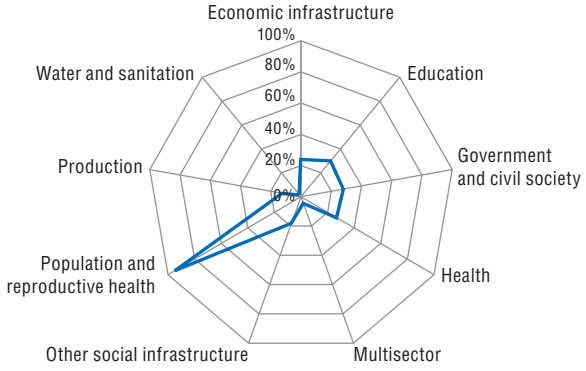
In 2014, 32.2% of bilateral ODA (USD 1. billion) was allocated to social infrastructure and services, with a strong focus on support to government and civil society (USD 424.5 million) and water and sanitation (USD 260.7 million). Humanitarian aid amounted to USD 381.1 million.

Figure 35.9. **Share of bilateral ODA by sector, 2013-14 average, commitments, Switzerland**

StatLink http://dx.doi.org/10.1787/888933360765

USD 340.6 million of bilateral ODA supported gender equality in 2014. Switzerland is working towards improving integration of gender equality into its projects and programmes (OECD, 2014), with priority areas including conflict and fragile contexts, rural economies and local governance. In 2014, 13% of Swiss aid had gender equality and women's empowerment as a principal or significant objective, compared with the DAC country average of 34.7%. This is down from 2013 (16.7%). Switzerland's aid to population and reproductive health focuses on gender.

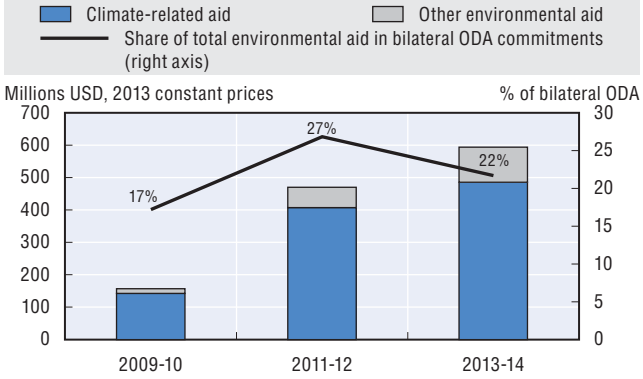
Figure 35.10. **Share of bilateral allocable ODA in support of gender equality by sector, 2014, commitments, Switzerland**



StatLink http://dx.doi.org/10.1787/888933360779

USD 550.5 million of bilateral ODA supported the environment in 2014. Switzerland is committed to integrating the environment into its programming and projects. In 2014, 21% of its bilateral allocable aid supported the environment, compared with the DAC country average of 32.2%. This share has strongly increased in recent years. In 2014, 17.8% (USD 466.5 million) of Swiss bilateral allocable aid focused specifically on climate change, compared with the DAC country average of 23.9%.

Figure 35.11. **Bilateral allocable ODA in support of global and local environment objectives, two year averages, commitments, Switzerland**



Notes: The high increase in the share and amount of bilateral ODA in support of environment objectives between 2009-10 and 2011-12 is due to improvements in data reporting for Switzerland.

StatLink http://dx.doi.org/10.1787/888933360781

Note to reader: Annex B provides "Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members".

Reference

OECD (2014), *OECD Development Co-operation Peer Reviews: Switzerland 2013*, OECD Development Co-operation Peer Reviews, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264196322-en*.

UNITED KINGDOM

Development challenges as investment and business opportunities: The United Kingdom's policy and practices

The United Kingdom has been strengthening its focus on boosting wealth creation and using official development assistance (ODA) to maximise the development impact of public and private financial flows. The Department for International Development (DFID) is scaling up investment in this area, from GBP 614 million on wealth creation in 2012/13 to a planned spend of GBP 1.8 billion in 2015/16.

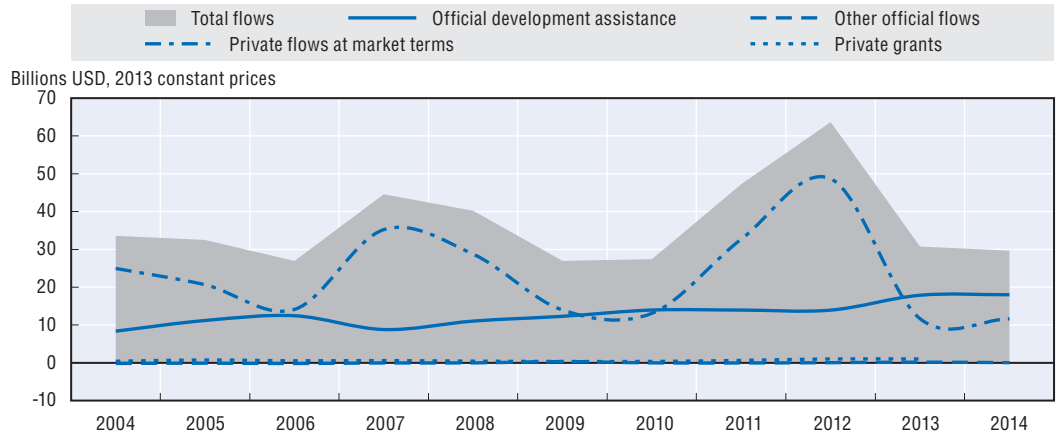
DFID's approach to private sector development is set out in its Economic Development Strategic Framework. It includes a wider focus on open societies and economies, investment climate, and international rules. The framework's five pillars are: 1) improving international rules for shared prosperity; 2) supporting the enabling environment for private sector growth; 3) catalysing capital flows and trade in frontier markets; 4) engaging with businesses to help their investments contribute to development; and 5) ensuring growth is inclusive, and benefits girls and women.

The United Kingdom uses a range of instruments and tools to support private investment for development. These include the Private Infrastructure Development Group and its development finance institution – the CDC, which is DFID's principal mechanism for leveraging private sector investment into poor countries. For example, DFID is investing GBP 197 million in the DFID-CDC Impact Programme targeting transformative enterprises, which serve the poor as consumers, producers, suppliers or employees.

According to the 2015 DAC Survey on Mobilisation (Benn et al., 2016), the United Kingdom mobilised USD 2.7 billion from the private sector through shares in collective investment vehicles in 2012-14.

Financial flows from the United Kingdom to developing countries

Figure 36.1. **Net resource flows to developing countries, 2004-14, United Kingdom**



Note: Data on private grants are not available for 2014.

StatLink http://dx.doi.org/10.1787/888933360796

The United Kingdom uses ODA to mobilise other resources for sustainable development

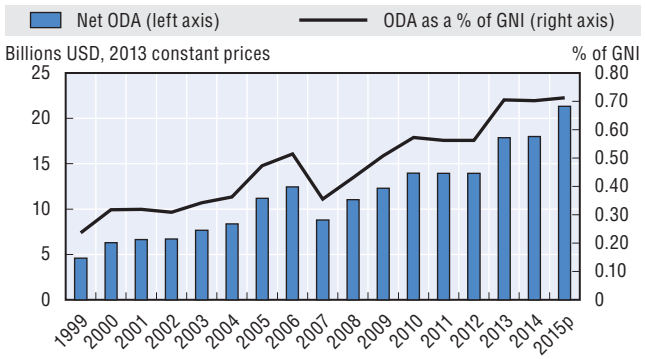
- **The United Kingdom contributes to the mobilisation of domestic resources in developing countries by supporting their tax systems.** In 2014, it is estimated that the United Kingdom committed USD 1.8 million of its ODA to tax-related activities in partner countries.
- **It promotes aid for trade to improve developing countries' trade performance and integration into the world economy.** It committed USD 1.1 billion (13.3% of sector-allocable ODA) to trade-related activities in 2014, a 3.4% increase in real terms from 2013. The trend has been increasing in recent years.
- **The United Kingdom has pledged USD 1.2 billion (GBP 720 million) to the Green Climate Fund,** which plays a key role in channelling resources to developing countries and catalysing climate finance at the international and national levels. In 2016, the United Kingdom will provide a further contribution of USD 45.1 million (GBP 30 million) to the Least Developed Countries Fund, which addresses urgent and immediate adaptation needs and supports national adaptation planning processes to reduce medium and long-term vulnerability to the impacts of climate change.

The United Kingdom's official development assistance

In 2015, the United Kingdom provided USD 18.7 billion in net ODA (preliminary data), which represented 0.71% of gross national income (GNI) and a 3.2% increase in real terms from 2014. It is the sixth largest Development Assistance Committee (DAC) provider in terms of ODA as a percentage of GNI, and the second largest by volume. The United Kingdom is one of only six DAC members to have met the UN target of 0.7% of ODA/GNI and it is strongly committed to keep this ratio stable. All of the United Kingdom's ODA (excluding administrative costs and in-donor refugee costs) was untied in 2014 (as well as in 2012 and 2013), while the DAC average was 80.6%. The grant element of total ODA was 98.9% in 2014, a decrease from 100% in 2013.

The United Kingdom reported USD 221.9 million of its in-donor refugee costs as ODA in 2014. These costs represented 1.1% of its total net ODA.

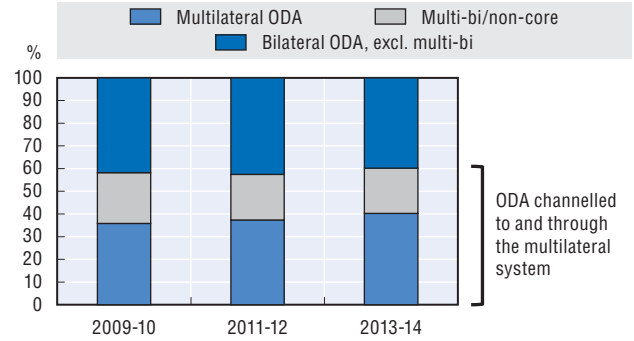
Figure 36.2. **Net ODA: Trends in volume and as a share of GNI, 1999-2015, United Kingdom**



StatLink http://dx.doi.org/10.1787/888933360805

In 2014, 59.4% of ODA was provided bilaterally. The United Kingdom allocated 40.6% of total ODA as core contributions to multilateral organisations, compared with the DAC country average of 28.3%. In addition, it channelled 30.1% of its bilateral ODA for specific projects implemented by multilateral organisations (multi-bi/non-core contributions).

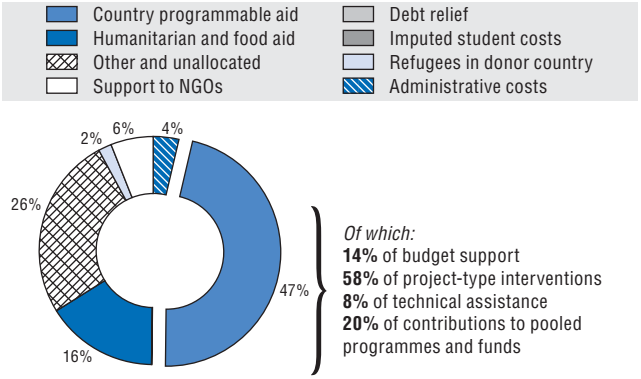
Figure 36.3. **Share of ODA channelled to and through the multilateral system, two year averages, gross disbursements, United Kingdom**



StatLink http://dx.doi.org/10.1787/888933360810

In 2014, 46.5% of bilateral ODA was programmed at partner country level. The United Kingdom's share of country programmable aid (CPA) was lower than the DAC country average (52.9%). Project-type interventions accounted for 58% of CPA. Twenty-six per cent of bilateral ODA was categorised as "other and unallocated" aid.

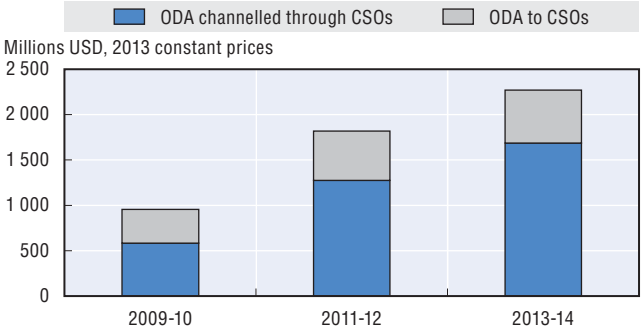
Figure 36.4. **Composition of bilateral ODA, 2014, gross disbursements, United Kingdom**



StatLink http://dx.doi.org/10.1787/888933360827

In 2014, USD 2.6 billion of bilateral ODA was channelled to and through civil society organisations (CSOs). ODA channelled to and through CSOs has increased in recent years in volume (+15.5% between 2013 and 2014), and as a share of bilateral ODA (from 19.2% in 2013 to 22% in 2014). The DAC country average was 17.4% in 2014.

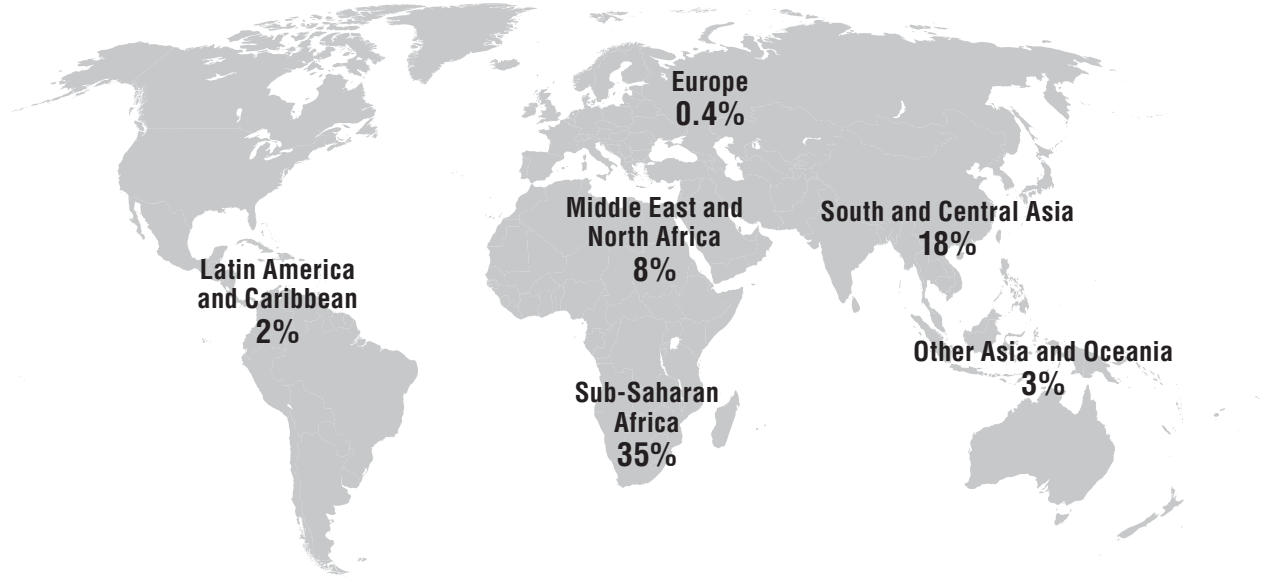
Figure 36.5. **Bilateral ODA to and through CSOs, two year averages, gross disbursements, United Kingdom**



StatLink http://dx.doi.org/10.1787/888933360838

Bilateral ODA was primarily focused on sub-Saharan Africa. In 2014, USD 4.2 billion was allocated to sub-Saharan Africa and USD 2 billion to south and central Asia.

Figure 36.6. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, United Kingdom**

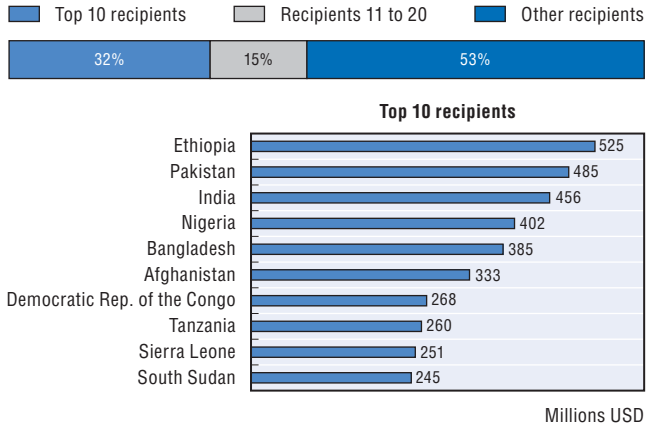


Note: 34% of bilateral ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

StatLink http://dx.doi.org/10.1787/888933360849

In 2014, 31.4% of bilateral ODA went to the United Kingdom's top 10 recipients. The United Kingdom has focused its programme on fewer countries. It now has 28 priority partner countries (down from 43 in 2010). All of its top 10 recipients in 2013-14 are among its priority countries. In 2014, its support to fragile states reached USD 5.1 billion (42.9% of gross bilateral ODA).

Figure 36.7. **Bilateral ODA to top recipients, 2013-14, gross disbursements, United Kingdom**



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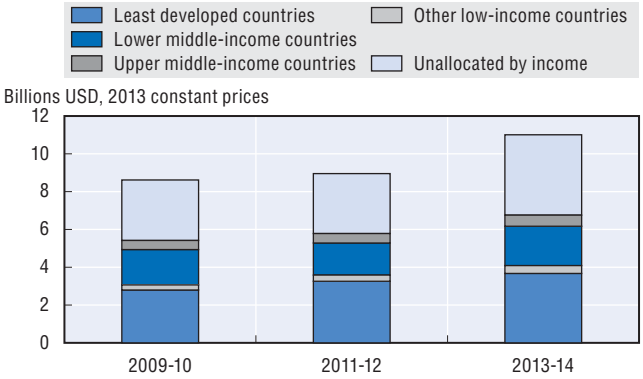
In 2014, 33.1% of bilateral ODA was allocated to least developed countries (LDCs), amounting to USD 3.9 billion. This share has remained relatively stable in recent years, and is higher than the 2014 DAC average of 25.6%. LDCs received the highest share of bilateral ODA in 2014 compared with other income groups.

At 0.24% of GNI in 2014, total ODA to LDCs was well above the UN target of 0.15% of GNI.

Figure 36.8. **Bilateral ODA by income group, two year averages, gross disbursements, United Kingdom**



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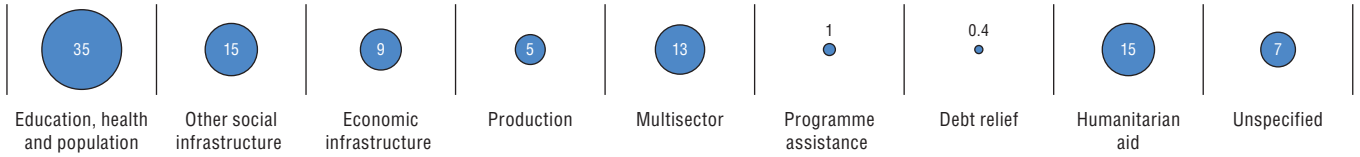
In 2014, 51.8% of bilateral ODA was allocated to social infrastructure and services, at a total of USD 4.4 billion, with a strong focus on population and reproductive health (USD 2.2 billion), government and civil society (USD 855.3 million), and education (USD 623.8 million). Humanitarian aid amounted to USD 1.2 billion.

