Editorial

By Angel Gurría, Secretary-General of the OECD

The current financing for sustainable development agenda urgently needs to be re-focussed. It must be examined through a broader lens, one where economic co-operation and development are viewed together as strategic partners in overcoming today's most pressing global challenges. We know that failure to achieve the United Nations Sustainable Development Goals (SDGs) will result in unprecedented global impacts – increased natural disasters, epidemics, and large-scale forced migrations that respect no borders.

The *OECD Global Outlook on Financing for Sustainable Development* presents a path forward for OECD countries to provide better support in advancing the Sustainable Development Goals. Even more importantly, the *Outlook* demonstrates that OECD countries have a powerful capacity to achieve both inclusive growth at home, and support development gains in countries most in need. This is not a zero-sum game: some of the same policy tools used to achieve inclusive growth in OECD-countries can be harnessed to increase SDG financing.

The *Outlook* makes a powerful argument for development to be considered within domestic policy contexts, bringing Ministers of Finance, Revenue, Trade, Investment and others, to join the fight. It is clear that financing for sustainable development today requires eliminating silos and strengthening policy dialogues. Taking just one example from the *Outlook*, while substantial amounts of cross-border financing (USD 1.7 trillion) and tax revenues (USD 4.3 trillion) accrued to developing countries in 2016, little is known about the development impact of the vast bulk of this financing, and what partners can do to maximise it.

The *Outlook* also echoes the optimism of the 2030 Agenda for Sustainable Development, which has shifted the ambitions of Financing for Sustainable Development well beyond aid, to include private investment, remittances, taxation and philanthropy. In this respect, we need to redouble our efforts to build synergies across the spectrum of public and private actors in developing and developed economies and to channel these resources to where they are needed most. It is also critical that the international community harness this optimism, drive, and commitment. The indispensable and promised surge in resources to support the SDGs has not materialised and in some cases has even dropped. Collectively, we stand at a crossroads and the time to act is now.

The OECD focuses on building strong, inclusive economies, setting common standards, expanding trade and investment, and contributing to development in OECD and non-OECD countries alike. We have also long documented the costs of artificial divisions. In a divided world, we all lose, and those most in need are left behind. In 2015, we witnessed the potential of multilateralism as global leaders stepped forward to agree to the 2030 Agenda – the UN Sustainable Development Goals, the Paris

Climate Change Agreement, the Addis Ababa Action Agenda and AEOI as well as BEPs regarding the international tax agenda. We must now re-join forces and work better together – across new platforms and in new ways – to deliver the 2030 Agenda and better policies for better lives.

Build capacity to reduce dependence on foreign aid: The role of domestic resources

Operationalising the partnerships discussed above requires strengthening local capacity, including national policy frameworks for investment (PFIs) to better harness potential sources of external financing for sustainable development. At the 2018 G7 Summit, development and finance ministers said in a statement that they "stressed the importance of strengthening the capacities for public financial management, and underscored the importance of domestic resource mobilisation, including effective tax administration, to advance sustainable development in developing economies".[10] Some domestic enablers that can unleash the potential of beneficiary countries include capacity building for domestic resource mobilisation, aid for trade programmes and information and technology (IT). Further discussion of enablers is presented in Chapter 3.

Yet there is no clear classification or ranking of enablers that providers of financing for sustainable development should aim to deliver as countries undergo development transition. The enablers to improve investment climate and business environment include investment in quality infrastructure and technologies, aid for trade, domestic resource mobilisation, private sector development, competition and regulatory reforms. The economic literature[11] and donors have assigned different roles and priorities to the various enablers.

The current mandate of OECD DAC reflects a shift to better respond to these challenges. It aims to secure a future in which no country will depend on aid and recognises this will require support to strengthen long-term financing capacities, as endorsed by the 2017 High Level Meeting (OECD DAC, 2017[28]). USAID recently committed to "ending its need to exist" by developing a new strategic approach to more systematically build countries' capacity to "plan, finance and manage their own development".[12] A key component of what USAID has called its "journey to self-reliance" framework is a set of metrics that will help through strategic planning to assess each country's progress along its journey and help to inform thinking about strategic transitions.

Investing in domestic resource mobilisation requires a more holistic approach

Direct budget support, technical assistance and capacity building are traditional ways of supporting domestic resource mobilisation. However, there is a need for support to target the broader enabling environment[13] for domestic resource mobilisation. As the "In My View" piece: Is 'maximising finance for development' selling out to the private sector?" in Box 5.5 argues, strong and transparent government is a prerequisite to mobilise resources, including from the private sector.

Box 5.5. In My View: Is "maximising finance for development" selling out to the private sector? by Caroline Heider, Director General, Evaluation, IEG, World Bank Group

Since 2015, a common mantra in development circles has been the mobilisation of the private sector. How can "they" (the many actors in the private sector that is) contribute more to the development endeavours of so many countries around the world?

At the forefront of this discussion has been the money. The 2030 Agenda requires more funding than official development assistance and public sector investments could ever invest. But other good reasons exist. The private sector brings the power of innovation, which is badly needed to address Sustainable Development Goals with inherent resource conflicts and to deliver better and cheaper service delivery to people.

So, is the wholehearted embrace of the private sector into development "selling out" to profiteering companies that pay their bosses extraordinary bonuses and contribute to the increasing inequality? Ever sharper inequality where a few families own as much wealth as half of the world's population, lobbyists who ensure policies favouring industry interests, and an increasing sense of disempowerment - all have understandably triggered fears and strong reactions among people in many countries.

For me, some of the most important lessons from the work we have done at the Independent Evaluation Group point to the need for a holistic approach that ensures all parts of society play an important role. Mobilising the private sector is not possible without a strong, transparent public sector.

Over the years, the World Bank has loaned billions of dollars to client countries to invest in private sector development.

Evaluations that we have undertaken, including on competitiveness and jobs (2016), capital markets (2016), reform of business regulations to improve investment climate (2014), small and medium-sized enterprises (2013), and support for public-private partnerships (2013) have shown that private sector development always requires strong government. This does not mean strong in the sense of all-pervasive governments and state-owned enterprises.

Instead, strong governments are those that act responsibly with the capacity to:

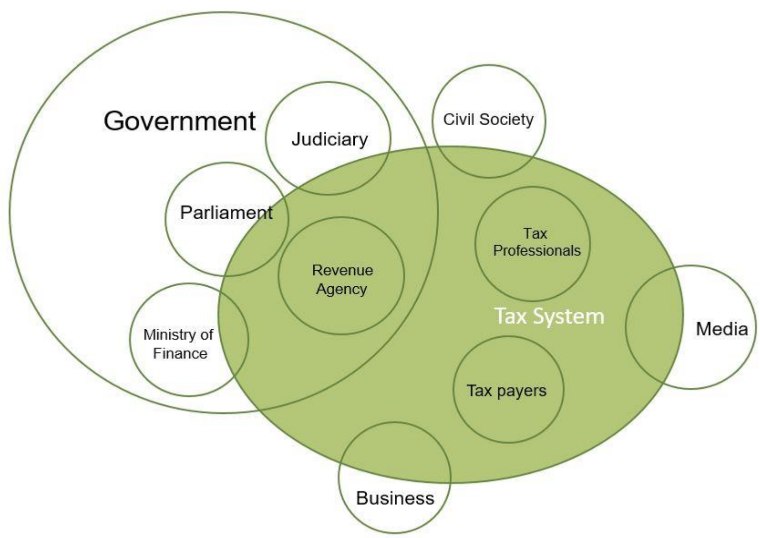
- develop and pursue clear policies
- create a level playing field for all actors
- manage and oversee contracts with the private sector to deliver services
- determine and implement fair tax policies
- efficiently manage public resources
- monitor development progress
- evaluate the effectiveness of policies and programmes

Why is this important for "maximising finance for development"?

It is strong institutions that create a transparent and level playing field. Private investors, from large international to small domestic investor and anything in between, thrive in steady and predictable environments. They need strong governments that play their part. For instance, most public-private partnership deals fall through because government capacity and commitment are lacking. Private investments will not be mobilised in the absence of clear policy frameworks.

Strengthening domestic revenue mobilisation will depend on support to a range of public institutions, including many not directly involved in domestic revenue generation. Figure 5.4 illustrates that in a holistic approach, such institutions indeed extend far beyond a country's revenue authority – across all branches of the government and to businesses and civil society. In addition to direct support to tax authorities, for example through the Addis Tax Initiative, deep-rooted commitment to reform across society is needed to sustain increases in revenues raised.

Figure 5.4. A holistic approach to strengthen revenue systems



Source: IMF-OECD-UN-World Bank Group (2016[29]), *Enhancing the Effectiveness of External Support in Building Tax Capacity in Developing Countries,* http://www.oecd.org/tax/enhancing-the-effectiveness-of-external-support-in-building-tax-capacity-in-developing-countries.pdf.

Additionally, to be effective, the Addis Tax Initiative commitment to double spending on tax capacity building needs to do more than just double spending along existing lines; it must also support building capacity across all the actors in the tax system. As tax systems depend significantly on voluntary compliance, building tax morale among taxpayers is a vital part of domestic revenue mobilisation. Even within more traditional concepts of tax capacity building, significant potential still exists for new approaches to improve results. An example is Tax Inspectors Without Borders (Box 5.6).

Box 5.6. Tax Inspectors Without Borders

Tax Inspectors Without Borders (TIWB), a joint initiative of the OECD and the United Nations Development Programme (UNDP), is a recent innovation in the niche of international tax audit assistance. TIWB is primarily focused on addressing base erosion and profit shifting issues and abusive tax avoidance by some multinational enterprises.

TIWB experts provide audit support for transfer pricing and international tax audits as well as advance pricing agreements across a broad number of commercial sectors. The objective is to assist developing countries to become self-reliant in auditing multinational enterprises. TIWB experts provide practical hands-on assistance by working alongside local tax officials on current tax audits and international tax issues.

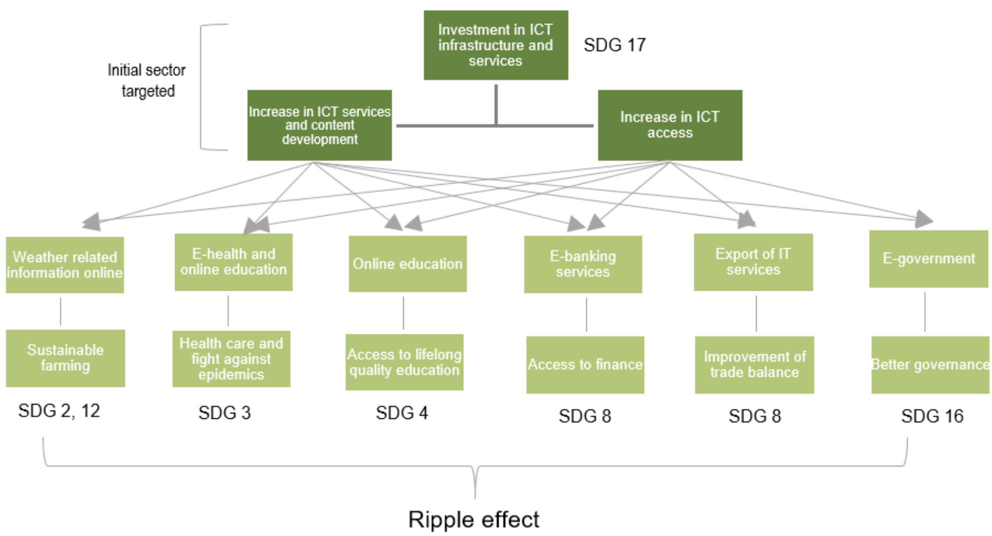
Demand for TIWB continues to grow. There are 44 ongoing or completed programmes worldwide and over 20 programmes in the pipeline. The objective remains 100 programmes by 2020. To date, USD 414 million in increased tax revenues are attributable to TIWB support offered in partnership with the African Tax Administrations Forum and the World Bank Group.

TIWB represents value for money: on average, more than USD 100 in additional tax revenues have been recovered for every USD 1 spent on operating costs. While revenue impact is important, TIWB also has gathered evidence of other long-term outcomes, including skills transfer, organisational change and taxpayer compliance. TIWB programmes complement the broader efforts of the international community to strengthen co-operation (including South-South) on tax matters and contribute to domestic resource mobilisation efforts.

Aid for trade is another means to further increase domestic resources. It can encourage more inclusive private sector engagement to promote job creation and can extend the positive effects of trade – whether in terms of technology transfers, tax revenue, competition or other effects - across the economy. To leverage the role of the private sector, aid for trade can help developing countries in economic upgrading and removal of barriers to more comprehensive private sector investment (World Bank, 2011[30]). In this regard, the Enhanced Integrated Framework (EIF), which was launched in 2007, aims to ensure a more inclusive global trading system for least developed countries. The EIF targets supply side constraints to trade including productive capacity, infrastructure and trade diversification (EIF, 2017[31]).

Targeting support to ICT is also necessary to raise domestic resources, most directly through the enabling of improvements in tax administration and more notably by generating ripple effects in the SDG-related sectors**.** SDG 17 calls for support to ICT, particularly in least developed countries. ICT investments have far-reaching effects across the economy. By encouraging private investment in ICT infrastructure, for example, the government of Ghana was able to trigger digital transformation in other key strategic sectors such as agriculture, health, financial services, education and government (SDGs 3, 4, 8, 12 and 16) and give rise to new services such as e-health, e-learning and mobile banking. Figure 5.5 shows some of the broad catalytic effects of support to the IT sector.

Figure 5.5. Ripple effects of support to the ICT sector across SDGs



Source: World Bank Group (2017[32]), *Creating Markets in Ghana: Country Private Sector Diagnostic,* https://www.compactwithafrica.org/content/dam/Compact%20with%20Africa/Countries/Ghana/CPSD-Creating-Markets-in-Ghana-Nov-2017_v1.pdf.

Financing for sustainable development enablers must also support efforts to better direct domestic resources toward the SDGs

While it is important to generate domestic resources, it is equally important that these resources are retained and effectively guided in support of SDG implementation. Significant amounts of resources generated in developing countries are not deployed for development outcomes in those countries. By some estimates, the informal sector can account for over half of GDP and employment in low-income countries (Pratap and Quintin, 2006[33]). Development partners can help developing countries make the link between tax revenue and development outcomes, as discussed in (Box 5.7).

Box 5.7. Better collecting and spending of domestic resources

The European Union delivers the Collect More, Spend Better approach that promotes sound domestic public finance systems to foster effective domestic revenue collection and use. “Collect more” in this context means increasing the efficiency, effectiveness, fairness and transparency of tax systems while also tackling tax avoidance, tax evasion and illicit financial flows. “Spend better” means improving the efficiency and effectiveness of public spending by addressing public investment expenditures, public procurement and debt management for sustainable development. The approach is a key contribution to the Addis Tax Initiative.

A lack of governance mechanisms to guide resources through productive or redistributive channels is often the reason the informal sector in many developing economies is so pervasive (World Bank, 2016[34]) (de Soto, 1989[35]). A study on employment in the informal economy shows that the perception of government corruption can negatively impact tax revenue and increase the size of the informal sector, thus diverting potential resources from financing sustainable development (Williams, 2014[36]).

The promotion of greater transparency can help to increase accountability for public spending directed to the SDGs. The Extractive Industries Transparency Initiative (EITI), for instance, sets the global standard for transparency across value chains in the oil, gas and mining sectors by requiring governments to strengthen reporting on their legal framework, revenue allocation, social and economic spending, and other pertinent areas.[14] The EITI includes 51 reporting countries and represents USD 2.44 trillion in government revenues disclosed in open data formats (Paris, 2011[37]).

Better policies to increase the efficiency of the sustainable development market

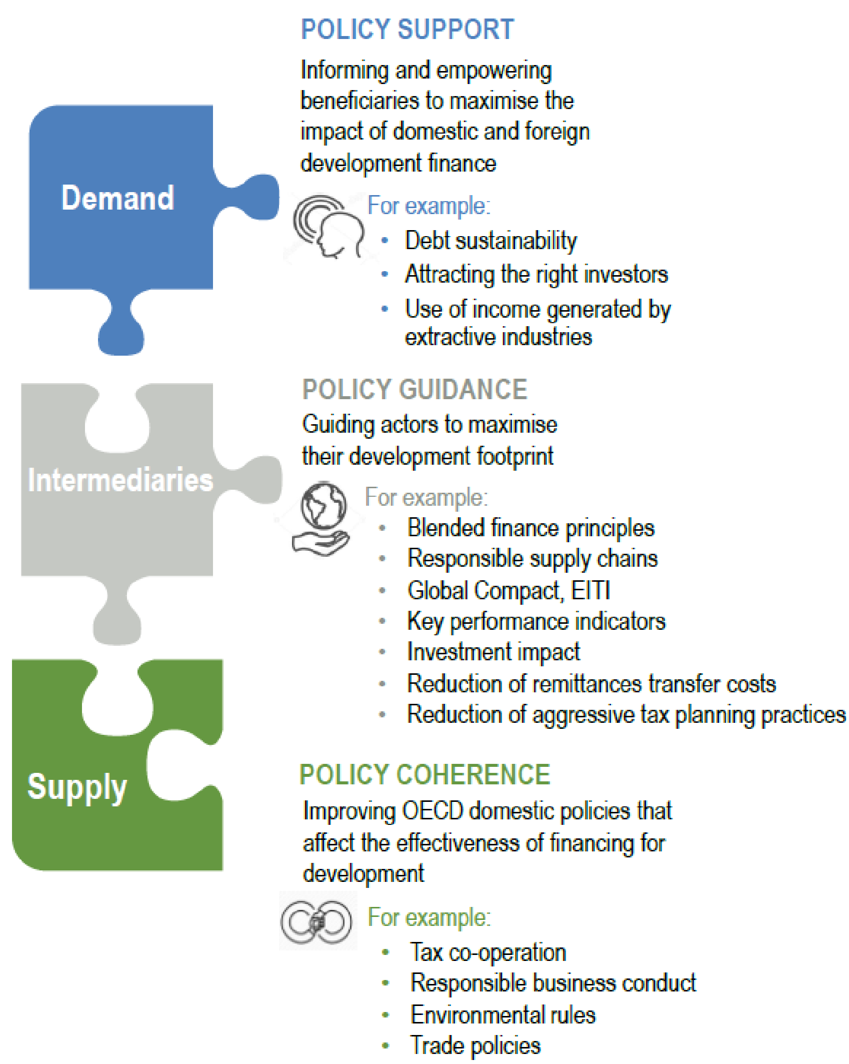
There are two ways, at least, to see the complexity of the FSD system. In a positive light, competition within the FSD system can help to drive innovation, tailor financing to the needs of beneficiary countries, and promote higher development returns on financing. From a negative perspective, the system can be seen as a market that is not mature, lacks transparency, and also lacks policy guidance and coherence mechanisms to tackle asymmetries of information (e.g. availability of instruments or the best financing mix) and emerging policy gaps (e.g. debt sustainability, development impact metrics for investors). To minimise the risk of setbacks in this market, then – for instance, a setback such as high-risk debt levels policy levers must be used at the level of beneficiaries (customers), intermediaries and suppliers. In this way, the proper functioning of the market can be ensured, meaning that each dollar spent is maximised in support of sustainable development.

Indeed and as noted in Chapters 2 and 3, some of the risks associated with recent changes in the FSD system suggest that this financing for sustainable development market is not yet mature. Addressing these risks requires better policies at these three beneficiary levels and raise related questions:

- **Policy support to beneficiaries.** Developing countries create the demand for a more diverse choice of financing sustainable development resources. How can OECD members help to promote the transparency of terms and conditions of new sources of financing? Which incentive frameworks are needed to ensure that beneficiaries can maximise the contribution of new actors to finance their sustainable development strategies?
- **Policy guidance to the intermediaries.** Intermediary actors and tools connect demand with supply, and can be on either the provider or the beneficiary side. Intermediaries are not always aligned in support of the SDGs. How can OECD members strengthen voluntary and regulatory frameworks so they are more comprehensive and inclusive and integrate a wider array of actors to fill the demand for sustainable development? How can existing policy guidance mechanisms help to ensure more effective safeguards?
- **Policy coherence of providers.** Providers of financing for sustainable development, including OECD members, are beginning to recognise that domestic policies have an impact on sustainable development. How are OECD members integrating the universal 2030 Agenda into domestic policy and how can they better deliver the policy coherence needed to ensure collective success?

Figure 5.6 illustrates the broad range of potential benefits of policy support, guidance and coherence for the FSD market.

Figure 5.6. The role of policy in the financing for sustainable development market



Source: Author

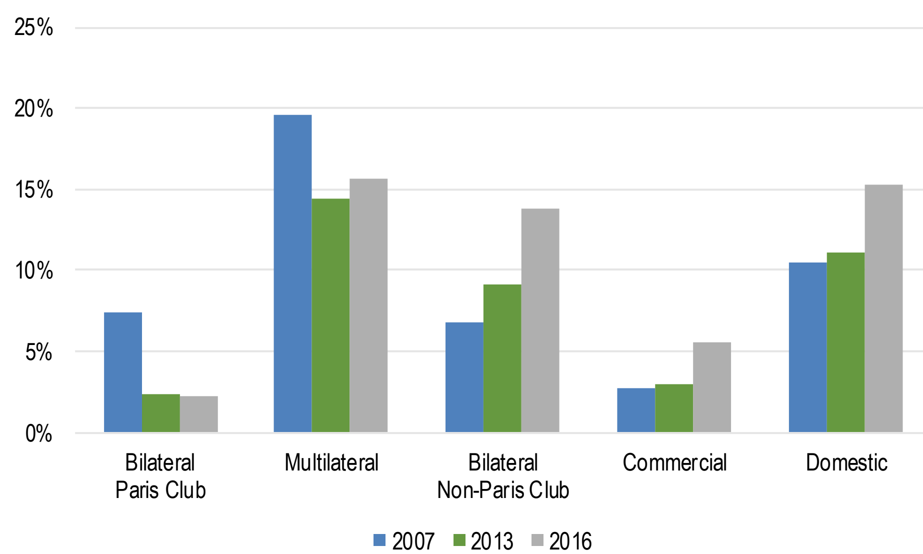
Better policy support is needed to inform decision making by beneficiaries of sustainable development finance

Continuing the market analogy, this "customer" protection part of regulation focuses on ensuring beneficiaries are best placed to make the most of available choices. As countries transition along their development continuum and access new financial resources and instruments (Chapter 3), financing must not come at the cost of sustainable and inclusive development.

Debt sustainability safeguards and transparency are needed to manage new sources of financing

Growing access to debt finance from a large array of actors is raising debt sustainability as an immediate challenge in transition economies. Since the financial crisis and the more recent collapse in commodity prices, there has been a sharp build-up of debt by low-income countries. A (2018[38]) IMF report finds 40% of low-income countries, or 24 out of 60, are now either in a debt crisis or highly vulnerable, twice as many as only five years ago. Moreover, as illustrated in Figure 5.7, commercial investors and bilateral non-Paris club lenders' share of debt in low-income countries has doubled over the 2007-16 period, reaching eight times the amount of debt held by Paris Club members (Ahmed, 2018[39]) (IMF, 2018[40]). The increased appetite of sovereign borrowers, particularly for infrastructure financing, has been facilitated mainly by commercial lenders and other bilateral lenders, particularly lenders beyond the Paris Club with lower levels of transparency. Box 5.8 presents the importance of debt sustainability to finance infrastructure.

Figure 5.7. Total public and publicly guaranteed debt by creditor in low-income developing countries, % GDP



Note: Data only available for 2007, 2013 and 2016.
Source: Author based on IMF (2018[41]), "Macroeconomic developments and prospects in low-income developing countries", https://www.imf.org/en/Publications/Policy-Papers/Issues/2018/03/22/pp021518macroeconomic-developments-and-prospects-in-lidcs.

StatLink https://doi.org/10.1787/888933853262

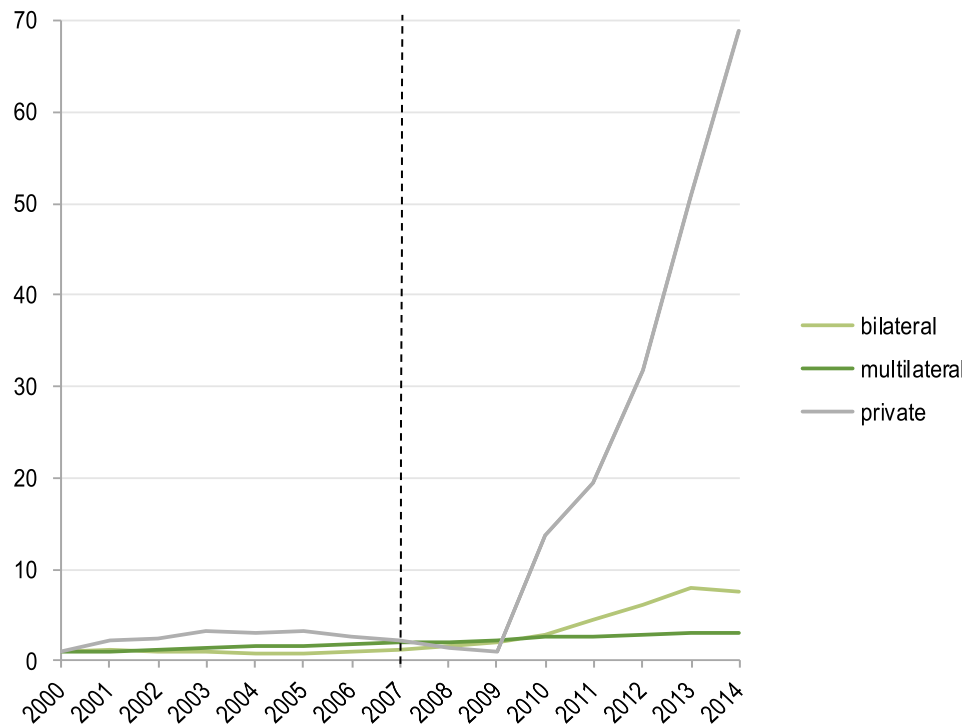
Box 5.8. One Belt, One Road initiative provides new sources of debt financing for infrastructure needs

The Chinese One Belt, One Road initiative – also called the Belt and Road Initiative (BRI) – includes USD 8 trillion in infrastructure investment targeting Asia, Africa and Europe that can help to fill the USD 26-trillion infrastructure gap in Asia alone. These levels are modest compared to total infrastructure financing needs and represent less than 1.5% of GDP per year in the 23 BRI countries. A 2018 study (Hurley, Morris and Portelance[42]) finds that the BRI is unlikely to set off a wide scale debt crisis but could significantly raise the risk of debt distress for at least eight developing countries, particularly those with rapidly increasing debt-to-GDP ratios beyond 50%-60%. These countries are Djibouti, Kyrgyzstan, Lao PDR People's Democratic Republic, Maldives, Mongolia, Montenegro, Pakistan and Tajikistan. Lack of data and information regarding many of the BRI transactions present a major challenge to securing the debt sustainability of these countries. As the initiative moves ahead, international mechanisms must work to further incentivise transparency and adherence to international frameworks for collaboration.

