

## High-Level Round Table Discussion

# “From Development Finance to Financing for Development: Policy alignment and accountability in support of resources for SDG17”

Conceptual scoping in preparation of the new OECD Global Outlook on Financing for Development

On the margins of the UN ECOSOC High-Level Political Forum

Thursday 13 July – 4:30-6:00pm – UN Foundation (801 Second Ave Suite 900. New York, NY)

### Background

The Addis Ababa Action Agenda recognises that no single source of financing is sufficient to achieve the 2030 Agenda. National and international strategies to finance the Sustainable Development Goals (SDGs) are not limited to ODA and will vary according to individual country circumstances. Efficient and coherent tax, investment, aid, philanthropy, remittances and other policies are needed at the global, regional and local level in order for countries to sustainably finance their own development. To further strengthen the next generation of the Financing for Development Agenda and the Means of Implementation of SDG17, ensuring the availability and development-orientation of resources, **it will be essential to build a stronger evidence base on how the full spectrum of financial resources are working together, and how synergies and leveraging can be maximised and trade-offs managed between public, private, domestic and international sources of financing.**

The 2018 OECD Global Outlook on Financing for Development will provide a crucial complementary contribution to the SDG and Addis follow-up. A select number of policy interrelations will be examined through the lens of how **OECD members’ policies and actions connect with partner countries’ policies in support of financing for sustainable development.** The Round Table aims to UN Ambassadors and high-level experts from diverse communities of practice together to exchange on the challenges and knowledge gaps they face, to help shape the scope and approach of this important work to ensure it meets practitioners’ needs.

### Objectives

- Identify the main challenges in understanding the state of play in Financing for Development and ensuring **efficiency and coherence across diverse policies**, to maximise financing for development resources and their SDG-orientation;
- Discuss the **value-added** of empirical work to examine the **interrelations, synergies and trade-offs** between different sources of financing;
- Identify the **challenges** of developing an integrated FfD analytical framework across **public, private, domestic and international resources**;
- Discuss which of the proposed policy interrelations (*see conceptual scoping note below*) could be prioritised to reinforce accountability and inform policy choices that **unlock the potential of different sources of financing.**

### Key Participants (roles tbc)

- H.E. Ms. Marie Chatardova, Ambassador and Permanent Representative, Czech Republic
- H.E. Mr. Ib Petersen, Ambassador and Permanent Representative, Kingdom of Denmark
- G77/China representatives (ambassadorial-level) (tbc)
- H.E. Mr. Marcos Bonturi, Special Representative of the OECD to the United Nations
- Ms. Shari Spiegel, Chief of Branch, UN ECOSOC FfD Office
- Homi Kharas, Senior Fellow and Co-Director in the Global Economy and Development program, Brookings Institution

**Moderator:** Ms. Minh-Thu Pham, Executive Director of Policy, UN Foundation



## High-Level Round Table Discussion

# “From Development Finance to Financing for Development: Policy alignment and accountability in support of resources for SDG17”

Conceptual scoping in preparation of the new OECD Global Outlook on Financing for Development

On the margins of the UN ECOSOC High-Level Political Forum

Thursday 13 July – 4:30-6:00pm – UN Foundation (801 Second Ave Suite 900. New York, NY)

### Orchestration

The Round Table discussion is intended to provide an open and informal consultation between policy experts on tax, investment, aid, philanthropy, remittances, the Financing for Development Agenda and the MoIs of SDG17. An introductory presentation on the background, vision, and approach of the Global Outlook will be delivered by the OECD, followed by interventions from each of the key discussants, who will be asked to speak to a “policy interrelations” question (examples are given below). Key discussants will be asked to speak to: a) where is the forefront of the debate - what do we know and what we need to know regarding the topic chosen; and b) are we asking the right questions?

Several of the policy interrelation questions will be selected for inclusion in the Global Outlook 2018, and for discussion at the event. This will be followed by open, moderated discussion and Q & A from the floor, where participants may focus their comments or respond to multiple topics.

### Conceptual scoping: proposed policy interrelations for discussion

*(options below are not mutually exclusive)*

**Example 1.** While emerging markets provide substantial FDI outflows, the **OECD area remains critical: total OECD FDI outflows** accounted for **74%** of global FDI outflows in 2016 (estimated **USD 1 096 billion**)<sup>1</sup>. Developing countries are experiencing decreases in in-flows: slowing economic growth and falling commodities prices contributed to a **20%** drop in FDI to developing countries in 2016 (estimated **USD600 billion**)<sup>2</sup>. It is important to look at issues such as **tax certainty that impact the volume of investment**. The **quality and SDG-orientation of private investments** is also critical, impacting how these **resources contribute to local economic development benefits** such as the creation of quality jobs, structural transformation, and sustainable development (including through green investment), and the role of catalytic ODA.