Figure 36.9. **Share of bilateral ODA by sector, 2013-14 average, commitments, United Kingdom**



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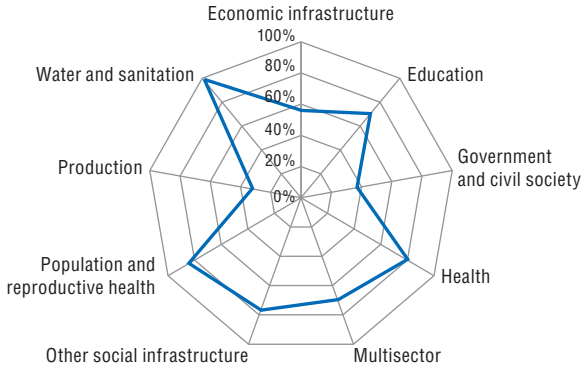
USD 4.3 billion of bilateral ODA supported gender equality in 2014. The United Kingdom's focus on women and girls was reinforced by the 2014 Development Act on Gender Equality. Gender equality is embedded in the bilateral programme, and issues affecting women and girls are also raised on the global stage. In 2014, 64.7% of the United Kingdom's bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective, compared with the DAC country average of 34.7%. This represents an important increase from 42.1% in 2009 and 55.7% in 2013. The United Kingdom's aid to water and sanitation, population and reproductive health, other social infrastructure, and health focuses on gender.

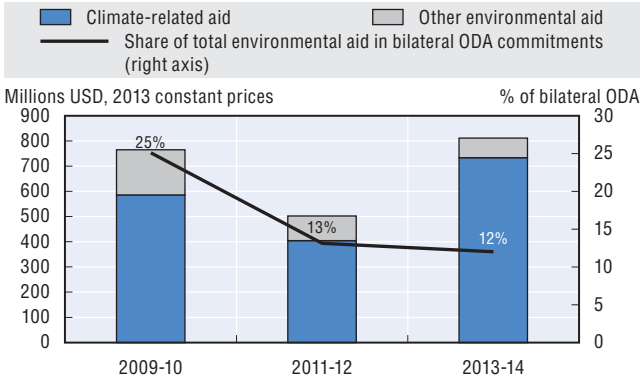
Figure 36.10. **Share of bilateral allocable ODA in support of gender equality by sector, 2014, commitments, United Kingdom**



StatLink http://dx.doi.org/10.1787/888933360884

USD 859.9 million of bilateral ODA supported the environment in 2014. In 2014, 10.7% of its bilateral allocable aid supported the environment and 9.2% (USD 738.9 million) focused on climate change, compared with the respective DAC country averages of 32.2% and 23.9%.

Figure 36.11. **Bilateral allocable ODA in support of global and local environment objectives, two year averages, commitments, United Kingdom**



StatLink http://dx.doi.org/10.1787/888933360892

Note to reader: Annex B provides "Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members".

Reference

OECD (2014), *OECD Development Co-operation Peer Reviews: United Kingdom 2014*, OECD Development Co-operation Peer Reviews, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264226579-en*.

UNITED STATES

Development challenges as investment and business opportunities: The United States' policy and practices

The United States government has sharpened the focus of development assistance to achieve sustainable and transformational development outcomes by leveraging increased private capital flows; diversifying private sector and non-governmental partners; and investing more in science, technology and innovation.

The Partnership for Growth between the United States and a select group of countries engages host-country governments, the private sector and civil society organisations to unlock foreign and domestic resources for development. Its work includes joint analysis of constraints to growth, developing joint action plans, and monitoring progress and implementation of reforms.

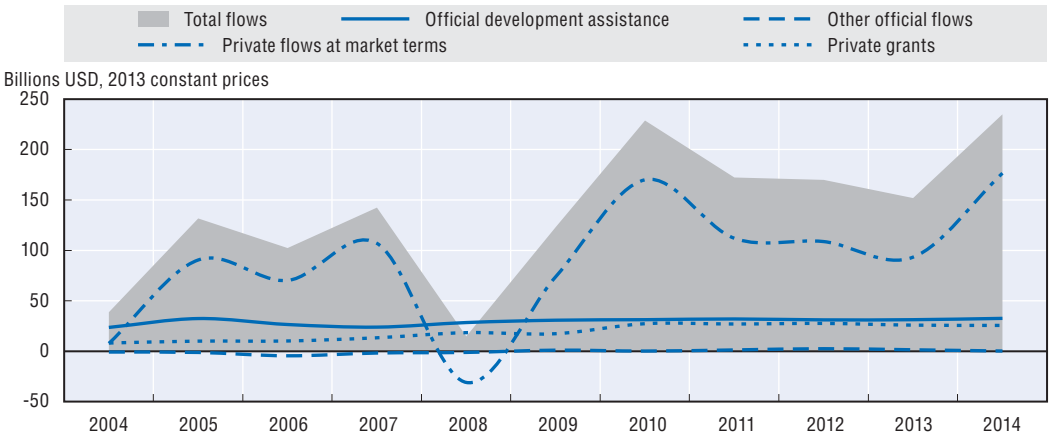
USAID has strengthened its Development Credit Authority, which uses loan guarantees to unlock larger sources of local capital. It is also placing greater emphasis on innovation through a series of Grand Challenges for Development and its Development Innovation Ventures Fund. Other initiatives include Power Africa, the US Global Development Lab and the Office of Private Capital and Microenterprise, the New Alliance for Food Security and Nutrition, and the US-Africa Trade and Investment Hubs.

The United States Overseas Private Investment Corporation (OPIC) mobilises and facilitates the participation of US private capital and skills in the economic and social development of developing countries. Its core products are loans, guarantees and insurance.

According to the 2015 DAC Survey on Mobilisation (Benn et al., 2016), the United States mobilised USD 10 billion from the private sector through guarantees in 2012-14. OPIC, the national development finance institution, was the most active institution is this area.

Financial flows from the United States to developing countries

Figure 37.1. **Net resource flows to developing countries, 2004-14, United States**



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The United States uses ODA to mobilise other resources for sustainable development

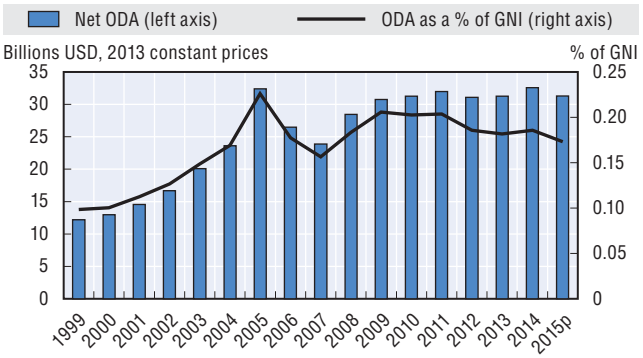
- **The United States contributes to the mobilisation of domestic resources in developing countries by supporting their tax systems.** In 2014, it is estimated that the United States committed about USD 20.4 million of its ODA to tax-related activities in partner countries.
- **It promotes aid for trade to improve developing countries' trade performance and integration into the world economy.** It committed USD 2.9 billion (11.5% of its bilateral allocable ODA) to trade-related activities in 2014, a 24% decrease in real terms from 2013. The trend has been fluctuating in recent years.
- **The United States has pledged USD 3 billion to the Green Climate Fund,** which plays a key role in channelling resources to developing countries and catalysing climate finance at the international and national levels. In 2015/16, the United States will also contribute USD 51.2 million to the Least Developed Countries Fund, which addresses urgent and immediate adaptation needs and supports national adaptation planning processes to reduce medium and long-term vulnerability to the impacts of climate change.

The United States' official development assistance

In 2015, the United States provided USD 31.1 billion in net ODA (preliminary data), which represented 0.17% of gross national income (GNI) and a 7% decrease in real terms from 2014. It is the 20th largest Development Assistance Committee (DAC) provider in terms of ODA as a percentage of GNI, and the largest by volume. The United States' share of untied ODA (excluding administrative costs and in-donor refugee costs) was 63.2% in 2014 (down from 64.5% in 2013), while the DAC average was 80.6%. The grant element of total ODA was 100% in 2014.

The United States reported USD 1.2 billion of its in-donor refugee costs as ODA in 2014. These costs represented 3.8% of its total net ODA.

Figure 37.2. **Net ODA: Trends in volume and as a share of GNI, 1999-2015, United States**



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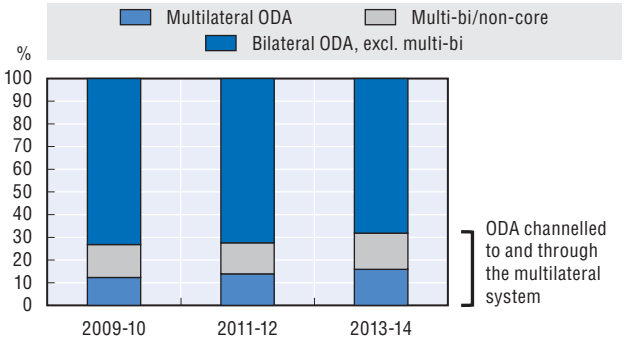
In 2014, 83.5% of ODA was provided bilaterally. The United States allocated 16.5% of total ODA as core contributions to multilateral organisations, compared with the DAC country average of 28.3%. In addition, it channelled 21.2% of its bilateral ODA to specific projects implemented by multilateral organisations (multi-bi/non-core contributions).

Figure 37.3. **Share of ODA channelled to and through the multilateral system, two year averages, gross disbursements, United States**



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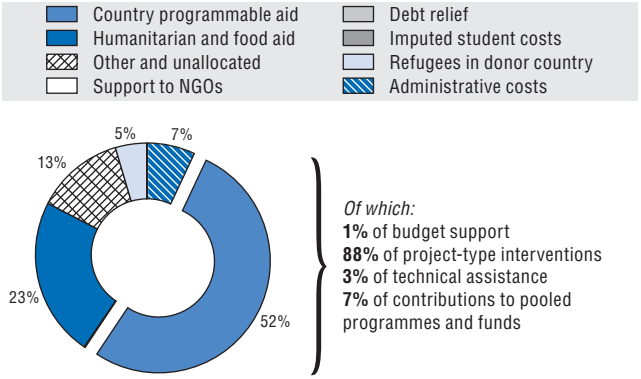
In 2014, 52.4% of bilateral ODA was programmed at partner country level. The share of country programmable aid (CPA) was in line with the DAC country average (52.9%). Twenty-three per cent of bilateral ODA was allocated to humanitarian and food aid. Project-type interventions amounted to 88% of CPA.

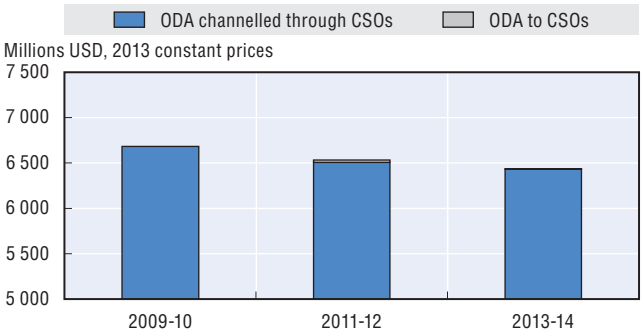
Figure 37.4. **Composition of bilateral ODA, 2014, gross disbursements, United States**



StatLink http://dx.doi.org/10.1787/888933360930

In 2014, USD 6.7 billion of bilateral ODA was channelled to and through civil society organisations (CSOs). ODA channelled to and through CSOs has remained relatively stable in recent years in volume (with a 4.2% increase between 2013 and 2014, after an important decrease in 2012), and as a share of bilateral aid (it was 23.6% in 2014). This share was higher than the 2014 DAC average of 17.4%.

Figure 37.5. **Bilateral ODA to and through CSOs, two year averages, gross disbursements, United States**



Note: Data on ODA to CSOs are only available for 2012.

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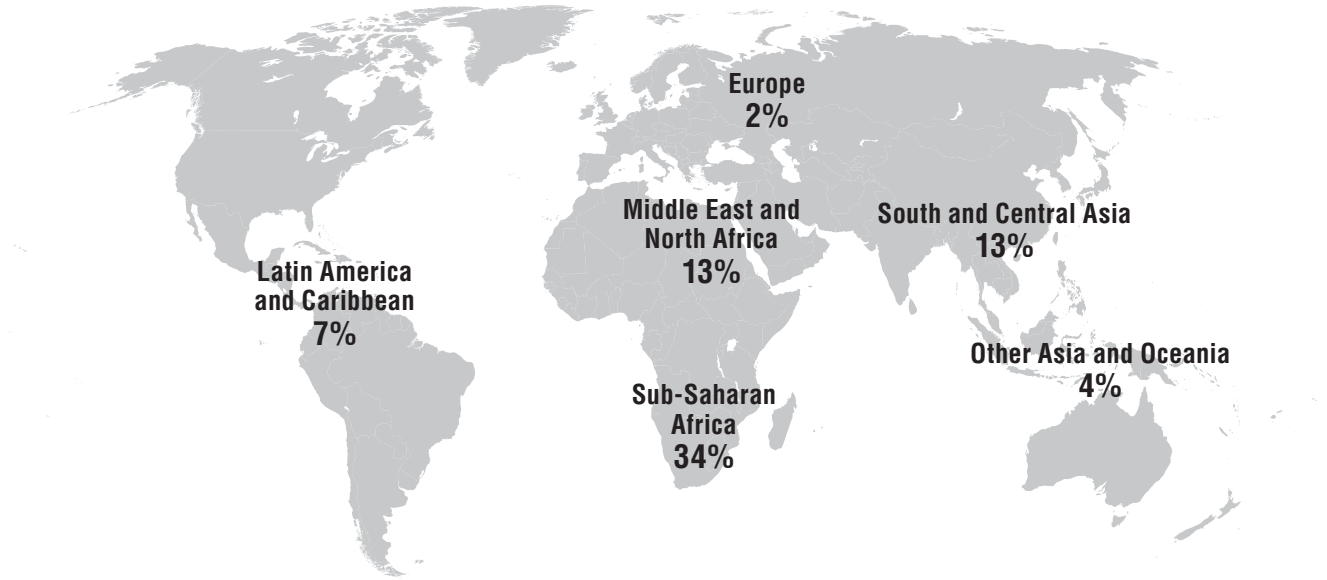
The largest share of bilateral ODA was directed to sub-Saharan Africa. In 2014, USD 9.5 billion was allocated to sub-Saharan Africa, USD 3.7 billion to south and central Asia, and USD 3 billion to the Middle East.

Figure 37.6. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, United States**

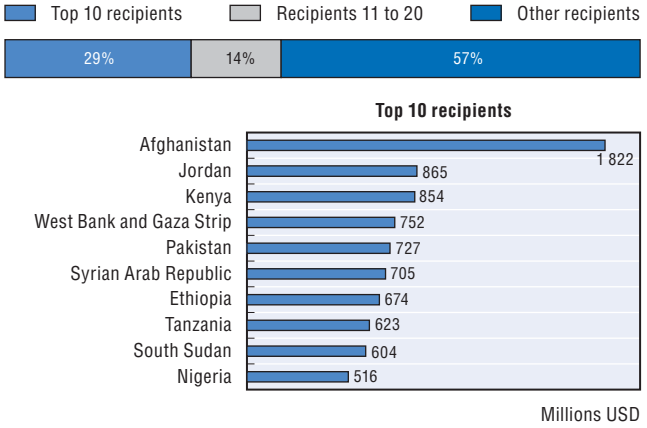


Note: 28% of bilateral ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

StatLink http://dx.doi.org/10.1787/888933360951

In 2014, 29.7% of bilateral ODA went to the United States' top 10 recipients. It has 136 partner countries and has slightly sharpened its geographic focus in recent years. Its support to fragile states reached USD 11 billion in 2014 (38.7% of gross bilateral ODA).

Figure 37.7. **Bilateral ODA to top recipients, 2013-14, gross disbursements, United States**



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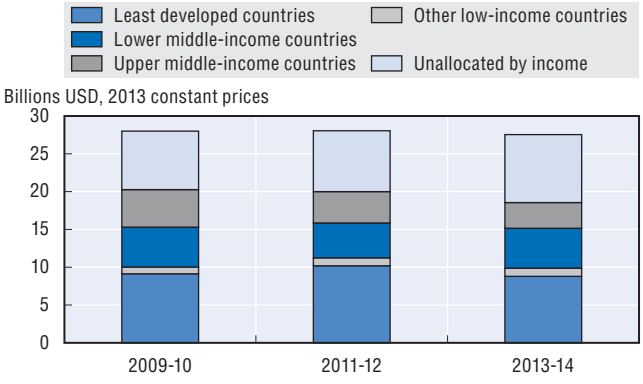
In 2014, 30.9% of bilateral ODA was allocated to LDCs, amounting to USD 8.7 billion. This share has been slightly decreasing in recent years, but is higher than the 2014 DAC average of 25.6%. LDCs received the highest share of bilateral ODA in 2014, compared with other income groups.

At 0.06% of GNI in 2014, total ODA to LDCs was lower than the UN target of 0.15% of GNI.

Figure 37.8. **Bilateral ODA by income group, two year averages, gross disbursements, United States**



StatLink http://dx.doi.org/10.1787/888933360978

In 2014, 48.2% of bilateral ODA was allocated to social infrastructure and services, totalling USD 13.7 billion, with a strong focus on population policies and programmes (USD 5.5 billion), and support to government and civil society (USD 4.5 billion). Humanitarian aid amounted to USD 7 billion.

Figure 37.9. **Share of bilateral ODA by sector, 2013-14 average, commitments, United States**

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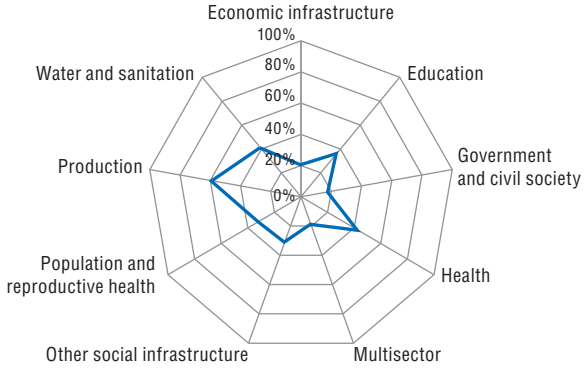
USD 5.8 billon of bilateral ODA supported gender equality. In 2014, 22.6% of the United States' bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective, compared with the DAC country average of 34.7%. This is up from 20.6% in 2013. Backed by strong political support, the United States has renewed its efforts to integrate gender equality and women's empowerment. USAID's new Policy on Gender Equality and Female Empowerment focuses on integrating gender into all USAID programming. Gender has also been mainstreamed in recent presidential initiatives on food security and health.