Source: (Hurley, Morris and Portelance, 2018[42]).

As countries gain access to new kinds of financing, it is crucial that debt levels are effectively managed to ensure sustainable economic growth. For example, Cabo Verde's graduation out of the least developed country category in 2007 fostered the perception internationally of a lower risk environment, resulting in increased multilateral debt stocks (up by 50%, or USD 682 million) and increased bilateral debt stocks (5 times , or USD 600 million, higher). This also resulted in soaring private debt (32 times, or USD 379 million, higher), Figure 5.8 shows. In the wake of this acceleration in debt financing, which exceeded by 13% the threshold set by the IMF, Cabo Verde's external debt was classified as high risk for the first time in 2016 (IMF, 2016[43])

Figure 5.8. External debt stock growth by origin of flows, Cabo Verde, Index, 2000=1



Note: In 2007, Cabo Verde graduated from the LDC category.
Source: World Bank (2017[44]), "World Bank international debt statistics". https://data.worldbank.org/products/ids.

StatLink https://doi.org/10.1787/888933853281

To address these concerns, recent international discussions emphasise the importance of ensuring renewed global co-operation and standards to safeguard debt sustainability, with some suggesting that a version 2.0 of the Heavily Indebted Poor Country (HIPC) Initiative is needed.[15] OECD members can play a role in renewing international co-operation to secure debt sustainability standards, for example by better informing beneficiaries of financing options and potential trade-offs. Rules on transparency and debt sustainability of development finance (e.g. Blended Finance Principles) and agreement of lending principles (e.g. OECD Working Party on Export) are evidence of this important role (Box 5.9). Members have since 2008 adhered to a set of principles and guidelines to promote sustainable lending practices in the provision of official export credits to lower income countries. Design of innovative financing solutions (e.g. non-debt based instruments) are an important first step.

Box 5.9. Strengthening principles to promote debt sustainability

At the 2017 High Level Meeting, OECD DAC members adopted the voluntary Principles for Unlocking Commercial Finance for the Sustainable Development Goals, thereby acknowledging the importance of transparency and adapting finance to the local context. However, principles to secure debt financing over the long term must adhere to internationally recognised frameworks to also secure debt sustainability, such as the IMF Debt Sustainability Framework for Low-Income Countries (LIC DSF). Further work must be carried out to ensure that the issue of debt sustainability is sufficiently integrated into Blended Finance Principles.[16]

Greater transparency is essential to reduce leakages and raise domestic resources

There is a growing risk that efforts by developing countries to attract investors to local markets could come at the cost of sustainable development progress. Developing countries compete to attract FDI, which often benefits the local economy through economic diversification gains, knowledge and technology spillovers, new management practices, job creation, and improved conditions in less-developed areas (Blomström and Kokko, 1998[45]).

Greater transparency of investment can prevent finance for sustainable development leakages and raise domestic value added. The recent policy toolkit released by the Platform for Collaboration on Tax recommends improving the governance and transparency of tax incentives to increase tax visibility and stability in developing countries and to avoid rent seeking and opportunistic behaviours (IMF-OECD-UN-World Bank, 2015[46]).

OECD countries can help to increase domestic value added in developing countries and improve local standards by promoting greater transparency of sustainability impact. For example, the Competitive Business Program, launched in 2016 by the Global Reporting Initiative (GRI) and the Swiss State Secretariat for Economic Affairs, aims to help small and medium-sized enterprises in developing countries to increase competitiveness through better transparency in sustainability reporting, which helps to avoid FSD leakages.[17]

Tailored policy guidance and tools for sustainable development finance providers

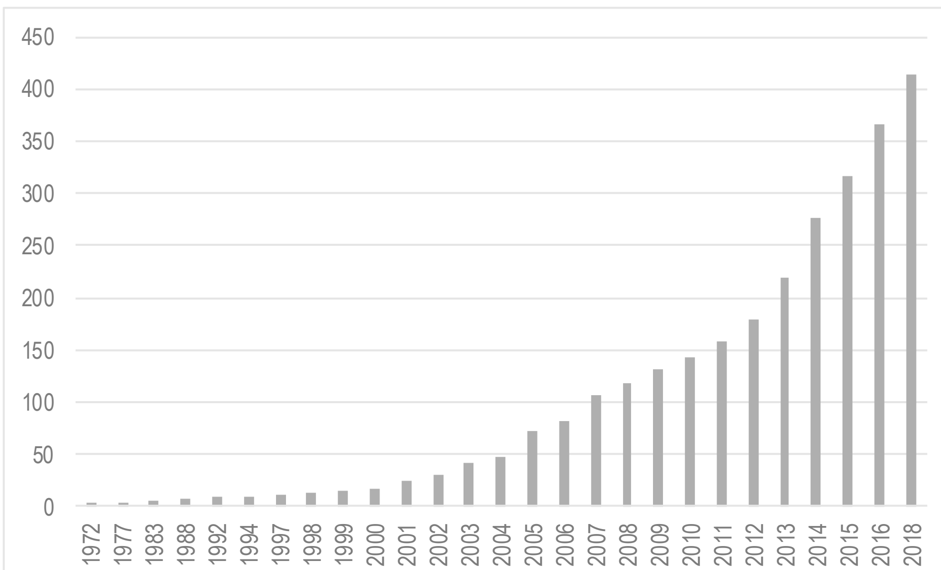
The evolution of the financing for sustainable development system is bringing a greater array of policy guidance and tools. The internationally agreed and legally binding frameworks of the AAAA, the 2030 Agenda and the Paris Agreement all aim to shift actors' behaviour. These frameworks provide rules to guide actors and so help to dissuade misconduct and raise compliance.

Setting rules is not as simple as choosing between carrot and stick. Often, policy guidance must involve a mix of regulatory and voluntary tools to succeed. Tools such as voluntary frameworks, guidelines, principles, standards, legal frameworks and regulations must be co-ordinated to effectively influence intermediary actors.

The proliferation of intermediary tools creates a more complex regulatory environment

The creation of intermediary tools such as policies, guidelines and regulations that help to guide actors toward sustainable investments is accelerating. Nearly 300 policy and regulatory measures targeting sustainability were in place in over 60 countries as of October 2017 (UNEP-World Bank, 2017[47]). Growth in such measures has averaged roughly 20% year on year since 2010, with an increase of roughly 30% just since July 2016 (Figure 5.9). Badré (2018[48]), for one, makes the case for the SDGs as the new economic development roadmap and also calls for intelligent regulation to help channel the power of finance in a positive direction.

Figure 5.9. Cumulative number of policy interventions targeting sustainability per year



Source: PRI (n.d.[49]), "Responsible investment regulation" (database), https://www.unpri.org/sustainable-markets/policy-and-regulation/regulation-map.

StatLink https://doi.org/10.1787/888933853300

Policies should promote long-term sustainable development objectives for business

The evidence base for investing in long-term sustainable development has grown. Chief executive officers of major institutional investors such as sovereign wealth and government pension funds recognise the need to shift business models, as do now some of the largest asset managers.[18] The integration of environmental and social factors in private sector enterprises is no longer seen as an inevitable drain on profits but as behaviour that can increase profit and gain the trust of investors and the public alike. According to recent estimates, investing in the SDGs could unlock economic opportunities worth at least USD 12 trillion a year by 2030 (more than 10% of global GDP) and generate up to 380 million jobs, mostly in developing countries. (Business and Sustainable Development Commission, 2017[2]) A 2018 study for McKinsey further demonstrates that social impact funds have similar profit returns as corporate entities[19] (Pandit and Tamhane, 2017[50]).

However, short-term considerations persist and can be detrimental to sustainable development. The AAAA describes private finance as often "short-term oriented", "concentrated in a few sectors" and "bypassing countries most in need" (paragraph 35). Long-term investment, such as FDI, is defined as investment funding that matures in a year or more. It provides greater stability of financing and better conditions for certain large-scale and cost-intensive projects capable of raising productivity, financing low-carbon infrastructure and improving living standards. Short-term financing, such as bonds and other securities, contribute to a higher degree of financial volatility.[20]

OECD members can help to redirect long-term investment into key SDG sectors. For instance, the 2013 High-level Principles of Long-term Investment Financing by Institutional Investors of the Group of Twenty (G20) and OECD "aim to help governments design a policy and regulatory framework [to overcome] impediments to long-term investment by institutional investors". These principles also "aim to avoid interventions that may distort the proper functioning of markets". As a response to the growing trend of short-termism, the OECD and the G20 also have taken steps to guide long-term investment decisions and better understand the barriers to investing in developing countries. In 2015, work was carried out to assess the risk and return characteristics of infrastructure financing in low-income countries and provide recommendations to help these countries unlock greater long-term finance (OECD-World Bank, 2015$_{[51]}$).

Voluntary mechanisms are essential to involve private sector actors, yet these require better evaluation techniques

Voluntary mechanisms have played a crucial role in guiding private sector actions in support of sustainable development. They help to avoid the risks of negative externalities and increase the transparency of efforts to mobilise private finance. A wide range of private sector actors participate in a variety of voluntary frameworks in support of sustainable development, among them:

- **Multinational enterprises**. The UN Global Compact created in 2000 acts as a forum for policy dialogue in support of responsible business practices.[21] Adherence to the ten principles established by the Compact is voluntary, which may account for the large number – more than 12 000 – private sector signatories. To further guide actors, an SDG Compass (Chapter 4) developed by the Global Compact, GRI and the World Business Council for Sustainable Development provides a tool to promote reporting on development indicators and transparency of investments in an effort to guide companies to achieve the SDGs.
- **Philanthropic organisations.** The OECD Global Network of Foundations Working for Development (netFWD) led the development of the Philanthropy Guidelines, the first set of voluntary principles to promote mutual recognition and help governments and foundations connect at the country level (OECD netFWD, 2014$_{[52]}$) The guidelines are voluntary, non-binding, and comprise the three pillars of dialogue, data and information sharing, and partnerships. Through these pillars, the guidelines can enable collaboration for development, poverty reduction and the creation of effective public policies.
- **Taxation.** The recent creation of the B Team Responsible Tax Principles demonstrates the importance for multinationals of raising public trust and addressing reputational risk related to taxation. These principles seek to address

relationships with tax authorities, use of tax incentives, public transparency and other matters related to tax.

Voluntary frameworks are an important first step to strengthening policy guidance. But on their own, they often lack adequate mechanisms for evaluation and accountability.[22] For example, in 2000, the UN General Assembly passed a resolution that led to the Kimberley Process Certification Scheme, which create a system of warranties to require all buyers and sellers of diamonds to certify compliance with human rights standards. Failure to comply results in expulsion from the industry market, a provision that has led some to question the efficiency of such a voluntary system that does not address an increasing number of transactions beyond the certification scheme.

Regulatory frameworks must provide policy guidance at the global, regional and national levels

Given the rapid evolution of regulatory frameworks in nearly all OECD countries, the OECD is well placed to lead the agenda on regulatory policy in support of the SDGs. Indeed, the OECD has developed 450 substantive legal instruments since its creation in 1961. Notably, the Due Diligence Guidance for Responsible Business Conduct (RBC), adopted at the 2018 OECD MCM, is the first government-backed guidance to companies for the implementation of the OECD Guidelines for Multinational Enterprises.[23]

In OECD countries, regulatory policy has contributed to sustainable economic growth and rule of law for stronger market functioning (OECD, 2010[53]). However, to be effective, existing laws must also be enforced. The following are examples of legally binding frameworks that enhance functioning of the financing sustainable development market:

- At the global level. Established in 1976, the OECD Guidelines for Multinational Enterprises entered into legal force in 2000 (OECD, 2011[54]). Their aim is to provide an open and transparent international investment environment and to encourage the positive contribution of multinational enterprises (MNEs) to economic and social progress. The OECD Guidelines are the most comprehensive set of government-backed recommendations on what constitutes responsible business conduct. They cover all major areas of responsible business conduct: disclosure, human rights, employment and industrial relations, environment, bribery and corruption, beneficiary interests, science and technology, competition, and taxation.
- At the regional level. The European Union (EU) has taken a proactive role in the design of European policy aimed at strengthening the legal framework for responsible business conduct. Recently, the European Commission announced its intention to mainstream the Sustainable Development Goals in its policy process, while recognising that only a subset of goals is actionable at the national level (Furness, 2012[55]). Efforts will be made under the EU Better Regulation Agenda to ensure that regulation is better linked with the SDGs. The Better Regulation Agenda also serves as an instrument for policy coherence for sustainable development in EU public policy by mainstreaming sustainable development into European domestic and external policies (European Commission, 2016[56]).
- At the national level. The German government adopted a National Action Plan for Business and Human Rights in 2016 that calls on German businesses to commit to human rights due diligence across supply chains (German Federal Foreign Office, 2016[57]). The Action Plan is based on the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Germany aims

to have 50% of businesses with more than 500 employees implement this plan by 2020. An OECD peer review team provides recommendations on implementation of the action plan. Another example, France is the first country to introduce a legal requirement for institutional investors to disclose how they are contributing to national carbon targets, known as the Energy Transition Law. To date, 70% of the largest French institutional investors have published reports on sustainable financing.

Beyond the OECD, other countries have also stepped up efforts to implement sustainability laws. The People's Republic of China introduced explicit responsible business conduct regulations in 2006 as part of its social harmony policy. The number of mining firms disclosing information in annual reports has increased dramatically, with 78.3% of these firms disclosing annual reports in 2007. Almost all mining firms, or 98.3%, disclosed responsible business information in annual reports in 2012 (Shidi Dong, 2016[58]).

Multilateral governance/international institutions can help to strengthen standards in support of the SDGs by integrating a wider array of actors. The development and promotion of international standards and regulatory convergence help to level the playing field if all actors are involved, particularly those driving international trade and investment. Differences in standards and governance can present a barrier to a common vision for sustainable development. Just as standardised accounting rules underpin investor confidence in stock markets, government must play a role to establish legal guidelines for standards to secure the financing sustainable development market. The "In My View" piece by Daniel C. Esty in Box 5.10 argues that the next major challenge will be to develop more inclusive standards and mandatory frameworks.

Box 5.10. In My View: Toward a next generation framework of corporate sustainability metrics* by Daniel C. Esty, Yale University

A broader interest in corporate sustainability has recently emerged among mainstream investors, fuelled in part by high-profile global policy commitments to climate change action (notably the 2015 Paris Agreement) and the Sustainable Development Goals (SDGs). Evidence of sustainability's move from the margins of the investment world to the mainstream can be seen in the groundswell of interest in the United Nations Principles for Responsible Investing (PRI), which now have nearly 1 800 signatories in more than 50 nations representing over USD 70 trillion in assets under management.

But the translation of this interest into sustainable investing has not reached its full potential. A number of factors related to the fragmentation, misalignment and methodological weakness of the existing environmental, social and governance (ESG) metrics present barriers to ramped-up sustainable investing. Investor confusion over the definition of sustainability and over exactly what the various ESG metrics actually measure is part of the problem. A recent survey of ESG metrics demonstrates that no two sustainability-minded investors have the same focus or priorities. Some want to emphasise climate change and thus seek to avoid investments in big greenhouse gas emitters. Others care about a broader set of environmental issues including water and air pollution, chemical exposures, and waste management.

Lack of confidence in the quality and integrity of ESG metrics has proved to be an even bigger problem. There are a number of ESG data providers competing aggressively in the marketplace (Table 5.1). Yet many investors worry that the available metrics are not reported in a manner that assures methodological consistency and substantive accuracy. Indeed, most of the data are self-reported and unverified.

Table 5.1. Sample of ESG and sustainability metrics offered by major data providers

Provider		Product
MSCI	Sustainable impact metrics	Six social themes (nutrition, disease treatment, sanitation, affordable real estate, SME finance, education) and five environmental themes (alternate energy, energy efficiency, green building, sustainable water, pollution prevention).
MSCI	ESG fund	Including metrics across three dimensions: sustainable impact (to measure fund exposure to companies that address core environmental and social challenges); values alignment (to screen funds for investment that align with ethical, religious or political values); and risk (to understand fund exposure to ESG-related risks).
MSCI	ESG rating	Includes "80 Exposure Metrics (business segment and geographic risk exposure)" and "129 Management Metrics (based on policies, programme and performance data)."
MSCI	Carbon Solutions	Includes "a comprehensive range of data on fossil fuel reserves, carbon emissions and sector application".
Bloomberg	ESG Disclosure Scores	Over 120 environmental, social and governance indicators keyed to the Global Reporting Initiative list of performance indicators.
Thomas Reuters	ESG Data	Includes "over 70 Key Performance Indicators" in three categories: environmental (resources use, emissions, innovation); social (community, workforce, human rights, product responsibility); and governance (management, shareholders, CSR strategy).

Note: Not exhaustive

Achieving a next generation corporate sustainability metrics framework will rely on a revitalised partnership for data and standards among both public and private actors. While a number of established data providers are working to fill the gaps and address the problems outlined above, requisite investor trust would be most easily established if governments (perhaps working collaboratively across national boundaries) spelled out a mandatory set of core corporate sustainability metrics and clear methodological standards for reporting.

A consistent and reliable ESG metrics framework should be seen as a public good that governments provide as a foundation for decision making across the investment realm. A high-integrity next generation corporate sustainability metrics framework would promote the flow of capital to those companies that are helping to deliver a sustainable future and away from those whose business models contribute disproportionately to climate change, undermine social values or otherwise degrade efforts to deliver on the promise of sustainable development.

Sustainable development for all relies also on OECD policies at home

Both the AAAA and the 2030 Agenda call for enhanced support to address the policy coherence of domestic and external policies. The AAAA states, "We recognize the importance of policy coherence for sustainable development and we call upon countries to assess the impact of their policies on sustainable development" (paragraph 103). SDG target 17.14 calls for more broadly enhancing "policy coherence for sustainable development". The importance of policy coherence extends to areas both directly and indirectly related to sustainable development.

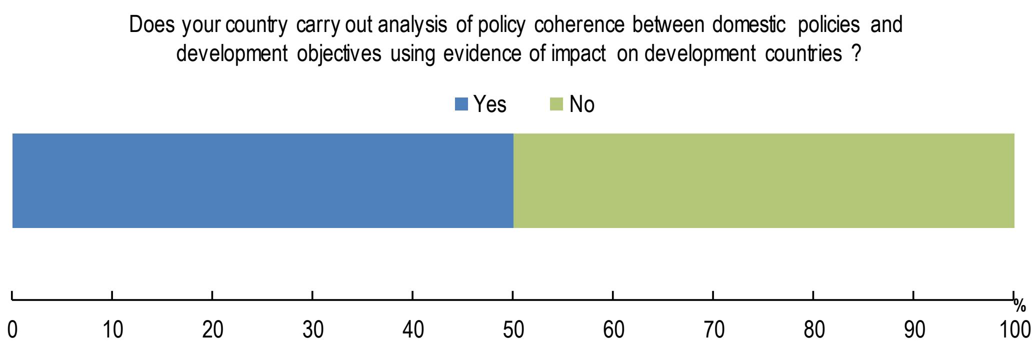
As Chapter 4 demonstrates, there are a number of recent initiatives aimed at assessing the policies and financing that contribute to accelerating or limiting progress towards the global goals. These nascent efforts represent an important first step to policy coherence that maximises sustainable development financing, including beyond the traditional remit of aid policies. New and emerging issues can shed light on the often complex dynamics.

These issues include adherence to the base erosion and profit shifting (BEPS) framework for multinational enterprises and laws promoting responsible business conduct and the need for a better understanding of the impact of the tax exemption status of ODA-funded goods and services on domestic resource mobilisation.

Institutional challenges impede efforts to strengthen policy coherence

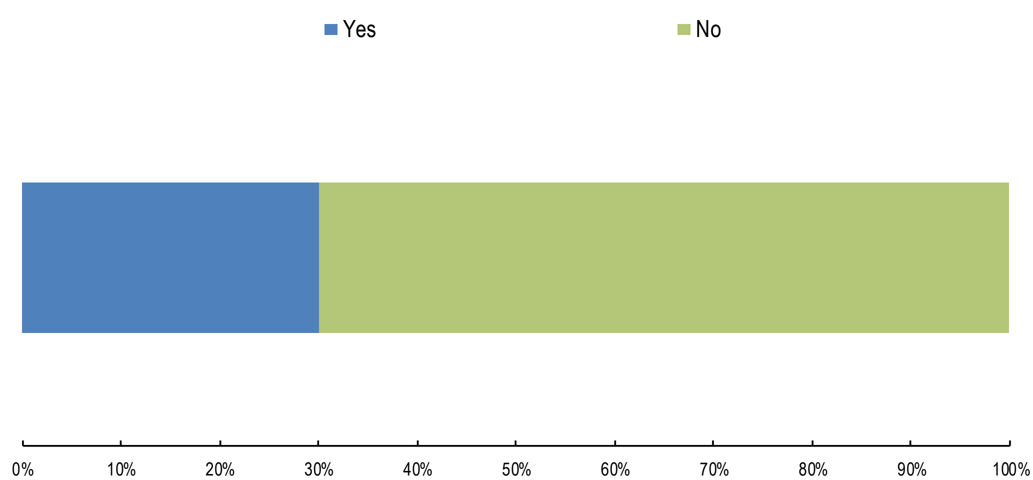
A lack of national institutional mechanisms can impede policy coherence across governments and institutions (Box 5.11). Responses to the "2018 Global Outlook on Financing Sustainable Development Survey" indicate that only 50% of countries surveyed carry out analysis of policy coherence between domestic policies and development objectives using evidence of impact on developing countries (Figure 5.10). Moreover, only 30% of countries responding to the survey have a timebound plan for implementing policy Figure 5.11. Most of these countries cite major institutional challenges such as a lack tools or forward-looking strategies (Figure 5.12).

Figure 5.10. Analysis of policy coherence by DAC member governments



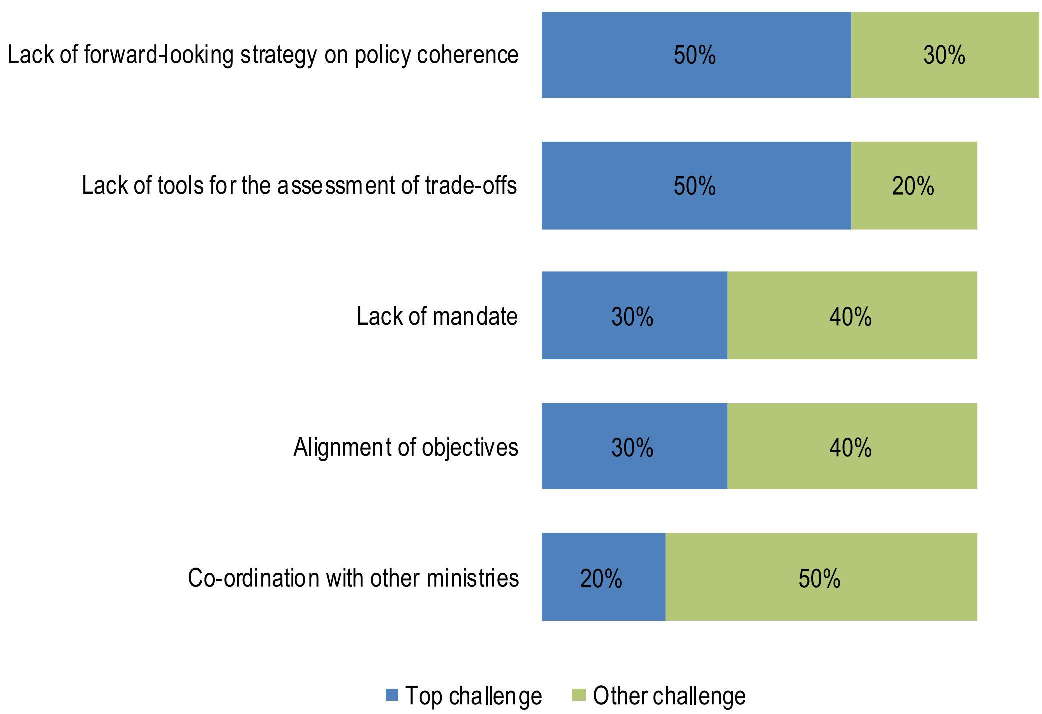
Source: OECD (2018[26]) "Global Outlook Survey on Financing for Sustainable Development", http://www.oecd.org/development/financing-sustainable-development/development-finance-topics/global-outlook-on-financing-for-development.htm.

Figure 5.11. Time-bound plan for policy coherence



Source: OECD (2018[26]) "Global Outlook Survey on Financing for Sustainable Development", http://www.oecd.org/development/financing-sustainable-development/development-finance-topics/global-outlook-on-financing-for-development.htm.

Figure 5.12 Top institutional challenges of policy coherence



Source: OECD (2018[26]), "Global Outlook Survey on Financing for Sustainable Development", http://www.oecd.org/development/financing-sustainable-development/development-finance-topics/global-outlook-on-financing-for-development.htm.

Box 5.11. Institutional mechanisms to strengthen policy coherence

Policy coherence for sustainable development (PCSD) – embodied in SDG target 17.14 – is an integral part of the means of implementation for all SDGs. The OECD defines PCSD as both an approach and a policy tool to systematically integrate the economic, social and environmental dimensions of sustainable development at all stages of domestic and international policy making.

Policy coherence does not happen automatically. It is a political choice by governments to establish supporting institutional structures and take specific initiatives. Enhancing PCSD as called for in target 17.14 will depend on reconciling short-term priorities with the long-term policy direction integral to attaining sustainable development objectives. It will also need mechanisms to anticipate, balance and reconcile divergent policy pressures such as conflicting domestic and international priorities; opposing economic, social and environmental concerns; and competing sectoral interests.

The experiences of OECD countries in promoting policy coherence for development over the past two decades and in implementing national sustainable development strategies have led to the Policy Coherence for Sustainable Development (PCSD) Partnership[24] and a number of guidance and tools for grappling with policy interactions and spillovers in the global economy (Figure 5.13).

Figure 5.13. Main objectives of the PCSD Partnership

Source: OECD (2018[59]), *Policy Coherence for Sustainable Development 2018: Towards Sustainable and Resilient Societies,* http://dx.doi.org/10.1787/9789264301061-5-en.

A policy coherence lens must be applied to areas both directly and indirectly related to aid policy

Policy directly related to traditional development finance such as ODA is not provided in a vacuum and can have spillover effects (Chapter 4). Domestic policies in OECD countries affect development in the rest of the world. Development finance programming has an impact on domestic revenue mobilisation, remittance facilitation, philanthropic giving, trade and investment, and illicit financial flows. Chapter 3 discusses this in relation to dynamic effects.

As providers increase support for domestic resource mobilisation to meet Addis Tax Initiative commitments, the practice of requiring tax exemptions for ODA-financed goods and services is coming under heightened scrutiny. Such tax exemptions increasingly are seen as undermining efforts to improve mobilisation (Steel et al., 2018[60]). In recent years, some countries, as discussed in Box 5.12, have changed their policy and no longer seek such tax exemptions on ODA-funded goods and services. But this is not yet common practice. The Platform for Collaboration on Tax is planning to review the 2007 guidelines to assist countries in reviewing their policies in this area.