#### Key questions:

- How can foreign investment contribute to sustainable development impacts in developing countries? How can this be well-integrated into local economies? Which actors have been investing, divesting and reaping returns – are they primarily foreign or local actors, and in which sectors?
- What is the relationship with international public finance: Has donor activity overcome market failures and increased the level of investment activity in SDG critical sectors? How can private sector resources support a sustainable financing path and address aid dependency?
- How can blending of public and private finance best be managed in support of sustainable development and long-term sustainable investment?

**Example 2.** **Global non-financial sector debt** reached a record high of **USD 152 trillion, or 225% of World Gross Product in 2015**<sup>3</sup>. While much of this has accrued in advanced economies, vulnerable economies such as LDCs and SIDS are also affected: According to the IMF’s list of Low-Income Countries (LICs) Debt Sustainability Analysis (DSA) from 2014 to 2017<sup>4</sup>, **the number of countries at moderate to high risk of debt distress increased by just over 10%** due in part to higher cost commercial loans<sup>5</sup>. Moreover, debt accumulation is not only a public sector issue; **two-thirds of total non-financial sector debt** are private sector liabilities. Historically, provider countries have played an important role for vulnerable developing economies. It is timely to complement and support the work of the

<sup>1</sup> [OECD 2017](#)

<sup>2</sup> [UNCTAD 2017](#)

<sup>3</sup> [IMF 2016](#)

<sup>4</sup> [IMF 2014](#) and [2017](#)

<sup>5</sup> [IMF2017](#)



## High-Level Round Table Discussion

# “From Development Finance to Financing for Development: Policy alignment and accountability in support of resources for SDG17”

Conceptual scoping in preparation of the new OECD Global Outlook on Financing for Development

On the margins of the UN ECOSOC High-Level Political Forum

Thursday 13 July – 4:30-6:00pm – UN Foundation (801 Second Ave Suite 900, New York, NY)

International Monetary Fund, the World Bank Group and others, and further examine current practices and good practice options for bilateral development actors.

### Key questions:

- How can development actors consider and respond to these risks? How much provider effort is dedicated to down-stream debt relief vs efforts to strengthen public financial management and avoid debt-distress up-stream?
- Which innovative debt-based instruments (such as debt swaps, Counter-cyclical loans, GDP-indexed bonds, weather/catastrophe insurance, etc.) are OECD countries utilising and how can these contribute to addressing debt sustainability?

**Example 3. Aid allocated to strengthen tax administration** has huge potential pay-off. **Strengthening revenue generation through domestic reforms and international co-operation** can increase domestic savings and improve creditworthiness, enhancing access to external private financing. However, **2015 data** suggest that only **0.14%** of all ODA is targeted to tax projects<sup>6</sup>. Furthermore, **donor-financed projects often receive tax exemptions** on VAT, customs duties, excise duties, and registration fees, which reduce tax revenue, and in some countries, is estimated to represent **20%** of donor funding and/or imports<sup>7</sup>.

### Key questions:

- How do providers' development finance programmes affect the mobilisation of domestic revenues? How can improved tax and public financial management capacity support a sustainable financing path?
- How widely are ODA tax exemptions utilised, and what impact does this have on recipient countries? What policy considerations and trade-offs ought to be taken into account?
- How can tax reform increase domestic savings and financial market development? How can donors support this process?

**Example 4.** Other private resources, including **remittances and philanthropic flows**, play an increasingly important role. **Remittances** to developing countries are estimated to have reached **USD 441 billion in 2015**<sup>8</sup>. There is evidence of an **untapped economic potential of remittances** which development actors could seek to address, in particular by removing barriers to financial literacy and access to financial markets.

### Key questions:

- How does financial inclusion and financial literacy affect the economic impact of remittances? How can remittances help increase financial market development, improve country-risk rating and reduce credit constraints? What is the role of development co-operation to support these efforts?
- To what extent is foundations' engagement at the country level complementary to ODA flows in terms of sectors, modalities, country allocation and donor coordination?
- What is the impact of tax policy on philanthropic giving and remittances for development?

<sup>6</sup> DCR 2017 forthcoming

<sup>7</sup> [Diallo, ICTD 2013](#)

<sup>8</sup> [OECD 2017](#)