Figure 37.10. **Share of bilateral allocable ODA in support of gender equality by sector, 2014, commitments, United States**



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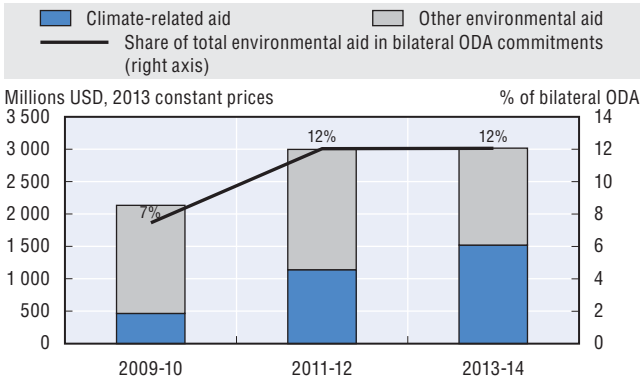
USD 2.7 billion of bilateral ODA supported the environment in 2014. The United States' environment and climate change assistance aims to help countries grow without harming the environment. It does so by promoting low-emission, climate-resilient development strategies, including clean energy development and community-based natural resource management that protect biodiversity and fight deforestation. In 2014, 10.4% of its bilateral allocable aid supported the environment and 4.8% (USD 1.2 billion) focused specifically on climate change, compared with the respective DAC country averages of 32.2% and 23.9%. The United States has developed a new data-screening process to significantly improve reporting on environment and Rio markers.

Figure 37.11. **Bilateral allocable ODA in support of global and local environment objectives, two year averages, commitments, United States**



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Note to reader: Annex B provides "Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members".

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Providers of development co-operation beyond the DAC: Trends and profiles

This section presents information on the volume and key features of the development co-operation provided by countries that are not members of the Development Assistance Committee (DAC). Estimated development co-operation flows by 29 providers beyond the DAC reached USD 33 billion in 2014, compared to USD 24 billion in 2013. The section includes the 19 providers who report to the OECD on their development co-operation programmes, as well as 10 other providers that are priority partners for the DAC. For these latter countries, the OECD estimates the volume of their programme based on official government reports, complemented by web-based research (mainly on contributions to multilateral organisations). The Bill & Melinda Gates Foundation, the only private funding entity currently reporting to the OECD, is also included in this section.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

This section was prepared by Willem Luijkx in collaboration with Juan Casado-Asensio, Michael Laird, Nadine Piefer and Ann Zimmerman of the Development Co-operation Directorate, OECD.

One of the main changes in the international development co-operation landscape in recent years has been the substantial attention given to providers of development co-operation that are not members of the Development Assistance Committee (DAC).[1] Although often referred to as a single group, these providers are, in fact, quite heterogeneous and include the "BRICS" (Brazil, the Russian Federation, India, China and South Africa), as well as Latin American and Southeast Asian countries that are mostly middle-income countries and both provide and receive development co-operation. Their development co-operation is often rooted in the tradition of South-South co-operation. Arab countries – which have a long tradition of providing development co-operation – are also often included in this group, along with several middle and high-income countries in Central and South East Europe as well as some countries in south Caucasus and Central Asia.

As their development co-operation programmes grow, there is an increasing demand for information on these countries' programmes. For partner countries in particular, it is important to know more about the financial flows that are reaching them. Policy makers from these partner countries need this information to make informed decisions and to co-ordinate their activities. Publishing these data also allows researchers to study these countries' programmes, and the general public to see how public funds are being used.

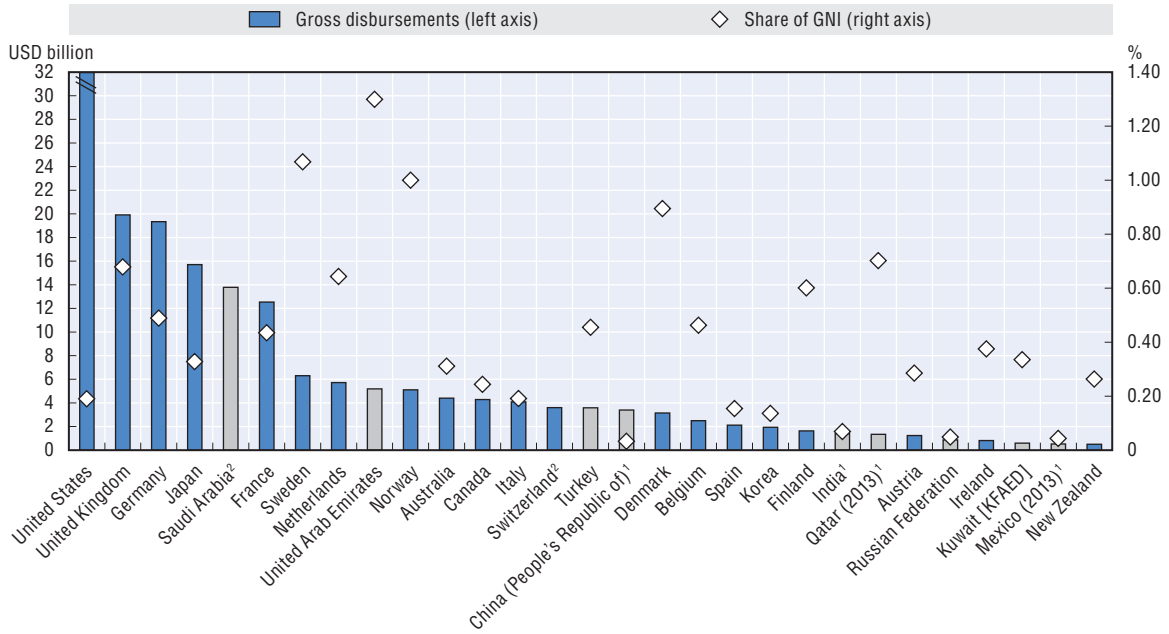
Nineteen bilateral providers beyond the DAC currently report to the OECD – in varying degrees of comprehensiveness and detail – on their development co-operation programmes. The OECD DAC engages with several other countries to exchange ideas and share experiences on how to measure development co-operation. Some countries do not report to the OECD, but do publish data on their programmes. However, this information is often incomplete and not comparable with DAC statistics. For these reasons, the OECD estimates the size of the development co-operation programmes of ten other bilateral providers that do not report to the OECD but with whom the DAC collaborates (Brazil, Chile, the People's Republic of China [hereafter "China"], Colombia, Costa Rica, India, Indonesia, Mexico, Qatar and South Africa), taking account of the development co-operation concepts used in DAC statistics.

One important instrument for engagement highlighted in the DAC Global Relations Strategy is "monitoring the concessional and non-concessional development finance flows from public and private actors, particularly the official development co-operation flows of major non-member economies, and supporting [their] efforts […] to establish and improve their statistical collection and reporting systems" (OECD, 2011). Therefore, the OECD DAC welcomes additional or improved (i.e. more detailed and more comprehensive) reporting by countries providing development co-operation. Data submitted and OECD estimates are continuously updated and made available on the "Development finance reporting of countries beyond the DAC" webpage.[2]

Estimated global concessional development finance

Figure 38.1 provides an overview, in both US dollars (USD) and as a percentage of gross national income (GNI), of gross concessional financing for development provided by 29 countries – both DAC members and countries beyond the DAC membership – with a development co-operation programme of more than USD 500 million in 2014. In total, the OECD estimates that global gross concessional development finance reached USD 183 billion in 2014, of which 18% was provided by countries that are not members of the DAC (see also Table 38.1). It should be stressed that for countries that do not report to the OECD, this number is based on an approximation of their development co-operation.

Figure 38.1. **Gross concessional financing for development, 2014**



Notes: Countries with gross development co-operation of more than USD 500 million. Figures are 2014 data unless otherwise specified. Gross national income (GNI) figures are based on World Bank data. Countries that are not members of the DAC are presented with grey bars.

1. Estimates.
2. 2014 GNI figures not yet available.

StatLink http://dx.doi.org/10.1787/888933361015

Table 38.1. **Estimated global development co-operation flows, 2010-14**

Gross figures, billions USD, current prices

	2010	2011	2012	2013	2014	2014 (% of total)
ODA from current 28 DAC member countries	141.2	150.1	140.1	151.8	150.8	82.2
ODA from 19 reporting countries beyond the DAC	7.1	9.5	6.8	16.9	25.2	13.7
Estimated development co-operation flows from ten non-reporting countries beyond the DAC	4.3	5.2	5.7	6.9	7.5	4.1
Subtotal flows from non-DAC providers	*11.4*	*14.7*	*12.5*	*23.8*	*32.7*	*17.8*
Estimated global total	**152.6**	**164.8**	**152.6**	**175.6**	**183.5**	**100.0**

Notes: Brazil and Mexico have not published data on their development co-operation for all the years included in this table. To complete the table, Brazil's development co-operation in 2011, 2012, 2013 and 2014 is estimated to be at the same level as in 2010 and Mexico's development co-operation in 2014 is estimated to be at the same level as in 2013.

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The subsequent sections of this chapter provide further information on the following development co-operation programmes:

- The first section covers the 19 bilateral providers that report to the OECD, with a particular focus on: 1) OECD members that are not members of the DAC (Estonia, Hungary, Israel and Turkey); 2) OECD accession countries (Latvia, Lithuania and the Russian Federation); and 3) other major providers of development co-operation that report detailed and comprehensive data to the OECD (the United Arab Emirates or UAE, a DAC Participant;[3] Kazakhstan, Kuwait and Romania).
- The second section covers several providers of development co-operation that do not report to the OECD, focusing on: OECD member countries that are not members of the DAC (Chile and Mexico); OECD accession countries (Colombia and Costa Rica); the OECD Key Partners (Brazil, China, India,

Indonesia and South Africa); and Qatar, as it is a significant provider of development co-operation and publishes an annual report on its development co-operation programme which enables the OECD to make estimates.

- The final section provides information on the Bill & Melinda Gates Foundation, the only private foundation that reported on its activities to the OECD in 2015 (on 2014 flows).

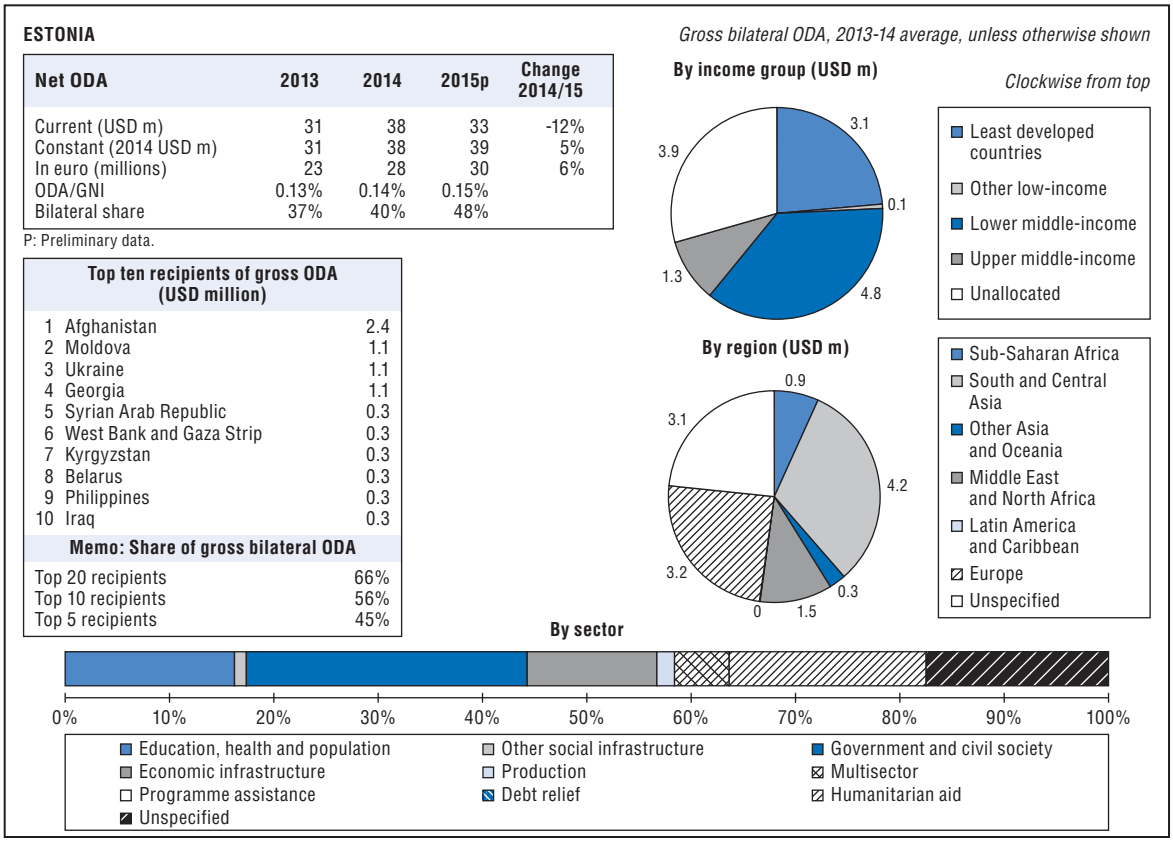
Providers of development co-operation that report to the OECD

Net concessional development co-operation by the 19 providers that report to the OECD increased from USD 16.9 billion in 2013 to USD 25.2 billion in 2014. This is mainly due to a significant increase in development co-operation from Saudi Arabia. The UAE consolidated the large increase that its net official development assistance (ODA) experienced from 2012 (USD 1 billion) to 2013 (USD 5.4 billion), reaching USD 5.1 billion in 2014. Most reporting countries' programmes increased in 2014. Apart from Saudi Arabia, the programmes of Kazakhstan, Thailand and Romania increased most significantly. More figures and information on these trends can be found in the following sub-sections.

Estonia

In 2014, Estonia's net ODA amounted to USD 38 million, representing an increase of 20% in real terms over 2013. The ratio of ODA as a share of GNI also rose, from 0.13% to 0.14%. Preliminary data show that ODA reached USD 33 million in 2015 (15% of GNI).

Figure 38.2. **ODA key statistics: Estonia**



Net ODA	2013	2014	2015p	Change 2014/15
Current (USD m)	31	38	33	-12%
Constant (2014 USD m)	31	38	39	5%
In euro (millions)	23	28	30	6%
ODA/GNI	0.13%	0.14%	0.15%	
Bilateral share	37%	40%	48%	

P: Preliminary data.

Top ten recipients of gross ODA (USD million)	
1 Afghanistan	2.4
2 Moldova	1.1
3 Ukraine	1.1
4 Georgia	1.1
5 Syrian Arab Republic	0.3
6 West Bank and Gaza Strip	0.3
7 Kyrgyzstan	0.3
8 Belarus	0.3
9 Philippines	0.3
10 Iraq	0.3
Memo: Share of gross bilateral ODA	
Top 20 recipients	66%
Top 10 recipients	56%
Top 5 recipients	45%

Source: OECD (2016a), "Estonia's official development assistance (ODA)", webpage, OECD, Paris, *www.oecd.org/dac/dac-global-relations/estonias-official-development-assistance.htm.*

StatLink http://dx.doi.org/10.1787/888933361020

Estonia's development co-operation is provided in line with its Strategy for Estonian Development Co-operation and Humanitarian Aid. A new strategy for the period 2016-20 was approved in 2015. This strategy contains detailed provisions concerning the goals and objectives of Estonia's development co-operation, its sectoral and geographical priorities, as well as its estimated financial allocations of ODA. The Ministry of Foreign Affairs is the key institution responsible for managing and co-ordinating Estonia's development co-operation.

In 2014, Estonia provided its bilateral development co-operation mostly to Afghanistan, Ukraine, Moldova, Georgia, Kyrgyzstan, the Syrian Arab Republic, and the West Bank and Gaza Strip, often in the form of small-scale technical co-operation projects. The main sectors of Estonia's bilateral development co-operation were governance and civil society, humanitarian aid, and education. Cross-cutting themes for Estonia's development co-operation are the rights of women and children, information and communication technologies, and transparency and democratic participation.

Multilateral ODA accounted for 60% of Estonia's total ODA in 2014, provided primarily through the European Union (accounting for 72% of its multilateral ODA in 2014), as well as through the World Bank, the United Nations and other multilateral organisations.

Estonia, which joined the OECD in 2010, is an observer to the DAC. In 2015, Estonia participated in the DAC Senior-Level Meeting as well as the meeting of the Working Party on Development Finance Statistics (WP-STAT).

Hungary

In 2014, Hungary's net ODA amounted to USD 144 million, representing an increase of 13% in real terms over 2013. The ODA/GNI ratio also increased, from 0.10% to 0.11%. Preliminary data show that ODA reached USD 152 million in 2015 (0.13% of GNI).

The International Development Cooperation Strategy and the Strategic Concept for International Humanitarian Aid of Hungary for the period 2014-20 were approved by the Hungarian government in 2014. On 1 July 2015, the Act XC on International Development Cooperation and International Humanitarian Assistance entered into force. The Ministry of Foreign Affairs and Trade is the key institution responsible for planning, implementing and co-ordinating Hungary's development co-operation and humanitarian assistance.

In 2014, Hungary provided its bilateral development co-operation mostly to Jordan, Ukraine, Serbia, Viet Nam and Sri Lanka. The main sectors targeted by Hungary's bilateral development co-operation were education, economic infrastructure and services, and other social infrastructure, notably water supply and sanitation. Hungary provides its bilateral development co-operation in the form of scholarships, aid to refugees and small-scale technical co-operation projects.

Multilateral ODA accounted for 79% of Hungary's total ODA in 2014, provided primarily through the European Union (accounting for 81% of multilateral ODA in 2014), as well as through the World Bank Group (12%), the United Nations (5%) and other multilateral organisations.

Hungary, which joined the OECD in 1996, is an observer to the DAC. In 2015, Hungary participated in the DAC Senior-Level Meeting, as well as meetings of several DAC (joint) subsidiary bodies: the Advisory Group on Investment and Development (AGID), the Network on Governance (GOVNET), and the Working Party on Development Finance Statistics (WP-STAT). For the first time, Hungary reported to the OECD on its development co-operation programme at activity level in 2015. The DAC Chair visited Hungary in November 2015 to speak at the Budapest Human Rights Forum.

