

Finance

Brief contextual information:

2015 was a crucial year for the Development community. Together with the agreement of a new global agenda, a new needed paradigm shift occurred in the area of Financing for Development (FfD), as reflected in the outcomes of the Addis Ababa Summit on Financing for Development (FfD) (2015). Since then, private finance, in the form of Foreign Direct Investments (FDI), Public Private Partnerships (PPP) and different tools for domestic resource mobilization have become necessary elements in the partnership for development. That has been taken up by the PFD, where many different means and instruments to finance development efforts have been discussed during the last three years.

Main issues discussed

- The relative decline of ODA and the impact that this has in the implementation of the global agenda,
- The involvement of the private sector and the need to ensure a “profit for purpose” mentality in the way they operate.
- Better combine and coordinate tools for development finance (e.g. External Investment Plan) and aid for trade
- How to encourage domestic resource mobilization to support efforts to achieve inclusive growth, poverty eradication and sustainable development
- The External Investment Plan and how its actual implementation can support efforts to achieve development goals, in particular the SDGS
- Trade and coherence for development, and particularly how to better integrate well known concerns related to the respect of human rights particularly social, labour and environmental standards in trade agreements.
- The implications of blended finance for developing countries and its potential impact within the recipient countries.
- How EU financial efforts, including the upcoming NDICI, should adhere to the principles and policies set out in the 2030 Agenda and the new EU Consensus on Development,

Key recommendations made

Overall, there is an agreement about the fact that ODA in itself will not be enough to accomplish the agreed development goals and there is need to look for other ways to finance development which, in turn, should be complemented with measures such as easier finance access, technical assistance, better investment climate and a better structured dialogue with the social partners.

- There is a need to engage further with the private sector, understanding and promoting its role while at the same time, ensuring that adequate checks and balances are in place.
- The 2030 Agenda and the European Consensus on Development provide opportunities to frame and address aid for trade related aspects with a people-centred approach that promotes transparency and accountability: taxation, new regulations, financial support, infrastructure, employment creation and social and economic challenges and support growth which leads to sustainable development.
- Domestic Resource Mobilisation touches upon a broad array of important issues such as illicit financial flows and tax evasion, which must be addressed via international cooperation. Taxation is key as a social redistribution mechanism and taxes and business development are mutually reinforcing, not competing. At the national level, structural transformation is needed in many places to increase the tax base and tax citizenship.
- Lack of peace and security or a lack of macroeconomic stability were some of the obstacles presented as preventing investment from flowing into countries emerging from crises. Current efforts to facilitate investments and engage with the private sector in a structured way could improve regulatory frameworks and the general business environment, at the same time ensuring compliance with international human rights, social and environmental conventions.

To the EU:

- EU financing should continue to be allocated to a diverse range of areas such as social dialogue, gender mainstreaming, decentralisation, environmental protection, fair trade, decent work, etc. At the same time, efforts for peace building necessitate an effective European political contribution for conflict resolution and building democratic, just, fair and durable peace based on the core principles of Human Rights.

Key remaining questions/dilemmas

- How effective is blended finance in meeting development goals?
- Is it possible to ensure that the involvement of the private sector and financial institutions will promote sustainable and inclusive economic progress?
- Is the EU “practice” of Policy Coherence for Development supporting the 2030 Agenda and a rights-based approach to development?
- How to increase the mobilization of local resources and increase the capacity of local actors?
- How to effectively participate in new innovative instruments such as the External Investment Plan?