Box 5.12. Transparency of policy for official development assistance-funded goods and services

Efforts are underway to improve the transparency of taxation of ODA-funded goods and services. The 2018 Global Outlook on Financing for Sustainable Development Survey shows that more OECD countries are taking a stance against tax exemptions. The most recent to do so are Greece, Hungary and Portugal. Belgium, Denmark, Netherlands, Poland and Sweden already were calling for an end to tax exemptions. Other OECD members who require exemptions, notably Italy on VAT, recently undertook efforts to enhance the transparency of practices by providing additional details guiding exemption policy.

It is important to also recognise that policies not directly related to aid can play a central role to maximise finance for sustainable development. This is the case for selected tax issues as well as for laws promoting responsible business conduct and, as discussed elsewhere in this chapter, financial sector investment. Significant progress has already been made in tax through inclusion of developing countries in OECD decision-making structures on international tax standards.

A commitment to effective international tax co-operation is central to ensuring the policy coherence of financing, because the information that enables authorities to effectively tax cross-border activities is often held in another country. The Multilateral Convention on Mutual Administrative Assistance in Tax Matters (MAC) enables access to such information and allows the exchange of information among all 123 signatories. The MAC also provides a base to enable automatic exchange of information (AEOI). The potential impact of automatic exchange of information is significant, with over USD 93 billion in increased revenues raised from voluntary disclosure in advance of the first exchanges.

In addition the BEPS process, which starting in 2013 began to address the challenges of taxing multinational enterprises in the era of globalisation, has shown how developing countries can be integrated into standard setting structures. The Inclusive Framework on BEPS brings together over 120 countries and jurisdictions to collaborate on the implementation of the OECD/ G20 Base Erosion and Profit Shifting (BEPS) Package, integrating developing countries into the decision making structures on international tax standards, on an equal footing. The 15 BEPS Actions25 provide a range of tools to address some of the principal methods used by MNEs either to avoid activities becoming part of the tax base or to shift profit offshore. One of these tools is country by country reporting, which provides an overview of the key activities of MNEs in every country they operate in and thereby enables high-level risk analysis. In committing to tools like these, countries help to ensure the access to information on their MNEs and reduction of treaty abuse on a multilateral basis.

Forward look: Policies must target both inclusive and sustainable development

Achieving the SDGs will rely on integrating the sustainable development and inclusive growth agendas. All countries, in agreeing the 2030 Agenda, recognise the need to eradicate poverty and to maximise the effectiveness of development policies to leave no one behind.

The role of OECD countries is to support all three policy levers – policy support, policy guidance and policy coherence – to achieve inclusive growth and sustainable development. Both domestic and external policies create opportunities to distribute the dividends of growth across populations. For example, the 2015 Paris Agreement acknowledges that the negative impacts of climate change most severely affect the poor and that the success of international climate change action depends on action at the global level. OECD members thus have an important role, for example, to promote global action that closes the gap of widening inequalities.

Box 5.13. A new framework for inclusive growth

The OECD Framework for Policy Action on Inclusive Growth provides a blueprint to strengthen the foundations for sustainable growth and to better tackle inequalities that can impede progress. Moving beyond GDP metrics and statistical averages, the framework focuses on well-being outcomes and emphasises the distribution of outcomes across a population. Using 24 indicators, it provides guidance to complement national development strategies on a number of Sustainable Development Goals that are relevant from an inclusive growth perspective (OECD, 2018[61]).

Sustainable development finance actors must recognise that the development agenda is circular

Better policy coherence is needed to operationalise a circular approach to development and ensure that no dollar of financing is lost. This is especially true regarding remittances, as financing is channelled at the levels of origin, transit and destination from the perspective of migrants. This section examines the case of remittances transferred cross-border by migrants. In recent years, a number of international fora and organisations including the AAAA (paragraph 111) and the 2030 Agenda (paragraph 29) recognise the importance of policy coherence related to international migration and the need to account for what is widely termed the multidimensional reality of remittance transfers and migration.

Host countries must deliver better policies to maximise remittances for sustainable and inclusive development

As more developing country migrants work in OECD countries, there are emerging opportunities to create a virtuous circle of inclusive growth and sustainable development to maximise available finance. In this context, crucial remittance flows to developing countries will depend largely on the domestic policy of OECD countries.

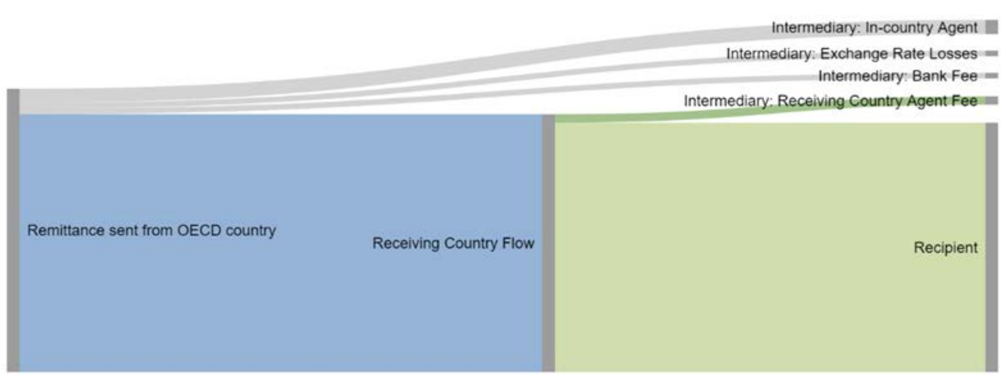
OECD members can promote policies to better integrate migrants into the labour market and to promote financial inclusion. Domestic policies that promote education, skills, financial inclusion and social safety nets for migrants in turn increase the contribution of migrants to OECD economies (i.e. inclusive growth) by boosting the labour force and in some cases contributing more in taxes and social insurance payments (OECD, 2013[62]). Responses to the 2018 Global Outlook on Financing Sustainable Development Survey reveal that several OECD countries, among them Australia and Korea, are adopting domestic policies to facilitate remittance transfer to developing countries, notably by increasing earning opportunities for remittance senders.

Policies that increase competition among financial intermediaries can drive down transfer fees

To ensure that developing countries get the most out of remittances sent by migrants, it is essential to address the leakages that can occur when funds are transferred. A 5% decline in remittance costs could potentially generate USD 15 billion in savings (Rillo and Levine, 2018[63]). Although transfer costs are declining broadly, the cost of sending remittances still stands at 14-20% for all developing regions – far above the target established under the SDGs to reduce transfer costs to 3% by 2030.

As remittances transit from the OECD host country through financial intermediaries to beneficiary households, there are opportunities to maximise the volume of available financing. Promoting greater competition among service providers can help to drive down fees charged by financial intermediaries. The World Bank Payment Systems Group examined the cost of remittances sent across 119 country corridors used for 60% of total remittances to developing countries. The study shows that increased competition helps to decrease remittance costs, except in the case of Western Union (Beck and Peria, 2009[64]). Figure 5.14 shows key points where intermediaries have an impact on the transfer cost of remittances.

Figure 5.14. Leakages in remittance transfer due to intermediary actors



Source: Author based on (ODI, 2014[66]) "Lost in intermediation: How excessive charges undermine remittances in Africa", https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8901.pdf

One important, emerging factor is the need to change the perception among banks that the remittance sector is high risk (World Bank Group, 2017[65]). Delivery of innovative financial technologies can help banks to strengthen anti-money laundering measures without sacrificing financial inclusion of remittance senders, as is reflected in the 2017 Financial Stability Board recommendation to governments. As banks seek to reduce illicit financial flows and terrorist financing, money transfer operators often respond by shutting down bank accounts. The shutdown of bank accounts acts as a risk management strategy but it also creates barriers for migrants seeking to transfer remittances (Ratha et al., 2016[66]). Some countries are addressing this. An example that emerges from the Global Outlook on Financing Sustainable Development Survey is Korea, where the Korea Financial Supervisory Service and the Korea Federation of Banks are leading efforts to lower remittance fees to developing countries through improved co-ordination with banks.

Policies of countries of origin can strengthen the sustainable development impact of remittance flows

In addition to cutting costs and making it easier to send and receive remittances, policy makers can create an enabling environment for remittance use. Remittances are most often received as cash transfers. This presents a number of challenges for developing countries, particularly when robust, financial intermediary services are lacking. One of the most successful matching grants schemes, Mexico's *Tres por Uno* (Three for One) programme, designed an innovative solution whereby the federal, state and municipal governments contribute by tripling the amount of money sent by the migrants to support local development projects.

Other measures that have been taken to overcome these challenges include:

- **Tax exemptions for remittance income.** Most developing countries offer some form of tax incentives to attract remittances, although sometimes these bring unwanted side effects such as tax evasion (Ratha, 2007[67]).
- **Incentives to attract diaspora investments.** Countries such as Ethiopia, Ghana, Kenya, Nepal, the Philippines and Sri Lanka, among others, have issued diaspora bonds to attract savings from migrants abroad (Ratha et al., 2015[68]).
- **Matching grants schemes.** These government schemes channel collective remittances received through hometown associations set up by diaspora groups to support local development in the countries of origin.

Conclusion and recommendations

Sustainable development finance policy design requires a more holistic approach that utilises all policy levers of the AAAA. Efforts to mobilise additional resources for development and go from billions to trillions should be sustained. But they should be supplemented by efforts to shift the trillions, i.e. re-direct existing and future flows towards the SDGs. Beyond the efforts to better understand and use interactions described in Chapter 3, actions to achieve this objective include:

- set new targets for innovative instruments, such as blended finance; develop new tools to facilitate the attainment of these targets (e.g. blended finance toolkit developed on the basis of the Principles) and the evaluation of their use (e.g. monitoring and evaluation of blended finance projects and impact/diaspora/green bonds, etc.).
- encourage international co-operation and/or adoption of a legal/regulatory framework for shifting the trillions; put long-term saving and financing to work for the SDGs (e.g. guides for pension funds, a new rating system for investment or company performance, rules on responsible business conduct activity reporting, fight against fiscal evasion and tax co-operation, etc.).

Given the importance of domestic resources in the promotion of the 2030 Agenda, it is important to put in place the right framework and/or environment for self-sustained sustainable and inclusive growth in developing countries. Development assistance should further invest in enablers through the following actions, for instance:

- Continue and increase support to technical assistance and capacity building programmes pertaining to domestic resources mobilisation in line with the Addis Tax Initiative target of USD 447 million in the next four years; complement this these with an increased focus on improving the effectiveness of the assistance and broadening the scope to all actors in the tax system
- Continue and increase support to other enablers, such as aid for trade or private sector development.

In the spirit of the AAAA and its holistic approach, the different financing sustainable development actors, and in particular the private sector, should jointly undertake these efforts. Beyond commingling resources, synergies and new forms of partnerships and, platforms for matching actors and remedying market failures should be put in place:

- Create a private sector engagement platform for collecting evidence, sharing experience, identifying best/worst practices, matchmaking actors (e.g. public and private and investors), and replicating/scaling-up innovative sustainable development finance solutions as part of an effort to increase transparency.
- Identify champions and launch next generation partnerships at country or regional level and/or along specific value chains, as was done for agriculture or mobile phone (batteries) value chains.
- Promote effective co-operation with other private sector actors (e.g. OECD netFWD Guidelines for Effective Philanthropic Engagement).

Chapter 6 explores how the holistic approach can be operationalised so that financing is more effectively targeted to meet demand. From the global to the local level, better co-ordination among the different actors is needed to bridge divides and deliver a new vision for development.

Notes

[1] One year earlier, a World Bank (2016[75]) report introduced the cascade approach as a means of conceptualising strategies to maximise financing for development by leveraging the private sector and optimising the use of scarce public resources.

[2] The World Bank defines the development footprint of the private sector as the investments and operations in developing countries that transfer capital, technology, knowledge and know-how. The operations of global firms, the standards they expect their suppliers and partners to meet, the societal values and norms they promote through their operations – all can profoundly affect the future of developing economies. These transfers of all kinds, whether tangible or not, and their direct and indirect effects represent the development footprint of global business and value chains.

[3] The OECD DAC defines mutual accountability as "a process by which two (or multiple) partners agree to be held responsible for the commitments that they have voluntarily made to each other. It relies on trust and partnership around shared agendas, rather than on 'hard' sanctions for non-compliance, to encourage the behaviour change needed to meet commitments". See https://www.oecd.org/dac/effectiveness/49656340.pdf.

[4]An evaluation of the programme can be found at https://www.kfw-entwicklungsbank.de/PDF/Evaluierung/Ergebnisse-und-Publikationen/PDF-Dokumente-E-K_EN/Indien_TNUDF_2017_E.pdf.

[5] Further information about the Microfinance Initiative for Asia debt fund is at http://www.blueorchard.com/wp-content/uploads/MIFA_InvestorUpdate.pdf.

[6] A global monitoring exercise was carried out. It looked at progress in implementing the four principles for effective development co-operation: focus on results, country ownership, inclusive partnerships, and transparency and accountability. See http://www.oecd.org/dac/effectiveness/Making-Development-Co-operation-More-Effective-2016-monitoring-findings-at-a-glance.pdf.

[7] The Shared Value Initiative was launched in 2012 as a Clinton Global Initiative Commitment to Action. See https://summit.sharedvalue.org/.

[8] At the 2017 OECD DAC Senior Level Meeting, Jean-Christophe Laugée, Vice President for Sustainability and General Manager of the Danone Ecosystem Fund, stressed the need to shift the development finance system framework to co-develop models and co-create ecosystem change.

[9] The United States and G7 have been active in initiatives in the agricultural sector. Among other such initiatives are the New Vision for Agriculture and the Grow Africa and Grow Asia initiatives that have jointly fostered public and private investment with local government and civil society support.

[10] The co-chairs' statement of the G7 Development and Finance Ministers Summit is available at https://g7.gc.ca/en/g7-presidency/themes/investing-growth-works-everyone/g7-ministerial-meeting/co-chairs-summary-g7-joint-development-finance-ministers-meeting/.

[11] An example is the recent debate around a 2016 paper (Collier and Venables, 2016[68]), available at https://urbanisation.econ.ox.ac.uk/materials/papers/110/oxf-rev-econ-policy-2016-collier-391-409.pdf.

[12] For more on USAID recent statements, see https://www.usaid.gov/news-information/press-releases/jan-31-2018-usaid-administrator-mark-greens-opening-remarks-usaid-town-hall.

[13] The enabling environment for domestic resource mobilisation is defined as "a set of interrelated conditions – such as legal, bureaucratic, fiscal, informational, political, and cultural – that impact on the capacity of […] development actors to engage in development processes in a sustained and effective manner". See http://web.worldbank.org/archive/website01029/WEB/IMAGES/_ENGL-60.PDF.

[14] The EITI value chain is described at https://eiti.org/eiti-value-chain.

[15] An example of such discussions is the Paris Club meeting of 20 April 2017, available at http://www.clubdeparis.org/en/communications/article/paris-forum-workshop-spring-meetings-20-04-2017.

[16] The principles are at www.oecd.org/dac/financing-sustainable-development/development-finance-topics/OECD-Blended-Finance-Principles.pdf.

[17] Better reporting, in turn, helps to reduce indirect costs resulting from rent seeking and corruption, ultimately resulting in more jobs and income opportunities. See https://www.globalreporting.org/information/about-gri/strategic-partnerships/Pages/CSRCB-Program.aspx.

[18] For example, in 2018, the Chief Executive Officer (CEO) of BlackRock, the world's largest institutional investor, urged other CEOs to adopt a social purpose and to pursue a strategy for

achieving long-term growth. See https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter.

[19] For example, 50 investors representing more than USD 5.2 billion achieved a median internal rate of return of 10%. Holding period returns were similar to normal venture capital or private equity projects, with average exit around five years.

[20] FDI to developing countries amounted to USD 193.3 billion in 2016, while bonds and other securities amounted to USD 57.6 billion.

[21] Information about the Global Compact is at www.unglobalcompact.org/about.

[22] The broad question of whether regulations and principles for responsible business conduct should be voluntary or binding is discussed at https://www.hrw.org/news/2017/09/18/should-corporate-social-responsibility-be-voluntary-or-binding.

[23] The sector-specific Due Diligence Guidance and good practice papers focus on strengthening business operations and supply chains, including in areas related to human rights, labour, the environment and corruption. Although the Due Diligence Guidance is not mandatory, it holds particular weight as a tool designed to support other legal instruments. See http://www.oecd.org/investment/due-diligence-guidance-for-responsible-business-conduct.htm.

[24] For more information on the PCSD partnership, see http://www.oecd.org/pcd/thepcsdpartnership.htm.

References

AFD (2018), *Climate and Development Strategy 2017-2022*, Agence Française de Développement (AFD), Paris, https://www.afd.fr/sites/afd/files/2018-03-02-13-32/climate-development-strategy-2017-2022.pdf. [19]

Ahmed, M. (2018), "Another debt crisis for poor countries?", *Center for Global Development blog*, https://www.cgdev.org/blog/another-debt-crisis-poor-countries?utm_source=180417&utm_medium=cgd_email&utm_campaign=cgd_weekly&utm_&&&. [39]

Badré, B. (2018), *Can Finance Save the World? Regaining Power over Money to Serve the Common Good*, Berrett-Koehler Publishers. [48]

Beck, T. and M. Peria (2009), "What explains the cost of remittances: An examination across 119 country corridors", *Policy Research Working Papers*, World Bank, Washington, DC, https://doi.org/10.1596/1813-9450-5072. [64]

Bigsten, A. and S. Tenstam (2015), "International coordination and the effectiveness of aid", *World Development*, Vol. 69, pp. 75-85, https://doi.org/10.1016/j.worlddev.2013.12.021. [14]

Blomström, M. and A. Kokko (1998), "Multinational corporations and spillovers", *Journal of Economic Surveys*, Vol. 12/3, https://doi.org/10.1111/1467-6419.00056. [45]

Bourguignon, F. and J. Gunning (2016), "Foreign aid and governance: A survey", *EDI Working Paper Series*, No. WP16/10, Economic Development and Institutions, https://edi.opml.co.uk/wpcms/wp-content/uploads/2017/06/EDI-PF-PAPER-10-Bourguignon-and-Gunning.pdf. [12]

Bruno, R., S. Estrin and N. Campos (2018), "Taking stock of firm-level and country-level benefits from foreign direct investment", *Multinational Business Review*, Vol. 26/2, http://dx.doi.org/10.1108/MBR-02-2018-0011. [11]

Business and Sustainable Development Commission (2017), *Better Business, Better World*, Business and Sustainable Development Commission, https://www.unpri.org/download?ac=1436. [2]

Coady, D. et al. (2015), *How large are global energy subsidies?*, International Monetary Fund, Washington D.C., http://www.imf.org/external/pubs/ft/wp/2015/wp15105.pdf. [9]

Collier, P. and A. Venables (2016), "Urban infrastructure for development", *Oxford Review of Economic Policy*, Vol. 32/3, https://urbanisation.econ.ox.ac.uk/materials/papers/110/oxf-rev-econ-policy-2016-collier-391-409.pdf. [69]

de Soto, H. (1989), *The Other Path: The Economic Answer to Terrorism*, Basic Books, New York. [35]

DFID (2011), *The Engine of Development: The Private Sector and Prosperity for Poor People*, UK Department for International Development, London, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/67490/Private-sector-approach-paper-May2011.pdf. [16]

EIF (2017), *New funding: The European Union provides €10 million for inclusive growth and sustainable development in the poorest countries*, Enhanced Integrated Framework (EIF), Geneva, https://www.enhancedif.org/en/publication/2017-07/new-funding-european-union-provides-eu10-million-inclusive-growth-and. [31]

European Commission (2016), *Next Steps for a Sustainable European Future: European Action for Sustainability*, European Commission, https://ec.europa.eu/europeaid/sites/devco/files/communication-next-steps-sustainable-europe-20161122_en.pdf. [56]

Furness, M. (2012), "The Lisbon Treaty, the European External Action Service and the reshaping of EU development policy", in Gänzle S., G. (ed.), *The European Union and Global Development*, Palgrave Macmillan, London, https://doi.org/10.1057/9781137016737_5. [55]

German Federal Foreign Office (2016), *The German National Action Plan on Business and Human Rights*, https://www.ohchr.org/Documents/Issues/Business/ForumSession6/Germany.pdf. [57]

Grow Africa (n.a.), *Grow Africa Partnership website*, https://www.growafrica.com/about/who-we-are. [27]

Hurley, J., S. Morris and G. Portelance (2018), "Examining the debt implications of the Belt and Road Initaitive from a policy perspective", *CGD Policy Paper*, No. 121, Center for Global Development, Washington, DC, https://www.cgdev.org/sites/default/files/examining-debt-implications-belt-and-road-initiative-policy-perspective.pdf. [42]

IMF (2018), *Balance of payments statistics for FDI, portfolio investments, and long-term and short-term debt making up private investment*, International Monetary Fund, Washington D.C, https://www.imf.org/external/datamapper/datasets/BOP. [8]

IMF (2018), "Debt relief under the Heavily Indebted Poor Countries (HIPC) initiative", *IMF factsheet*, https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/16/11/Debt-Relief-Under-the-Heavily-Indebted-Poor-Countries-Initiative. [40]

IMF (2018), *Global Financial Stability Report April 2018: A Bumpy Road Ahead*, International Monetary Fund, Washington, DC, https://www.imf.org/en/Publications/GFSR/Issues/2018/04/02/Global-Financial-Stability-Report-April-2018. [38]

IMF (2018), "Macroeconomic developments and prospects in low-income developing countries", *IMF Policy Paper*, International Monetary Fund, Washington, DC, https://www.imf.org/en/Publications/Policy-Papers/Issues/2018/03/22/pp021518macroeconomic-developments-and-prospects-in-lidcs. [41]

IMF (2017), *"World revenue longitudinal data"*, https://data.world/imf/world-revenue-longitudinal-dat. [5]

IMF (2016), "Cabo Verde: Debt sustainability analysis"*, Staff Report*, International Monetary Fund, Washington, DC, https://www.imf.org/external/pubs/ft/dsa/pdf/2016/dsacr16366.pdf. [43]

IMF-OECD-UN-World Bank (2015), *"Options for low-income countries' effective and efficient use of tax incentives for investment"*, OECD, Paris, http://www.oecd.org/tax/options-for-low-income-countries-effective-and-efficient-use-of-tax-incentives-for-investment.pdf. [46]

IMF-OECD-UN-World Bank Group (2016), *Enhancing the Effectiveness of External Support in Building Tax Capacity in Developing Countries*, OECD Publishing, Paris, http://www.oecd.org/tax/enhancing-the-effectiveness-of-external-support-in-building-tax-capacity-in-developing-countries.pdf. [29]

Innovation Network (2016), *State of Evaluation: Evaluation Practice and Capacity*, Innovation Network, Washington, D.C., https://www.innonet.org/media/2016-State_of_Evaluation.pdf. [18]

Janus, H., S. Klingebiel and S. Paulo (2014), "'Beyond aid' and the future of development cooperation"*, Briefing Paper*, No. 6/2014, German Development Institute (DEI), Bonn, https://www.die-gdi.de/uploads/media/BP_6.2014_.pdf. [15]

Kramer, M. and M. Porter (2011), "Creating shared value", *Harvard Business Review*, Vol. January-February, https://hbr.org/2011/01/the-big-idea-creating-shared-value. [23]

OECD (2018), *"Global Outlook Survey on Financing for Sustainable Development"*, http://www.oecd.org/development/financing-sustainable-development/development-finance-topics/global-outlook-on-financing-for-development.htm. [26]

OECD (2018), *"Global Revenue Statistics Database"*, OECD, Paris, http://www.oecd.org/tax/tax-policy/global-revenue-statistics-database.htm. [4]

OECD (2018), *Creditor Reporting System (database)*, OECD, Paris, https://stats.oecd.org/Index.aspx?DataSetCode=crs1. [6]

OECD (2018), *Due Diligence Guidance for Responsible Business Conduct*, OECD Publishing, Paris, http://www.oecd.org/investment/due-diligence-guidance-for-responsible-business-conduct.htm. [73]

OECD (2018), "Eight building blocks for coherent implementation of the SDGs", in *Policy Coherence for Sustainable Development 2018: Towards Sustainable and Resilient Societies*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264301061-5-en. [59]

OECD (2018), *Making Blended Finance Work for the Sustainable Development Goals*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264288768-en. [20]

OECD (2018), *Opportunities for All: A Framework for Policy Action on Inclusive Growth*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264301665-en. [61]

OECD (2018), “Recommendation of the Council on Sustainable Lending Practices and Officially Supported Export Credits”, OECD Publishing, Paris, http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=tad/ecg(2018)4&doclanguage=en. [74]

OECD (2016), “Better international co-ordination could lead to more worldwide benefits from migration”, http://www.oecd.org/migration/better-international-co-ordination-could-lead-to-more-worldwide-benefits-from-migration.htm. [71]

OECD (2013), *International Migration Outlook 2013*, OECD Publishing, Paris, http://dx.doi.org/10.1787/migr_outlook-2013-en. [62]

OECD (2011), “Decision of the Council on the OECD Guidelines for Multinational Enterprises”, OECD Publishing, Paris, https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0307. [54]

OECD (2010), *Regulatory Policy and the Road to Sustainable Growth*, OECD Publishing, Paris, https://www.oecd.org/regreform/policyconference/46270065.pdf. [53]

OECD DAC (2017), *A new DAC: Innovations for the 2030 Agenda: High Level Meeting Communiqué*, OECD Publishing, Paris, https://www.oecd.org/dac/DAC-HLM-2017-Communique.pdf. [28]

OECD netFWD (2014), *Guidelines for Effective Philanthropic Engagement*, OECD Publishing, Paris, http://www.oecd.org/site/netfwd/ENG%20-%20Guidelines%20for%20Effective%20Philanthropic%20Engagement%20country%20pilots.pdf. [52]

OECD-UNDP (2016), *Making Development Co-operation More Effective: 2016 Progress Report*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264266261-en. [21]

OECD-World Bank (2015), *"Risk and return characteristics of infrastructure investment in low-income countries"*, OECD, Paris, https://www.oecd.org/daf/fin/private-pensions/Report-on-Risk-and-Return-Characteristics-of-Infrastructure-Investment-in-Low-Income-Countries.pdf. [51]

Pandit, V. and T. Tamhane (2017), *Impact Investing: Purpose-Driven Finance Finds its Place in India*, McKinsey & Company, https://www.mckinsey.com/~/media/mckinsey/industries/private%20equity%20and%20principal%20investors/our%20insights/impact%20investing%20finds%20its%20place%20in%20india/impact-investing-finds-its-place-in-india.ashx. [50]

Paris, F. (2011), *"Transparency in the reporting of financial data by multinational companies" PowerPoint presentation by Extractive Industries Transparency Initiative (EITI)*, https://www.oecd.org/ctp/47652019.pdf. [37]

Pratap, S. and E. Quintin (2006), “The informal sector in developing countries”*, Research Paper*, No. 2006/130 , United Nations University World Institute for Development Economics Research (UNU-WIDER), https://www.wider.unu.edu/sites/default/files/rp2006-130.pdf. [33]