Figure 38.3. **ODA key statistics: Hungary**

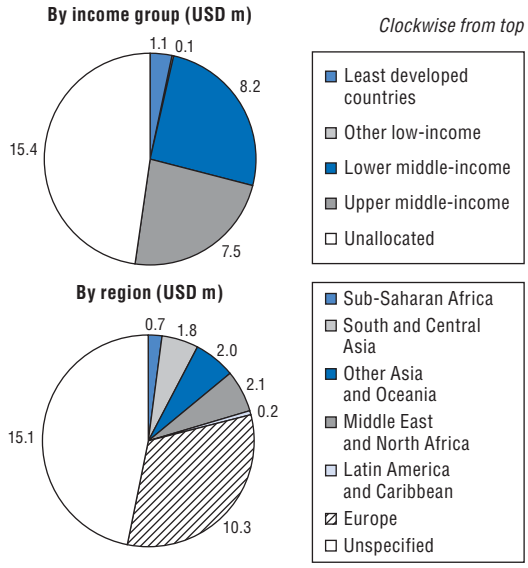
HUNGARY

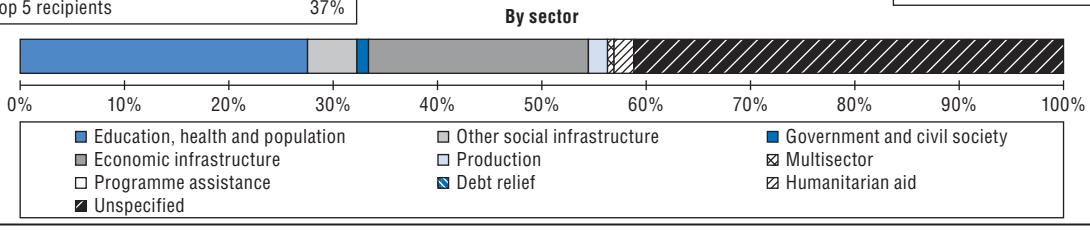
Gross bilateral ODA, 2013-14 average, unless otherwise shown

Net ODA	2013	2014	2015p	Change 2014/15
Current (USD m)	128	144	152	5%
Constant (2014 USD m)	128	144	180	25%
In Hungarian forint (millions)	28 653	33 504	42 401	27%
ODA/GNI	0.10%	0.11%	0.13%	
Bilateral share	27%	21%	26%	

P: Preliminary data.

Top ten recipients of gross ODA (USD million)	
1 Ukraine	4.8
2 Serbia	4.0
3 Jordan	1.1
4 Viet Nam	1.1
5 Sri Lanka	1.0
6 Montenegro	0.5
7 Lao People's Democratic Republic	0.4
8 Turkey	0.4
9 Afghanistan	0.3
10 Nigeria	0.3
Memo: Share of gross bilateral ODA	
Top 20 recipients	49%
Top 10 recipients	43%
Top 5 recipients	37%





Source: OECD (2016b), "Hungary's official development assistance (ODA)", webpage, OECD, Paris, *www.oecd.org/dac/dac-global-relations/hungarys-official-development-assistance.htm*.

StatLink http://dx.doi.org/10.1787/888933361034

Israel

In 2014, Israel's net ODA amounted to USD 200 million, representing a decrease of 3% in real terms over 2013. The ratio of ODA as a share of GNI remained stable at 0.07%. Preliminary data show that ODA reached USD 207 million in 2015 (0.07% of GNI).

Israel's Agency for International Development Co-operation – MASHAV, a division of the Ministry of Foreign Affairs – is in charge of planning, implementing and co-ordinating Israel's development co-operation.

In 2014, Israel provided its bilateral development co-operation mostly to Jordan, Syria, and the West Bank and Gaza Strip. The priority sectors for Israel's bilateral development co-operation are water resources management, desert agriculture and combating desertification, early childhood education, rural and community development, emergency and disaster medicine, public health, and women's empowerment. Israel provides its bilateral development co-operation mostly in the form of technical co-operation projects and capacity building, provided both in Israel and in developing countries.

Israel is also engaged in triangular co-operation, sharing its experience with other countries. It partners with several international organisations (e.g. the United Nations Development Programme, the Food and Agriculture Organization of the United Nations, and the World Food Programme) and DAC members (e.g. Canada, France, Germany, Italy and the United States) to support developing countries in areas in which it has a comparative advantage.

Multilateral ODA accounted for USD 24 million in 2014, representing 12% of Israel's total ODA. It was provided primarily through the United Nations (accounting for 74% of its multilateral ODA in 2014), as well as through the World Bank Group (17%), regional development banks (3%) and other multilateral organisations.

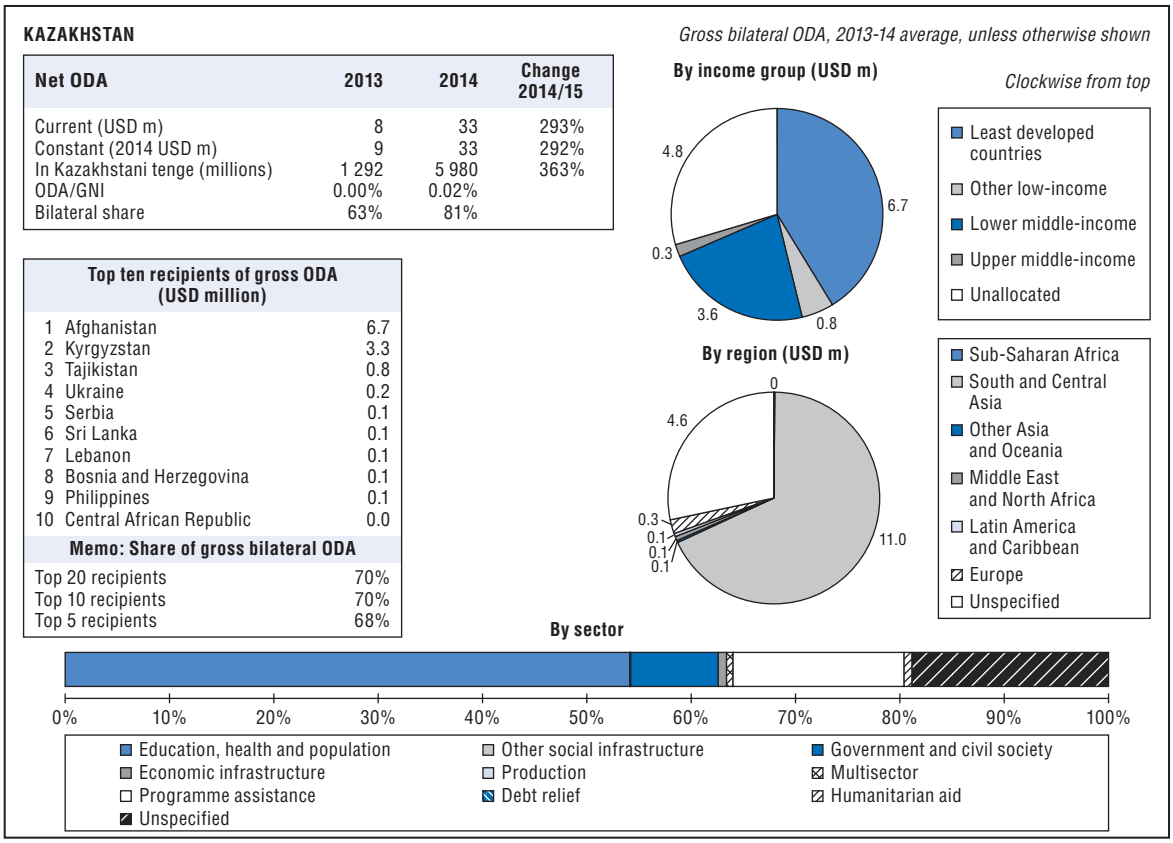
Israel, which joined the OECD in 2010, is an observer to the DAC. In 2015, Israel participated in the DAC Senior-Level Meeting, as well as meetings of several DAC subsidiary bodies: the Network on Environment and Development Co-operation (ENVIRONET), the Network on Governance (GOVNET), and the Working Party on Development Finance Statistics (WP-STAT).

Kazakhstan

In 2014, Kazakhstan's net ODA amounted to USD 33 million compared to USD 8 million in 2013, an increase of 292% in real terms. The ratio of ODA as a share of GNI was 0.02% in 2014.

The Foreign Policy Concept of Kazakhstan 2014-20 guides Kazakhstan's contribution to the international community's development co-operation efforts. The ODA Concept of Kazakhstan (April 2013) sets out a roadmap for becoming a provider of development co-operation. The Law No. 263-V on Official Development Assistance (December 2014) describes the main objectives, principles, competences and sectoral priorities of Kazakhstan's ODA.

Figure 38.4. **ODA key statistics: Kazakhstan**



Net ODA	2013	2014	Change 2014/15
Current (USD m)	8	33	293%
Constant (2014 USD m)	9	33	292%
In Kazakhstani tenge (millions)	1 292	5 980	363%
ODA/GNI	0.00%	0.02%	
Bilateral share	63%	81%	

Top ten recipients of gross ODA (USD million)	
1 Afghanistan	6.7
2 Kyrgyzstan	3.3
3 Tajikistan	0.8
4 Ukraine	0.2
5 Serbia	0.1
6 Sri Lanka	0.1
7 Lebanon	0.1
8 Bosnia and Herzegovina	0.1
9 Philippines	0.1
10 Central African Republic	0.0
Memo: Share of gross bilateral ODA	
Top 20 recipients	70%
Top 10 recipients	70%
Top 5 recipients	68%

Source: OECD (2016c), "Kazakhstan's official development assistance (ODA)", webpage, OECD, Paris, *www.oecd.org/dac/dac-global-relations/kazakhstan-official-development-assistance.htm*.

StatLink http://dx.doi.org/10.1787/888933361040

The ODA Law provides the legal basis for establishing an agency under the Ministry of Foreign Affairs, provisionally known as the Kazakhstan Agency for International Development Assistance, to implement development co-operation activities. For the moment, the Ministry of Foreign Affairs is the designated authority to implement the main lines of Kazakhstan's ODA policy.

In 2014, Kazakhstan provided its bilateral development co-operation mostly to Afghanistan, Kyrgyzstan, Tajikistan and Ukraine. The main sectors for Kazakhstan's bilateral development co-operation were education, programme assistance (notably developmental food aid), and governance and civil society.

Multilateral ODA accounted for 19% of Kazakhstan's net disbursements in 2014, provided primarily through the United Nations (accounting for 81% of its multilateral ODA in 2014), as well as through the other multilateral organisations.

Kazakhstan became an Invitee[4] to the DAC in 2015, and participated in the DAC Senior-Level Meeting, as well as meetings of DAC subsidiary bodies: the Network on Evaluation (EvalNet) and the Working Party on Development Finance Statistics (WP-STAT). The DAC Chair visited Kazakhstan in May 2015 to speak at the Astana Economic Forum and the Kazakh Minister of Foreign Affairs gave a presentation at the OECD in November 2015 on Kazakhstan's place in the global development agenda. Kazakhstan reported on its development co-operation flows for the first time in 2015 (2013 and 2014 flows).

Kuwait

In 2014, net ODA reported by the Kuwait Fund for Arab Economic Development (KFAED) amounted to USD 277 million, representing an increase of 19% in real terms over 2013. Kuwait's total involvement in development co-operation exceeds this amount but the volume of the activities of other institutions is not known.

Law No. 35 of 1961 created the legal basis for the KFAED to act as an implementing agency in all developing countries on behalf of the Kuwaiti government. The KFAED acts under the overall supervision of the Prime Minister, who in practice delegates this mandate to the Minister of Finance. Other ministries, public authorities and non-governmental organisations (NGOs) also contribute to promoting development internationally, notably the Ministry of Foreign Affairs which provides humanitarian assistance.

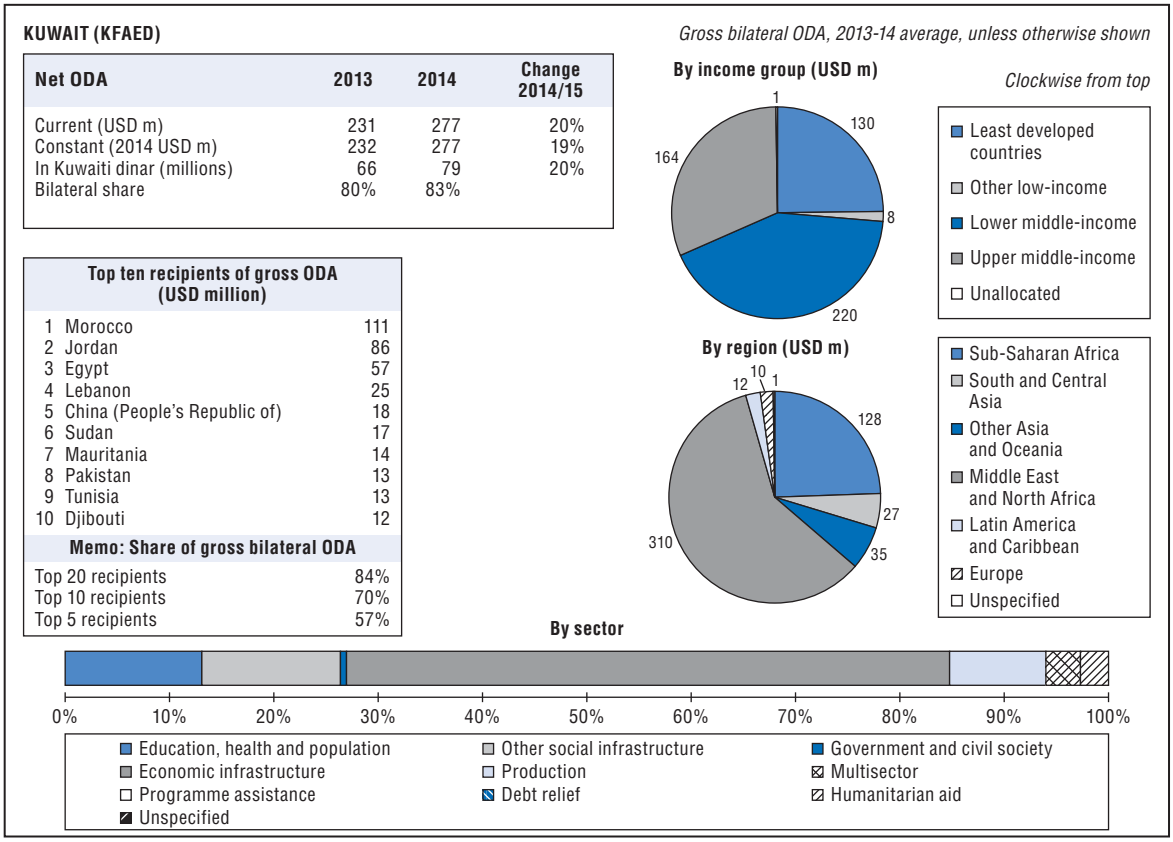
The Kuwait Fund primarily provides concessional loans and loans to co-finance projects with other international, regional or national development partners. In addition, the fund provides guarantees. It also administers Kuwaiti government grants (outside its budget) and provides some grants for technical, economic and financial studies and assistance.

In 2014, the Kuwait Fund provided its bilateral development co-operation mostly to Jordan, Morocco, Egypt and Lebanon. The main sectors for the KFAED's bilateral development co-operation were economic infrastructure (energy), social infrastructure (water supply and sanitation), and education and health.

Multilateral ODA accounted for 17% of the KFAED's net disbursements in 2014, provided primarily through the African Development Bank (accounting for 45% of its multilateral ODA in 2014), as well as through the International Development Association (44%) and other multilateral organisations.

The Kuwait Fund is a member of the Arab Coordination Group Institutions. In 2015, it participated in the Arab-DAC Dialogue on Development held at the OECD.

Figure 38.5. **ODA key statistics: Kuwait Fund for Arab Economic Development**



Net ODA	2013	2014	Change 2014/15
Current (USD m)	231	277	20%
Constant (2014 USD m)	232	277	19%
In Kuwaiti dinar (millions)	66	79	20%
Bilateral share	80%	83%	

Top ten recipients of gross ODA (USD million)	
1 Morocco	111
2 Jordan	86
3 Egypt	57
4 Lebanon	25
5 China (People's Republic of)	18
6 Sudan	17
7 Mauritania	14
8 Pakistan	13
9 Tunisia	13
10 Djibouti	12
Memo: Share of gross bilateral ODA	
Top 20 recipients	84%
Top 10 recipients	70%
Top 5 recipients	57%

Source: OECD (2016d), "Kuwait's official development assistance (ODA)", webpage, OECD, Paris, *www.oecd.org/dac/dac-global-relations/kuwaits-official-development-assistance.htm*.

StatLink http://dx.doi.org/10.1787/888933361054

Latvia

In 2014, Latvia's net ODA amounted to USD 25 million, representing an increase of 7% in real terms over 2013. The ODA/GNI ratio remained stable at 0.08%. Preliminary data show that ODA reached USD 23 million in 2015 (0.09% of GNI).

Latvia's development co-operation is provided in line with the Latvian Development Co-operation Policy Strategy 2011-15, which defines the goals, principles and directions of Latvia's development co-operation. The Ministry of Foreign Affairs is responsible for formulating development co-operation policy and for co-ordinating activities.

In 2014, Latvia provided its bilateral development co-operation mostly to Ukraine, Afghanistan, Georgia and Moldova. The priority sectors for Latvia's bilateral development co-operation are fostering a market economy, good governance, rule of law, education and environment. Latvia provides its bilateral development co-operation mostly in the form of small-scale technical co-operation projects.

Multilateral ODA accounted for 92% of Latvia's total ODA in 2014, provided primarily through the European Union (accounting for 86% of its multilateral ODA in 2014), as well as through the World Bank Group (6%), the United Nations (5%) and other multilateral organisations.

In 2015, Latvia, an OECD accession country, participated in the DAC Senior-Level Meeting, as well as in meetings of the Advisory Group on Investment and Development (AGID) and the DAC Working Party on Development Finance Statistics (WP-STAT). The DAC Chair visited Latvia in January 2015 to speak during the opening of the European Year for Development.

Lithuania

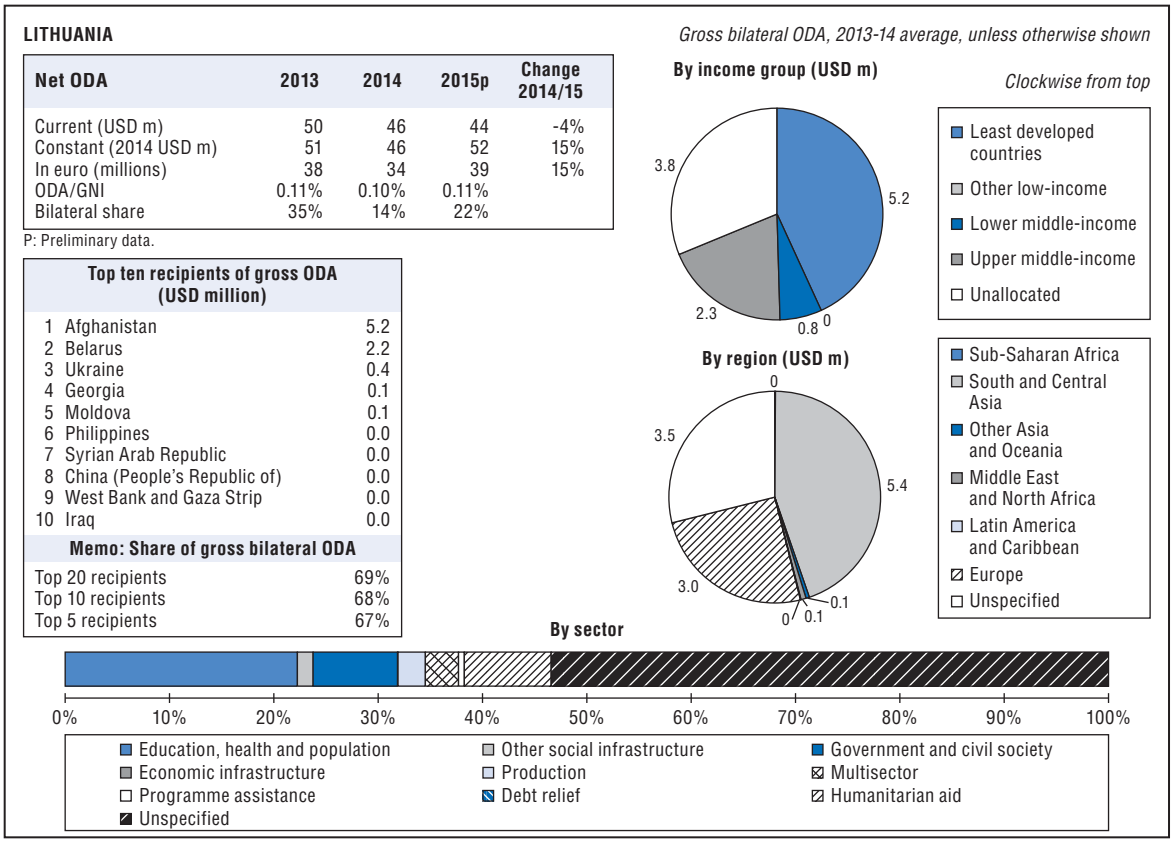
In 2014, Lithuania's net ODA amounted to USD 46 million, representing a decrease of 10% in real terms compared to 2013. The ODA/GNI ratio also fell, from 0.11% to 0.10%. Preliminary data show that ODA reached USD 44 million in 2015 (0.11% of GNI).

