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Preparatory Process for the third International Conference on Financing for Development

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Substantive informal session on private and blended finance

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The sessions today have highlighted the imperative of focussing the financing conversation on how to maximise financial flows and ensure they have the greatest development impacts. This is particularly important for international public finance, including ODA.

The question is how do we generate predictable, long-term investment and financing towards sustainable development outcomes?

What is evident from the Experts Committee report and discussions this week is that the private sector has a key role to play.

Enabling environments – economic, legal and regulatory – are crucial to attracting private sector finance, whether it is international or domestic finance. Countries able to attract the greatest share of finance are those with the most developed and effective policy and legal frameworks and higher capacity institutions. And no amount of finance (public or private, concessional or otherwise) can have sustainable development impact without the right country-level policy frameworks and institutions in place. Therefore we need to unpack what we mean by enabling environments and zero in on its most critical elements.

On the private sector, it is much more useful to think about the spectrum of actors, industries and investors, at both the domestic and global level. We need a more nuanced understanding of the role and function of different kinds of private sector flows – including foreign direct investment, institutional investors, remittances, and philanthropics, and how this intersects with the means of implementation agenda.

Having a more detailed understanding of the private sector will open up an understanding of the roles and drivers that can propel effective cooperation for sustainable development. In this respect, we think the Multilateral Development Banks have an important role to play in structuring elements of this engagement, as do other Development Finance Institutions.

As this week's discussions have emphasised, there are great gains to be achieved by fostering the private sector inside developing country economies. The private sector is the engine of economic growth and job creation in most developing countries. Developing local capital markets creates access to long-term, local-currency finance. This is particularly important for small and medium enterprises who provide around 78% of formal employment in low-income countries.

We should focus our efforts on crowding-in private sector investment into sustainable development priority areas. There are a number of instruments at our disposal to help draw in investors to areas where they would not have otherwise ventured. Again, ODA can play an important role here, but lessons from experience is important.

We should continue to consider the range of public sector levers on private sector engagement – including policies and approaches to address the enabling environment, but also the demonstration effect of pooling finance and utilising different kinds of instruments. We need to contemplate how we ensure that these public sector levers focus on increasing productivity, promoting shared growth and innovation.

Australia looks forward to sharing ideas on how we can best progress this dialogue.

Thank you.