PRI (n.d.), *"Principles for responsible investment regulation database"*, https://www.unpri.org/sustainable-markets/policy-and-regulation/regulation-map. [49]

Ramasastry, A. (2015), "Corporate social responsibility versus business and human rights: Bridging the gap between responsibility and accountability", *Journal of Human Rights*, Vol. 14/2, http://dx.doi.org/DOI: 10.1080/14754835.2015.1037953. [72]

Ratha, D. (2007), "Leveraging remittances for development", http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1110315015165/LeveragingRemittancesForDevelopment.pdf. [67]

Ratha, D. et al. (2015), "Migration and remittances: Recent developments and outlook", *Migration and Development Brief*, No. 24, World Bank Group, http://pubdocs.worldbank.org/en/773611444756855376/MigrationandDevelopmentBrief24.pdf. [68]

Ratha, D. et al. (2016), "Trends in remittances, 2016: A new normal of slow growth", *People Move blog*, http://blogs.worldbank.org/peoplemove/trends-remittances-2016-new-normal-slow-growth. [66]

Rillo, A. and J. Levine (2018), "Leveraging remittance technologies for financial inclusion in Asia", in *Labour Migration in Asia: Increasing the Development*, Asian Development Bank Institute-OECD-International Labour Organization, https://www.adb.org/sites/default/files/publication/410791/adbi-labor-migration-asia.pdf#page=33. [63]

Rogerson, A. (2011), "What if development aid were truly 'catalytic'?", *Background Note*, Overseas Development Institute, London, https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/7373.pdf. [13]

Sedemund, J. and A. Bejraoui (2018), *2018 Report on the DAC Untying Recommendation*, OECD, Paris, https://one.oecd.org/document/DCD/DAC(2018)12/REV2/en/pdf. [75]

Shidi Dong, L. (2016), "The impact of explicit CSR regulation: evidence from China's mining firms", *Journal of Applied Accounting Research*, Vol. 17/2, pp. 237-258, https://doi.org/10.1108/JAAR-03-2014-0030. [58]

Steel, I. et al. (2018), "The taxation of foreign aid: Don't ask, don't tell, don't know", *Briefing Note*, Overseas Development Institute (ODI), London, https://www.odi.org/sites/odi.org.uk/files/resource-documents/12191.pdf. [60]

UBS (2017), "Mobilizing private wealth for public good", *UBS White Paper for the World Economic Forum annual meeting*, UBS, https://www.ubs.com/global/en/about_ubs/follow_ubs/highlights/mobilizing-private-wealth-for-public-good.html. [70]

UN (2015), *Addis Ababa Action Agenda*, United Nations, New York, http://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf. [1]

UN (2009), *Nairobi Outcome Document of the High-level United Nations Conference on South-South Cooperation*, United Nations, New York, http://southsouthconference.org/wp-content/uploads/2010/01/GA-resolution-endorsed-Nairobi-Outcome-21-Dec-09.pdf. [17]

UNEP-World Bank (2017), *Roadmap for a Sustainable Financial System*, United Nations Environment Programme-World Bank, http://unepinquiry.org/wp-content/uploads/2017/11/Roadmap_for_a_Sustainable_Financial_System.pdf. [47]

Williams, C. (2014), “Tackling employment in the informal economy: A critical evaluation of the neoliberal policy approach”, *Economic and Industrial Democracy*, Vol. 38/1, http://dx.doi.org/10.1177/0143831X14557961. [36]

World Bank (2017), *"Migration and remittance data"*, World Bank, Washington D.C., http://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data. [7]

World Bank (2016), “New study reveals the complexity of the informal sector”, *World Bank news (website)*, http://www.worldbank.org/en/news/feature/2016/07/20/new-study-reveals-the-complexity-of-the-informal-sector. [34]

World Bank (2015), *Annual Report 2015*, World Bank, Washington, DC, http://www.worldbank.org/en/about/annual-report-2015. [3]

World Bank (2011), *The Role of International Business in Aid for Trade: Building Capacity for Trade in Developing Countries*, World Bank, Washington, DC, https://www.oecd.org/aidfortrade/49761410.pdf. [30]

World Bank (2017), *World Bank, International Debt Statistics.*, https://data.worldbank.org/products/ids. [44]

World Bank Group (2018), *Approach Paper “Creating Markets for Sustainable Growth and Development”*, World Bank Group, Washington D.C., https://ieg.worldbankgroup.org/sites/default/files/Data/reports/ap-creating-markets.pdf. [22]

World Bank Group (2017), *Creating Markets in Ghana: Country Private Sector Diagnostic*, World Bank Group, Washington, D.C., https://www.compactwithafrica.org/content/dam/Compact%20with%20Africa/Countries/Ghana/CPSD-Creating-Markets-in-Ghana-Nov-2017_v1.pdf. [32]

World Bank Group (2017), *Maximizing Finance for Development: Leveraging the Private Sector for Growth and Sustainable Development*, World Bank Group, Washington, D.C., http://siteresources.worldbank.org/DEVCOMMINT/Documentation/23758671/DC2017-0009_Maximizing_8-19.pdf. [10]

World Bank Group (2017), “Migration and remittances: Recent developments and outlook”, *Migration and Development Brief:*, No. 27, World Bank Group, Washington, DC, http://pubdocs.worldbank.org/en/992371492706371662/MigrationandDevelopmentBrief27.pdf. [65]

World Bank Group (2016), *Forward Look – A Vision for the World Bank Group in 2030*, World Bank, Washington, D.C., http://siteresources.worldbank.org/DEVCOMMINT/Documentation/23732171/DC2016-0008.pdf. [76]

World Economic Forum (2018), "Global Battery Alliance", *World Economic Forum website*, https://www.weforum.org/projects/global-battery-alliance. [24]

World Economic Forum (n.d.), "Cleaning up battery supply chains", *World Economic Forum impact blog*, https://www.weforum.org/our-impact/cleaning-up-battery-supply-chains. [25]

Chapter 6. Implementation: Co-ordinating actors, tailoring solutions

The 2030 Agenda requires a significant change in how development actors operate so that they deliver on the promise of a holistic approach. Indeed, the impact of the Addis Ababa Action Agenda should be most visible at the level of implementation and operations.

This chapter outlines challenges encountered at the country level in integrating diverse sources of financing. It surveys some of the tools being tested to overcome these challenges and recommends ways forward. In short, existing tools must be strengthened, new tools developed and a significant implementation gap filled in order to realise the promise of the Addis Ababa Action Agenda.

While recognising that country-led development remains the central pillar of financing for sustainable development, the chapter also encourages the integration of sustainable development at local, regional and global levels. Financing solutions must also be tailored across sectors, including for cross-cutting policy goals such as gender equality and the climate transition.

In brief

To ensure that financing will support the Sustainable Development Goals (SDGs), it is not enough simply to enhance measurement of efforts and impact (Chapter 4) or improve policies, partnerships and capacity building (Chapter 5). Full implementation of the Addis Ababa Action Agenda (AAAA) requires collective action at the final mile – that is, at the level of operations.

But a collective approach to financing is a challenge to current operational practice, whereby financing actors tend to act independently, driven by their own assessment of priorities. While partnerships between public and private actors are increasing, true integration of financing behind the SDGs remains elusive.

This chapter surveys tools that are emerging to support financing actors, and particularly bilateral and multilateral providers, as they seek to overcome this challenge of fragmentation. It looks at the benefits of integrated financing approaches to sustainable development challenges through the examples of gender equality and the climate transition.

At country level, tools are emerging to support the alignment of national development strategies to the SDGs and development of the integrated national financing frameworks called for by the AAAA (paragraph 9). Such frameworks are still at an early stage. Actors are also using new tools to better identify their comparative advantages, co-operate with other actors and prioritise transformative investments.

Despite these positive steps, however, implementation is lagging behind ambition. A three-pronged approach is needed to turn opportunities for financing for sustainable development (FSD) into realities:

- **Co-ordination at the diagnostic phase can help align country and financing strategies.** A more coherent FSD toolkit is needed and gaps in implementing the tools need to be addressed. Even where diagnostic tools exist, they are fragmented. Actors need to expand country coverage, collectively implement findings, and support countries' capacity to manage diverse sources of financing. Mechanisms such as inclusive dialogue should be expanded to bring actors together and enhance country ownership. Actors at the subnational, regional or global level need to be more actively integrated, since many development challenges are best handled outside of the national level.
- **New tools are needed to tailor financing solutions to sectoral and country contexts and integrate multi-layered governance**. Opportunities also exist for integrated financing across levels of governance, sectors and specific country challenges. Such financing opportunities, such as the contribution of global replenishments to global public goods, must also be better mapped and once they are found, FSD opportunities need to be better implemented – for example, by ensuring compatibility of financing for sustainable development with the Paris Agreement.
- **Much remains to be learned about FSD needs and their complexity**. The AAAA addresses a wide range of action areas, investments and tools, but operational links remain relatively unexplored. Further work is needed on how to articulate roles. Some examples include how to leverage private and blended finance in country strategies, how to integrate remittances into financing strategies, and how to improve diagnostics to fill financing gaps. Particular financing contexts need to be further explored, for example the sectoral dynamics as countries transition.

Integrated national financing frameworks are key to achieving the Sustainable Development Goals

The Addis Ababa Action Agenda promotes "cohesive nationally owned sustainable development strategies, supported by integrated national financing frameworks" (paragraph 9). Yet three years after the AAAA, there is no agreed definition of these frameworks or what steps need to be taken to implement them.

Actors must identify their comparative advantages, co-operate with other actors and prioritise transformation investments within a coherent overarching framework. Tools have been developed to support this, among them the UNDP development finance assessments, the World Bank's Country Private Sector Diagnostics (CPSD) and the OECD's multi-dimensional country reviews. Nevertheless gaps in coverage, implementation and substance remain.

Actors, including donors, need to do more to support integrated national financing frameworks (INFFs). Greater knowledge must be amassed about how best to leverage diverse financing sources and improve data and diagnostics to find and fill financing gaps.

A coherent and co-ordinated financing sustainable development toolkit is needed

As explored in Chapters 2 and 3, the complexity of the financing for sustainable development system presents a triple operational challenge. Actors need to:

- *co-ordinate* based on each actor's comparative advantages
- *prioritise* among enablers to increase development footprint (see Chapter 5)
- *navigate and manage this complexity* while also assessing financing gaps and supporting partner countries.

The tools to meet these needs remain fragmented: making them part of a coherent toolkit to support INFFs will help all actors achieve the ambitions of the AAAA.

Financing actors need to co-ordinate comparative advantages

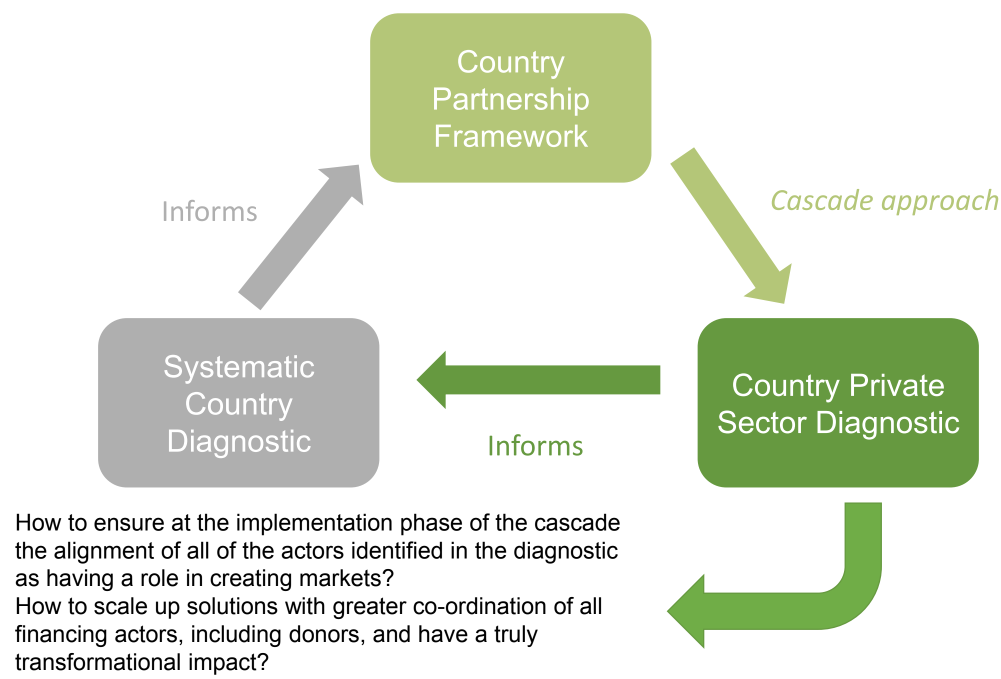
Different actors have expertise in specific countries, sectors and instruments, and can contribute this expertise to integrated financing approaches. Most bilateral providers, UN agencies and vertical funds focus on social sectors through concessional finance. Multilateral development banks and some large bilateral donors focus on private sector development and infrastructure (OECD, forthcoming[1]), while philanthropic finance invests heavily in the health sector (OECD, 2018[2]).

Further work is needed to ensure complementarity and to minimise financing gaps. For example, there is not yet agreement on which development challenges the private sector is best placed to solve and at what price. Nor is it clear whether the tendency of private sector engagement to focus on economic sectors (OECD, forthcoming[3]); (OECD, 2018[4]) represents a division of labour or a missed opportunity.

The World Bank Group aims to address these co-ordination issues using the Country Private Sector Diagnostic (CPSD) tool. The CPSD operationalises the cascade approach to first use private finance and reserve scarce concessional finance for situations where no market-based solution is possible (Chapter 5). The CPSD identifies the most feasible short- to medium-term opportunities for market creation and development impact.

Over time, the World Bank Group will need to integrate the CPSD into its planning process with systematic country diagnostic (SCD) reports and country partnership frameworks (CPFs) so that the cascade approach is embedded throughout operations.

Figure 6.1. World Bank Group diagnostic and strategy process



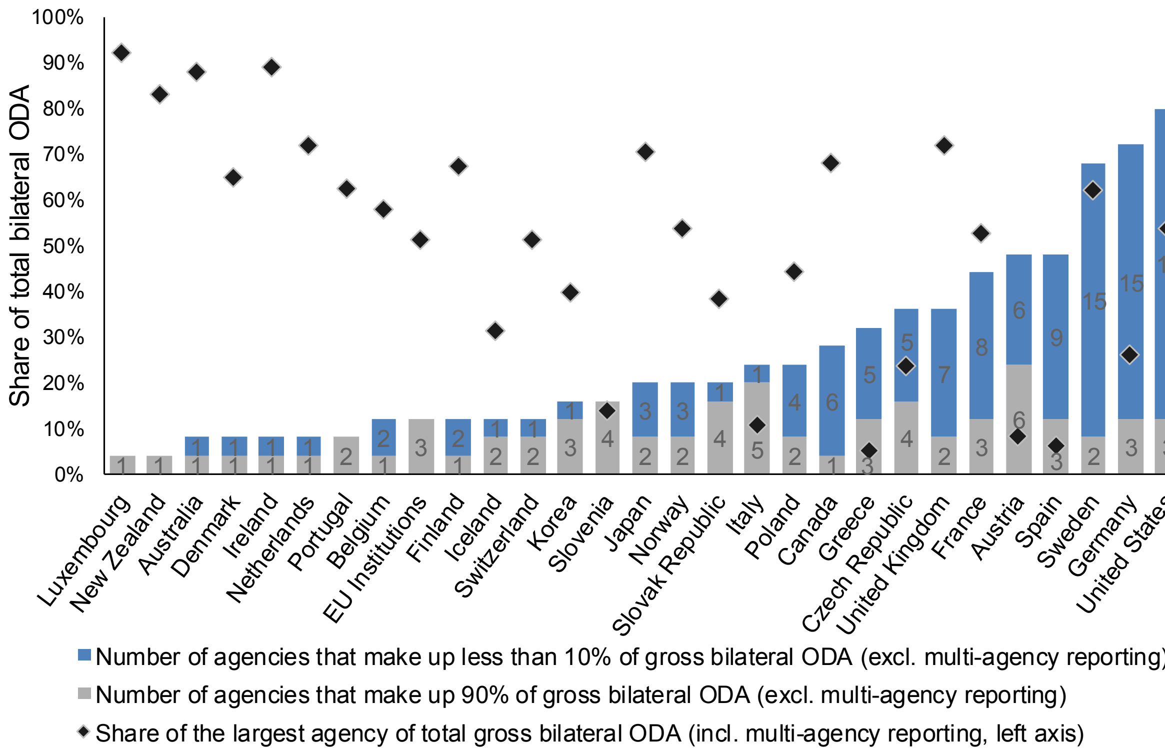
Source: Author based on World Bank Group (2018[5]) *World Bank Group Directive: Country Engagement,* https://policies.worldbank.org/sites/ppf3/PPFDocuments/1cb5ccd7e58e479096378f9d5f23b57d.pdf; World Bank-IMF (2018[6]), *Forward Look - A Vision for the World Bank Group in 2030: Implementation Update,* http://siteresources.worldbank.org/DEVCOMMINT/Documentation/23775499/DC2018_0005ForwardLookupdate_329.pdf.

The intent of the cascade approach is to identify comparative advantages, find shared value and work in partnership rather than having the WBG try to do everything itself (World Bank Group, 2014[7]). But this is challenging. Early evaluations of SCDs and CPFs find that they have struggled to achieve selectivity, are spread thinly across multiple fronts and need to better articulate not just what the WBG does but what it does not do (IEG/World Bank Group, 2017[8]).

As actors establish their comparative advantages and as the number of actors increases, co-ordination will become even more critical. This is true for OECD member states as well. As Figure 6.2 shows, at least 15 OECD Development Assistance Committee (DAC) members have more than 5 agencies active in development, with the United States alone having has 20 government agencies delivering official development assistance (ODA).

Figure 6.2. Number of government agencies delivering DAC members' official development assistance

Aid distribution across DAC members' aid extending agencies



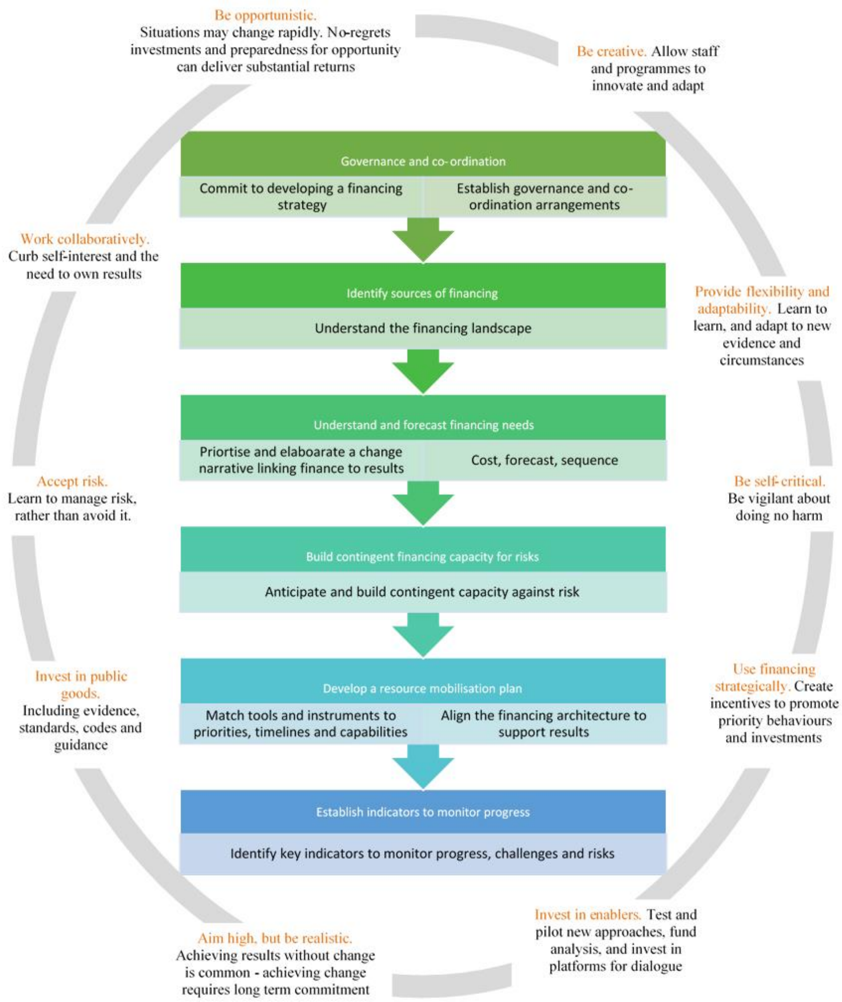
Source: Author's calculations based on OECD (2018[9]), "Creditor Reporting System" (database), https://stats.oecd.org/Index.aspx?DataSetCode=crs1.

StatLink http://dx.doi.org/10.1787/888933853376

The roles and comparative advantages of actors, be they public or private, will vary according to context. For instance, contexts as different as small island developing states, least developed countries and landlocked developing countries each have their individual challenges. As Stiglitz (1998[10]) noted in a lecture 20 years ago, "[t]he issue is one of balance, and where that balance is may depend on the country, the capacity of its [g]overnment, and the institutional development of its markets."

For example, integrated approaches to financing can play a constructive role in fragile contexts (see Box 6.3). The OECD's Financing for Stability framework illustrates the diversity of possibilities that need to be taken into account. The framework is designed to integrate financing across a range of actors in a way that is tailored to fragile contexts, an approach that particularly emphasises risk management and flexibility (Figure 6.3).

Figure 6.3. The Financing for Stability framework emphasises risk management



Source: Poole (2018[11]), *Financing for stability in the post-2015 era*, https://www.oecd-ilibrary.org/development/financing-for-stability-in-the-post-2015-era_c4193fef-en.

Box 6.1. In My View: How can private sector operations help in fragile contexts?
By Ben Miller, Associate Director, CDA Collaborative Learning

What are the opportunities?

Partners CDA, the Peace Research Institute Oslo and the University of Stellenbosch's Africa Centre for Dispute Settlement recently concluded a case study-based inquiry to identify constructive approaches by private sector actors in fragile contexts.

We found that private sector actors are most effective when they act purposefully as:

- a catalyst for positive change in the relationships between other actors
- a facilitator of constructive activities by other actors that have an interest in peace
- an influencer of actors who, by virtue of their official position or informal authority and legitimacy, have the power to say "yes" or "no" to peace and conflict.

Where companies' efforts are focused on conflicts and tensions as they exist in the immediate vicinity of their operations, their relationships with local stakeholders and communities are therefore critical to success. Effective companies pay particular attention to their "social license to operate", for example by slowing the pace of operations to build trust.

Actors outside of the private sector (nongovernmental organisations and bilateral and multilateral actors) played critical roles in all of our case studies. The best outcomes were achieved when actors from a range of sectors identify a set of common interests and work towards those goals, which can require a significant investment on the part of all actors in analysis, dialogue and relationship-building.

What are the risks?

Fragility – the inability of formal institutions to fulfil adequately their mandates, contain or resolve conflicts, and meet the needs of citizens – shapes the impacts of investments and business activities. Unless well managed, new investments may intensify conflict and fragility rather than diminish them. In a fragile context, we should consider ways to improve the quality of investment and not just the quantity – encouraging and supporting companies to enhance social performance and stakeholder engagement and to develop capacities for conflict and risk analysis and improving the accountability and performance of governance institutions.

Non-business risk is an important driver of corporate social performance and influences decisions about where to invest and how to operate. The reputational risks of being inappropriately entangled with a government that is perceived to be corrupt or indifferent to citizens' human rights, for instance can drive good practice in this area. This means that eliminating companies' losses that are incurred through the realisation of non-business risks removes an important incentive for companies to get it right with their stakeholders. A better way to "de-risk" private investment is to mitigate conditions of fragility and conflict. There also needs to be greater consideration of the absorptive capacity of fragile environments to manage contested inflows of new resources.

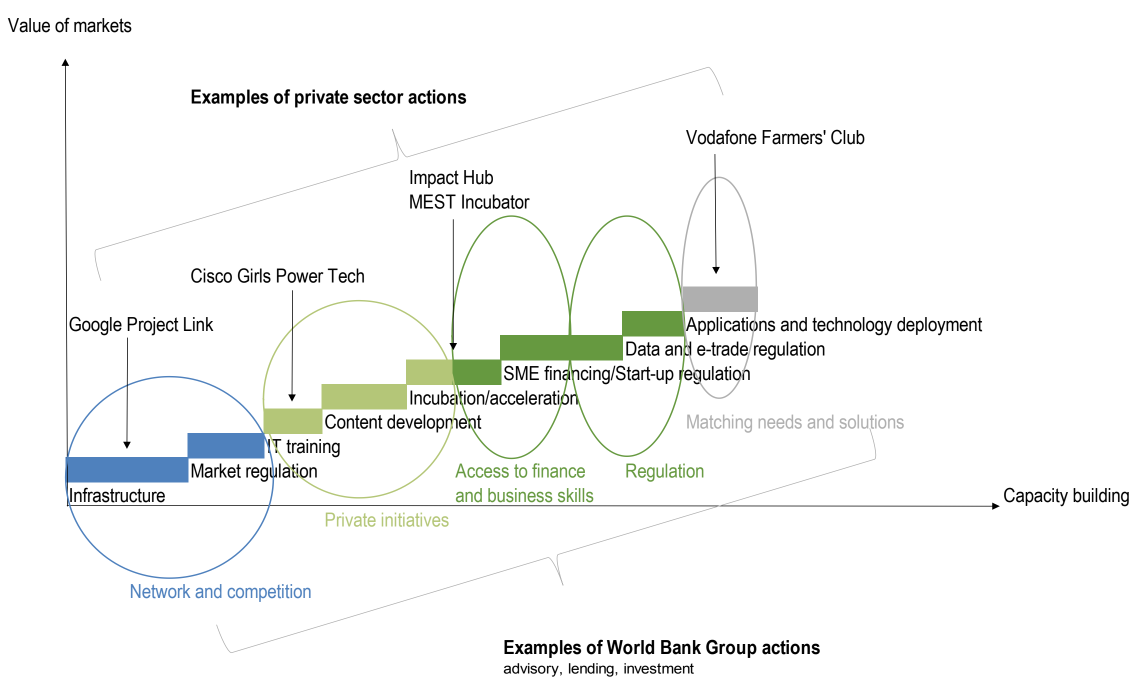
Further information can be found at: https://www.cdacollaborative.org/cdaproject/business-and-peace/.

Financing actors need to prioritise investments

The co-ordination and repartition of roles among actors according to their comparative advantage can also help prioritise the use of finite resources and sequence investment. Prioritising could increase social returns. For example, in a report for the Copenhagen Consensus Center,[1] Kydland et al. (2015[12]) argue that some development targets present the best "value-for-money", and that globally, every dollar spent on just 19 targets by 2030 would generate more than USD 15 of social good (Kydland, Stokey and Schelling, 2015[12]).

Country context will determine prioritisation of investments. Figure 6.4 shows, for the information and communication technology (ICT) sector in Ghana, the respective contributions to the creation of markets and capacity building of public and private actors, identifying bottlenecks and priorities for future actions and partnerships to have a transformational impact.