The Law on Development Co-operation and Humanitarian Aid (2013) provides the framework for Lithuania's development co-operation policy and outlines its mission, goals, principles, priorities, responsibilities and financing. In 2014, the Development Cooperation Policy Guidelines of the Republic of Lithuania for 2014-16 were approved, setting out the geographic and sectoral priorities for Lithuania's bilateral development co-operation, as well as the financial instruments and guidelines for Lithuania's multilateral assistance. The Ministry of Foreign Affairs is responsible for implementing and co-ordinating Lithuania's development co-operation.

In 2014, Lithuania provided its bilateral development co-operation mostly to Belarus, Ukraine, Georgia and Moldova. The main sectors for Lithuania's bilateral development co-operation were education, humanitarian aid, and governance and civil society. Lithuania provides its bilateral development co-operation mostly in the form of small-scale technical co-operation projects.

Multilateral ODA accounted for 86% of Lithuania's total ODA in 2014, provided primarily through the European Union (accounting for 92% of its multilateral ODA in 2014), as well as through the World Bank Group (3%), the United Nations (4%) and other multilateral organisations.

Figure 38.6. **ODA key statistics: Lithuania**



Source: OECD (2016e), "Lithuania's official development assistance (ODA)", webpage, OECD, Paris, *www.oecd.org/dac/dac-global-relations/lithuania-official-development-assistance.htm*.

StatLink http://dx.doi.org/10.1787/888933361066

In 2015, Lithuania became an OECD accession country. It participated in the DAC Senior-Level Meeting, as well as in several meetings of DAC subsidiary bodies: the Network on Development Evaluation (EvalNet), the Network on Gender Equality (GENDERNET), the Network on Governance (GOVNET) and the Working Party on Development Finance Statistics (WP-STAT). For the first time, Lithuania reported to the OECD on its development co-operation programme at activity level in 2015.

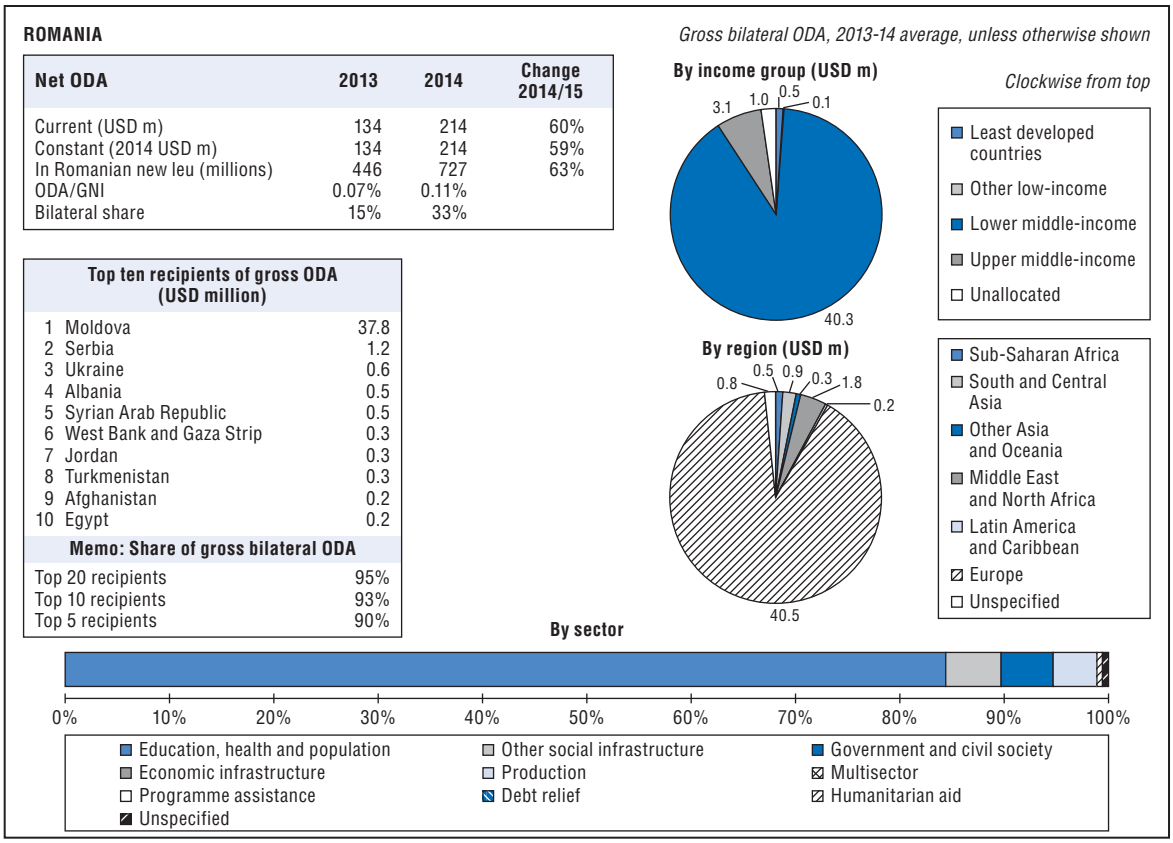
Romania

In 2014, Romania's net ODA amounted to USD 214 million, representing an increase of 59% in real terms over 2013. The ODA/GNI ratio rose from 0.07% to 0.11%.

Romania's Law No. 404/2006 on Financing the Development Cooperation Policy provides the legal basis for funding development co-operation activities, which are guided by the National Strategy on the International Development Co-operation Policy (Decision No. 703/2006) and an action plan. The strategy sets out the objectives, geographic and sectoral priorities, and institutional framework for Romanian development co-operation. The Ministry of Foreign Affairs (General Political Directorate, Development Assistance Unit) is the main institution in charge of programming and implementing Romania's development co-operation.

In 2014, Romania provided its bilateral development co-operation mostly to Moldova, Serbia, Ukraine and Albania. The main sectors of Romania's bilateral development co-operation were education, other social infrastructure, and governance and civil society. Romania provides its bilateral development co-operation mostly in the form of grants for financial and technical support.

Figure 38.7. **ODA key statistics: Romania**



Net ODA	2013	2014	Change 2014/15
Current (USD m)	134	214	60%
Constant (2014 USD m)	134	214	59%
In Romanian new leu (millions)	446	727	63%
ODA/GNI	0.07%	0.11%	
Bilateral share	15%	33%	

Top ten recipients of gross ODA (USD million)	
1 Moldova	37.8
2 Serbia	1.2
3 Ukraine	0.6
4 Albania	0.5
5 Syrian Arab Republic	0.5
6 West Bank and Gaza Strip	0.3
7 Jordan	0.3
8 Turkmenistan	0.3
9 Afghanistan	0.2
10 Egypt	0.2
Memo: Share of gross bilateral ODA	
Top 20 recipients	95%
Top 10 recipients	93%
Top 5 recipients	90%

Source: OECD (2016f), "Romania's official development assistance (ODA)", webpage, OECD, Paris, *www.oecd.org/dac/dac-global-relations/romania-official-development-assistance.htm*.

StatLink http://dx.doi.org/10.1787/888933361072

Multilateral ODA accounted for 67% of Romania's total ODA in 2014, provided primarily through the European Union (accounting for 91% of its multilateral ODA in 2014), as well as through the World Bank Group (4%), the United Nations (4%) and other multilateral organisations.

In 2015, Romania, a DAC Invitee, participated in a meeting of the DAC Working Party on Development Finance Statistics (WP-STAT). For the first time, Romania reported to the OECD on its development co-operation programme at activity level in 2015.

Russian Federation

In 2014, the Russian Federation's net ODA amounted to USD 876 million, compared to USD 714 million in 2013, an increase of 39% in real terms. The ratio of ODA as a share of GNI rose from 0.03% to 0.05%. Preliminary data show that ODA reached USD 1.1 billion in 2015 (0.06% of GNI).

The increase in the Russian Federation's ODA between 2013 and 2014 is mostly related to debt conversion operations[5] in Cuba, the Democratic People's Republic of Korea (DPRK), Mozambique and the United Republic of Tanzania (a total of USD 240 million) to implement long-term developmental projects in these countries. The Russian Federation's ODA excluding debt relief reached USD 622 million in 2014 and included a contribution of USD 100 million to the Russian Kyrgyz Development Fund.

The Russian Federation's development co-operation is provided in line with the Concept of Russia's State Policy in the Field of International Development Assistance, approved by the President of the Russian Federation in 2014. The concept sets out the objectives, principles and priorities of the Russian Federation's development co-operation, as well as the criteria for providing assistance to partner countries. The Ministry of Foreign Affairs and the Ministry of Finance, in co-operation with other government agencies, play a leading role in formulating the Russian Federation's development co-operation policy and supervise its implementation.

In 2014, apart from debt relief, the Russian Federation provided its bilateral development assistance mainly to the members of the Commonwealth of Independent States,[6] as well as Nicaragua, Guinea and Serbia. The priority sectors of the Russian Federation's bilateral development co-operation were health, public finance, food security, nutrition and education. The Russian Federation provides its bilateral development co-operation in the form of technical assistance projects, capacity building and scholarships, as well as budget support and debt relief.

The Russian Federation's multilateral ODA accounted for 25% its total ODA, provided through the World Bank Group (accounting for 43% of its multilateral ODA in 2014), as well as through the United Nations (40%), regional development banks (2%) and other multilateral organisations.

In 2015, the Russian Federation, an OECD accession country, participated in the DAC Senior-Level Meeting and in the meetings of the Advisory Group on Investment and Development (AGID) and the DAC Working Party on Development Finance Statistics (WP-STAT).

Turkey

In 2014, Turkey's net ODA amounted to USD 3.6 billion, representing an increase of 15% in real terms over 2013. The ratio of ODA as a share of GNI rose from 0.40% in 2013 to 0.45% in 2014. Preliminary data show that ODA reached USD 3.9 billion in 2015 (0.54% of GNI).

As in 2012 and 2013, the increase in Turkey's ODA mostly related to its response to the refugee crisis in its neighbouring country, Syria. The share of Turkey's total ODA allocated to Syria increased to 65% in 2014, compared to 52% in 2013 and 42% in 2012. In 2014, Turkey extended concessional loans to Tunisia (USD 198 million) and Kyrgyzstan (USD 19 million).

Turkey's development co-operation is provided in line with the Statutory Decree on the Organization and Duties of the Turkish Co-operation and Co-ordination Agency (TIKA), adopted in 2011. The agency designs and co-ordinates Turkey's bilateral development co-operation activities

and implements projects in collaboration with other ministries, NGOs and the private sector. TIKA is an autonomous institution attached to the Prime Minister's Office. Other public institutions, NGOs and the private sector also implement projects and programmes funded through Turkey's ODA.

In 2014, Turkey provided the largest share of its bilateral development co-operation to Syria, Somalia, Kyrgyzstan and Afghanistan. The main sectors for Turkey's bilateral development co-operation were humanitarian aid and refugee support, education, and governance and civil society.

Multilateral ODA accounted for 2% of Turkey's total ODA in 2014, provided through the United Nations (accounting for 44% of its multilateral ODA), as well as through regional development banks (31%), the International Development Association (4%) and other multilateral organisations.

Turkey, a founding member of the OECD, is an observer to the DAC. In 2015, Turkey participated in the DAC Senior-Level Meeting, as well as meetings of the Advisory Group on Investment and Development (AGID), and the Working Party on Development Finance Statistics (WP-STAT).

Figure 38.8. **ODA key statistics: Turkey**

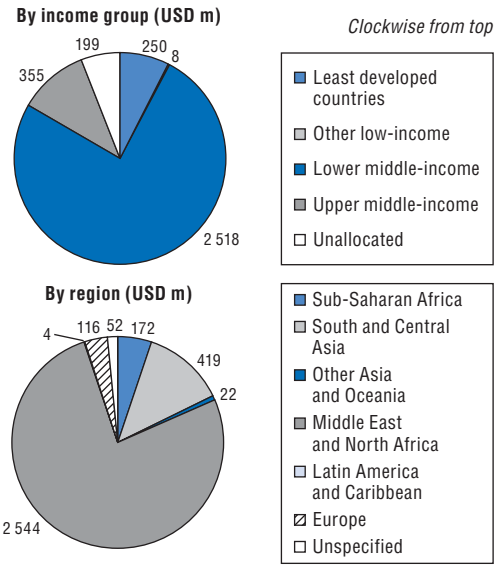
TURKEY

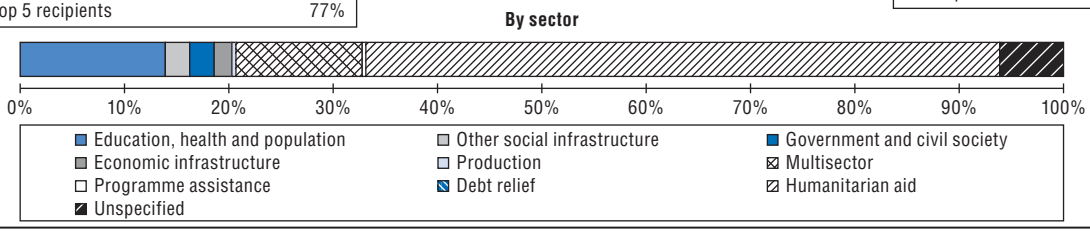
Gross bilateral ODA, 2013-14 average, unless otherwise shown

Net ODA	2013	2014	2015p	Change 2014/15
Current (USD m)	3 308	3 591	3 913	9%
Constant (2014 USD m)	3 118	3 591	4 535	26%
In Turkish new lira (millions)	6 301	7 861	10 656	36%
ODA/GNI	0.40%	0.45%	0.54%	
Bilateral share	95%	98%	96%	

P: Preliminary data.

Top ten recipients of gross ODA (USD million)	
1 Syrian Arab Republic	1 965
2 Egypt	272
3 Tunisia	118
4 Kyrgyzstan	108
5 Somalia	95
6 Afghanistan	77
7 West Bank and Gaza Strip	68
8 Kazakhstan	40
9 Pakistan	37
10 Iraq	33
Memo: Share of gross bilateral ODA	
Top 20 recipients	89%
Top 10 recipients	85%
Top 5 recipients	77%





Source: OECD (2016g), "Turkey's official development assistance (ODA)", webpage, OECD, Paris, *www.oecd.org/dac/dac-global-relations/turkeys-official-development-assistanceoda.htm*.

StatLink http://dx.doi.org/10.1787/888933361085

United Arab Emirates

In 2014, the United Arab Emirates' (UAE) total net ODA reached USD 5.1 billion, representing a decrease in real terms of 6% over 2013. The ratio of ODA as a share of GNI also fell in 2014 to 1.26%, down from 1.34% in 2013. Preliminary data show that ODA reached USD 4.4 billion in 2015 (1.09% of GNI). The UAE's exceptional support to Egypt decreased from USD 4.6 billion in 2013 to USD 3.2 billion in 2014, which explains the decrease in total ODA. The UAE nevertheless remained well above the United Nations' ODA/GNI target for economically advanced countries of 0.7%.[7]

The Ministry of International Co-operation and Development, created in 2013, maintains overall responsibility for setting policy, geographical and sectoral priorities; identifying modalities and mechanisms for foreign aid distribution and implementation; and documenting aid flows. It is currently developing a strategy for the UAE's development co-operation.

In 2014, the UAE provided its bilateral co-operation mostly to Egypt, followed by Jordan, Morocco, the West Bank and Gaza Strip, Pakistan, and Afghanistan. The main sectors of the UAE's bilateral commitments were production (agriculture), economic infrastructure (transport and energy) and humanitarian assistance. The UAE provides its bilateral programme mostly in the form of grants.

Multilateral ODA accounted for 3% of the country's total ODA in 2014, provided primarily through the Islamic Development Bank (24%), the United Nations (17%) and other, mostly Arab, multilateral organisations.

The UAE is a Participant in the DAC. In 2015, the UAE participated in the DAC Senior-Level Meeting, as well as the meetings of the DAC Network on Environment and Development Co-operation (ENVIRONET) and the DAC Working Party on Development Finance Statistics (WP-STAT). The UAE also participated, as an observer, in the DAC Peer Review of Germany and in the 2015 Arab-DAC Dialogue on Development held at the OECD. The DAC Chair visited the UAE in January 2015 to speak during the launch of the Emirate's annual report on foreign aid.

Figure 38.9. **ODA key statistics: United Arab Emirates**

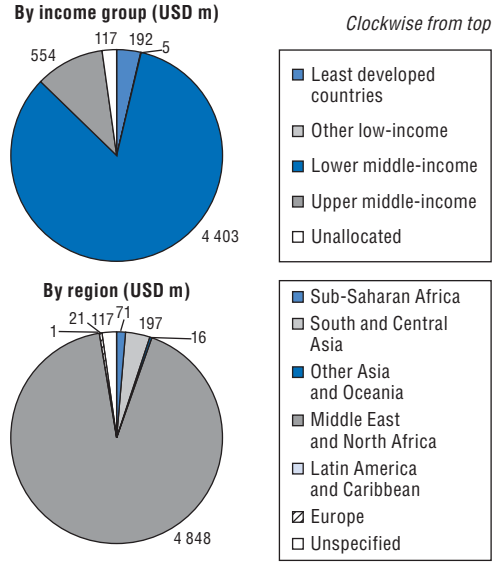
UNITED ARAB EMIRATES

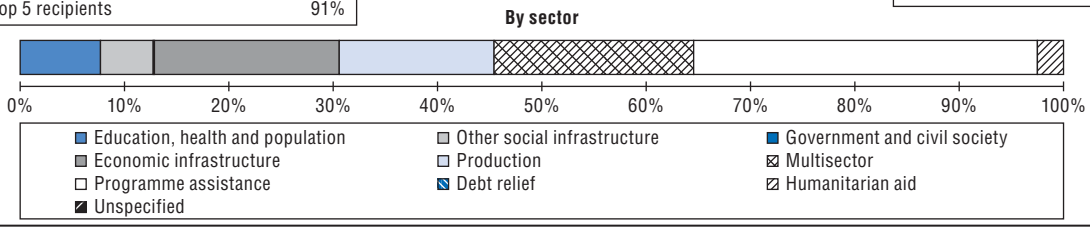
Gross bilateral ODA, 2013-14 average, unless otherwise shown

Net ODA	2013	2014	2015p	Change 2014/15
Current (USD m)	5 402	5 080	4 389	-14%
Constant (2014 USD m)	5 402	5 080	4 892	-4%
In UAE dirham (millions)	19 841	18 660	16 120	-14%
ODA/GNI	1.34%	1.26%	1.09%	
Bilateral share	100%	97%	99%	

P: Preliminary data.

