

Special Event at the Third International Conference on Financing for Development

“The impact of private and blended development cooperation: What can we expect in practice?”

Addis Ababa, 16 July 2015, 1:15 p.m. - 2:45 p.m.

BACKGROUND

The special event examined how private and blended development cooperation can contribute to the implementation of the 2030 Sustainable Development Agenda. The meeting served to collect feedback on specific proposals for the definition and measurement of the effectiveness and impact of private and blended development cooperation presented in a draft policy brief.¹

The meeting concluded with a strong call for further analysis and inclusive dialogue on the definition, additionality, effectiveness and impact of private and blended development cooperation. Presentations by governments, development finance institutions, representatives of the private sector and foundations, as well as civil society informed a lively discussion among key decision-makers in development cooperation policy and planning.

A follow-up brief on monitoring private and blended development cooperation will be produced in time for the DCF Uganda High-level Symposium, *“Development cooperation for a new era: making the renewed global partnership for sustainable development a reality”*, to be held in Kampala on 4-6 November 2015).

KEY MESSAGES

- ❖ *Private firms, NGOs and philanthropic/grant-making organizations are increasingly relevant in international development cooperation. There is a strong sense that their contributions will be instrumental for the realization of the 2030 Sustainable Development Agenda.*
- ❖ *To fully harness the potential of their support for development – in the form of “private and blended development cooperation” – any associated risks and potential adverse effects on development outcomes must be minimized.*
- ❖ *Currently, little is known about the contours, drivers and impact of private and blended development cooperation. Evidence in particular about its value added, in addition to and complementing public efforts, remains scarce and imprecise.*
- ❖ *There is thus a strong common concern to clarify the definition of private and blended development cooperation (clearly delineating it from private flows without a primary development purpose), its risks, additionality, enabling factors and requirements.*
- ❖ *A better understanding is needed of how effectiveness and impact of private and, in particular, blended development cooperation can be assessed in different contexts.*

¹ M. Martin, *Private and blended development cooperation: assessing their effectiveness and impact for achieving the SDGs*, 2016 DCF Policy Briefs (July 2015), http://www.un.org/en/ecosoc/newfunct/pdf15/2016_dcf_policy_brief_no.7.pdf.

- ❖ *A collective reflection to define clear criteria and indicators of what private and blended development cooperation can and should achieve is needed. It should engage all relevant actors, from governments to civil society and foundations, Development Finance Institutions and businesses, and their associations, as well as all affected stakeholders – suppliers, labour, consumers and citizens.*
- ❖ *This must be informed by existing initiatives and geared towards addressing the most acute challenges, such as the lack of capacity to monitor the impact of public-private partnerships.*
- ❖ *Without delay, partners in private and blended development cooperation should begin or intensify efforts to publish information on effectiveness and results, and how these are being assessed.*
- ❖ *Such action will be an important precursor for more integrated and holistic monitoring of private and blended development cooperation, as part of the follow-up and review of financing and other means of implementation for the 2030 Agenda.*
- ❖ *Such analytical work will also be useful to ensure effective implementation of the Addis Ababa Agenda for Action, as blended finance pervades throughout the Agenda.*

SUMMARY OF DISCUSSIONS

In his opening presentation, Mr. Matthew Martin, author of the Policy Brief on “*Private and blended development cooperation: Assessing their Effectiveness and Impact for Achieving the SDGs*”, introduced possible working definitions and characteristics of private and blended development cooperation and practical suggestions to assess their effectiveness and impact for the 2030 Sustainable Development Agenda. The brief proposes to collect multi-stakeholder perspectives and launch intergovernmental discussions to reach common understanding. Participants welcomed the initiative and looked forward to further dialogue at all levels.

1. State of play in private and blended development cooperation

Governments must remain in the driver’s seat of development. Governments have generally had good experiences in working with the private sector, NGOs and foundations in settings where they were able to control the conditions of such partnerships, including in post-conflict contexts. Nonetheless, governments are the primary custodians and advocates of national development priorities. While governments can support the enabling environment for the private sector, they must keep the interests of citizens at the forefront of development action.

The role of non-state actors is growing. There is increasing diversity of private actors and their approaches in international development cooperation. While the volume of such cooperation can only be roughly estimated, these actors clearly provide a growing share of *net* financial flows, know-how, technology, capacity and innovation to address existing and new challenges and play a significant role in the delivery of key services for poor and vulnerable populations.

Public-private partnerships with co-financing, guarantee or risk-sharing arrangements are also on the rise. They blend public funds to attract or scale up other investments, through increasingly complex methods. The scale of this diverse bundle of co-financing arrangements is unknown, but likely to be in excess of US\$ 150b. Moreover, information on the impact of such efforts can be scarce.

“Blending” is the more appropriate term. It may be presumptive to use terms such as “leveraging” or “catalysing” in this context, given the lack of precise evidence on additionality.

One should therefore speak of “blending” concessional public finance with private development cooperation or non-development cooperation flows.