Figure 6.4. Investing in the building blocks of ICT markets



Source: Based on World Bank Group (2017[13]), *Creating Markets in Ghana: Country Private Sector Diagnostic*, https://www.ifc.org/wps/wcm/connect/ac42c20a-c82c-48b7-8432-221c0e066e2a/CPSD-Creating-Markets-in-Ghana-Nov-2017_v1.pdf?MOD=AJPERES.

Prioritisation tools such as growth diagnostics are well established to identify constraints to growth as well as actions that overcome constraints (Rodrik, Hausmann and Velasco, 2005[14]). Financing actors including the Bill & Melinda Gates Foundation use economic valuation to prioritise across health investments (NICE International, 2014[15]). In the SDG era, prioritisation also must factor in the multi-dimensionality of development goals, linkages among SDGs, and the urgency of individual SDGs (Chapter 5) (Le Blanc, 2015[16]).

The OECD Development Centre's multi-dimensional country review (MDCR) is one tool used to prioritise financing in the context of multi-dimensional development and with strong links to the SDGs. An MDCR assesses a country's economic growth, social inclusion and environmental outcomes against benchmark OECD and regional economies.[2] Panama is one of the assessed countries that have chosen to include a focus on the financing and policies needed to achieve multi-dimensional development outcomes (OECD, 2017[17]). These include, for example:

- tax mobilisation;
- fostering private investment, domestically and internationally;
- the role of remittance flows in consumption.

Integrated national financing frameworks offer much-needed potential to map financing to development strategy

To effectively finance the SDGs, financing actors need to co-ordinate their comparative advantages and prioritise their diverse investments. They also need to co-ordinate and prioritise in a way that reinforces country ownership, links to policy and supports the country's development strategy. INFFs, although at an early stage, are a promising mechanism in this regard.

National development strategies are an important building block. They must be inclusive and tailored; no single approach will work for all contexts. The report, *Perspectives on Global Development 2019* (OECD Development Centre, forthcoming[18]), underscores that strategies must be multi-sectoral, place-based, participatory and implemented within the context of multilateralism.

National development strategies are already widely used.[3] But on their own, such strategies may not be sufficiently integrated into financing and policy choices or linked to SDGs. A number of new tools aim to address these gaps. Among them is the UNDP Rapid Integrated Assessment (RIA) tool (UNDP, 2017[19]). Another is the United Nations' Mainstreaming, Accelerating and Policy Support (MAPS) approach, which aims to embed the SDGs in domestic planning and budgets (UN Development Group, 2015[20]).

The AAAA offers an opportunity – in the form of INFFs – to link national development strategies with financing and partnerships from a broad range of actors, domestically and internationally. While there is no agreed design for an INFF, to fulfil this role, INFFs could provide prioritised and integrated investment plans, mapping across needs and sources of financing, a resource mobilisation plan, and governance arrangements to monitor implementation.

Such frameworks for SDG financing would help to equip countries to better negotiate and make the most of diverse financing sources in the complex FSD market, or what Prizzon, Greenhill and Mustapha (2016[21]) called "the age of choice". These frameworks also could build on existing mechanisms such as aid management platforms[4] that governments use to better understand which partner is doing what and where (Weaver et al., 2014[22]).

The UNDP's Development Finance Assessment (DFA) is the most prominent example of the tools being used to link financing to policy and to implement INFFs. A DFA provides planning and finance ministries with data, analysis and recommendations on trends in development finance and the alignment of these with national priorities, synthesising analysis across resource flows and institutions (UNDP, 2016[23]). An important feature of a DFA is an inclusive and consultative process to engage with the country's government, media, parliamentarians, civil society organisations (CSOs) and other stakeholders. The "In My View" piece below describes lessons learned from the DFA process.

Box 6.2. In My View: Lessons learned from UNDP Development Finance Assessments, by Margaret Thomas, Chief, Development Impact Group, UNDP

Countries face a number of challenges in mobilising and strengthening the effective use of a diverse range of public and private resources for the Sustainable Development Goals (SDGs). These challenges are rooted in, or made more difficult by, misalignment between planning and finance systems and by the participation of only a narrow group of stakeholders in dialogue and decisions on financing.

In response to these challenges, UNDP has developed the Development Finance Assessment (DFA). The DFA makes financing issues accessible to policy and decision makers and follows a process of multi-stakeholder consultation. It builds an agreed roadmap that can support progress, including:

- strengthening the link between planning and financing
- strengthening multi-stakeholder participation in financing dialogue
- mobilising financing
- managing finance to maximise sustainable development impact

The DFA aims to both build a broader base of support for reform agendas and identify innovative solutions to the challenges of integrated financing of the SDGs. The DFA looks at opportunities for deeper collaboration with the private sector beyond growth in private investment. It considers how monitoring frameworks, transparency and collective accountability can strengthen the role of private finance in realising sustainable development objectives.

To date, 25 countries have undertaken or are undertaking a DFA. Lessons learned from countries' experiences continue to strengthen the DFA methodology.

- Given that the scale and diversity of finance available vary widely across countries, the tailored, context-driven nature of the methodology and government-led approach of the DFA is unique in its aims and process.
- The specific value added of the DFA lies in broad-based engagement. The government-led oversight committee brings together ministries and private sector and other partners, and it plays a crucial role in the DFA roadmap.
- Evidence-based dialogue is strengthened by a solid analytical basis that aggregates data from a range of sources and takes stock of the policy and institutional landscape across financing flows. This analysis benefits from collaboration with key partners such as international finance institutions, development partners, academia and think-tanks, among others.
- The DFA Roadmap as the outcome of the process needs to be concrete, focused and actionable and built on consensus by actors across financing partners committed to a set of prioritised and agreed actions.

The methodology has been revised to better respond to challenges such as the availability of data across ministries, effective engagement with the private sector and garnering buy-in across partners for long-term implementation of the DFA Roadmap.

DFAs undertaken have led to countries taking a more integrated approach to financing the SDGs with reforms and follow-up including designing financing strategies for the SDGs; reforms to integrate SDGs in planning, budgeting, monitoring, reporting and administrative frameworks; initiatives for private sector to report against the SDGs; and capacity building of civil service on effective financing for development.

Important gaps in implementation and knowledge need to be filled

Despite positive steps, integrated financing has yet to fully be implemented. To address this, donors have an important role. This section outlines immediate implementation gaps that should be filled and areas for further research and policy guidance.

Financing actors should actively support integrated national financing frameworks

Despite progress in developing the tools to support integrated national financing frameworks, substantial gaps remain:

- *Tools for integrated FSD need to reach critical mass*. So far, 25 Development Finance Assessments have been completed and the Financing for Stability methodology has been applied in six countries. A pipeline of Country Private Sector Diagnostics is underway, but the process now needs to be fully integrated into World Bank Group systems and partnerships.
- *Better co-ordination at the diagnostic phase is needed to align financing*. All DAC member countries who responded to the Global Outlook Survey on Financing for Sustainable Development noted that they rely on their own diagnostic tools, with other actors' tools used in a fragmented way in programming and implementation.[5]
- *Actors need to support and implement the findings*. Donor countries support the DFA analysis. Yet none of the DAC members who responded to the "Global Outlook Survey on Financing for Sustainable Development" use this analysis in their development activities (OECD, 2018[24]). As Box 6.3 suggests, it is not clear whether private sector or other actors are sufficiently engaged.
- Development actors can play a collaborative role in supporting countries' integrated national financing frameworks. In Mexico, for example, the German Federal Ministry for International Cooperation (GIZ) supports the Mexican federal government in developing a comprehensive architecture for the implementation of the 2030 Agenda that has already contributed to identifying national development priorities (Figure 6.5). The financing component comprises ongoing and planned initiatives: pilot recommendations for a sustainable fiscal framework at the subnational level; promotion of innovative multi-stakeholder financing mechanisms (e.g. results-based payments to finance the SDGs); from 2019 onwards,[6] and a planned collaboration to jointly foster enabling conditions for a financing sustainable development system.

Similar capacity development approaches and the sharing of South-South experiences may be particularly important in connection with the use of sophisticated financing modalities such as green bonds, diaspora bonds or public-private partnerships.

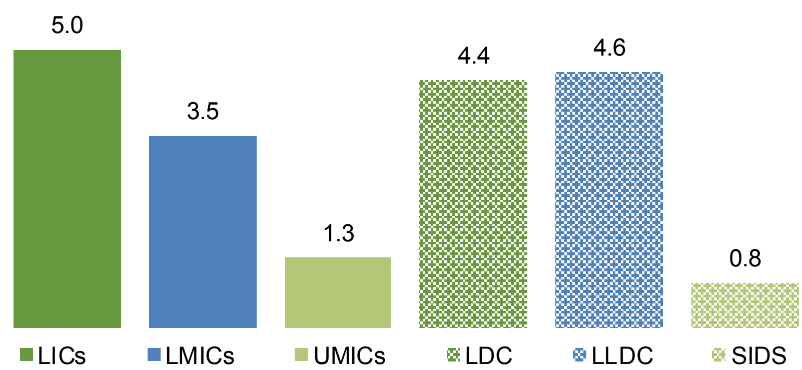
Figure 6.5. How international co-operation can support integrated financing of the 2030 Agenda: GIZ and the Mexican government

Source: Adapted from an illustration supplied by the German Corporation for International Cooperation (GIZ), Mexico.

Donor partnerships can be an important part of INFFs. But there are big gaps, as Figure 6.6 shows. The OECD's 2017 Survey on Donors' Forward Spending Plans highlights the drop-off in priority development partnerships as countries move towards graduation, and the low level of priority partnerships for small island developing states. Three least developed countries – Eritrea, Gambia and Lesotho – have no priority partnerships at all, while Ethiopia has 16 (OECD, 2017[25]).

Figure 6.6. DAC members' priority development partnerships

Average number of priority partnerships



Source: Author's calculations, based on OECD (2017[25]), "Survey on Donors' Forward Spending Plans", (unpublished).

StatLink http://dx.doi.org/10.1787/888933853395

Mechanisms are needed to create shared value and support country ownership

As they increase in diversity, new sources of finance need to support SDGs and country ownership. The Busan Partnership for Effective Development Co-operation specifies that countries' own and define the development priorities to be implemented. The investments of other actors should align with national strategic priorities and plans and use country systems as far as possible (OECD-UNDP, 2016[26]).

Country ownership is a pre-condition of successful implementation, but it can be challenging to achieve. Actors other than the developing country itself may finance different goals or work outside of the country system. For example, only 19 of 81 territories that participated in the Global Partnership for Effective Development Co-operation (GPEDC) monitoring had 60% or more of development co-operation in the government sector passing through country systems (OECD/UNDP, 2016[27]).[7]

In a complex financing environment, this challenge is amplified. But so too is opportunity. The GPEDC, in a forthcoming report, notes that evidence from Bangladesh, Egypt, El Salvador and Uganda suggests that the private sector wants to be a genuine partner to governments – and not simply a provider of FSD – to enhance country ownership of development priorities (Box 6.3).

Inclusive policy dialogue thus can be a crucial mechanism to engage diverse actors such as the private sector as partners, building buy-in while retaining the government's special role.

An additional benefit of policy dialogue is that it can engage actors in the planning and implementation of specific investments from an early stage. Effective follow-up processes and mutual accountability frameworks are needed to ensure all principles of development effectiveness – ownership, results, inclusive partnerships, transparency and accountability – are met (OECD, forthcoming[3]); (UN DESA, 2018[28]); (UNDP, 2017[29]).

Box 6.3. Inclusive dialogue is a key mechanism for effective private sector engagement

The Global Partnership for Effective Development Co-operation assesses the effectiveness of private sector engagement through development co-operation at country level. Case studies in Bangladesh, Egypt, El Salvador and Uganda identified several challenges in partnership arrangements between the private sector and the development co-operation actors. Findings of these case studies included the following:

- The creation of shared value is often lacking. Bangladesh and Uganda case studies revealed that development partners do not always sufficiently consider the business case when establishing partnerships.
- The private sector does not yet see alignment between business interest and social, environmental and economic sustainability. In Egypt and Bangladesh, private sector representatives sought a structured approach to inform the local private sector about the Sustainable Development Goals and how to address them.
- Private sector stakeholders across all four countries noted the need for development partners to simplify their procedures (e.g. application processes) to make partnerships more attractive.
- The explicit focus of private sector projects on target groups of development co-operation is limited. Only 11% of reviewed private sector projects target rural communities and only 4% target the poor.
- Private sector projects rarely include an explicit reference to their added social or developmental value, or what is called "development additionality". Only 12% of private sector projects reviewed had a results framework overall – a sign of a lack in agreed expected development outcomes.
- Only 16% of private sector projects reviewed report actual results and 38% have expected results available. Results are rarely communicated widely. The understanding of how individual private sector projects contribute to expected results is also lacking.

Inclusive policy dialogue, as one of the modalities of private sector engagement, appears to be a key instrument to help achieve the buy-in and ownership of both the private sector and development co-operation actors. It can foster effective partnerships and align interests, creating a shared understanding of sustainability from both the business and the development perspective. Inclusive policy dialogue is still an under-appreciated modality. Among 919 private sector projects, only 18 were supported by inclusive policy dialogue. To bridge this gap, the GPEDC aims to launch guidelines on effective private sector engagement in 2019.

Contributed by the Secretariat of the Global Partnership for Effective Development Co-operation

Blind spots remain in the links between actors and financing types

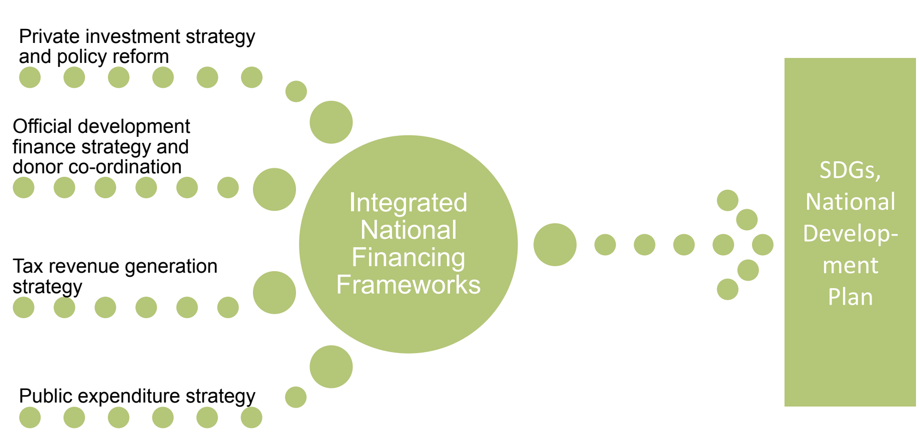
Specialist and diagnostic tools and strategies are available to support the AAAA action areas, from tax mobilisation to reform of investment enabling environments and financial market development[8]. Together, they form a patchwork with significant blind spots where further policy work is required to integrate financing and map it to financing needs (Figure 6.7).

Tools are still lacking to identify and leverage the links between financing sources. For example, data on amounts of private finance mobilised in support of development goals are improving but that is not the case for data on the amount of public finance used to achieve this mobilization. It is not yet evident how to ensure the effectiveness of blended finance actors or how best to engage the local private sector and support the investment enabling environment (OECD, 2017[30]). Nor is there consensus on how to ensure additionality – or even what type of additionality should be sought – when public funds play the role of leveraging private finance.[9]

The relationship between tax revenue and investment reveals another important blind spot where better knowledge could help release greater financing. Evidence is growing that it is not necessary to trade off rates of tax and investment, as uncertainty about the level of tax on profits may be a more important driver of investment decisions (OECD/IMF, 2018[31]).

As noted in Chapter 3, efforts are increasing to connect private sources of financing such as remittances to financing strategies but more must be done. In 2018, the DAC began collecting data on "remittance facilitation, promotion and optimisation". The funded activities included reducing the costs of remittances transfer (most common); increasing earning opportunities within each DAC member' own country; increasing data about remittance flows; supporting international co-operation; developing banking solutions; and increasing the proportion of low-income households with opportunities to earn and remit (OECD, 2018[24]).

Figure 6.7. Diagnostic tools need to be integrated into a coherent whole



Source: Author based on UN (2015[32]), *Addis Ababa Action Agenda of the Third International Conference on Financing for Development*, http://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf.

In addition to better integration of diagnostic tools, sometimes, individual diagnostics could be improved to support holistic approaches and help understand, prioritise and fill financing gaps (Box 6.4).

Box 6.4. Better tools can increase tax revenue mobilisation

There are a range of tools and approaches that are helping developing countries address challenges in international taxation. For countries that have joined the Inclusive Framework on BEPS and the Global Forum on Transparency and Exchange of Information for Tax Purposes, induction programmes offer high-level dialogue as well as the development of detailed roadmaps on the steps needed to implement these international standards. More specialist tools are being developed, including a transfer pricing needs assessment tool that helps countries to identify their transfer pricing priorities. The Platform for Collaboration on Tax is developing a series of eight toolkits on high-priority international taxation issues in developing countries.

Such tools help countries to increase their tax revenue. For example, Uganda has received technical assistance for several years from the African Tax Administration Forum, OECD, World Bank and Global Forum. Uganda also received direct support on tax audits from Tax Inspector Without Borders. Significant increases in revenue and improved taxpayer voluntary compliance are expected from better control of the cross-border transactions of multinational enterprises. Improved information exchange netted over USD 9 million in 2015/16.

There are also new and emerging tools supporting the tax system overall. The Platform for Collaboration on Tax is supporting the development and implementation of medium-term revenue strategies (MTRS). Such strategies help to move from high-level diagnostics of financing needs to an articulation of the contribution from revenue. Development partners can then support a five- to seven-year MTRS year plan for the development of a country's revenue systems. The first MTRSs are currently being developed in several countries. At the tax administration level the Tax Administration Diagnostic Assessment Tool (TADAT), which uses 28 high-level indicators, is the most established tool for assessing a country's tax administration system. A total of 34 countries have had TADAT diagnostics under the final version of the TADAT guide.

Contributed by the Centre for Tax Policy and Administration, OECD.

Financing for sustainable development solutions need to be tailored across different levels of governance

Critical implementation gaps include partnerships beyond the country level. There is no one size fits all, holistic approach; approaches must be tailored to integrate actors at the local, regional and global levels. These levels of governance are increasingly important for FSD.

Local and regional actors represent untapped opportunities

Ultimately, development is local. Subnational actors bring specific and under-explored comparative advantages in FSD. More must be done to support subnational actors to increase their development footprint. At the same time, globalisation has meant that supranational regional groupings[10] have an increased role. Both sets of actors should be integrated into financing for sustainable development approaches.

Local and regional actors are increasingly important financiers and implementers

Some development challenges are best handled below and above the country level. In some countries, half the national budget is now devoted to lower levels of government through education, general public services and social protection, among other government services. Subnational governments not only receive grants and revenue from higher levels of government, donors, and international organisations. They also are responsible for mobilising domestic resources; in Argentina and India, subnational governments receive over 50% of public tax revenues (OECD-UCLG, 2016[33]).

Above the country level, neighbouring countries are becoming more closely connected economically, socially, and financially than ever before, as recognised in paragraph 21 of the AAAA. This makes the regional level particularly important in the management of public goods, regional assets, trade and investment and regional responses to shocks. The following are some examples:

- Regional networks can provide economies of scale and support integration, as for example through investments in ICT and transportation corridors and the five regional power pools in Africa[11] (Karekaho, 2017[34]).
- Regional approaches can be deployed to more effectively manage common natural resources such as highly migratory fish stocks in the South Pacific (UNDP-GEF, 2016[35]).
- Regional financing approaches can overcome capacity constraints to allow greater access to finance by more countries, as shown by the World Bank's aviation safety project involving Tonga, Tuvalu and the World Bank (World Bank, 2011[36]).
- Trade and investment corridors help local suppliers to access markets and require co-ordinated investments and institutional links to decrease costs throughout the corridor (Arvis et al., 2011[38]).

Realising this potential, and aligning to country priorities and SDGs, does not happen automatically. For example, without the accompanying skills, technical capacities, financial resources and oversight, decentralisation can result in negative impacts on local development (Vujanovic, 2017[37]).

To tap this potential, then, capacity building, support to engage the private sector, as well as better mechanisms for dialogue and co-ordination with the donor community at the local and regional level are all needed.

Box 6.5. In My View: The local challenges of financing sustainable development by Anuradha Thakur, Ministry of Finance, India

Translating the global Sustainable Development Goals (SDGs) into local commitments takes a multi-pronged, multi-stakeholder approach. India has been a strong supporter of the Millennium Development Goals (MDGs) and the SDGs, and a convincing advocate and promoter at the UN. Starting at that global level, the SDGs come down to us in Himachal Pradesh, a small hill state in India.

First, interdepartmental working groups were constituted to develop a seven-year strategy and a three-year action plan, all neatly dovetailing into the state vision document for the SDGs. The UN offered technical and financial support. The 169 targets had already been broken down to around 300 indicators by the central ministry but the working groups were given the flexibility to modify them.

For SDG 6, we undertook a detailed situation analysis, gap analysis and resourcing assessment. Taking the example of Goal 6.1 – to achieve 100% access to all for safe and affordable drinking water – it was assessed that a total of about USD 1.3 billion would be needed over the next three years to complete and augment existing schemes and to implement new ones. Of this, the state budget would provide about USD 800 million, and projects had been already posed for funding by the BRICS Bank and Japan International Cooperation Agency (JICA). The BRICS Bank agreed to take up one of the projects for about USD 100 million. Other sub-goals needed even greater resources for sewage management, improving quality, operation and maintenance, and sustaining water sources.

The lessons learned are critical:

- Pro-active leadership at the state level is important – to set indicators, link the state budget with the SDGs, judge relative priorities and ensure that SDGs are mainstreamed into regular government functioning.
- Capacity and network building at the state and below is a crucial piece of the puzzle to ensure that lower levels of government have the ability to see the whole picture, learn what resources there are to access and how, develop expertise to draw in the private sector for those aspects where there could be revenue sharing and to draw in the community as well for maintenance and upkeep. Without these skills, there is overdependence on already stretched state budgets and under-achievement of targets.
- The private sector and innovative financing mechanisms are not available for all sectors or levels of governance and may require too much upstream work given the pressing need to deliver on

sectors such as water.

- The donor community needs to see the enormity of funding and policy work required beyond country strategies. Something deeper needs to be achieved by engaging with the donor community in terms of institutional change and good practice. The Ministry of Finance of the government of India has devised a "Finance Plus" filter to ensure this. The achievement of the SDGs will need a fair amount of financial support and a fair amount of added benefits. The donor community has to respond to this.
- There is a need to work better together as associates and not as competitors at country and regional level, harmonising donor priorities with country priorities.
- Monitoring of SDG achievement needs to be embedded in the national and local system.

Anuradha Thakur is a member of the premier civil service of India, the IAS (Indian Administrative Service). This essay reflects her personal opinion gained from her experience as Principal Secretary of the Irrigation and Public Health Department and as Principal Secretary, Social Justice and Empowerment Department of the government of Himachal Pradesh, while working out the Action Plan for accomplishment of SDG 5 and SDG 6 in the State of Himachal Pradesh.

New tools can boost the local and regional contribution to financing sustainable development

Innovative instruments, partnerships and policies at the subnational and regional level present new opportunities. Some examples include:

- Sub-national pooled financing mechanisms (SPFMs) allow local governments to jointly access public sector funding, private capital markets and bank finance. This can help to overcome limitations of scale, expertise and credit history and thus reduce the costs of finance and increase efficiency. SPFMs can also develop local markets and increase standards of transparency, reporting and results (FMDV, 2017[38]).
- The European Union's Trade for All Strategy commits the European Union to a responsible trade and investment policy as an instrument of SDG implementation (European Commission, 2017[39]). Regulatory coherence mechanisms – particularly important for investment into regional infrastructure such as ICT – were explored through the Trans-Pacific Partnership negotiations (Bollyky, 2012[40]).

Multi-stakeholder partnerships can support subnational and supranational levels of governance to play an important role in financing sustainable development. For example, the R20 (subnational) Regions of Climate Action is a global partnership that aims to ensure cities and regions are leaders in reducing global carbon emissions (Box 6.6).

Box 6.6. R20 Regions of climate action

Founded in 2011 by Arnold Schwarzenegger, a former governor of the state of California, R20 is a coalition of subnational governments, private companies, international organisations, NGOs, and academic and financial institutions. It supports subnational governments in reducing carbon emissions and works towards a green economy through renewable energy, waste management and energy efficiency projects, in line with the Paris Climate Agreement, SDG 7 promoting affordable and clean energy and SDG 12 for responsible consumption and production. R20 aims to implement 100 infrastructure projects with USD 3 billion worthy capital expenditure by 2020. Since October 2014, R20 works with the State of Rio de Janeiro, 40 cities, technical partners and investors to retrofit street lights to energy-saving LEDs, with investor returns linked to energy and maintenance savings.

Local governments have a critical role to play in building climate-resilient societies. For instance, research by Yale University finds that sub-national programmes in eight countries alone could reduce 2020 emissions by 1 gigaton (Hsu et al., 2015[41]), – global carbon emissions were 32.5 gigatons in 2017 (IEA, 2018[42]). Municipalities are where such actions could matter most, as cities account for 60 to 80% of global CO^2 emissions (UNEP, 2017[43]).

Note: Additional information can be found at http://www.climate-kic.org/news/certification-standards-matter-city-level-climate-interventions/#_ftn1 and at: https://regions20.org/about-us-2/.

Global platforms and partnerships can bring systemic change

Financing for sustainable development actors must co-ordinate action across communities

Countries and partners, including the OECD, must prioritise the FSD agenda in order to achieve the promise of the Addis Ababa Action Agenda. This means working to strengthen international mechanisms, among them the UN-led Forum on Financing for Sustainable Development process (Chapter 1), and using global platforms to build bridges between policy communities - such as the e.g. Group of Twenty (G20), Group of 77 (G77) and Group of 7 (G7). The Charlevoix G7 meeting, which brought together finance and development ministers in pursuit of innovative finance, is one example of a global initiative designed to have concrete local effects. Efforts will continue under the Argentine and Japanese G20 presidencies, which will focus on infrastructure for development and quality standards respectively.

Global platforms can play a concrete role in building political will and co-ordinating the efforts of diverse communities. The G20 Compact With Africa demonstrates how political leadership can bring together multiple actors to achieve concrete, measurable results for local communities (Box 6.7).

Box 6.7. Compact with Africa

Initiated under the German G20 presidency, the Compact With Africa (CWA) was situated in the context of Agenda 2030 and the African Union's 2063 Agenda. The 2017 Hamburg summit launched the CWA as real GDP growth on the African continent declined and sovereign debt grew. The overarching goal of the CWA is to mobilise African and international governments and other partners to take concrete steps to increase private investment and particularly to fill the infrastructure gap. Under the overall CWA banner, each participant country selects its priorities. The actions to achieve those priorities are agreed under three pillars: a macroeconomic framework (including public expenditure, debt, tax, etc.); a business framework (improving the regulatory and enabling environment), and a financing framework (reducing costs and risks through de-risking instruments, reducing restrictions and developing domestic investment) (African Development Bank-IMF-World Bank Group, 2017[44]).