Top ten recipients of gross ODA (USD million)	
1 Egypt	3 892
2 Jordan	414
3 Morocco	277
4 Pakistan	115
5 West Bank and Gaza Strip	78
6 Afghanistan	71
7 Yemen	57
8 Algeria	31
9 Syrian Arab Republic	26
10 Libya	25
Memo: Share of gross bilateral ODA	
Top 20 recipients	97%
Top 10 recipients	95%
Top 5 recipients	91%





Source: OECD (2016h), "United Arab Emirates' development co-operation", webpage, OECD, Paris, *www.oecd.org/dac/dac-global-relations/uae-official-development-assistance.htm*.

StatLink http://dx.doi.org/10.1787/888933361091

Overview of other providers that report to the OECD

In 2014, **Saudi Arabia**'s[8] development co-operation rose to USD 14 billion, representing an increase in real terms of 139% since 2013.

Among the nine European Union member states that are not members of the DAC, Estonia and Hungary (OECD members), Latvia and Lithuania (OECD accession countries) and Romania (which reports at activity level) were discussed above. Four other European Union member states also report to the OECD: in 2014, **Bulgaria**'s ODA decreased by 2% in real terms over 2013, to reach USD 49 million, while **Malta**'s development co-operation rose to USD 20 million, an increase of 11% in real terms. **Croatia**'s ODA reached USD 72 million in 2014, an increase in real terms of 59% over 2013. **Cyprus**[9, 10] had not reported 2014 figures at the time of preparing this report. In 2013 its development co-operation reached USD 20 million.

Thailand reported that its development co-operation increased from USD 36 million in 2013 to USD 69 million in 2014. In 2014, **Chinese Taipei**'s development co-operation increased slightly (by 0.4%) compared to 2013, reaching USD 274 million. **Liechtenstein**'s development co-operation decreased slightly, from USD 28 million in 2013 to USD 27 million in 2014. In 2013 – the latest year for which a GNI figure for Liechtenstein is available – its ODA/GNI ratio reached 0.65%, compared to 0.75% in 2012.

Non-reporting countries

A number of significant providers of development co-operation do not report their development finance flows to the OECD, although they are welcome to do so. A conservative estimate by the OECD indicates that total gross concessional development finance by these ten non-reporting countries amounted to USD 7.5 billion in 2014. Their development co-operation programmes are discussed below, and include two OECD member countries (Chile and Mexico), two OECD accession countries (Colombia and Costa Rica) and the OECD Key Partners (Brazil, China, India, Indonesia and South Africa). Like Kazakhstan, Thailand and Turkey, presented in the previous section, these countries have a dual role since they both receive and provide development co-operation. Estimates for Qatar are also included, as Qatar publishes data on its significant development co-operation programme in its foreign aid reports.

Brazil

Brazil is a South-South co-operation provider. The 2010 figures on Brazil's overall development co-operation programme remain the most recent available (IPEA and ABC, 2013); no new figures were published in 2015. The 2010 figure – a total of USD 923 million – includes activities that are not, or not entirely, included as development co-operation in DAC statistics (and may also exclude some development activities that would be included in DAC statistics).[11] The OECD estimates that Brazil's development co-operation amounted to USD 500 million in 2010 (Table 38.2), up from USD 362 million in 2009. Of these USD 500 million, 60% was channelled through multilateral organisations in 2010. More recent estimates by the OECD suggest that Brazil channelled USD 177 million through multilateral organisations in 2014 (derived from the multilateral organisations' websites).

The Ministry of External Relations oversees Brazil's development co-operation, while the Brazilian Cooperation Agency provides technical co-operation. Apart from technical co-operation, Brazil's bilateral co-operation includes humanitarian assistance, scientific and technological co-operation, scholarships and imputed student costs, and refugee costs.

Brazil is also engaged in triangular co-operation, partnering with several international organisations (e.g. the United Nations Development Programme; the Food and Agriculture Organization of the United Nations; the World Food Programme; the International Labour

Table 38.2. **Estimates of gross concessional flows for development co-operation, 2010-14**

Millions USD

	2010	2011	2012	2013	2014	Source
Brazil[1]	500	..	..	..	..	Institute of Applied Economic Research (IPEA) and Brazilian Cooperation Agency (ABC)
Chile	16	24	38	44	49	Ministry of Finance
China (People's Republic of)	2 564	2 785	3 123	2 997	3 401	*Fiscal Yearbook*, Ministry of Finance
Colombia	15	22	27	42	45	Strategic institutional plans, Presidential Agency of International Cooperation
Costa Rica	..	..	..	21	24	Annual budget laws, Ministry of Finance
India[2]	708	794	1 077	1 223	1 398	Annual budget figures, Ministry of Finance
Indonesia	10	16	26	49	56	Ministry of National Development Planning
Mexico	..	99	203	529	..	Mexican Agency for International Development Cooperation (AMEXCID)
Qatar	334	733	543	1 344	..	Foreign aid reports, Ministry of Foreign Affairs
South Africa[2]	154	229	191	191	148	Estimates of public expenditures, National Treasury

Notes: These data are OECD-DAC Secretariat estimates of concessional flows for development from countries that do not report to DAC statistical systems. Unlike the figures of reporting countries, these estimates are on a gross basis because information on repayments is not available.

Estimates are based on publically available information and are therefore not necessarily complete or comparable. For some countries, estimates on funds channelled through multilateral organisations are based on data from the UN Department of Economic and Social Affairs, *www.aidflows.org* and websites of other multilateral organisations.

Data include only development-related contributions. This means local resources – financing from a country through multilateral organisations earmarked to programmes within that same country – are excluded. Moreover, as for reporting countries, coefficients are applied to core contributions to multilateral organisations that do not exclusively work in countries eligible for receiving ODA. These coefficients reflect the developmental part of the multilateral organisations' activities.

.. Not available.

1. See Note 11 at the end of this chapter.
2. Figures for India and South Africa are based on their fiscal years. For example, 2012 data correspond to fiscal year 2012/13.

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Organization; the United Nations Office on Drugs and Crime; and the United Nations Educational, Scientific and Cultural Organization – UNESCO) and DAC members (e.g. Germany, Japan and the United States). These programmes support developing countries (e.g. South American countries, Lusophone African countries, Haiti and Timor-Leste) in areas such as agriculture, food security, health and public administration.

Whereas Brazil's development co-operation to multilateral organisations was primarily channelled through the International Development Association in 2013, in 2014 the main recipients were the United Nations (65% of multilateral funds) and the Inter-American Development Bank (29%; Table 38.3).

Brazil is a Key Partner of the OECD. In 2015, Brazil participated in the DAC Senior-Level Meeting as well as meetings of the DAC (joint) subsidiary bodies: the Advisory Group on Investment and Development (AGID) and the Working Party on Development Finance Statistics (WP-STAT).

Chile

Chile's total concessional finance for development reached USD 49 million in 2014 compared to USD 44 million in 2013 (OECD estimates based on Government of Chile, 2013, 2014; and websites of multilateral organisations). In 2014, Chile channelled USD 37 million through multilateral organisations (Table 38.3).

In 2015, the Chilean Agency for International Co-operation was renamed the Chilean Agency for International Co-operation and Development (AGCID) to emphasise its developmental focus. Chile released a new policy in 2015 that sets out its vision to 2030 based on the following principles: 1) promoting people's dignity; 2) strengthening democracy; 3) promoting peace; 4) strengthening the role of Latin America and the Caribbean in global governance; and 5) supporting regional integration

Table 38.3. **Estimated development-oriented contributions to and through multilateral organisations, 2012-14 (three-year average)**

Current USD million

	Brazil	Chile	China (People's Republic of)	Colombia	Costa Rica	India	Indonesia	Mexico	Qatar	South Africa
Total United Nations	**118.2**	**8.0**	**159.5**	**13.8**	**1.8**	**35.6**	**12.7**	**58.9**	**20.1**	**24.8**
United Nations Organization (18%)	12.4	1.5	22.4	1.1	0.1	4.7	1.5	9.9	0.9	2.8
Food and Agriculture Organization (51%)	17.1	0.8	13.6	4.9	0.1	1.7	0.7	12.4	0.4	3.0
UN Educational, Scientific and Cultural Organization (60%)	17.3	1.2	13.5	0.5	0.1	1.4	2.7	4.4	1.0	0.9
World Health Organization (76%)	9.1	1.0	17.4	0.7	0.1	2.8	1.6	7.6	0.8	1.5
UN Department of Peacekeeping Operations (7%)	0.5	0.1	30.8	0.0	0.0		0.1	0.4	0.8	0.1
World Food Programme (100%)	14.5	0.0	7.4	1.3		1.1		0.1	1.0	6.7
International Fund for Agricultural Development (100%)	5.6		9.0			10.3	2.0	1.7		0.2
International Labour Organization (60%)	5.4	0.8	8.0	2.1	0.1	1.6	0.5	5.9	0.3	3.0
UN Industrial Development Organization (100%)	2.7	0.4	7.8	0.6	0.1	3.4	0.4	3.2	0.2	1.1
International Atomic Energy Agency (33%)	3.3	0.4	8.0	0.3	0.1	1.2	0.5	4.6	0.3	0.8
UN Development Programme (100%)	1.5	0.8	8.9	0.3	1.2	4.7	0.9	1.0	0.7	2.8
Other United Nations	28.7	1.0	12.7	2.1	0.1	2.6	1.7	7.9	13.6	2.1
Total regional development banks	**58.3**	**11.4**	**187.0**	**15.0**	**13.7**	**6.1**	**2.6**	**44.0**	**23.1**	**33.1**
Inter-American Development Bank (100%)	51.2	11.4	83.3	11.4	1.7			32.5		
African Development Bank (100%)	7.1		95.1			0.8				33.1
Islamic Development Bank (100%)							2.6		23.1	
Central American Bank for Economic Integration (100%)				1.8	12.1			11.5		
Asian Development Bank (100%)			6.7			5.3				
Caribbean Development Bank (100%)		0.0	1.8	1.8						
World Bank Group (total)	60.4	11.5	16.7	0.3		23.7		1.0		16.9
Other multilateral organisations	**4.0**	**0.0**	**10.9**	**0.4**		**15.8**		**3.9**		**34.4**
African Union (100%)										20.0
Global Environment Facility (100%)	2.7		3.4			2.6		2.9		1.5
The Global Fund (100%)	0.8		4.7			2.5				0.5
Southern African Development Community (100%)										6.7
Other organisations	0.5	0.0	2.8	0.4		10.7		1.0		5.7
Overall total	**240.9**	**30.9**	**374.0**	**29.5**	**15.6**	**81.1**	**15.3**	**107.8**	**43.3**	**109.1**

Notes: Data include only development-related contributions. DAC coefficients – the percentage of an organisation's core budget allocated to developmental purposes in developing countries (see first column in parenthesis) – are applied to core contributions. Lastly, local resources, financing from a country through multilateral organisations destined to programmes within that same country, are excluded.
The information in this table is mainly based on data from the UN Department of Economic and Social Affairs (DESA), *www.aidflows.org* and websites of other multilateral organisations and national publications of the countries involved. Not all data on contributions to multilateral organisations are made publicly available, so the presented information may not be complete.

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and convergence in Latin America and the Caribbean. This vision is being implemented through a strategy for 2015-18 that emphasises promoting inclusive and sustainable development, the need for strong partnerships, and the importance of consolidating Chile's national system for international co-operation, including a stronger role for AGCID. The agency manages and co-ordinates incoming and outgoing bilateral, triangular and regional development co-operation.

Chile's priority partner countries are primarily in Latin America and the Caribbean. Its co-operation programme is spread across a range of sectors, including governance and institutional strengthening; poverty reduction and social development; and support to industry, innovation and competitiveness. Chile's bilateral co-operation is mostly provided in the form of technical assistance and scholarships.

Chile is also engaged in triangular co-operation, partnering with several international organisations (e.g. the Inter-American Development Bank and the World Food Programme), Mexico and DAC members (e.g. Australia, Canada, France, Germany, Korea, Japan, New Zealand, Spain, Switzerland and the United States) to support development in other developing countries (e.g. Bolivia, Colombia, the Dominican Republic, Ecuador, El Salvador, Guatemala and Paraguay).

Chile's development co-operation through multilateral organisations was primarily channelled through the Inter-American Development Bank (39%), the International Development Association (31%) and the United Nations (30%) in 2014.

Chile, which joined the OECD in 2010, is an observer to the DAC. In 2015, Chile participated in the DAC Senior-Level Meeting – where the Executive Director of AGCID presented its new policy – and a meeting of the DAC Working Party on Development Finance Statistics (WP-STAT). Chile also participated, as an observer, in the DAC Peer Review of Spain.

China (People's Republic of)

China's total concessional finance for development reached USD 3.4 billion in 2014 compared to USD 3 billion in 2013 (OECD estimates based on Government of China, 2015; and websites of multilateral organisations). In 2014, China channelled USD 397 million through multilateral organisations. The second *White Paper on China's Foreign Aid* includes information on the overall geographical and sectoral distribution of the Chinese programme between 2010 and 2012 (Government of China, 2014).

The *Eight Principles for Economic Aid and Technical Assistance to Other Countries*, announced by Premier Zhou Enlai in 1964, set out the core principles of China's foreign development co-operation (Government of China, 1964). The Ministry of Commerce's Department of Foreign Assistance is at the centre of the Chinese system and manages over 90% of its bilateral funding. It is responsible for drafting the development co-operation budget and regulations, managing foreign development co-operation joint ventures; programming zero-interest loans and grants, and co-ordinating concessional loans with the China Exim Bank (the latter are not included in OECD estimates because little information is available on their objectives or financial terms).

China does not have specific priority countries (aside from the Democratic People's Republic of Korea). Its grant aid is distributed more or less equally to some 120 partner countries. The main sectors are public facilities, industry and economic infrastructure. China offers eight different forms of co-operation with complete projects (turn-key projects) being the major modality. China also provides humanitarian assistance.

China is starting to engage in triangular co-operation, partnering with several international organisations (e.g. the United Nations Development Programme, the United Nations Industrial Development Organization and the World Bank) and DAC members (e.g. New Zealand, the United Kingdom and the United States).

China's development co-operation through multilateral organisations was primarily channelled through the United Nations (51%) and the African Development Bank (45%; Table 38.3). China is also a founding member of the new Asian Infrastructure Investment Bank (AIIB), a multilateral development bank with its headquarters in China.

China is a Key Partner of the OECD. In 2015, China participated in the DAC Senior-Level Meeting and a meeting of the DAC Working Party on Development Finance Statistics (WP-STAT). The DAC Chair visited China in May 2015 to speak at a workshop at the Chinese Academy of International Trade and Economic Cooperation (CAITEC) on Promoting Responsible Business Conduct: *The OECD Guidelines for Multinational Enterprises* and the role of National Contact Points.

Colombia

Colombia's total concessional finance for development reached USD 45 million in 2014, compared to USD 42 million in 2013 (OECD estimates based on Government of Colombia, 2013, 2014; and websites of multilateral organisations). In 2014, Colombia channelled USD 37 million in development-orientated contributions through multilateral organisations and USD 8 million through South-South co-operation programmes and initiatives.

The Colombian Presidential Agency of International Co-operation (APC-Colombia), created in 2011, sets priorities and ensures alignment of Colombia's development co-operation with its National Development Plan and foreign policy. The agency manages and co-ordinates Colombia's incoming and outgoing development co-operation and, through the Roadmap for International Co-operation, sets out Colombia's strengths and good practices that can be shared with other countries. It has also introduced a national co-ordination scheme as well as monitoring systems.

Through its South-South co-operation, Colombia shares its knowledge and experience in areas such as entrepreneurship, security, food security, culture, agricultural innovation, social development, climate change and disaster risk management, tourism, statistics, and employment. More than 70 countries in Latin America and the Caribbean, Africa, Asia, and the Middle East benefit from Colombian programmes and policies in support of their own development efforts. In addition, Colombia is an active partner in developing projects in regional mechanisms such as the Pacific Alliance, the Ibero-American General Secretariat (SEGIB) and the Forum for East Asia-Latin America Cooperation (FEALAC).

Colombia is also engaged in triangular co-operation, partnering with several international organisations (e.g. the United Nations Population Fund and the Organization of American States) and DAC members (e.g. Australia, Canada, Germany, Japan, Korea and the United States) to support other developing countries – mainly in Central America and the Caribbean – in a wide range of areas.

In 2014, Colombia's development-oriented contributions through multilateral organisations were primarily channelled through the United Nations (56%) and the Inter-American Development Bank (39%).

In 2015, Colombia, an OECD accession country, participated as an observer in the DAC Senior-Level Meeting as well as meetings of several DAC (joint) subsidiary bodies: the Advisory Group on Investment and Development (AGID) and the Working Party on Development Finance Statistics (WP-STAT).

Costa Rica

Costa Rica's total concessional finance for development reached USD 24 million in 2014, compared to USD 21 million in 2013 (OECD estimates based on Government of Costa Rica, 2014, 2015; and websites of multilateral organisations). In 2014, Costa Rica channelled USD 24 million through multilateral organisations.

The Directorate-General for International Co-operation of the Ministry of Foreign Affairs manages Costa Rica's incoming and outgoing development co-operation. Fundecooperación is the national body in charge of monitoring and administering the Programme of South-South Cooperation on Sustainable Development with Benin, Bhutan and Costa Rica. It also acts as a platform for alliances among the government, civil society, academia and private stakeholders.

Costa Rica mainly provides development co-operation in the form of technical co-operation through bilateral and regional initiatives. Spain has a triangular co-operation fund to support Costa Rica in its triangular co-operation projects with other Central American and Caribbean countries (e.g. El Salvador, Guatemala and Honduras) in areas such as social cohesion, competitiveness and production, and participative democracy.

In 2014, Costa Rica's multilateral development co-operation was primarily channelled through the Central American Bank for Economic Integration (75%) and the United Nations (16%; Table 38.3).

Costa Rica became an OECD accession country in 2015, and participated in the DAC Senior-Level Meeting as well as a meeting of the Advisory Group on Investment and Development (AGID). The Vice-Minister for Environment participated in a workshop organised by the DAC Network on Environment and Development Co-operation on biodiversity.

