

## **Key elements for EU statements at the UN FFD thematic debate**

### **12/11/2014 Session on international public finance, including ODA**

#### **1. Context**

International public financing will be one of the most sensitive areas of post-2015 MoI discussion. Developing countries are likely to ask the most of donors, and the EU will be criticised for its failure to reach the 0.7 ODA target. A clear and finely balanced EU positioning will therefore be particularly important. It is an opportunity for the EU and other donors to help avoid excessive focus on ODA, at the same time avoiding 'marginalising' ODA. Even the perception of shirking the issue may undermine the negotiating dynamics with recipient countries from the outset.

#### **2. Overall issues on the session on international public finance**

- The role of international public finance in the post-2015 development framework should be set in the context of the full range of other means of implementation including other sources of development finance. It should also be interpreted comprehensively, going from traditional ODA to include non-ODA flows from developed countries and similar flows from all other providers (especially South-South Cooperation), climate and environment financing, and the role of International Financial Institutions. We should avoid an unbalanced focus on ODA in the discussions, and cover all flows that support receiving countries. The world has changed for international public finance from Monterrey until now, and it will keep on changing even further during the next 15 years, with developing countries and emerging economies continuing to drive global growth.
- The effective use of all international public finance needs to be a key part of the debate. The Global Partnership for Effective Development Cooperation (GPEDC) has set the principles that 161 countries, plus Civil Society Organisations and other stakeholders have endorsed. The UN system should endorse the principles and build upon the participatory approach to mutual accountability.

#### **3. Key points on specific issues**

##### **i) Mobilising international public finance: meeting ODA commitments, environment/climate finance**

- Aid is important for the poorest and most vulnerable countries. They need predictable support of the whole international community. The EU as a whole is committed to the UN target of 0.7%. The EU is the most generous donor (providing more than 50% of global ODA, with an ODA ratio of 0.43% GNI, which is above the global average of 0.3%) and has increased aid despite its grave economic situation. But by now much more countries have turned into providers themselves, increasingly providing assistance to other developing countries. The trend is likely to continue, with a further increase of new donors. If the international community is truly devoted to reaching the international objectives, a comprehensive effort is needed and all

international providers should contribute their fair share, supported by specific commitments. The international public finance commitment should be comprehensive, giving the full picture to the poorest countries on what they can expect from all providers.

- It is important to think about the role of international public finance in the current and future global context. Its relative importance has fallen in recent years in many countries, and on average it now only comprises a small proportion of total available financing, specifically in many MICs. It remains important in the poorest countries, especially LDCs. The most concessional international public financial flows, notably grants, should be rebalanced towards those countries most in need, including those in situations of fragility, while respecting the aid effectiveness principles.
- The level of concessionality of international public financing should also take into account the countries' level of socioeconomic development, their capacities and capabilities, and their abilities to attract financing from private sources while bearing in mind MICs specific challenges.
- A comprehensive approach to tackling sustainable development challenges, which maximises the synergies between all sources of finance, is important. All international public finance should underpin sustainable development in all its dimensions- supporting the achievement of multiple objectives through the same financing flow. We should avoid unhelpful separation of public international financing for different pillars of the global sustainable development agenda, as all financing needs to support progress comprehensively.

## **ii) Aid and development effectiveness; improving coherence of the international public finance architecture**

- The effective use of finance is crucial as experience has shown that financial assistance alone does not necessarily have a direct correlation with its contribution to development. It is widely acknowledged that concentrating on aid alone is no longer sufficient for development; through the Aid and Development Effectiveness agenda we should collectively focus on how to deliver aid in the most effective way, shifting from "aid effectiveness" to "development effectiveness". In particular, it will be important that the post-2015 agenda focusses on results and accountability supported by sound and responsive institutions and an enabling environment, democratic ownership, transparency and reduced fragmentation as key aid effectiveness themes.
- The agenda aims to achieve the best results on the ground, the best value from money, and encourages recipient countries to take responsibility and accountability for their own development, so that the outputs are more sustainable.
- The international public finance architecture needs to adjust to the global situation. The proliferation of delivery channels adds on administrative costs and complicates the recipient procedures, thus reducing the effectiveness of the money available. All providers and delivery institutions should ensure participation in country level and ideally country led coordination, and alignment to country systems.

### **iii) Innovative mechanisms of financing**

- Innovative approaches to financing offer an important way of maximising the availability and impact of development finance, by identifying new financing sources, mechanisms and instruments. In particular, innovative approaches to financing can use public financing to help generate new financing flows, help catalyse private investment and market financing, as well as maximising the impact of existing public and private funds.
- Currently, work is ongoing on options for innovative sources of financing for development, including in various forums, such as the Leading Group on Innovative Financing for Development. T. The post-2015 framework should encourage and incentivise the further exploration and implementation of innovative sources, mechanisms and instruments by all relevant stakeholders, in close cooperation with multilateral banks and other donors, and ensure that these new financing sources fully comply with the principles of transparency, accountability and effectiveness.

### **iv) North-South, South-South and triangular co-operation**

- South-South Co-operation is one element of international public finance, and needs to be seen together with the 'traditional' international public finance (the difference is only the economic classification of the provider). Only this way partner countries can fully benefit from the synergies. Triangular cooperation can also help in creating these synergies. We see South-South cooperation as a necessary complement to what is provided by traditional donors. Southern providers of development cooperation have new responsibilities, unique experiences and knowledge of their own transition and development processes to share, as well as increasingly significant financial contributions.
- We welcome the decision of these providers to move towards taking their share of the international effort, and would consider their commitments as an integral part of the global agreement. South-South providers should also move towards increased implementation of the development effectiveness principles as provided in the context of the GPEDC, starting with increased transparency through systematic reporting on the South-South cooperation flows.
- Triangular cooperation between traditional donors, Southern providers and partner countries has the potential to deliver mutual benefits through innovative partnerships when used in the appropriate circumstances, drawing on the comparative advantages of all partners.