Compacts were agreed with the initial set of countries of Côte d'Ivoire, Ethiopia, Ghana, Morocco, Rwanda, Senegal and Tunisia and other countries are to be invited to join on a demand basis. A policy matrix was agreed under each of the three pillars, with G20 partners and institutions (IMF, World Bank Group and African Development Bank) assigned specific roles to support for implementation. The G20 private sector was encouraged to join as "pioneering investors". The CWA was complemented by the Marshall Plan with Africa that expands the agenda to include political governance, peace and security (German BMZ, 2017[45]).

Global mechanisms must be strengthened to maximise resources, especially for global public goods

Specialist and global funds are a major source of financing particularly for global public goods. They present a growing challenge in terms of prioritising and identifying gaps in tandem with the increasing the number of funds and volume of financing that is being sought. The International Development Association (IDA) is the world's largest trust fund, for example, and it attracted USD 75 billion at its IDA18 replenishment round (World Bank, 2016[46]). Currently, it is not clear how donors are prioritising and should prioritise across funds targeting climate, health, emergency relief and other aims. Maximising impact requires a better understanding of where and how much to allocate.

Global-level partnerships and instruments must be strengthened as they provide the opportunity to invest in deep systems change and cross-fertilise lessons from one region to another. A promising example from the philanthropic community is the Co-Impact platform, a new global philanthropists' collective that is partnering with social leaders, governments, non-profits and the private sector. With a target USD 500 million in initial funding, Co-Impact provides multi-year grants to:

- groups of partners from across sectors undertaking systems change plans to achieve change at scale, at the national or regional level

- groups taking what it terms a societal platforms approach to scaling, building a shared, universal infrastructure that allows a group's approach to translate geographies and contexts and grow networks of new partners

Global-level platforms are also critical for identifying opportunities for shared value and innovation that can be difficult to scale down. Smaller companies, for example, are less likely to be able to engage in development partnerships (OECD, forthcoming[3]) while the administrative costs of financial innovations such as green bond issuances or an advanced market commitment mean such financial instruments are often best handled at global scale.[12]

Global mechanisms are also critical to manage risk, with the oldest example being the IMF. Finance for sustainable development should be increasingly reflected in economic monitoring such as the IMF's Article IV consultations and OECD economic surveys. As discussed in Chapter 5, the impact of global policies and regulation from the perspective of financing for sustainable development must also be taken in consideration; for example, the impact of Basel III and other financial regulation must be considered (Domanski, 2018[47]).

Funding gaps remain across sectors and policy goals

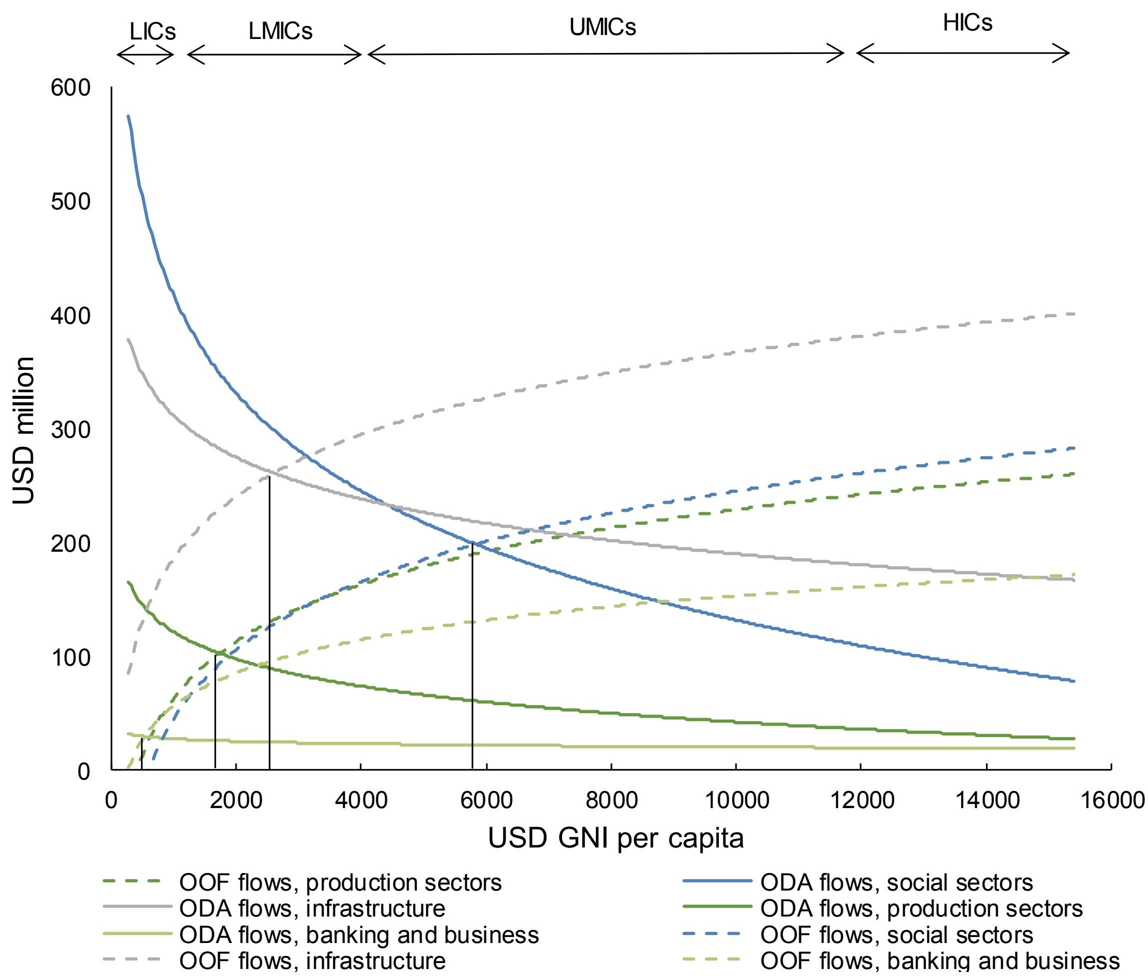
The implementation of holistic approaches should be tailored not only to country contexts, but also to sector and policy specificities, such as gender or climate.

Understanding the dynamic effects across sectors is crucial to avoid funding gaps as countries transition

New OECD work on transition finance shows that the dynamics affecting countries as they transition vary greatly by sector, as shown in Figure 6.8[13] DAC donors, for example, provide concessional (ODA) and non-concessional (other financial flows, or OOF) in different ways and according to the income level and the sector in question.

Figure 6.8. Monitoring the sectors at risk: Official development assistance and other official flows to developing countries 2012-16

From DAC members and multilaterals, 2015 prices, absolute terms



Note: This graph presents logarithmic trend lines.
Source: Author's calculations based on the OECD (2018[9]), "Creditor Reporting System" (database), https://stats.oecd.org/Index.aspx?DataSetCode=crs1 for ODA and OOF flows; and the World Bank (2017[48]) "World Development Indicators" (database), https://datacatalog.worldbank.org/dataset/world-development-indicators for GNI per capita.

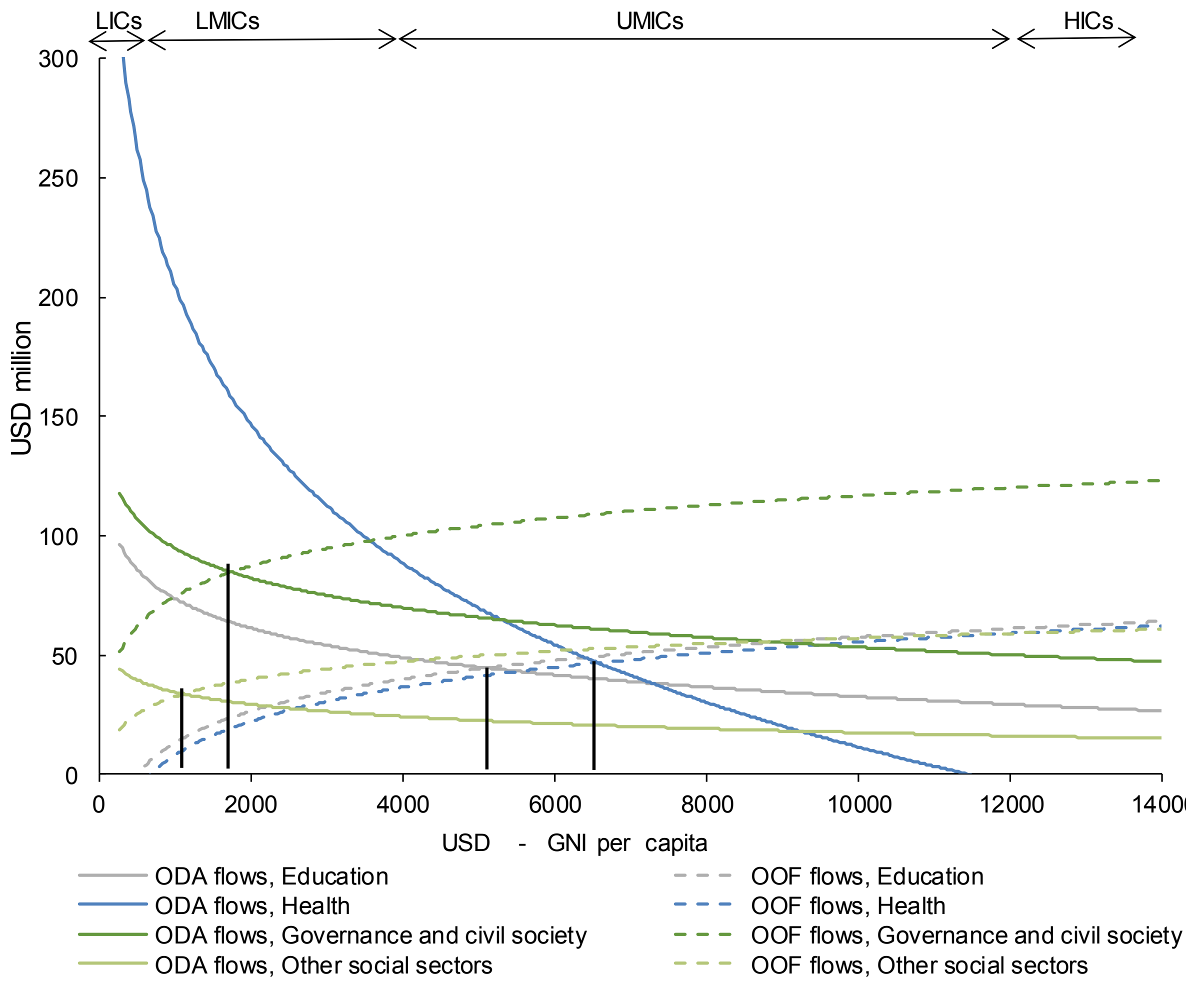
StatLink http://dx.doi.org/10.1787/888933853414

For some sectors such as banking and business, ODA appears to remain stable across income levels even as OOF increases. For productive sectors and infrastructure, the phasing out of ODA appears relatively evenly matched with the phasing in of OOF, although this may mask gaps for individual countries or sub-sectors.[14]

However, as income increases and concessional finance reduces, non-concessional finance may not increase correspondingly. This suggests potential transition gaps, particularly in the health sector. Figure 6.9 provides a disaggregated view of transition in social sectors. Health shows a high starting point and a sharp decline that is not observed in education, governance and other sectors.

Figure 6.9. Identifying transition gaps: Official development assistance and other official flows to social sectors 2012-16

From DAC members and multilaterals, 2015 prices, absolute terms



Note: This graph presents logarithmic trend lines.
Source: Author's calculations based on OECD (2018[9]), "Creditor Reporting System" (database), https://stats.oecd.org/Index.aspx?DataSetCode=crs1 for ODA and OOF flows; and the World Bank (2017[48]) "World Development Indicators" (database), https://datacatalog.worldbank.org/dataset/world-development-indicators for GNI per capita.

StatLink http://dx.doi.org/10.1787/888933853433

A transition gap, as it could be called, may thus emerge unless social sector investment needs are lower or other financing – be it private, philanthropic or domestic public expenditure – is stepping in.

Development communities have started to respond to such gaps at the country level. The UN Conference on Trade and Development (UNCTAD), for example, provides special transitional support to countries as they graduate from LDC status. In a similar vein, the Economic Commission for Latin America and the Caribbean (ECLAC) has developed the Structural Gap Analysis approach to identify new ways to secure finance for middle-income countries in the region (UN, 2012[49]). Within IDA, special transition arrangements were established for the Plurinational State of Bolivia, India, Sri Lanka and Viet Nam as they transitioned out of IDA eligibility and faced a substantial drop-off in development finance.

Nonetheless, further work is needed to respond to questions raised by these transitions across sectors. In the health sector, for example, what role are non-donor actors playing as concessional finance reduces? Is tax revenue-funded expenditure or private investment increasing, and if not, what can be done to support this transition? How are governments managing any transition gap and what are benchmark countries doing? Finally, how can donors best support a sustainable transition?

Further work also is needed to advise donors on options for ensuring sustainable transitions, for example by change allocation patterns, leveraging additional resources, and working with countries and sectors upstream to lay the groundwork for new forms of financing. Such work should complement and integrate existing needs and reform assessments. These assessments include World Health Organization work on health systems financing (McIntyre and Kutzin, 2016[50]) and OECD production transformation policy reviews of economic sectors (OECD Development Centre, 2018[51]).

Accelerating gender equality requires co-ordination across financing and policy

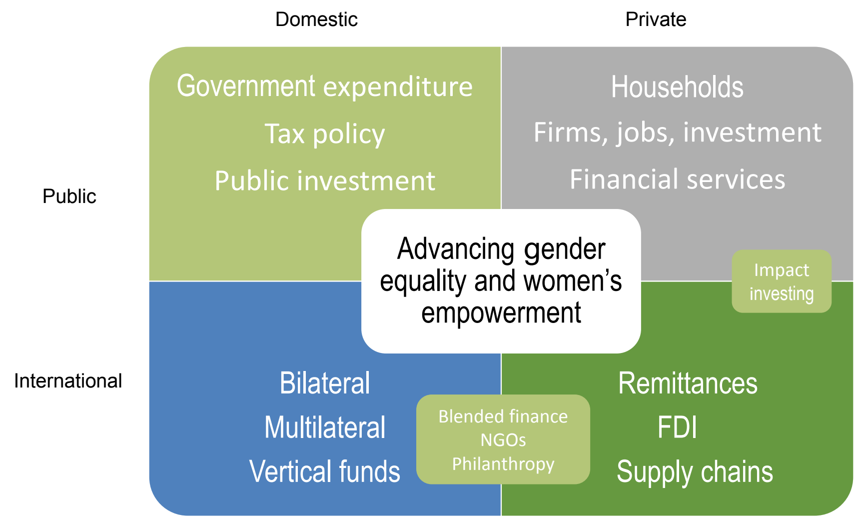
The 2030 Agenda commits to a significant increase in investments to close the gender gap and achieve SDG 5 (gender equality) (UN, 2015[52]). Gender equality is essential to ensure women's rights and could add trillions to global GDP (Woetzel and et al., 2015[53]).

Recently, the focus has been on gender-responsive budgeting to achieve gender equality; more than 80 governments have committed to some form of gender-responsive budgeting (Stotsky, 2016[54]) and donors are providing financial support for implementation (OECD, 2018[24]). Yet significant gaps remain in investment and impact (Downes, Trapp and Nicol, 2017[55]); (UN Women, 2015[56]).

To accelerate progress on gender equality, better mapping and co-ordination of actors are needed so financing is linked to policy. Recent work, notably by the IMF, suggests which spending and policies can jointly have the biggest impacts (Jain-Chandra et al., 2018[57]), but more gender-disaggregated data, experimentation and evaluation will be needed (World Bank, 2012[58]).

Accelerating gender equality furthermore requires co-ordinated action across countries, companies, foundations and other providers of finance. Figure 6.10 provides a non-exhaustive typology of the different financing sources required.

Figure 6.10. Towards a typology of financing sources for gender equality



Source: Author's illustration based on UN (2015[32]), *Addis Ababa Action Agenda of the Third International Conference on Financing for Development,* http://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf.

Diverse financing sources can be harnessed by countries and individuals to support gender equality:

- Domestic resource mobilisation can increase or constrain gender equality. Personal income taxes can be structured in ways that encourage or discourage women from paid work through choices such as progressive tax credits, individual versus family taxation and taxation of the informal economy.
- Women directly receive a substantial proportion of remittances in some countries, for example 63% in Guatemala and 70% in Colombia (IOM/UN INSTRAW, 2007[59]), (IOM/UN INSTRAW, 2007[60]). Further work should be carried out to determine how policy can support an enabling environment for remittances (Chapter 3) and increase their impact on gender equality, for example through opportunities for productive investments.

Companies, foundations and other private providers of finance can have substantial impact by applying a gender lens. Policy efforts such as those outlined in Chapter 5 are increasing to ensure high standards by foreign direct investors, including in female-dominated sectors such as the garment industry. For multinational enterprises, as well as international, responsible supply chain standards, can influence policies and practices. Policies on recruitment, conditions, advancement and procurement choices all can affect women's empowerment.

The volume of foundation financing of women's empowerment initiatives was estimated at around USD 3.7 billion over 2013-15. The Bill & Melinda Gates Foundation (43%) and the Susan Thompson Buffett Foundation (19%) dominated the field of foundations financing such initiatives (OECD, 2018[2]).[15] The OECD Network of Foundations Working for Development (netFWD) has launched a working group on gender to examine funding trends in greater depth.

Private actors are also engaging in innovative partnerships for gender equality (Box 6.8).

Box 6.8. Innovative partnerships can drive gender equality

Innovative partnerships for gender equality are blossoming

The G7's **2X Challenge**, launched under Canada's leadership at the Charlevoix summit, calls for the mobilisation of USD 3 billion to provide women in developing countries with improved access to leadership opportunities, quality employment, finance, enterprise support, and products and services that enhance economic participation and access.

The **Women's World Banking Capital Partners Fund II** (WWBCP II) aims to improve women's financial inclusion by leveraging concessional equity to attract investors to women-focused financial services providers in emerging markets, low-income countries and fragile contexts. The USD 100-million fund will invest in services such as financing for small and medium-sized enterprises, smallholder finance, affordable housing, education, and insurance. The largest allocations will be in sub-Saharan Africa, the Middle East and North Africa, and South Asia.

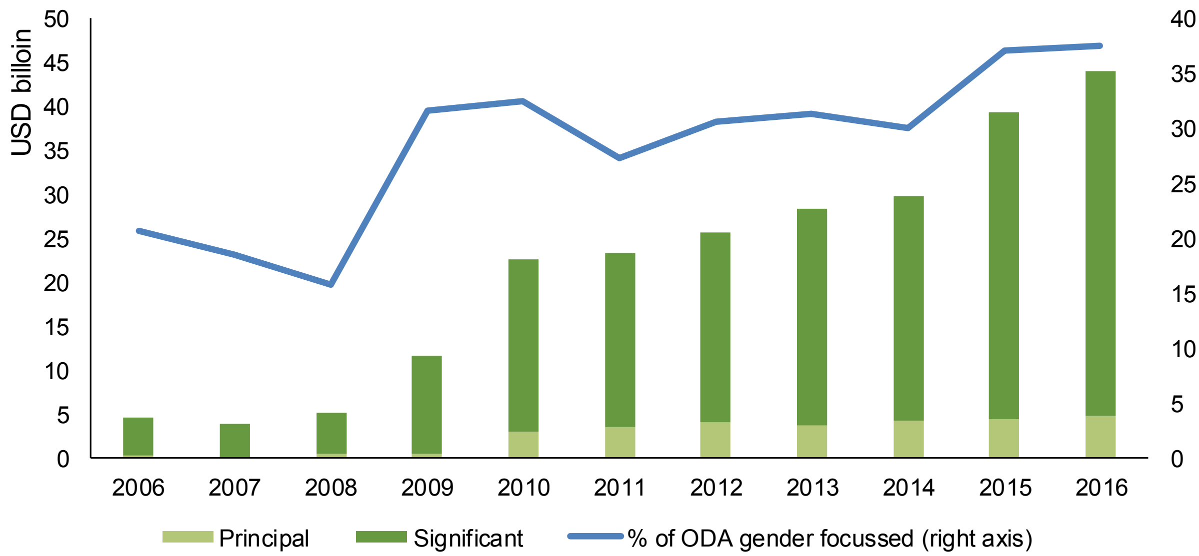
Entrepreneurship programmes also are focusing on women's empowerment, including the Goldman Sachs **10,000 Women** programme that is active in 43 countries and the Coca-Cola **5x20** programme, which aims to help 5 million women entrepreneurs by 2020 and is active in more than 12 countries.

The **Global Impact Investing Network** looks for investment strategies that seek to intentionally and measurably address gender disparities and/or examine gender dynamics to better inform investment decisions.[16]

Although bilateral ODA that integrates gender equality as a significant (albeit secondary) objective has increased over time, more must be done at the level of providers:

- ODA with gender equality as a principal objective lags behind what is needed to achieve commitments in the 2030 Agenda.[17] Figure 6.11 illustrates the proportion of ODA aimed at gender equality. The OECD DAC Network on Gender Equality has called on DAC members to strengthen their gender equality programming in the economic and productive sectors, particularly in areas where the private sector is unlikely to invest (OECD DAC, 2018[61]); (OECD DAC, 2016[62]).
- While funds such as the Global Fund for Women are dedicated to gender equality and women's empowerment, most vertical funds and instruments (Chapter 2) do not yet incorporate a gender equality perspective. Within green finance, for example, only the Green Climate Fund has explicitly mainstreamed gender considerations (Green Climate Fund, 2014[63]). The potential gender equality impact of new instruments such as taxes on international financial transactions and air travel should be included in their design.

Figure 6.11. The proportion of official development assistance that aims to achieve gender equality



Source: OECD DAC (2018[61]), "Aid to Gender Equality and Women's Empowerment: An Overview". https://www.oecd.org/dac/gender-development/Aid-to-gender-overview-2018.pdf.

StatLink http://dx.doi.org/10.1787/888933853452

The urgent need to achieve the climate transition requires all financing to move towards compatibility with the Paris Agreement

The Paris Agreement on Climate Change and the 2030 Agenda are inextricably linked and neither will succeed if one fails. With just 12 years left to cut fossil fuels, the climate agenda has never been more urgent (Intergovernmental Panel on Climate Change, 2018[64]).

The recent OECD (2017[65]) report, *Investing in Climate, Investing in Growth*, argues that a low emissions future is necessary for economic growth, increased productivity and reduced inequalities and notes that in the long run, GDP growth could increase by up to 2.8% on average in 2050 if a coherent package of financing and policy across the G20 is achieved.

For example, deep changes in how energy is used and produced are required, which governments can only achieve in partnership with others (Box 6.9). To keep within the International Energy Agency's (IEA) 2-degree scenario, by 2050, 95% of electricity needs to be low carbon; 70% of new cars need to be electric; and the CO2 intensity of industry needs to be 80% lower than it is today (OECD, 2017[65]).[18]

Box 6.9. Innovative partnerships can accelerate the climate transition

At the architecture level, the NDC Partnership is a coalition of countries and development co-operation providers that promotes the strengthening and implementation of nationally determined contributions (NDCs) in developing countries through technical assistance.

Emerging economies are driving new coalitions to promote low-carbon infrastructure such as the International Solar Alliance, a large-scale initiative that is driven by India and aims to scale up deployment of solar energy, with a target of mobilising USD 1 trillion by 2030.

Public-private coalitions are emerging. One is the Global Innovation Lab for Climate Finance, which disseminates small- and large-scale innovative solutions and instruments to build new markets, attract new investors and increase climate-friendly investment in developing countries. Similarly, investors, development banks, financial sector associations and NGOs launched the Green Infrastructure Investment Coalition launched by at COP21 as a platform to spur commercial investment in environmentally sustainable infrastructure projects.[19]

To achieve these needed climate goals, diverse financing sources can be harnessed by countries and domestic actors:

- Domestic resource mobilisation must be reviewed to be compatible with the Paris Agreement. The mix and structure of taxation and expenditure are critical to align incentives towards inclusive, low-emission and resilient development. These not only have a direct effect but also can catalyse industrial and business model innovation. Further, green fiscal policies such as carbon taxes can bring broader development finance wins such as substantial reductions in public debt-to-GDP (OECD, 2017[65]).
- Mobilising the required financing requires a positive enabling environment for green investments, reform of energy state-owned enterprises (SoEs), etc. Beyond the energy sector, reform of land use sectors such as agriculture and forestry can help to scale up the transformation; ecosystems need to be enhanced as carbon sinks. Research and development also need to be strengthened and incentivised to tackle emissions from energy, industry and transport and to improve agricultural yields and resilience (OECD, 2017[65]).
- Diagnostic tools such as the mobilising private finance tool developed by the Overseas Development Institute (Whitley, Canales Trujillo and Norman, 2016[66]) and the OECD's Policy Framework for Investment can help map needs, incentives and guide green investments.
- National development banks contributed 21% of primary financing for privately financed infrastructure projects in developing economies and could be key domestic partners in increasing finance (Box 6.10).

Box 6.10. National development banks can be key innovators and intermediaries in green infrastructure finance

Low-carbon, climate-resilient infrastructure is a foundation of the climate transition, which requires policies to align and differing financing actors to work together. National development banks (NDBs) can be key connectors, partners and innovators. In South Africa, for example, the Development Bank of Southern Africa is financing the development of renewable energy projects.

NDBs banks are in a privileged position to understand country-specific bottlenecks to low-carbon infrastructure investments due to their closeness to market and long-standing relationships with local actors, both public and private. NDBs can mobilise local private finance based on their special status within their countries (Smallridge et al., 2013[67]). In India, NDBs have access to soft funds from the Reserve Bank of India and can issue securities that qualify as reserves (Kumar, 2016[68]). NDBs are also important intermediaries to channel international development finance, for example from the Green Climate Fund. Figure 6.12 illustrates some of their main features.

Figure 6.12. Key features of national development banks

Source: Smallridge et al (2013[67]), *The Role of National Development Banks in Catalyzing International Climate Finance*, https://publications.iadb.org/bitstream/handle/11319/3478/Role%20of%20NDB%203-12-13final%20web.pdf?sequence=2.

Companies, foundations and other private financiers have a major role to play. Businesses can benefit from the opportunities that green growth presents and also need to manage risks from climate change (Crishna Morgado and Lasfargues, 2017[69]). For example:

- Institutional investors are convening around groups such as the Institutional Investors Group on Climate Change (IIGCC). With a membership comprising of nine of the ten largest institutional investors in Europe and over EUR 13 trillion in funds under management, IIGCC aims to minimise losses from stranded assets and other climate risks by lobbying for climate-friendly policy and investment behaviour.
- The financial system itself needs to better value and incorporate climate-related risks, for example by mainstreaming climate risk into the financial disclosures required for publicly listed companies. This is especially important for large asset owners and managers, many of whom are based in OECD countries (Task Force on Climate-related Financial Disclosures, 2017[70]).
- Philanthropy represents a growing financing source for climate transition in developing countries. The Philanthropy Task Force for the implementation of the Paris Agreement was launched during the One Planet Summit in Paris in December 2017 to identify priorities for further philanthropic investment, models for innovative partnerships and innovative solutions to raise climate finance.