India

India's total concessional development finance reached USD 1.4 billion in 2014, compared to USD 1.2 billion in 2013 (OECD estimates based on Government of India, 2015a, 2015b). India channelled USD 141 million (10% of its concessional development finance) through multilateral organisations in 2014, compared to USD 52 million in 2013. This increase is mainly due to a contribution of USD 71 million to the World Bank Group's International Development Association (Table 38.3).

The Development Partnership Administration within the Ministry of External Affairs co-ordinates India's bilateral development co-operation. It manages grants and the Indian Technical & Economic Cooperation Programme. The Ministry of Finance manages multilateral assistance and exercises administrative oversight over the concessional loans and lines of credit provided by the Exim Bank.

India's priority partner countries are its neighbours in South Asia. Between 2009 and 2015, Bhutan received 61% of India's bilateral development co-operation, followed by Afghanistan (9%), Sri Lanka (7%), Nepal (5%), Bangladesh (3%), Myanmar (2%) and the Maldives (2%). Recently, co-operation with Africa increased, with the majority of new lines of credit being allocated to Africa in 2014. The main sectors of India's development co-operation are health, education, energy (hydropower) and information technology.

In 2014, India's multilateral flows were primarily channelled through the International Development Association (50%), as well as through the United Nations (24%), and other multilateral organisations and regional development banks.

India is a Key Partner of the OECD. In 2015, India participated in a meeting of the Advisory Group on Investment and Development (AGID).

Indonesia

Indonesia's total development co-operation reached USD 16 million in 2014, compared to USD 12 million in 2013 (OECD estimates).[12] The OECD estimates that Indonesia channelled around USD 13 million through multilateral organisations in 2014 (Table 38.3) with the remaining USD 3 million provided bilaterally.

Several government regulations, national plans and presidential instructions guide Indonesia's development co-operation. The National Development Planning Agency (BAPPENAS) is responsible for developing and co-ordinating Indonesia's national strategy for development co-operation. Together with the Ministry of Foreign Affairs, the Ministry of Finance and the State Secretariat, BAPPENAS constitutes the National Coordination Team on South-South and Triangular Cooperation.

Indonesia co-operates bilaterally with around 40 partner countries, most of them in Asia, in a variety of sectors. Bilateral co-operation consists mainly of scholarships and technical co-operation projects.

Indonesia is also engaged in triangular co-operation, partnering with several international organisations and DAC members such as Australia, Austria, Belgium, Canada, Denmark, Finland, France, the Netherlands, Norway, the United States and many others.

According to OECD estimates, in 2014 Indonesia channelled all of its multilateral development co-operation through the United Nations.

Indonesia is a Key Partner of the OECD; in 2015 it participated in the DAC Senior-Level Meeting.

Mexico

In 2015, Mexico published figures on its development co-operation programme for 2013 (Government of Mexico, 2015); these are the most recent consolidated figures available on Mexico's development co-operation.[13] According to these figures, Mexico's international development co-operation reached USD 552 million in 2013, up from USD 277 million in 2012 (Government of Mexico, 2014). Out of the total disbursed in 2013, the OECD estimates that at least USD 529 million would count as development co-operation in DAC statistics. The large increase in Mexico's development co-operation in 2013 is explained by a debt relief operation with Cuba, which represented 82% of Mexico's total bilateral co-operation. Mexico channelled 20% of the USD 529 million through multilateral organisations in 2013 (OECD estimates based on Government of Mexico, 2015; and websites of multilateral organisations). More recent estimates by the OECD suggest that Mexico channelled USD 106 million through multilateral organisations in 2014.

The Law on International Co-operation for Development (2011) mandated the government to set up the International Development Co-operation Programme and the Mexican Agency of International Development Cooperation (AMEXCID), as well as the tools necessary to programme, co-ordinate, implement, monitor, report and evaluate development co-operation. The Ministry of Foreign Affairs has overall responsibility for Mexico's development co-operation, which is co-ordinated by the agency and implemented through public institutions at the federal level.

Mexico's priority partner countries are those in Latin America and the Caribbean. The priority sectors for its bilateral development co-operation are public administration, agriculture, environmental protection, statistics, education, science and technology, and health. Mexico's bilateral development co-operation is provided mainly through technical and scientific co-operation provided by civil servants who are experts in the specific sectoral topic. The main mechanism for regional co-operation is the Mesoamerican Integration and Development Project.

Mexico is also engaged in triangular co-operation, partnering with DAC members (e.g. Germany, Japan and Spain), Chile and several international organisations (e.g. the Inter-American Institute for Cooperation on Agriculture, UNICEF, the United Nations Development Programme and the World Trade Organization) to support other developing countries, mainly in Latin America and the Caribbean.

Mexico's development co-operation through multilateral organisations is primarily channelled through the United Nations (56%) and regional development banks (42%).

Mexico, which joined the OECD in 1994, is an observer to the DAC. In 2015, Mexico participated in the DAC Senior-Level Meeting as well as meetings of some DAC (joint) subsidiary bodies: the Advisory Group on Investment and Development (AGID), the Network on Gender Equality (GenderNet), the Network on Development Evaluation (EvalNet), and the Working Party on Development Finance Statistics (WP-STAT). Mexico also participated, as an observer, in the DAC Peer Review of Belgium.

Qatar

The latest foreign aid report published by Qatar covers 2013 (Government of Qatar, 2014). Based on that report, the OECD estimates that Qatar's development co-operation amounted to USD 1.3 billion in 2013, up from USD 544 million in 2012 and USD 734 million in 2011. More recent estimates by the OECD suggest that Qatar channelled USD 51 million through multilateral organisations in 2014, mainly through the United Nations (84%) and the Islamic Development Bank (websites of multilateral organisations).

Qatar views development co-operation as an integral part of its foreign policy. The Office of the Minister's Assistant for International Cooperation Affairs in the Ministry of Foreign Affairs is responsible for development co-operation and humanitarian assistance. Within the ministry, the Department of International Development is the central unit in charge of policy design. The Qatar Development Fund (QDF) is a public organisation established through Law 19 of 2002 mandated to co-ordinate and implement foreign development assistance on behalf of the state of Qatar.

In 2013, the main recipients of Qatari development co-operation were Syria, Morocco, the West Bank and Gaza Strip, Egypt, and Yemen. The main sectors were humanitarian aid, construction, and multi-sectoral and budget support.

South Africa

South Africa's total concessional finance for development reached USD 148 million in 2014, compared to USD 191 million in 2013 (OECD estimates based on Government of South Africa, 2015a; and websites of multilateral organisations). In 2014, South Africa channelled USD 99 million through multilateral organisations (Table 38.3). Beyond development co-operation, South Africa uses several other development finance instruments, including loan and equity investments provided by the Development Bank of Southern Africa and the Industrial Development Corporation, as well as payments to the Southern African Customs Union and expenditure in the area of peace and security.

The Strategic Plan 2015-2020 (Government of South Africa, 2015b) of South Africa's Department of International Relations and Cooperation (DIRCO) emphasises co-operation with "the African continent" and "strengthening South-South relations". DIRCO is responsible for strategy and foreign policy formulation, and other line ministries are involved in the implementation of development co-operation projects. The National Treasury has a co-ordinating function in terms of managing incoming ODA and funds for outgoing development co-operation. DIRCO and the National Treasury are on the advisory committee of the African Renaissance and International Cooperation Fund (ARF). All South African departments are eligible to apply for ARF funding for development co-operation projects. South Africa's development co-operation structures may change when the South African Development Partnership Agency (SADPA) becomes operational under the Department of International Relations and Cooperation.

South Africa prioritises co-operation with the African continent, with a strong focus on member countries of the Southern African Development Community. The priority sectors of its bilateral development co-operation are peace, security, post-conflict reconstruction, regional integration, governance and humanitarian assistance. South Africa provides its bilateral development co-operation mostly in the form of technical co-operation.

South Africa is also engaged in triangular co-operation, partnering with several DAC members (e.g. Canada, Germany, Norway, Spain, Sweden and the United States) to support other African countries in areas such as governance, public security and post-conflict reconstruction.

In 2014, South Africa's development co-operation through multilateral organisations was primarily channelled through regional organisations such as the African Development Bank (31%) and the African Union (16%), as well as through the United Nations (18%) and the World Bank Group (16%).

South Africa is a Key Partner of the OECD and in 2015 participated in the DAC Senior-Level Meeting and the meeting of the DAC Working Party on Development Finance Statistics (WP-STAT).

Private development flows

Some private organisations deliver significant amounts of financing for development. At present, the Bill & Melinda Gates Foundation is the only private entity reporting to the OECD on its activities with developing countries (grants, loans and equity). Disbursements by the Gates Foundation in 2014 were higher than in 2013, at USD 2.9 billion. More than two-thirds of its geographically allocated grants target African countries, directly or indirectly.

In 2014, 75% of the Gates Foundation's sector-allocable disbursements were extended to the health sector (including reproductive health). These exclude core contributions of USD 226 million to multilateral organisations working in the health sector. The Gates Foundation is the fourth-largest international source of funds for health after the United States, the Global Fund for Fighting AIDS, Tuberculosis and Malaria (GFATM), and the United Kingdom. The Gates Foundation channels a significant part of its expenditures through NGOs from both partner and provider countries, international NGOs, multilateral agencies, universities, and other teaching or research institutes. The World Health Organization (WHO), Gavi and the United Nations Children's Fund (UNICEF) are the main institutions with which the foundation collaborates.

Notes

1. The DAC encourages bilateral providers of development co-operation that fulfil the DAC accession criteria to apply to join the committee as a member (in the case of OECD countries) or as an associate (in the case of other countries), independent of whether they receive official development assistance. The DAC is open to countries that: 1) have appropriate strategies, policies and institutional frameworks for development co-operation; 2) have an accepted measure of effort in providing development co-operation; and 3) have a system of performance monitoring and evaluation.
2. See: *www.oecd.org/dac/dac-global-relations/non-dac-reporting.htm*.
3. As a Participant, the UAE can attend DAC meetings, contribute to DAC activities and adhere to DAC recommendations on a voluntary basis, without being a full member of the committee.
4. An Invitee may be invited, on a case-by-case basis, to participate in formal meetings of the DAC or its subsidiary bodies. An Invitee may take part in discussions but does not take part in decision-making processes, nor is it bound by the DAC's conclusions, proposals or decisions.
5. The OECD published estimates on credits by the Soviet Union in DAC Chairman's reports in the 1980s. Some of the debt relief reported by the Russian Federation from 2014 onwards may correspond to the credits included in these estimates. Therefore, the statistics currently published on ODA by the Russian Federation and the estimates from the previous Chairman's reports should not be used at the same time.
6. The members of the Commonwealth of Independent States are Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, the Russian Federation, Tajikistan and Uzbekistan.
7. For more information on this target, see: *www.oecd.org/dac/stats/45539274.pdf*.
8. Saudi Arabia's reporting to the OECD on its development co-operation programme consists of aggregate figures on humanitarian and development assistance by region, multilateral aid, contributions to special programmes and societies, and loan disbursements and repayments by the Saudi Fund for Development.
9. Footnote by Turkey: The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the "Cyprus issue".
10. Footnote by all the European Union Member States of the OECD and the European Union: The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.
11. Brazil's development co-operation is significantly higher according to the official figures published by the Brazilian government. The OECD uses these data but, for the purposes of this analysis, only includes in its estimates: 1) activities in low and middle-income countries; and 2) contributions to multilateral agencies whose main aim is promoting the economic development and welfare of developing countries (or a percentage of these contributions when a multilateral agency does not work exclusively on developmental activities in developing countries). The OECD also excludes bilateral peacekeeping activities. Brazil's official data may exclude some activities that would be included as development co-operation in DAC statistics, and so are also excluded from the OECD estimates that are based on Brazil's own data.

12. Aggregate figures reported by the government of Indonesia to the OECD indicate that Indonesia's development co-operation reached USD 49 million in 2013 and USD 56 million in 2014, although no detailed information was provided.

13. Since the approval of the Mexican Law on International Development Cooperation in 2011, Mexico has started collecting data on an annual basis on development co-operation activities by federal institutions. In 2014, the Mexican Agency for International Development Cooperation launched the National Registry of International Development Cooperation and improved the methodological work to define its own directives for quantifying its development co-operation.

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ANNEX A

Technical notes on definitions and measurement

The coverage of the data presented in the *Development Co-operation Report* has changed in recent years. The main points are as follows.

Changes in the concept of official development assistance and the coverage of gross national income

While the definition of official development assistance (ODA) has not changed since 1972, some changes in interpretation have tended to broaden the scope of the concept. The main changes are: the recording of administrative costs as ODA (from 1979), the imputation as ODA of the share of subsidies to educational systems representing the cost of educating students from aid recipient countries (first specifically identified in 1984), and the inclusion of assistance provided by donor countries in the first year after the arrival of a refugee from an aid recipient country (eligible to be reported as of the early 1980s but only widely used since 1991).

Precise quantification of the effects of these changes is difficult because changes in data collection methodology and coverage are often not directly apparent from members' statistical returns. The amounts involved can, however, be substantial. For example, reporting by Canada in 1993 included for the first time a figure for in-Canada refugee support. The amount involved (USD 184 million) represented almost 8% of total Canadian ODA. Aid flows reported by Australia in the late 1980s have been estimated to be approximately 12% higher than had they been calculated according to the rules and procedures that applied 15 years earlier (Scott, 1989).

The coverage of national income has also been expanding through the inclusion of new areas of economic activity and the improvement of collection methods. The 1993 System of National Accounts (SNA) broadened the coverage of gross national product (GNP), renaming it gross national income (GNI). The new SNA 2008,* which is gradually being implemented by members, tends to increase GNI, which, in turn will lower ODA/GNI ratios for some countries.

Recipient country coverage

Since 1990, the following entities were added to the "DAC List of ODA Recipients" at the dates shown: the Black Communities of South Africa (1991; now listed as South Africa); Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan (1992); Armenia, Azerbaijan and Georgia (1993); Palestinian Administered Areas (1994; now listed as West Bank and Gaza Strip); Moldova (1997); Belarus, Libya and Ukraine (2005); Kosovo (2009); South Sudan (2011).

* *www.oecd.org/std/na/sna-2008-main-changes.htm.*

Table A.1. **DAC List of ODA Recipients**

Effective for reporting on 2014, 2015 and 2016 flows

Least developed countries	Other low-income countries (per capita GNI ≤ USD 1 045 in 2013)	Lower middle-income countries and territories (per capita GNI USD 1 046-USD 4 125 in 2013)	Upper middle-income countries and territories (per capita GNI USD 4 126-USD 12 745 in 2013)
Afghanistan	Democratic People's Republic of Korea	Armenia	Albania
Angola	Kenya	Bolivia	Algeria
Bangladesh	Tajikistan	Cabo Verde	Antigua and Barbuda[2]
Benin	Zimbabwe	Cameroon	Argentina
Bhutan		Congo	Azerbaijan
Burkina Faso		Côte d'Ivoire	Belarus
Burundi		Egypt	Belize
Cambodia		El Salvador	Bosnia and Herzegovina
Central African Republic		Georgia	Botswana
Chad		Ghana	Brazil
Comoros		Guatemala	Chile[2]
Democratic Republic of the Congo		Guyana	China (People's Republic of)
Djibouti		Honduras	Colombia
Equatorial Guinea[1]		India	Cook Islands
Eritrea		Indonesia	Costa Rica
Ethiopia		Kosovo	Cuba
Gambia		Kyrgyzstan	Dominica
Guinea		Micronesia	Dominican Republic
Guinea-Bissau		Moldova	Ecuador
Haiti		Mongolia	Fiji
Kiribati		Morocco	Former Yugoslav Republic of Macedonia
Lao People's Democratic Republic		Nicaragua	Gabon
Lesotho		Nigeria	Grenada
Liberia		Pakistan	Iran
Madagascar		Papua New Guinea	Iraq
Malawi		Paraguay	Jamaica
Mali		Philippines	Jordan
Mauritania		Samoa	Kazakhstan
Mozambique		Sri Lanka	Lebanon
Myanmar		Swaziland	Libya
Nepal		Syrian Arab Republic	Malaysia
Niger		Tokelau	Maldives
Rwanda		Ukraine	Marshall Islands
Sao Tome and Principe		Uzbekistan	Mauritius
Senegal		Viet Nam	Mexico
Sierra Leone		West Bank and Gaza Strip	Montenegro
Solomon Islands			Montserrat
Somalia			Namibia
South Sudan			Nauru
Sudan			Niue
Tanzania			Palau
Timor-Leste			Panama
Togo			Peru
Tuvalu			Saint Helena
Uganda			Saint Lucia
Vanuatu[1]			Saint Vincent and the Grenadines
Yemen			Serbia
Zambia			Seychelles
			South Africa
			Suriname
			Thailand
			Tonga
			Tunisia
			Turkey
			Turkmenistan
			Uruguay[2]
			Venezuela
			Wallis and Futuna

1. The United Nations General Assembly Resolution 68/L.20 adopted on 4 December 2013 decided that Equatorial Guinea will graduate from the least developed country category 3.5 years after the adoption of the resolution and that Vanuatu will graduate 4 years after the adoption of the resolution.
2. Antigua and Barbuda, Chile, and Uruguay exceeded the high-income country threshold in 2012 and 2013. In accordance with the DAC rules for revision of this list, all three countries will graduate from the list in 2017 if they remain high-income countries until 2016.

Over the same period, the following countries and territories were removed from the "DAC List of ODA Recipients" at the dates shown: Portugal (1991); French Guyana, Guadeloupe, Martinique, Réunion, and St. Pierre and Miquelon (1992); Greece (1994); Bahamas, Brunei Darussalam, Kuwait, Qatar, Singapore and the United Arab Emirates (1996); Bermuda, Cayman Islands, Cyprus, Falkland Islands, Hong Kong, China, Israel and Chinese Taipei (1997); Aruba, the British Virgin Islands, French Polynesia, Gibraltar, Korea, Libya, Macao, the Netherlands Antilles, New Caledonia and the Northern Marianas (2000); Malta and Slovenia (2003); Bahrain (2005); Saudi Arabia and Turks and Caicos Islands (2008); Barbados, Croatia, Mayotte, Oman, and Trinidad and Tobago (2011); Anguilla and Saint Kitts and Nevis (2014).

From 1993 to 2004, several Central and Eastern European Countries (CEEC)/New Independent States (NIS) countries in transition and more advanced developing countries were included on a separate list of recipients of official aid. This list has now been abolished.

Donor country coverage

Portugal, one of the founding members of the Development Assistance Committee (DAC) in 1961, withdrew from the DAC in 1974 and re-joined in 1991. Spain joined the DAC in 1991; Luxembourg joined in 1992; Greece joined in 1999; Korea joined in 2010; and the Czech Republic, Iceland, Poland, the Slovak Republic and Slovenia joined in 2013. Their assistance is now counted within the DAC total. ODA flows from these countries before they joined the DAC have been added to earlier years' data where available. The accession of new members has added to total DAC ODA, but has usually reduced the overall ODA/GNI ratio, since their programmes are often smaller in relation to GNI than those of the longer established donors.