Potential for private and blended development cooperation hinges upon conceptual clarity and the ability to calculate risks. The international community places great hope in this form of cooperation. Good examples show its ability to deliver and provide accessible services. Yet, the lack of knowledge about the contours, drivers and impact of this sort of cooperation raises serious questions about its stability and reliability as a key driver for implementation of the 2030 Sustainable Development Agenda.

Private actors or PPPs may also unfairly benefit from preferential conditions, such as tax incentives, leading to detrimental outflows and freeriding scenarios. Other risks associated with blending public with private funds can range from distorting markets to introducing barriers to access to services for poor people and subsidizing private investments that would have taken place without public support.

Good practices are plentiful, but not enough. Development Finance Institutions, private firms, foundations and civil society organizations all make increased efforts to assess the financial viability, sustainability and transparency of private engagement in development cooperation to amplify its positive impacts. They have learned many valuable lessons. For example, social and environmental safeguards are seen as instrumental in pursuing more integrated development efforts. Developing countries also have developed ways to vet development impact and tax paying potential of private actors, making sure that the benefits provided “with one hand are not lost with the other”.

Standards and indicators are needed. Sharing experiences is vital, but not sufficient. Participants agreed that a set of common global standards and clear indicators based on existing global agreements are needed to systematically assess the impact of private engagement in development cooperation. This is critical to gain confidence in partners and promote knowledge sharing and mutual learning, leading to a realistic assessment of the role that this cooperation can play in delivering on the SDGs. The need for clarity on the concepts and processes of standard setting was stressed.

2. Agreeing on a common definition and concept of...

...private development cooperation. To distinguish private development cooperation from other private flows, any definition should reflect: a primary aim to support development in developing countries;² concessional financial and non-financial activities; and the need for an actual transfer of resources (financial/non-financial) to developing countries. Any efforts to screen and aggregate information on private development cooperation should carefully follow this definition.

...blended development cooperation. A common definition embracing all relevant practices of blending is more complex. It was suggested to cover “(i) concessional public finance which aims to attract private development cooperation or non-development cooperation flows, including official grants, loans or equity contributions blended with private flows to co-finance programmes or projects; and (ii) guarantees or risk sharing/mitigation instruments”.

² See also J. Alonso and J. Glennie, *What is development cooperation?*, 2016 DCF Policy Briefs (February 2015), http://www.un.org/en/ecosoc/newfuncnt/pdf15/2016_dcf_policy_brief_no.1.pdf

...taking into account all relevant dimensions, including South-North flows. Any definition of private and blended development cooperation must account for South-North transfers and other forms of cost savings associated with private and blended development cooperation.

3. Agreeing on standards to assess the impact and effectiveness of private and blended development cooperation

Build on existing practices. Multiple efforts exist by different stakeholders to assess effectiveness and impact of private and blended development cooperation. They vary in detail and transparency and are mainly concerned with effectiveness, not development impact. Only some use effectiveness criteria applied to official development cooperation. Others focus on profitability concerns. Frameworks and initiatives are genuinely found to be stronger for NGOs and some foundations, and weaker for corporate giving and private non-development cooperation.

Provide scope by using core and additional criteria. Participants agreed with the suggestion to use a set of core criteria, comparable to those assessing the effectiveness and impact of official development cooperation. Additional criteria would then be tailored to specific modalities, the levels at which they work, the degree to which they contribute to achieving the SDGs in all countries, and the SDG targets they address.

4. Building capacity, improving analysis and furthering dialogue

Invest in comprehensive information collection. Despite existing global charters and initiatives to publish information on the expenditures of NGOs, foundations and firms, actual accessibility is mixed and critical information gaps persist. Data sources remain scarce. This makes it difficult not only to assess the volume and ultimate impact of private or blended investments but also to inform investment decisions that depend on local data. Efforts must be made to strengthen capacity to collect independent information on the volume, effectiveness and impact of private and blended development cooperation. This should take shape within the broader work on reshaping global monitoring of financing and other means of implementation.

Better analysis and monitoring capacity will be vital. Stronger monitoring capacity and independent analysis of the effectiveness and impact of private and blended development cooperation is needed. It should also focus on the practical questions of how to monitor private and blended development cooperation, as part of the review of progress towards the 2030 Sustainable Development Agenda. Participants were very supportive of such analysis and dialogue as a central contribution to the realization of the new agenda. They wanted further analysis to help clearly establish the “development-oriented contribution” of private finance.

The DCF is well placed to facilitate dialogue on private and blended development cooperation. Participants were very supportive of such improved analysis and of continuing to advance the dialogue on private and blended development cooperation through the DCF by strengthening cooperation among different initiatives and building on existing commitments. The Forum, as the principal platform for global policy dialogue on development cooperation, informs the follow-up process to the Third International Conference on Financing for Development and contributes to the implementation of the Addis Ababa Action Agenda. The High-level Political Forum on Sustainable Development also takes into account the deliberations of the DCF in its review of progress towards the SDGs and 2030 Sustainable Development Agenda.