Internationally, official actors have made – and now must implement – substantial commitments. In France, the AFD has set two targets. One was to channel 50% of its annual funding to projects with climate co-benefits, which it achieved in 2017. The second is a target of EUR 5 billion of climate finance by 2020, EUR 1.5 billion of which is for adaptation (OECD, 2017[65]).

- Bilateral climate-related development finance is on an upward trend, exceeding USD 30 billion in 2016, with mitigation finance dominating.[20] This must be matched by policy coherence. As high-income and G20 countries are responsible for the bulk of global emissions, bilateral actors must play a leadership role to ensure policy and financing coherence in support of the low-carbon transition.
- Bilateral development banks are also increasing their focus on climate finance and low-carbon infrastructure. On average between 2013 and 2015, 68% of AFD financing for infrastructure, 58% of such financing from KfW Development Bank and 40% of JICA's financing for infrastructure targeted climate change directly (OECD, 2017[65]).
- Multinational development banks (MDBs) have made significant commitments towards green finance, supporting more than one-third of estimated flows of public climate finance in 2013-14 under the USD 100 billion-commitment (OECD, 2015[71]). Between 2006 and 2016, the share of MDB support for renewable energy technologies (excluding hydropower) grew significantly (13% annually) but was still outstripped by the share of support for fossil fuels (15.7% annually), a trend that must be changed (OECD, 2017[65]).

The universe of financing actors is diverse and each brings its own comparative advantages to financing the climate transition. However, all must work in concert if the urgent change required is to be achieved. The world's ambitious and necessary climate aims require that financing for sustainable development from all sources be reviewed to move towards compatibility with the Paris Agreement.

Conclusion and recommendations

To reach full potential, the FSD system must put in place the key final element of its challenges – operations, where demand for financing for sustainable development meets supply. As described in this chapter, a number of tools are evolving to help financing actors to co-ordinate while fulfilling their niche roles. A core component is the integrated national financing frameworks (INFFs) that are called for in the Addis Ababa Action Agenda (paragraph 9). Yet the design of INFFs and mapping of opportunities remain incomplete, and important levels of governance, country and sector specificities are yet to be fully integrated.

While it is too soon to fully assess the efficacy of all FSD tools, **it is already clear that a more coherent FSD toolkit is needed and that gaps in its implementation need to be addressed** in line with SDG 17 (partnerships for the goals) and principles of effective development co-operation. Therefore, the following are necessary steps:

- Fill the INFF implementation gap by promoting a coherent FSD toolkit and moving from a plethora of diagnostics to co-ordinated implementation of recommendations.
- Promote multi-stakeholder partnerships and mechanisms such as inclusive policy dialogue to and ensure alignment of financing with country ownership.
- Build capacity in developing countries to manage the complexity of the FSD market, both in driving priorities (ownership) and co-ordinating actors, and to fill capacity gaps such as managing specific instruments.

Solutions need to be tailored to sectors and integrate different levels of governance.

- Develop FSD strategies adapted to country specificities such as those pertaining to small island states, landlocked states and least developed countries, building on the example of Financing for Stability.
- Explore opportunities for partnerships and new financing mechanisms at the subnational, regional and global levels. Actors could explore the inclusion of the SDGs in regional trade and investment agreements; support partnerships and capacity development among subnational governments; and map global funds and explore how to mobilise additional financing for global public goods.
- Further map specific sectors and policy goals for FSD opportunities, for example moving towards development finance that is compatible with the Paris Agreement on Climate Change.

Expand the state-of-the-art knowledge about FSD. Further research and policy guidance are needed to fill knowledge gaps and deliver more effective financing.

- As INFFs are implemented, evaluate their effectiveness and develop guidelines on what works.
- Further explore the role of different FSD actors and sources in sectors and policies as countries transition in order to avoid setbacks as countries lose access to concessional finance.
- Further explore how to articulate roles among financing actors. Examples include making best use of private and blended finance, integrating remittances into

financing strategies, and improving diagnostics to find and fill SDG financing gaps.

Along with efforts to achieve transparency (Chapter 5) and better regulation (Chapter 6), transforming operations in this way will help actors to assess financing and policy needs, map resources, and deliver the partnerships, innovation and capacity development required to achieve the SDGs.

Notes

[1] The Copenhagen Consensus Center advises governments on prioritising the SDGs, making use of methodologies based in welfare economics and cost-benefit analysis https://www.copenhagenconsensus.com/.

[2] The MDCR methodology makes use of Vulnerability-Adjusted Tax Effort Index developed by the Foundation for Studies and Research on International Development (FERDI). For further information on the index, see (Yohou and Goujon, 2017[96]) http://www.ferdi.fr/sites/www.ferdi.fr/files/publication/fichiers/p186-ferdi_hyohou-mgoujon_0.pdf.

[3] Of 81 low-income and middle-income countries and territories that participated in the 2016 Global Partnership for Effective Development Co-operation monitoring, 80 had a national development strategy at the country and sector level. See (OECD-UNDP, 2016[26]) for further details.

[4] Many governments use aid management platforms among them Côte d'Ivoire, Jordan, Kyrgyzstan, Lao People's Democratic Republic, Malawi, Madagascar and Nepal.

[5] The source is the Global Outlook on Financing for Sustainable Development Survey.

[6] Following 2018 federal elections, these proposals are subject to discussions with the incoming federal government of Mexico.

[7] GPEDC monitoring indicator nine emphasises the quality and use of country public financial management and procurement systems. Where development partners do not use country systems, a lack of confidence in the quality of PFM systems is often cited as the reason why.

[8] The seven Addis Ababa Action Agenda action areas are domestic public resources; domestic and international private business and finance; international development co-operation; international trade as an engine for development; debt and debt sustainability; addressing systemic issues; and science, technology, innovation and capacity building. A myriad of sectoral and thematic implementation actions are included within these broad action areas.

[9] Respondents to the "Global Outlook on Financing for Sustainable Development Survey of DAC Members" gave varying criteria for additionality including economically and socially responsible business conduct and increasing human capital to increasing the proportion of micro and small and medium-size enterprises in the economy (OECD, 2018[24]). Several countries report they are developing criteria for additionality.

[10] Here, regional refers to the supranational rather than the subnational level of governance.

[11] The five are the Power Pools of East Africa, Western Africa, Southern Africa, Central Africa and the Maghreb.

[12] The original advanced market commitment was for USD 1.5 billion for the pneumococcal vaccine.

[13] A country in transition should be considered a success story, but such countries also face special challenges. For example, the transition out of least developed country status brings the loss of concessions and preferences such as tariff and quota-free trade access. Additionally, changes in income group classification can decrease the volume and increase the price of development finance, which may not be mirrored by increases in volume and decreases in price of market-based instruments. Moreover, once countries are in the high-income classification for three consecutive years, they transition out of ODA-eligibility.

[14] Graphs 6.8 and 6.9 provide an illustration of trends in ODA and OOF as they relate to growth in GNI per capita. Actual financing gaps are context-specific and depend on other variable as well.

[15] This is estimated differently than the gender markers referred to above, and includes activities recorded under the OECD (2018[9]) Creditor Reporting System database purpose codes related to support to women's equality organisations, ending violence against women and girls, reproductive health care, family planning and other activities supporting women and girls as suggested by qualitative information in descriptive fields of individual activities.

[16] For more information, see https://thegiin.org/gender-lens-investing-initiative.

[17] In 2015-16, dedicated programming focussed on gender equality as a principal objective amounted to USD 4.6 billion per year, corresponding to 4% of DAC members' total bilateral allocable aid. Out of the USD 4.6 billion of aid for dedicated programmes targeting gender equality and women's empowerment as a principal objective, the largest amount is allocated in the government and civil society sector, followed by population and reproductive health and health. On the other hand, very little aid dedicated to gender equality as a principal objective is committed in the sectors of economic infrastructure and services, business, and banking and financial services. See also (OECD DAC, 2018[61]), https://www.oecd.org/dac/gender-development/Aid-to-gender-overview-2018.pdf and (OECD DAC, 2016[62]), https://www.oecd.org/dac/gender-development/Tracking-the-money-for-womens-economic-empowerment.pdf.

[18] Since investment gap for infrastructure is highest for middle-income countries, ensuring the climate compatibility of the infrastructure that is built in these countries will help determine whether the Paris Agreement goals are met or not (OECD, 2017[65]).

[19] Further information is at https://ndcpartnership.org/, http://isolaralliance.org/ and https://www.climatefinancelab.org/the-labs/global/.

[20] Adaptation-related development finance was committed primarily to LMICs (32%) and LICs, including LDCs. At just 8%, LICs had the highest share of adaptation-related development finance over total development finance.

References

African Development Bank-IMF-World Bank Group (2017), *The G20 Compact with Africa*, G20 Finance Ministers and Central Bank Governors Meeting, 17-18 March 2017, Baden-Baden, Germany, https://www.compactwithafrica.org/content/dam/Compact%20with%20Africa/2017-03-30-g20-compact-with-africa-report.pdf. [44]

Arvis, J. et al. (2011), *Connecting Landlocked Developing Countries to Markets: Trade Corridors in the 21st Century*, World Bank, Washington, DC, http://hdl.handle.net/10986/2286. [82]

Ayyagari, M., A. Demirguc-Kunt and V. Maksimovic (2011), "Small vs. young firms across the world: Contribution to employment, job creation, and growth", *Policy Research Working Paper*, No. WPS 5631, World Bank, Washington, DC, https://openknowledge.worldbank.org/handle/10986/3397. [83]

Bollyky, T. (2012), "Regulatory coherence in the Trans-Pacific Partnership talks", in Lim, C., D. Elms and P. Low (eds.), *The Trans-Pacific Partnership: A Quest for a 21st Century Trade Agreement*, Cambridge University Press, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2327160. [40]

Crishna Morgado, N. and B. Lasfargues (2017), "Engaging the Private Sector for Green Growth and Climate Action", *Development Co-operation Working Papers*, No. 34, OECD Publishing, Paris, https://www.oecd-ilibrary.org/development/engaging-the-private-sector-for-green-growth-and-climate-action_85b52daf-en. [69]

Domanski, D. (2018), "Evaluating the effects of the financial regulatory reforms on financing for infrastructure investment", *Opening remarks at FSB workshop, 20 February 2018, London*, Financial Stability Board, http://www.fsb.org/wp-content/uploads/Evaluating-the-effects-of-the-financial-regulatory-reforms-on-financing-for-infrastructure-investment.pdf. [47]

Downes, R., L. Trapp and S. Nicol (2017), "Gender budgeting in OECD countries", in *OECD Journal on Budgeting*, OECD Publishing, Paris, https://www.oecd.org/gender/Gender-Budgeting-in-OECD-countries.pdf. [55]

European Commission (2017), "Feedback and way forward on improving the implementation and enforcement of trade and sustainable development chapters in EU Free Trade Agreements", *Non paper of the Commission services*, European Commission, http://trade.ec.europa.eu/doclib/docs/2018/february/tradoc_156618.pdf. [39]

FMDV (2017), *The Potential Catalytic Role of Subnational Pooled Financing Mechanisms*, FMDV, Montreuil, France, http://www.agence-france-locale.fr/sites/afl/files/base_documentaire/2017-09/FMDV_Policy-Paper_%20SPFM_ENG.pdf. [38]

Galetto, V. (2011), "Migration and productive investments: A conceptual framework", in *Diaspora for Development in Africa*, World Bank, Washington, DC, http://siteresources.worldbank.org/EXTDECPROSPECTS/Resources/476882-1157133580628/DfD_ch10.pdf. [86]

German BMZ (2017), *Africa and Europe: A New Partnership for Development, Peace and Future*, German Federal Ministry of Economic Cooperation and Development (BMZ), Bonn, https://www.bmz.de/de/mediathek/publikationen/reihen/infobroschueren_flyer/infobroschueren/Materialie310_Afrika_Marshallplan.pdf. [45]

Gonzales, C. et al. (2015), "Fair play: More equal laws boost female labor force participation", *IMF Staff Discussion Note*, No. SDN/15/02, International Monetary Fund, Washington, DC, https://www.imf.org/external/pubs/ft/sdn/2015/sdn1502.pdf. [85]

Green Climate Fund (2014), "Gender Policy and Action Plan", No. GCF/B.08/19, Green Climate Fund, https://www.greenclimate.fund/documents/20182/24946/GCF_B.08_19_-_Gender_Policy_and_Action_Plan.pdf. [63]

Guscina, A. et al. (2014), "First-time international bond issuance—New opportunities and emerging risks", *IMF Working Paper*, No. WP/14/127, International Monetary Fund, Washington, DC, https://www.imf.org/external/pubs/ft/wp/2014/wp14127.pdf. [84]

Hsu, A. et al. (2015), *Scaling Up: Local to Global Climate Action*, Yale University, https://cpb-us-w2.wpmucdn.com/campuspress.yale.edu/dist/6/954/files/2015/12/ScalingUp-29yp2hh.pdf. [41]

IEA (2018), *Global Energy & CO2 Status Report 2017*, International Energy Agency, Paris, https://www.iea.org/publications/freepublications/publication/GECO2017.pdf. [42]

IEG/World Bank Group (2017), *World Bank Group Country Engagement: An Early-Stage Assessment of the Systematic Country Diagnostic and Country Partnership Framework*, Independent Evaluation Group, World Bank Group, Washington, DC, https://ieg.worldbankgroup.org/sites/default/files/Data/Evaluation/files/scd-cpf.pdf. [8]

IFC (2013), *Closing the Credit Gap for Formal and Informal Micro, Small, and Medium Enterprises*, International Finance Corporation (IFC), Washington, DC, https://www.ifc.org/wps/wcm/connect/4d6e6400416896c09494b79e78015671/Closing+the+Credit+Gap+Report-FinalLatest.pdf?MOD=AJPERES. [72]

Independent Evaluation Office/International Monetary Fund (2018), *The IMF and Fragile States: Evaluation Report 2018*, Independent Evaluation Office, International Monetary Fund, Washington, DC, https://www.imf.org/ieo/files/completedevaluations/FS%20-%20Report%20(web).pdf. [81]

Intergovernmental Panel on Climate Change (2018), *Global warming of 1.5 degrees*, Intergovernmental Panel on Climate Change, http://report.ipcc.ch/sr15/pdf/sr15_spm_final.pdf. [64]

International Budget Partnership (2017), *Open Budget Survey database (2017)*, https://www.internationalbudget.org/open-budget-survey/. [78]

IOM/UN INSTRAW (2007), *Gender and Remittances: Colombian Migration from AMCO to Spain*, United Nations, New York, https://repository.oim.org.co/handle/20.500.11788/204. [60]

IOM/UN INSTRAW (2007), *Survey on Remittances 2007: Gender Perspectives*, United Nations, New York, https://www.iom.int/sites/default/files/about-iom/Gender-migration-remittances-infosheet.pdf. [59]

Jain-Chandra, S. et al. (2018), *Gender Equality: Which Policies Have the Biggest Bang for the Buck?*, IMF Working Paper, https://www.imf.org/en/Publications/WP/Issues/2018/05/10/Gender-Equality-Which-Policies-Have-the-Biggest-Bang-for-the-Buck-45823. [57]

Jenks, B. and H. Kharas (2016), "Toward a new multilateralism", *Background Report*, Government Offices of Sweden, https://www.brookings.edu/wp-content/uploads/2016/07/Toward-a-new-multilateralism.pdf. [87]

Karekaho, K. (2017), *Updated Regional Power Status in Africa Power Pools*, Infrastructure Consortium for Africa, Abidjan, https://www.icafrica.org/fileadmin/documents/Publications/Regional_Power_Pools_report_April17.pdf. [34]

Kumar, N. (2016), "National development banks and sustainable infrastructure in South Asia", *GEGI Working Paper*, No. 003, Global Economic Governance Initiative, Boston University, https://www.bu.edu/pardeeschool/files/2016/07/NDBSandSouthAsia.Final_.pdf. [68]

Kydland, F., N. Stokey and T. Schelling (2015), *Smart Development Goals*, Copenhagen Consensus Center, https://www.copenhagenconsensus.com/sites/default/files/post-2015_consensus_outcome.pdf. [12]

Le Blanc, D. (2015), "Towards integration at last? The sustainable development goals as a network of targets", *DESA Working Paper*, No. 141, UN Department of Economics and Social Affairs, UN DESA, New York, http://www.un.org/esa/desa/papers/2015/wp141_2015.pdf. [16]

Le, T. et al. (2016), "Assessing domestic revenue mobilization: Analytical tools and techniques", *MFM Discussion Paper*, No. 15, World Bank, Washington, DC, https://openknowledge.worldbank.org/handle/10986/25290. [91]

Loveridge, D. and N. Wilson (2017), *Engaging with the Private Sector through Multi-stakeholder Platforms*, Donor Committee for Enterprise Development, https://www.enterprise-development.org/wp-content/uploads/DCED-Platforms-Review.pdf. [90]

McIntyre, D. and J. Kutzin (2016), "Health financing country diagnostic: A foundation for national strategy development", *Health Financing Guidance*, No. 1, World Health Organization, http://apps.who.int/iris/bitstream/handle/10665/204283/9789241510110_eng.pdf?sequence=1. [50]

National Economic Development Authority (2017), *Philippine Development Plan 2017-2022*, National Economic Development Authority, Pasig City, Philippines, http://www.neda.gov.ph/wp-content/uploads/2017/12/Abridged-PDP-2017-2022_Final.pdf. [79]

NICE International (2014), *Bill and Melinda Gates Foundation: Methods for Economic Evaluation Project*, NICE International, https://www.nice.org.uk/Media/Default/About/what-we-do/NICE-International/projects/MEEP-report.pdf. [15]

Ocampo, J. (2006), "Regional financial cooperation: Experiences and challenges", in Ocampo, J. (ed.), *Regional Financial Cooperation*, UN Economic Commission for Latin America and the Caribbean, https://repositorio.cepal.org/bitstream/handle/11362/1922/1/S332042O15_en.pdf. [89]

OECD (2018), *Creditor Reporting System (database)*, OECD, Paris, https://stats.oecd.org/Index.aspx?DataSetCode=crs1. [9]

OECD (2018), *Global Outlook Survey on Financing for Sustainable Development*, OECD, Paris, http://www.oecd.org/development/financing-sustainable-development/development-finance-topics/global-outlook-on-financing-for-development.htm. [24]

OECD (2018), *Making Blended Finance Work for the Sustainable Development Goals*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264288768-en. [4]

OECD (2018), *Private Philanthropy for Development*, The Development Dimension, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264085190-en. [2]

OECD (2018), *States of Fragility 2018*, OECD Publishing, Paris, http://www.oecd.org/dac/conflict-fragility-resilience/listofstateoffragilityreports.htm. [80]

OECD (2017), *Gender Budgeting in OECD countries*, OECD Publishing Paris, http://www.oecd.org/gender/Gender-Budgeting-in-OECD-countries.pdf. [75]

OECD (2017), *Interrelations between Public Policies, Migration and Development*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264265615-en. [30]

OECD (2017), *Investing in Climate, Investing in Growth*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264273528-en. [65]

OECD (2017), "Multi-Dimensional Review of Panama, Volume 1: Initial Assessment", in *OECD Development Pathways*, OECD Publishing, Paris, http://www.oecd.org/publications/multi-dimensional-review-of-panama-9789264278547-en.htm. [17]

OECD (2017), *Survey on Donors' Forward Spending Plans*, (unpublished). [25]

OECD (2015), *Climate Finance in 2013-14 and the USD 100 billion Goal: A Report by the OECD in Collaboration with Climate Policy Initiative*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264249424-en. [71]

OECD (forthcoming), *Effective Private Sector Engagement Through Development Co-operation*, OECD Publishing, Paris. [3]

OECD (forthcoming), *Official Development Finance in the SDG Era: A Sectoral Overview*, OECD Publishing, Paris. [1]

OECD DAC (2018), *Aid to Gender Equality and Women's Empowerment: An Overview*, OECD DAC Network on Gender Equality, OECD, Publishing, Paris, https://www.oecd.org/dac/gender-development/Aid-to-gender-overview-2018.pdf. [61]

OECD DAC (2016), "Tracking the money for women's economic empowerment: Still a drop in the ocean", *Brief*, OECD DAC Network on Gender Equality, OECD Publishing, Paris, https://www.oecd.org/dac/gender-development/Tracking-the-money-for-womens-economic-empowerment.pdf. [62]

OECD Development Centre (2018), *Production Transformation Policy Review of Chile*, OECD Publishing Paris, http://www.oecd.org/publications/production-transformation-policy-review-of-chile-9789264288379-en.htm. [51]

OECD Development Centre (forthcoming), *Perspectives on Global Development 2019*, OECD Publishing, Paris. [18]

OECD/IMF (2018), *Update on Tax Uncertainty*, OECD and International Monetary Fund, http://www.oecd.org/tax/g20-report-on-tax-certainty.htm. [31]

OECD/UNDP (2016), *Making Development Co-operation More Effective: 2016 Progress Report*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264266261-en. [27]

OECD-UCLG (2016), *Subnational Governments Around the World: Structure and Finance*, OECD, Paris/United Cities and Local Governments (UCLG), https://www.oecd.org/regional/regional-policy/Subnational-Governments-Around-the-World-%20Part-I.pdf. [33]

OECD-UNDP (2016), *Making Development Co-operation More Effective: 2016 Progress Report*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264266261-en. [26]

Panzer, J. et al. (2015), "Debt management performance assessment (DeMPA) methodology", *Working Paper*, No. 9667, World Bank Group, Washington, DC, http://documents.worldbank.org/curated/en/305821468190742099/Debt-management-performance-assessment-DeMPA-methodology. [88]

Perera, O. (2012), *Basel III: To What Extent Will It Promote Sustainable Development?*, International Institute for Sustainable Development (IISD), Winnipeg, Manitoba, Canada, https://www.iisd.org/sites/default/files/publications/basell3.pdf. [92]

Poole, L. (2018), "Financing for stability in the post-2015 era", *OECD Development Policy Papers*, No. 10, OECD Publishing, Paris, https://www.oecd-ilibrary.org/development/financing-for-stability-in-the-post-2015-era_c4193fef-en. [11]

Prizzon, A., R. Greenhill and S. Mustapha (2016), *An Age of Choice for Development Finance: Evidence from Country Case Studies*, Overseas Development Institute, London, https://www.odi.org/sites/odi.org.uk/files/resource-documents/10451.pdf. [21]

Rodrik, D., R. Hausmann and A. Velasco (2005), "Growth Diagnostics", Harvard University, https://drodrik.scholar.harvard.edu/publications/growth-diagnostics. [14]

Smallridge, D. et al. (2013), *The Role of National Development Banks in Catalyzing International Climate Finance*, Inter-American Development Bank, https://publications.iadb.org/bitstream/handle/11319/3478/Role%20of%20NDB%203-12-13final%20web.pdf?sequence=2. [67]

Sterland, B. (2017), *Opinion: The Asian financial crisis 20 years on: Lessons learnt and remaining challenges*, https://www.afr.com/news/world/asia/the-asian-financial-crisis-20-years-on-lessons-learnt-and-remaining-challenges-20170702-gx2v3k#ixzz4ln4IV0eI. [93]

Stiglitz, J. (1998), *Towards a New Paradigm for Development*, United Nations Conference on Trade and Development, Geneva, http://unctad.org/en/Docs/prebisch9th.en.pdf. [10]

Stotsky, J. (2016), "Gender budgeting: Fiscal context and current outcomes", *IMF Working Paper*, No. WP/16/149, International Monetary Fund, Washington, DC, https://www.imf.org/external/pubs/ft/wp/2016/wp16149.pdf. [54]

Task Force on Climate-related Financial Disclosures (2017), *Recommendations of the Task Force on Climate-related Financial Disclosures*, Financial Stability Board, Basel, https://www.fsb-tcfd.org/wp-content/uploads/2017/06/FINAL-TCFD-Report-062817.pdf. [70]

Tortora, P. and R. Soares (2016), *Climate and Disaster Resilience Financing in Small Island Developing States*, OECD Publishing, Paris, http://www.sustainablesids.org/wp-content/uploads/2017/09/OECD-Climate-and-Disaster-Resilience-Financing-in-Small-Island-Developing-States-2016.pdf. [94]

UN (2015), *Addis Ababa Action Agenda of the Third International Conference on Financing for Development*, United Nations, http://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf. [32]

UN (2015), *Transforming Our World: The 2030 Agenda for Sustainable Development*, UN General Assembly, New York, http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1&Lang=E. [52]

UN (2012), *Middle-Income Countries: A Structural Gap Approach*, Economic Commission for Latin America and the Caribbean, United Nations, Santiago, Chile, https://repositorio.cepal.org/handle/11362/13536. [49]

UN DESA (2018), *2018 DCF Survey Findings Report: National Mutual Accountability and Transparency in Development Cooperation*, Development Cooperation Forum Secretariat, United Nations Department of Economic and Social Affairs, https://www.un.org/ecosoc/sites/www.un.org.ecosoc/files/files/en/dcf/UNDESA_2018%20DCF%20Study%20on%20mutual%20accountability.pdf. [28]

UN Development Group (2015), "MAPS: Mainstreaming, Acceleration and Policy Support for the 2030 Agenda,", *UNDG Concept Note*, No. Version 26, United Nations Development Group (UNDG), https://undg.org/wp-content/uploads/2016/10/MAPS-Concept-Note-Oct-2015-ENDORSED-BY-UNDG-on-26.10.15.pdf. [20]

UN Women (2015), *Handbook on Costing Gender Equality*, UN Women, New York, http://www.unwomen.org/-/media/headquarters/attachments/sections/library/publications/2015/handbook%20on%20costing%20gender%20equality.pdf?la=en&vs=4135. [56]

UNDP (2017), *Development Finance Assessment and Integrated Financing Solutions: Achieving the Sustainable Development Goals in the Era of the Addis Ababa Action Agenda*, UNDP, http://procurement-notices.undp.org/view_file.cfm?doc_id=117734. [29]

UNDP (2017), *Development Finance Assessment Snapshot, Philippines: Financing the Future with an Integrated National Financing Framework*, UNDP, http://www.asia-pacific.undp.org/content/dam/rbap/docs/dg/dev-effectiveness/RBAP-DG-2018-Development-Finance-Assessment-Snapshot-Philippines.pdf. [73]

UNDP (2017), *Rapid Integrated Assessment (RIA): To Facilitate Mainstreaming of SDGs into National and Local Plans*, UNDP, http://www.undp.org/content/undp/en/home/librarypage/sustainable-development-goals/rapid-integrated-assessment---mainstreaming-sdgs-into-national-a.html. [19]

UNDP (2016), *Development Finance Assessment (DFA) - Linking Finance and Results to Implement the SDGs at Country Level: A Guide*, Bangkok Regional Hub, UNDP, http://www.undp.org/content/dam/mongolia/Procurement/proc-notices/ProcumentAnnouncement2014/CO/20161011/DFA%20Methodology_March.pdf. [23]