Treatment of debt forgiveness

The treatment of the forgiveness of loans not originally reported as ODA varied in earlier years. Up to and including 1992, where forgiveness of non-ODA debt met the tests of ODA, it was reportable as ODA. From 1990 to 1992 inclusive, it remained reportable as part of a country's ODA but was excluded from the DAC total. The amounts treated as such are shown in Table A.2. From 1993, forgiveness of debt originally intended for military purposes has been reportable as other official flows, whereas forgiveness of other non-ODA loans (mainly export credits) recorded as ODA is included both in country data and in total DAC ODA in the same way as it was until 1989.

Table A.2. **Debt forgiveness of non-ODA claims**[1]

USD million

	1990	1991	1992
Australia	..	..	4.2
Austria	..	4.2	25.3
Belgium	..	..	30.2
France	294.0	..	108.5
Germany	..	..	620.4
Japan	15.0	6.8	32.0
Netherlands	12.0	..	11.4
Norway	..	..	46.8
Sweden	5.0	..	7.1
United Kingdom	8.0	17.0	90.4
United States	1 200.0	1 855.0	894.0
Total DAC	**1 534.0**	**1 882.9**	**1 870.2**

1. These data are included in the ODA figures of individual countries but are excluded from DAC total ODA in all tables showing performance by donor.

StatLink http://dx.doi.org/10.1787/888933133989

The forgiveness of outstanding loan principal originally reported as ODA does not give rise to a new net disbursement of ODA. Statistically, the benefit is reflected in the fact that because the cancelled repayments will not take place, net ODA disbursements will not be reduced.

Reporting year

All data in this publication refer to calendar years, unless otherwise stated.

Reference

Scott, S. (1989), "Some aspects of the 1988-89 aid budget", in *Quarterly Aid Round-Up*, No. 6, AIDAB, Canberra, pp. 11-18.

ANNEX B

Methodological notes on the Profiles of Development Assistance Committee members

General point: unless otherwise stated, and with the exception of data on official development assistance (ODA) allocation by sector, and ODA supporting gender equality and environment objectives (whose figures refer to commitments), all figures in the profiles refer to gross bilateral disbursements. The term DAC country average refers to weighted averages of Development Assistance Committee (DAC) countries for the specific allocation. Allocations by the European Union institutions are excluded from this calculation. All of the data presented in the profiles are publicly available at: *www.oecd.org/dac/stats*.

The remainder of this annex describes the methodology and sources for: amounts mobilised from the private sector by official development finance interventions, tax and development, aid for trade, pledges to the Green Climate Fund and to the Least Developed Countries Fund, country programmable aid (CPA), support to fragile states, the Gender Equality Policy Marker, the Environment markers, and bilateral allocable aid.

Amounts mobilised from the private sector by official development finance interventions

The source and methodology for data on the amount mobilised from the private sector by official development finance interventions is: Benn, J. et al. (2016), "Amounts mobilised from the private sector by official development finance interventions: Guarantees, syndicated loans and shares in collective investment vehicles", *OECD Development Co-operation Working Papers*, No. 26, OECD Publishing, Paris, *http://dx.doi.org/10.1787/5jm3xh459n37-en*.

Tax and development

To estimate the amount of ODA that supports tax systems development, the OECD uses the DAC's Creditor Reporting System (CRS) database. This database contains detailed information on individual aid activities, including the purpose of aid. In order to identify tax-related activities, a purpose code (CRS Code 15114) was introduced in 2015, which some donors report against. For other donors, a text search is carried out on the descriptive fields of the CRS for key words linked to tax-related activities.

Source: OECD (2015), "Creditor Reporting System: Aid activities", *OECD International Development Statistics* (database), *http://dx.doi.org/10.1787/data-00061-en*. The data cited in the profiles do not include the International Monetary Fund.

Aid for trade

According to the World Trade Organization (WTO) Task Force on Aid for Trade, projects and programmes are part of aid for trade if these activities have been identified as trade-related development priorities in the partner country's national development strategies. Furthermore, the WTO Task Force concluded that to measure aid-for-trade flows, the following categories should be included: technical assistance for trade policy and regulations, trade-related infrastructure, productive capacity building (including trade development), trade-related adjustment, other trade-related needs.

The DAC's CRS database was recognised as the best available data source for tracking global aid-for-trade flows. It should be kept in mind that the CRS does not provide data that match exactly all of the above aid-for-trade categories. In fact, the CRS provides proxies under four headings: trade policy and regulations, economic infrastructure, building productive capacity (BPC), trade-related adjustment. The CRS covers all ODA, but only those activities reported under the above four categories can be identified as aid for trade. It is not possible to distinguish activities in the context of "other trade-related needs". To estimate the volume of such "other" activities, donors would need to examine aid projects in sectors other than those considered so far – for example in health and education – and indicate what share, if any, of these activities has an important trade component. A health programme, for instance, might permit increased trade from localities where the disease burden was previously a constraint on trade. Consequently, accurately monitoring aid for trade would require comparison of the CRS data with donor and partner countries' self-assessments of their aid for trade.

Source: OECD (2015), "Creditor Reporting System: Aid activities", *OECD International Development Statistics* (database), *http://dx.doi.org/10.1787/data-00061-en*.

Pledges to the Green Climate Fund and to the Least Developed Countries Fund

Pledges to the Green Climate Fund (GCF) have been sourced from the Green Climate Fund homepage (*www.greenclimate.fund/contributions/pledge-tracker*), which reflects pledges as of 15 January 2016. Pledges to the Least Developed Countries Fund (LDCF) have been sourced from a joint statement released by the governments of the United States and Canada, Denmark, Finland, France, Germany, Ireland, Italy, Sweden, Switzerland and the United Kingdom on 30 November 2015. The statement can be downloaded from the Global Environment Facility website at the following address: *www.thegef.org/gef/sites/thegef.org/files/joint-statement-ldcf.pdf*.

Country programmable aid

Country programmable aid (CPA) is a subset of gross bilateral ODA. CPA tracks the proportion of ODA over which recipient countries have, or could have, a significant say. CPA reflects the amount of aid that involves a cross-border flow and is subject to multi-year planning at country/regional level.

CPA is defined through exclusions, by subtracting from total gross bilateral ODA activities that: 1) are inherently unpredictable (humanitarian aid and debt relief); 2) entail no cross-border flows (administrative costs, imputed student costs, promotion of development awareness, and costs related to research and refugees in donor countries); 3) do not form part of co-operation agreements between governments (food aid, aid from local governments, core funding to non-governmental organisations, ODA equity investments, aid through secondary agencies, and aid which is not allocable by country or region).

CPA is measured in disbursement terms and does not net out loan repayments since these are not usually factored into country aid decisions. CPA is derived from the standard DAC and CRS databases.

Source: OECD (2015), "Country programmable aid (CPA)", *OECD International Development Statistics* (database), *http://stats.oecd.org/Index.aspx?DataSetCode=CPA*.

For further information, see: *www.oecd.org/development/effectiveness/countryprogrammableaidcpafrequentlyaskedquestions.htm*.

Support to fragile states

Support to fragile states corresponds to gross bilateral ODA to the latest List of Fragile States (which will appear in the OECD's 2016 *States of Fragility* report).

For information on the *States of Fragility* report, see: *www.oecd.org/dac/governance-peace/conflictandfragility/rf.htm*.

Gender Equality Policy Marker

The DAC Gender Equality Policy Marker is a statistical instrument to measure aid that is focused on achieving gender equality and women's empowerment. Activities are classified as "principal" when gender equality is a primary objective, "significant" when gender equality is an important but secondary objective, or "not targeted". In the profiles of DAC members, the basis of calculation is bilateral allocable, screened aid.

Source: OECD (2013), "Aid projects targeting gender equality and women's empowerment (CRS)", *OECD International Development Statistics* (database), *http://stats.oecd.org/Index.aspx?DataSetCode=GENDER*.

Environment markers

The figure "Bilateral ODA in support of global and local environment objectives, two-year averages, commitments" presented in each DAC member profile nets out the overlaps between Rio and environment markers: it shows climate-related aid as a sub-category of total environmental aid; biodiversity and desertification are also included (either overlapping with climate-related aid or as additional – other – environmental aid) but not separately identified for the sake of readability of the figure. One activity can address several policy objectives at the same time. This reflects the fact that the three Rio conventions (targeting global environmental objectives) and local environmental objectives are mutually reinforcing. The same activity can, for example, be marked for climate change mitigation and biodiversity, or for biodiversity and desertification.

"Climate-related aid" covers both aid to climate mitigation and to adaptation from 2010 onwards, but only mitigation aid pre-2010. Reported figures for 2006-09 may appear lower than in practice, and may reflect a break in the series, given that pre-2010 adaptation spend is not marked. In the profiles of DAC members, the basis of calculation is bilateral allocable ODA. More details are available at: *www.oecd.org/dac/stats/rioconventions.htm*.

Source: OECD (2015), "Aid activities targeting global environmental objectives", *OECD International Development Statistics* (database), *http://stats.oecd.org/Index.aspx?DataSetCode=RIOMARKERS*.

Bilateral allocable aid

Bilateral allocable aid is the basis of calculation used for all markers (gender equality, environmental markers). It covers bilateral ODA with types of aid A02 (sector budget support), B01 (core support to NGOs), B03 (specific fund managed by international organisation), B04 (pooled funding), C01 (projects), D01 (donor country personnel), D02 (other technical assistance) and E01 (scholarships).

Glossary

Additionality: In the area of private sector engagement, additionality typically refers to the extent to which an outcome is additional to what otherwise would have occurred without public support.

Aid for trade: Trade-related projects and programmes defined as priorities in national development strategies.

Bilateral flows: Bilateral transactions are those undertaken by a development assistance provider directly with a developing country. They also encompass transactions channelled through **multilateral agencies** ("**multi-bi**" or "earmarked" contributions), transactions with non-governmental organisations active in development and other, internal development-related transactions such as interest subsidies, spending on promotion of development awareness, debt reorganisation and administrative costs.

Blended finance: Blended finance is the strategic use of official funds including concessional tools to mobilise additional capital flows (public and/or private) to emerging and frontier markets.

Budget support: A transfer of resources from a provider to the partner government's national treasury. The transferred funds are managed in accordance with the recipient's budgetary procedures.

Commitment: A commitment is a firm written obligation by a government or official agency, backed by the appropriation or availability of the necessary funds, to provide resources of a specified amount under specified financial terms and conditions and for specified purposes for the benefit of a recipient country or a **multilateral agency**.

Concessional loans: While non-concessional loans are provided at, or near to, market terms, concessional loans are provided at softer terms. To help distinguish **official development assistance (ODA)** from **other official flows**, a minimum **grant element** of 25% has been specified. See: *http://oe.cd/hlm2014* for agreements in 2014 on the assessment of concessionality based on grant element thresholds and discount rates differentiated by income group that will apply from and including 2018 flows (with data also being available on the same basis with effect from 2015 flows).

Core allocations: Un-earmarked contributions; the development assistance provider relinquishes the exclusive control of funds allocated to non-governmental or **multilateral agencies**.

Country programmable aid (CPA): A subset of gross bilateral **official development assistance (ODA)**. Country programmable aid tracks the proportion of ODA over which host countries have, or could have, significant say. It measures gross bilateral official development assistance but excludes activities that: 1) are inherently unpredictable (humanitarian aid and debt relief); 2) entail no cross-border flows (administrative costs, imputed student costs, promotion of development awareness, and costs related to research and refugees in provider countries); 3) do not form part of co-operation agreements between governments (food aid, assistance from local governments, core funding to non-governmental organisations, ODA equity investments, assistance through secondary agencies and assistance which is not allocable by country or region).

Creditor Reporting System (CRS): The central statistical reporting system of the **Development Assistance Committee (DAC)** whereby bilateral and **multilateral** providers of development co-operation report at item level on all flows of resources to developing countries. It is governed by reporting rules and agreed classifications, and used to produce various aggregates, making DAC statistics the internationally recognised source of comparable and transparent data on **official development assistance (ODA)** and other resource flows to developing countries.

DAC: See **Development Assistance Committee**.

DAC List of ODA Recipients: The list of developing countries eligible for **official development assistance (ODA)**. This list is maintained by the **Development Assistance Committee (DAC)** and revised every three years. Data in this report are based on the following income group categories. For further details see Annex A: "Technical notes on definitions and measurement" (the word "countries" includes territories):

- **Least developed countries (LDCs):** a group established by the United Nations. To be classified as an LDC, a country's income, economic diversification and social development must fall below established thresholds. The DAC List of ODA Recipients is updated immediately to reflect any change in the LDCs group.
- **Other low-income countries (LICs):** includes all non-LDCs with per capita gross national income (GNI) of USD 1 045 or less in 2013 (World Bank Atlas basis).
- **Lower middle-income countries (LMICs):** countries with GNI per capita (World Bank Atlas basis) between USD 1 046 and USD 4 125 in 2013. LDCs which are also LMICs are only shown as LDCs, not as LMICs.
- **Upper middle-income countries (UMICs):** countries with GNI per capita (World Bank Atlas basis) between USD 4 126 and USD 12 745 in 2013.

When a country is added to or removed from the LDCs group, totals for the income groups affected are adjusted retroactively to maximise comparability over time with reference to the current list. For the current income classifications as defined by the World Bank, please see: *http://data.worldbank.org/news/2015-country-classifications*.

Development Assistance Committee (DAC): The committee of the Organisation for Economic Co-operation and Development (OECD) that deals with development co-operation matters. A description of its aims and a list of its members are available at: *www.oecd.org/dac*.

Disbursement: The release of funds to or the purchase of goods or services for a recipient; by extension, the amount thus spent. Disbursements record the actual international transfer of financial resources, or of goods or services valued at the cost to the provider.

Grant element: A measure of the concessionality of a **loan**, expressed as the percentage by which the present value of the expected stream of repayments falls short of the repayments that would have been generated at a given reference rate of interest. The reference rate is 10% in DAC statistics. This rate was selected as a proxy for the marginal efficiency of domestic investment, i.e. as an indication of the opportunity cost to the development assistance provider of making the funds available. Thus, the grant element is nil for a **loan** carrying an interest rate of 10%; it is 100% for a grant; it lies between these two limits for a loan at less than 10% interest. If the face value of a loan is multiplied by its grant element, the result is referred to as the grant equivalent of that loan. The grant element reflects all of the key financial terms of a loan **commitment**, namely interest rate, maturity and grace period (interval to first repayment of capital). See: *http://oe.cd/hlm2014* for agreements in 2014 on the assessment of concessionality based on discount rates differentiated by income group (9% for LDCs and other LICs, 7% for LMICs, and 6% for UMICs) that will apply from and including 2018 flows (with data also being available on the same basis with effect from 2015 flows).

Least developed country: See **DAC List of ODA Recipients**.

Loans: Transfers for which repayment is required. Only loans with maturities of over one year are included in **DAC** statistics. The data record actual flows throughout the lifetime of the loans, not the grant equivalent of the loans (see **grant element**). Data on net loan flows include deductions for repayments of principal (but not payment of interest) on earlier loans. This means that when a loan has been fully repaid, its effect on total net flows over the life of the loan is zero. See: *http://oe.cd/hlm2014* for agreements in 2014 on the new "grant equivalent" method for calculating loan ODA that will apply from and including 2018 flows (with data also being available on the same basis with effect from 2015 flows).

Low-income country: See **DAC List of ODA Recipients**.

Middle-income country: See **DAC List of ODA Recipients**.

Multi-bi allocations: Contributions to **multilateral agencies** earmarked for a specific purpose, sector, region or country, which includes contributions to trust funds and joint programming; also referred to as non-core funding.

Multilateral agencies: In DAC statistics, those international institutions with governmental membership that conduct all or a significant part of their activities in favour of development and aid recipient countries. They include **multilateral development banks** (e.g. the World Bank, regional development banks), United Nations agencies and regional bodies (e.g. certain European Union and Arab agencies). A contribution by a **DAC** member to such an agency is deemed to be multilateral if it is pooled with other contributions and disbursed at the discretion of the agency.

Multilateral development bank: An institution created by a group of countries, which provides financing and professional advice for the purpose of development. The main multilateral development banks are the World Bank, the European Investment Bank (EIB), the Asian Development Bank (ADB), the New Development Bank (NDB), the European Bank for Reconstruction and Development (EBRD), the Inter-American Development Bank Group (IDB or IADB), the African Development Bank (AfDB), and the Islamic Development Bank (IsDB).

Multilateral flows: Financial flows to or from **multilateral agencies**. Tables showing the total **official development assistance (ODA)** from providers include contributions by those providers to **multilateral agencies**. Tables showing the total receipts of recipient countries include the outflows of **multilateral agencies** to those countries, but not the contributions which the agencies received from providers of development co-operation.

Official development assistance (ODA): Grants or loans to countries and territories on the **DAC List of ODA Recipients** available at: *www.oecd.org/dac/stats/daclist.htm* and to **multilateral agencies** that are undertaken by the official sector at concessional terms (i.e. with a **grant element** of at least 25%) and that have the promotion of the economic development and welfare of developing countries as their main objective. In addition to financial flows, technical co-operation is included in ODA. Grants, **loans** and credits for military purposes are excluded. See: *http://oe.cd/hlm2014* for agreements in 2014 on the assessment of concessionality based on discount rates differentiated by income group and the new "grant equivalent" method for calculating loan ODA that will apply from and including 2018 flows (with data also being available on the same basis with effect from 2015 flows).

Other official flows: Transactions by the official sector which do not meet the conditions for eligibility as **official development assistance (ODA)**, either because they are not primarily aimed at development or because they have a **grant element** of less than 25%. See **official development assistance**.

Sector-wide approach (SWAp): A method of providing **official development assistance (ODA)** under which project funds are tied to a defined sector policy and channelled through a government authority in the developing country. In essence, a SWAp calls for a partnership between government and development agencies.

South-South co-operation (SSC): There are numerous descriptions of South-South co-operation, but the UN General Assembly describes it as "… a manifestation of solidarity among peoples and countries of the South that contributes to their national well-being, their national and collective self-reliance and the attainment of internationally agreed development goals, including the Millennium Development Goals" (UN General Assembly Resolution 64/222).

Tied aid: Official grants or **loans** where procurement of the goods or services involved is limited to the donor country or to a group of countries which does not include substantially all aid recipient countries. Tied aid loans, credits and associated financing packages are subject to certain disciplines concerning their concessionality levels, the countries to which they may be directed, and their developmental relevance so as to avoid using aid funds on projects that would be commercially viable with market finance, and to ensure that recipient countries receive good value.

Triangular co-operation: There is no internationally agreed definition of triangular co-operation. The expression is nevertheless frequently used to refer to development co-operation where a third party supports co-operation among developing countries (that is, **South-South co-operation [SSC]**). It usually involves one or more bilateral providers of development co-operation or international organisations which support SSC, joining forces with developing countries to facilitate a sharing of knowledge and experience among all partners involved. Activities that only involve several bilateral providers or international organisations without a SSC element (e.g. joint programming, pooled funding or delegated co-operation) are usually not considered triangular co-operation.

Upper middle-income country: See **DAC List of ODA Recipients**.

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The OECD is a unique forum where governments work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

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THE SUSTAINABLE DEVELOPMENT GOALS AS BUSINESS OPPORTUNITIES

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