UNDP-GEF (2016), *International Waters – Delivering Results*, UNDP-Global Environmental Finance, New York, http://www.undp.org/content/undp/en/home/librarypage/environment-energy/water_governance/international-waters--delivering-results.html. [35]

UNEP (2017), *The Emissions Gap Report 2017: A UN Environment Synthesis Report*, United Nations Environment Programme, http://wedocs.unep.org/handle/20.500.11822/22070. [43]

Vandeweerd, V., Y. Glemarec and S. Billett (2012), *Readiness for Climate Finance: A Framework for Understanding What It Means to be Ready to Use Climate Finance*, UNDP, New York, http://www.tr.undp.org/content/dam/turkey/docs/Publications/EnvSust/UNDP-Readiness_for_Climate_Finance.pdf. [95]

Vujanovic, P. (2017), "Decentralisation to promote Regional Development in Indonesia", *OECD Economics Department Working Papers*, No. 1380, OECD Publishing, Paris, http://dx.doi.org/10.1787/d9cabd0a-en. [37]

Weaver, C. et al. (2014), *Malawi's Open Aid Map*, World Bank, Washington, DC. [22]

Whitley, S., N. Canales Trujillo and M. Norman (2016), *Mobilising Private Finance for Climate Compatible Development: A Diagnostic Tool for Mapping Incentives and Investment*, Overseas Development Institute (ODI), London, https://www.odi.org/sites/odi.org.uk/files/resource-documents/10709.pdf. [66]

Woetzel, J. and et al. (2015), *How Advancing Women's Equality Can Add $12 Trillion to Global Growth*, McKinsey Global Institute, https://www.mckinsey.com/featured-insights/employment-and-growth/how-advancing-womens-equality-can-add-12-trillion-to-global-growth. [53]

World Bank (2017), *World Development Indicators*, https://datacatalog.worldbank.org/dataset/world-development-indicators. [48]

World Bank (2016), "Global community makes record $75 billion commitment to end extreme poverty", *World Bank Group press release*, http://www.worldbank.org/en/news/press-release/2016/12/15/global-community-commitment-end-poverty-ida18. [46]

World Bank (2012), *World Development Report 2012: Gender Equality and Development*, World Bank Group, Washington, DC, https://siteresources.worldbank.org/INTWDR2012/Resources/7778105-1299699968583/7786210-1315936222006/Complete-Report.pdf. [58]

World Bank (2011), *Diaspora for Development in Africa*, http://dx.doi.org/10.1596/978-0-8213-8258-5. [74]

World Bank (2011), *East Asia and Pacific - Pacific Aviation Investment Project*, World Bank, Washington, DC, http://documents.worldbank.org/curated/en/590511468326222950/East-Asia-and-Pacific-Pacific-Aviation-Investment-Project. [36]

World Bank Group (2018), *IBRD/IDA/IFC/MIGA Guidance: Country Engagement*, World Bank Group, Washington, DC, https://policies.worldbank.org/sites/ppf3/PPFDocuments/1cb5ccd7e58e479096378f9d5f23b57d.pdf. [5]

World Bank Group (2018), *Nepal: Systematic Country Diagnostic*, World Bank Group, Washington, DC, http://documents.worldbank.org/curated/en/361961519398424670/Nepal-Systematic-country-diagnostic. [77]

World Bank Group (2017), *Creating Markets in Ghana: Country Private Sector Diagnostic*, World Bank Group, Washington, DC, https://www.ifc.org/wps/wcm/connect/ac42c20a-c82c-48b7-8432-221c0e066e2a/CPSD-Creating-Markets-in-Ghana-Nov-2017_v1.pdf?MOD=AJPERES. [13]

World Bank Group (2014), *World Bank Group Directive Country Engagement*, World Bank Group, Washington, DC, http://siteresources.worldbank.org/OPSMANUAL/112526-1124459412562/23587333/DirectiveCountryEngagement(July2014).pdf. [7]

World Bank-IMF (2018), *Forward Look -A Vision for the World Bank Group in 2030: Implementation Update*, World Bank-International Monetary Fund, Washington, DC, http://siteresources.worldbank.org/DEVCOMMINT/Documentation/23775499/DC2018_0005ForwardLookupdate_329.pdf. [6]

World Bank (2017), "International Development Association program document for a proposed development policy grant in the amount of SDR 3.6 Million (US$5 Million Equivalent) to the Republic of Kiribati", World Bank, Washington, DC, http://documents.worldbank.org/curated/en/456591511578818275/pdf/Kiribati-DPO-PD-11012017.pdf. [76]

Yohou, H. and M. Goujon (2017), "Reassessing tax effort in developing countries: A proposal of a vulnerability-adjusted tax effort (VATEI)", *Development Indicators Working Paper*, No. 186, Foundation for Studies and Research on International Development (FERDI), Clermont-Ferrand, France, http://www.ferdi.fr/sites/www.ferdi.fr/files/publication/fichiers/p186-ferdi_hyohou-mgoujon_0.pdf. [96]

Glossary

Addis Ababa Action Agenda (AAAA)

Negotiated at the Third Financing for Development Conference in Addis Ababa, Ethiopia, in July 2015, the AAAA sets out a strategy for implementing the global sustainable development agenda adopted in September 2015. It includes more than 100 measures covering all sources of finance and includes co-operation on a range of issues including technology, science, innovation, trade and capacity building.

Advanced market commitment

An advanced market commitment is one whereby donors provide a demand guarantee in exchange for commitments by pharmaceutical firms to research medicines or vaccines for diseases that are prevalent mainly in lower-income countries.

Agenda 2030 or the 2030 Agenda for Sustainable Development

The 2030 Agenda for Sustainable Development is centred on the 17 Sustainable Development Goals agreed in September 2015. It is also conceived as a broad agenda that includes the AAAA as a framework for implementation and the Paris Agreement on Climate Change, and that builds on a history of multilateral agreements such as the Universal Declaration of Human Rights.

Aid effectiveness

Aid effectiveness refers to how DAC members measure the degree to which their delivery of aid will increase its effect, notably by harmonising their funding and by using and strengthening a partner country's own systems.

Aid for trade

Aid for trade is official development assistance (ODA), including grants and concessional loans, which targets support to developing countries so they can build the trade capacity and infrastructure they need to benefit from trade opening.

Bilateral flow

Bilateral transactions are those undertaken by a development assistance provider directly with a developing country. They also are transactions channeled through multilateral agencies ("multi-bi" or "earmarked" contributions), transactions with non-governmental organisations active in development, and other internal development-related transactions.

Bonds

Bonds are fixed-interest debt instruments that are issued by governments, public utilities, banks or companies and are tradable in financial markets.

Blended finance

Blended finance is the strategic use of development finance for the mobilisation of additional finance towards sustainable development in developing countries.

Capacity building

Capacity building is the development and strengthening of human and institutional resources. The United Nations Development Programme (UNDP) states that capacity lies in the ability to perform functions, solve problems, and achieve objects at the individual, institutional and societal levels.

Cascade approach

The World Bank Group introduced the cascade approach in 2016 as a means of conceptualising strategies to maximise financing for development by leveraging the private sector and optimising the use of scarce public resources.

Catalytic effect

Official development finance, which is the only form of financing for sustainable development with an explicitly development-oriented mandate, is said to be catalytic to the degree it speeds up positive change, unlocks other forms of financing for development and/or increases the development footprint of financing.

Civil society organisations (CSOs)

CSOs can be defined as including all non-market and non-state groupings of people outside of the household and by which people organise themselves to pursue shared interests in the public domain. Examples include community-based organisations and village associations, environmental groups, women's rights groups, farmers' associations, faith-based organisations, labour unions, co-operatives, professional associations, chambers of commerce, independent research institutes and the not-for-profit media.

Collective investment vehicle (CIV)

A CIV is a legal entity in which different actors pool their resources to make collective investments in specific segments.

Commitment

A commitment is a firm, written obligation by a government or official agency that is backed by the appropriation or availability of necessary funds, provides a specified amount of resources under specified financial terms and conditions, and provides these for specified purposes for the benefit of a recipient country or a multilateral agency.

Concessional loans

These are loans that are extended on terms substantially more generous than market loans. The concessionality is achieved through interest rates below those available on the market, by grace periods or a combination of these. Concessional loans typically have long grace periods.

Countercyclical

A policy move in the opposite direction to the current business cycle. For example, countercyclical fiscal policy involves reducing spending and raising taxes during a period of high growth, and increasing spending and cutting taxes during a recession.

Country programmable aid (CPA)

The portion of aid that providers can programme for individual countries or regions, and over which partner countries could have a significant say, is country programmable aid. Developed in 2007, CPA is a closer proxy of aid that goes to partner countries than official development assistance (ODA).

Country ownership

One of the four principles of the Busan Partnership for Effective Development Co-operation, country ownership signifies that a country defines the development priorities and model it wants to implement. The investments of other actors should align with national strategic priorities and plans and use country systems as far as possible.

Creditor Reporting System (CRS)

CRS is the central statistical reporting system of the OECD Development Assistance Committee (DAC). Bilateral and multilateral providers of development co-operation report to CRS at item level on all flows of resources to developing countries. CRS 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.

Decentralised development co-operation

Decentralised development co-operation is a method of development co-operation carried out by subnational actors, who can include economic actors, civil society organisations, deconcentrated state services, autonomous public institutions (universities), and/or decentralised public authorities and agencies. It can include twinning arrangements, partnerships, cultural, educational, business, professional and technical exchanges and projects, as well as financial arrangements.

Development Assistance Committee

The Development Assistance Committee (DAC) is 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.

Development finance institution (DFI)

A development finance institutions is a government-backed or quasi-government-backed institutions that provides financial support for private sector projects in developing countries.

Development footprint

The World Bank defines the development footprint of the private sector as the investments and operations in developing countries that transfer capital, technology, knowledge and know-how. The operations of global firms, the standards they expect their suppliers and partners to meet, the societal values and norms they promote through their operations – all can profoundly affect the future of developing economies. The direct and indirect effects of transfers of all kinds, whether tangible or not, represent the development footprint of global business and value chains.

Diaspora bond

A diaspora bond is a bond issued by a country of origin in order to access a portion of the savings of the communities of its emigrants, or diaspora communities, outside the country. Diaspora bonds that offer interest rates above the often-negligible bank rate in OECD countries can be attractive to members of the diaspora, while also allowing the issuing country to access financing at an attractive rate. A number of countries are considering these, and Israel has been issuing diaspora bonds since 1951.

Disbursement

A disbursement is the release of funds to or the purchase of goods or services for a recipient and, by extension, the amount thus spent. A disbursements records the actual international transfer of financial resources or of goods or services valued at the cost to the provider.

Domestic resource mobilisation (DRM)

Domestic resource mobilisation is the process through which countries raise and spend their own funds to provide for their people. Such resource allocation can come from both the public and private sectors. The public sector does this through taxation and other forms of public revenue generation

Aid for domestic resource mobilisation supports tax policy, analysis, administration and non-tax public revenue. Such support is carried out in close collaboration with ministries of finance, line ministries, revenue authorities, or other local, regional or national public bodies in the recipient country.

Economic infrastructure and services

In the DAC sectoral classification, economic infrastructure and services relate to assistance for networks, utilities and services that facilitate economic activity, notably transport and storage, communications, energy generation, distribution and efficiency, banking and financial services, and business and other services. For more information see www.oecd.org/dac/stats/purposecodessectorclassification.htm.

Effective development co-operation

The Busan Partnership for Effective Development Co-operation sets out principles that are reinforced in the Nairobi Outcome Document and include country ownership, results, inclusive partnerships, transparency and accountability. The Global Partnership for Effective Development Co-operation is supported by an indicator framework and global monitoring.

Enablers

In the context of development, enabler refers to something that enables other positive change to take place. For example, education can be seen as an enabler of positive employment outcomes and economic growth. Enablers are often context-dependent.

Equity

Equity is a share in the ownership of a corporation that gives the owner claims on the residual value of the corporation after creditors' claim have been met.

Export credit

Export credits are an insurance, guarantee, or financing arrangement for the purpose of trade that are not represented by a negotiable instrument. Export credits may be extended by the official or the private sector. If extended by the private sector, they may be supported by official guarantees.

Extreme poverty

Since 2015, extreme poverty is defined using an updated international poverty line of USD 1.90 a day. It was revised upwards from USD 1.25 a day and incorporates new information on differences in the cost of living across countries (purchasing power parity exchange rates). Under this definition, the proportion of people living in extreme poverty was projected to drop below 10% of the world's population in 2015.

Financing gap

The Sustainable Development Goal (SDG) financing gap refers to the additional quantity of funds to be leveraged in order to achieve the SDGs by 2030.

Foreign direct investment (FDI)

Foreign direct investment is a category of cross-border investment made by a resident in one economy with the objective of establishing a lasting interest in an enterprise that is resident in an economy other than that of the direct investor.

Gini coefficient

The Gini coefficient is a measure of statistical dispersion intended to represent the income or wealth distribution of a nation's residents. It is the most commonly used measurement of inequality. A Gini coefficient of 0 represents perfect equality; a Gini coefficient of 1 represents the maximal inequality.

Global value chain (GVC)

The term global value chains refers to international production, trade and investments whose different stages of the production process are located across different countries.

Grants

Grants are transfers made in cash, goods or services for which no repayment is required.

Greenfield investment

A greenfield investment is one in which a new venture is set up by constructing new facilities. Its opposite is a brownfield investment, where an entity purchases an existing facility to begin new production.

Guarantee

A guarantee is an agreement where the guarantor (often a government) agrees to fulfil certain conditions of a financial agreement in the event that they are not otherwise met. For example, the government may guarantee to repay the amount outstanding on a loan in the event of default. Governments may also provide guarantees covering risks such as the risk that revenue or demand may be lower than anticipated by investors, or risks from changes in exchange rate or price.

Holistic approach

The 2002 Monterrey Consensus (paragraph 8) said a holistic approach is essential to address the interconnected challenges of financing for –"sustainable, gender-sensitive, people-centred development". A holistic approach is one that recognises that economic, social and environmental areas of the development agenda are interrelated, and that seeks to ensure actions are collective, coherent and involve all stakeholders in active partnerships.

Impact bond

A social impact bond is an innovative financing mechanism by which governments or enter into agreements with service providers such as social enterprises, non-profit organisations, and investors, to achieve specified social outcomes. The investors receive return subject to the achievement of these pre-defined social outcomes, usually based on expenditure savings realised by the government.

Inclusive growth

Inclusive growth is growth that is held to be fairly distributed across society, creating economic opportunities for all.

Instrument

Instruments refers to financial instruments, which are the financial mechanisms and structures through financing occurs. Instruments are monetary contracts between parties that can include a transfer of cash (e.g. currency), evidence of an ownership interest in an entity (e.g. share), or a contractual right to receive or deliver cash (e.g. bond). The instruments covered by this report are defined in Chapter 2.

Interlinkages

Interlinkages between resource flows, actors, and policies refer to links whereby one flow, actor or policy area affects another. These can involve positive or negative spill-overs as well as interactions in decision-making processes and actions.

Key performance indicator (KPI)

A key performance indicator is one of a set of quantifiable measures that a company or industry uses to gauge or compare performance in terms of meeting their strategic and operational goals. See www.investopedia.com.

Least developed country (LDC)

The United Nations defines a least developed country as one with low income that is also confronting severe structural impediments to sustainable development. LDCs are highly vulnerable to economic and environmental shocks and have low levels of human assets. Currently, 47 countries figure on the list of LDCs, which the Committee for Development (CDP) reviews every three years. LDCs have exclusive access to certain international support measures, in particular in the areas of development assistance and trade.

Merger and acquisition (M&A)

M&A is oone of the primary forms of investment in foreign markets and a major component of foreign direct investment. Data on M&A cover a variety of financial transactions that can range from the full merger of two previously independent firms to the acquisition of a minority stake in a strategic partner.

Mezzanine finance

Mezzanine finance is a hybrid instrument that combines features of debt and equity. In the event of bankruptcy, mezzanine investors have lower rankings than other creditors but higher rankings than equity investors.

Millennium Development Goal (MDG)

The Millennium Development Goals predate the Sustainable Development Goals. Signed in September 2000, the MDGs committed world leaders to combat poverty, hunger, disease, illiteracy, environmental degradation and discrimination against women. At the end of the MDG era, in 2015, the MDGs were only partially achieved.

Monterrey Consensus

The Monterrey Consensus was the outcome document of the First International Conference on Financing for Development that took place in Monterrey, Mexico, in March 2002. It was the first United Nations-sponsored, summit-level meeting to address key financial and related issues pertaining to global development. It also marked the first time governments, civil society, the business community and the institutional stakeholders shared views on global economic issues at this level.

Multilateral flow

Aid activities financed from the multilateral institutions' regular budgets are referred to as multilateral flows. Activities reported in the Creditor Reporting System database under multilateral flows include those of the World Bank, the regional development banks, some UN agencies and other multilateral agencies. Aid activities from the Bill & Melinda Gates Foundation are also included.

Mutual accountability

The OECD DAC defines mutual accountability as "a process by which two (or multiple) partners agree to be held responsible for the commitments that they have voluntarily made to each other. It relies on trust and partnership around shared agendas, rather than on 'hard' sanctions for non-compliance, to encourage the behaviour change needed to meet commitments." See https://www.oecd.org/dac/effectiveness/49656340.pdf.

Non-governmental organisation (NGO)

A non-governmental organisation is any non-profit entity in which people organise themselves on a local, national or international level to pursue shared objectives and ideals, without significant government-controlled participation or representation. NGOs include co-operative societies, trade unions and ad-hoc entities set up to collect funds for a specific purpose.

Official development assistance (ODA)

The DAC defines ODA as those flows to countries and territories on the DAC List of ODA Recipients which are:

1. provided by official agencies, including state and local governments, or by their executive agencies; and
2. each transaction of which:
    a. is administered with the promotion of the economic development and welfare of developing countries as its main objective; and

b. is concessional in character and conveys a grant element of at least 25% (calculated at a rate of discount of 10%).”

ODA is the basic financial support used to develop the building blocks of nations such as healthcare, education services and infrastructure. Once the building blocks are firmly in place, countries can typically start to attract or develop other sources of development finance as they move up the income scale. ODA can flow directly from a donor to a recipient country (bilateral ODA) or be provided via a multilateral agency (multilateral ODA). (Source: OECD DAC).

Official development finance (ODF)

Official development finance is used in measuring the inflow of resources to recipient countries. It includes bilateral ODA; grants and concessional and non-concessional development lending by multilateral financial institutions; and other official flows (OOF) for development purposes (including refinancing loans) which have too low a grant element to qualify as ODA.

Other official flows (OOF)

Other official flows are 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%.

Paris Club

The Paris Club is an informal group of official creditors who aim to find co-ordinated and sustainable solutions to payment difficulties experienced by debtor countries. The Paris Club has 22 permanent members, including most of the western European and Scandinavian nations, the United States, the United Kingdom and Japan. It also invites ad hoc participants and observers. The first meeting of the Paris Club with a debtor nation was in 1956, with Argentina, and since then, USD 583 billion of debt has been treated in the framework of Paris Club agreements.

Philanthropic foundation

A philanthropic foundation is a nongovernmental, non-profit organisation whose funds derive usually from a single source such as an individual, family or corporation and whose programme managed by its own trustees or directors. Such foundations usually are established to maintain or aid social, educational, religious or other charitable activities serving the common welfare, primarily through grant making. The only philanthropic flows referred to in this report are those provided in support to sustainable development.

Policy coherence

Policy coherence refers to the design, implementation and monitoring of coherent and integrated policies for sustainable development. This entails fostering synergies across economic, social and environmental policy areas; identifying trade-offs and reconciling domestic and international objectives; and addressing the spillovers of domestic policies on other countries and on future generations.

Portfolio investment

Portfolio investments are investments in the form of a group (portfolio) of assets, including transactions in equity and debt securities. Unlike direct investments, which involve taking a sizable stake in a target company, portfolio investments do not acquire more than 10% of ownership.

Production sectors

In the DAC sectoral classification, production sectors include activities in support of agriculture, forestry, fishing, industry/manufacturing, mineral resources and mining, construction, tourism and trade policy and regulations and trade-related adjustments. For more information see www.oecd.org/dac/stats/purposecodessectorclassification.htm.

Project finance

Project finance is a form of investment that uses a non-recourse or limited recourse financial structure. In this structure, the debt and equity used to finance the project are paid back from the cash flow generated by the project rather than from the balance sheets of the project's sponsors. Project finance is used for the financing of long-term infrastructure, industrial projects and public services.

Public-private partnerships (PPPs) and networks

Public-private partnerships and networks are collaborative arrangements among private actors and bilateral/multilateral agencies or governments. A PPP is an operational partnership whose board or other governance structure includes both public officials and private individuals; a network is a global or regional organisation that supports and brings together public sector, private sector and civil society organisations with similar goals to facilitate knowledge sharing.

The term PPP is often used in infrastructure development, where it refers to a range of contractual forms used in project finance. Such contracts share risk between the public and private sector. For example, a build-operate-transfer (BOT) contract is a type of PPP that grants a concession from the government to a private company to finance, build and operate an asset for a set period. The company receives revenue from user charges or the government to recoup its investment. At the end of the period, control of the asset is transferred back to the government.

Remittances

Remittances are funds sent by individuals living and working abroad to their home countries.

Safeguards

Social safeguard policies or safeguards are policies and redress mechanisms to prevent and mitigate undue harm to people during the development process.

SDG washing

SDG washing is a recent term that signifies the use of Sustainable Development Goals (SDGs) as a marketing or branding strategy and without evaluation or actual impacts, particularly negative impacts. For example, electric car companies may wish to emphasise their contribution to renewable energy and climate change action (SDGs 7 and 13) without acknowledging that labour rights (SDG 8) may have been violated in the mining of the cobalt used in their cars' batteries (SDG 8).

Shared value

Shared value derives from the concept of private sector actors working towards social outcomes as a basis for their own future profitability. Shared value recognises that business takes place in a social ecosystem that must function well in order for business to thrive. The Social Value Initiative was launched in 2012 as a Clinton Global Initiative Commitment to Action. For more information, see https://summit.sharedvalue.org/.

Shifting the trillions

The term shifting the trillions is borrowed from climate finance. Shifting the trillions acknowledges that instead of focusing solely on mobilising additional finance, development actors need to also ensure that the trillions of dollars in existing finance throughout the financial system are better targeted to sustainable and inclusive growth.

Social impact investment (SII)

Social impact investment is the provision of finance to organisations that are addressing social needs and with the explicit expectation of a measurable social, environmental and/or financial return.

Social infrastructure and services

In the DAC sectoral classification, social infrastructure and services refer to efforts to develop the human resource potential of developing countries in the sectors of education, health, population policies/programmes and reproductive health (further health and reproductive health), water supply and sanitation, government and civil society and other social infrastructure and services. For more information see http://www.oecd.org/dac/stats/purposecodessectorclassification.htm.

South-South co-operation

There are numerous descriptions of South-South co-operation. 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).

The United Nations Office for South-South Cooperation further describes it developing countries working together to find solutions to common development challenges. Linked by similarities in their development contexts and challenges, the countries of the South have been increasingly active in sharing knowledge, exchanging technologies, and forming common agendas and collective actions. See www.arab-ecis.unsouthsouth.org/about/what-is-south-south-cooperation/.

Sustainable development

Sustainable development is defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Total official support for sustainable development (TOSSD)

Total official support for sustainable development is measure of official development finance designed to complement official development assistance (ODA). It measures flows included in ODA as well as the leveraging/catalytic effect of ODA, the use of blended finance packages and the use of innovative risk mitigation instruments in development co-operation.

Transition

A country in transition is a country facing a structuring change in its access to finance, for example due to increased income per capita above graduation thresholds. In some contexts, transitioning refers to a country's transition out of fragility.

Transitioning countries should be considered a success story although they also experience special challenges. For example, the transition out of least developed country status brings the loss of concessions and preferences such as tariff and quota-free trade access. Changes in income group classification also can decrease the volume and increase the price of development finance, while these s may not be mirrored by increases in volume and decreases in price of market-based instruments. Once in the high-income classification for three consecutive years, countries transition out of ODA-eligibility.

Triangular co-operation

Development co-operation partnerships between and among two or more developing countries, with the support from a developed country or multilateral organisation

Value for money

No standard definition exists for value for money. The term is often used to characterise economy (the cost), efficiency (achieving outputs for inputs) and effectiveness (achieving programme outcomes) while simultaneously taking into account quality and equity.

Vertical funds

Vertical funds involve earmarking non-core financing, usually in large volumes, for specific uses. Vertical funds are often created in response to high-visibility advocacy campaigns to tackle specific development issues. They are frequently administered by the World Bank or other multilateral institutions.

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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.

The OECD member countries are: Australia, Austria, Belgium, Canada, Chile, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The European Union takes part in the work of the OECD.

OECD Publishing disseminates widely the results of the Organisation's statistics gathering and research on economic, social and environmental issues, as well as the conventions, guidelines and standards agreed by its members.

OECD PUBLISHING, 2, rue André-Pascal, 75775 PARIS CEDEX 16
(43 2018 10 1 P) ISBN 978-92-64-30797-1 – 2018

Global Outlook on Financing for Sustainable Development 2019

TIME TO FACE THE CHALLENGE

The financing for sustainable development agenda promises to bring together more actors than ever before – from businesses, governments, philanthropists, and remitting households – to address the world's most pressing problems and achieve the Sustainable Development Goals.

Yet, in spite of this promise, the financing for sustainable development gap is growing. While needs continue to increase, resources available to developing countries have been constrained and in some cases even declining, as illustrated by the recent drop in foreign direct investments. New financial instruments and interactions have yet to mobilise much-needed new resources in sufficient volumes. And despite significant advances, we do not yet fully understand the opportunities and risks faced by the various actors in this complex new global financing system.

This report sounds a wake-up call. To fulfil the commitments of the 2030 Agenda, and lift hundreds of millions of people out of extreme poverty, the international community needs to maximise the development footprint of existing and future resources, thereby "shifting the trillions" towards the SDGs. The first in a series, this report charts a forward path for the changes required in measurement, policies, and operations to achieve these ambitious objectives.

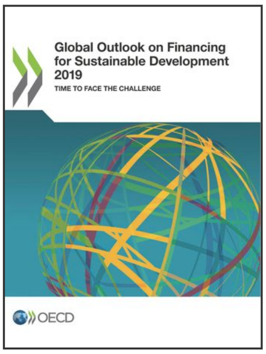
Consult this publication on line at ***https://doi.org/10.1787/9789264307995-en***.

This work is published on the OECD iLibrary, which gathers all OECD books, periodicals and statistical databases. Visit ***www.oecd-ilibrary.org*** for more information.

OECDpublishing
www.oecd.org/publishing

ISBN 978-92-64-30797-1
43 2018 10 1 P

9 789264 307971



From:
Global Outlook on Financing for Sustainable Development 2019
Time to Face the Challenge

Access the complete publication at:
https://doi.org/10.1787/9789264307995-en

Please cite this chapter as:

OECD (2019), "Editorial", in *Global Outlook on Financing for Sustainable Development 2019: Time to Face the Challenge*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/9789264307995-2-en