

High-level roundtable on
Innovative Financing for Peace: Finding new solutions to meet local peacebuilding needs
18 May 2021

Remarks of the Chair of the PBC

Excellencies,

I wish to thank the Governments of Colombia and Germany, and the Peacebuilding Support Office of DPPA, for inviting me to speak in this event. Today's initiative testifies to the importance that Member States attach to financing and to their commitment to further explore options for ensuring adequate, predictable and sustained resources for peacebuilding.

This is also a priority for the Peacebuilding Commission. In implementing of the new resolutions on peacebuilding and sustaining peace adopted by the General Assembly and the Security Council in December last year, the Commission agreed to convene discussions on financing for peacebuilding with a view to presenting inputs in advance for Member States' consideration and discussion at the High-level meeting of the General Assembly.

If we want to ensure that the GA High-level meeting results in action-oriented outcomes, it is critical that all of us, not only the PBC but each Member State, do our part. This is why I am grateful to Colombia and Germany for organizing today's meeting. Innovative financing is a critical component in peacebuilding financing but is often not the sole focus of discussion. I trust that today's event will help us better understand innovative financing and eventually consider how we could strengthen our efforts to build and sustain peace through these options.

As you know, the 2018 Report of the Secretary-General on Peacebuilding and Sustaining Peace encouraged the United Nations system "to further develop partnerships with the private sector and the investment community to strengthen the peacebuilding impact of companies, set conflict sensitive investment guidelines and explore potential contributions to United Nations peacebuilding activities".

In 2015, the Addis Ababa Action Agenda also acknowledged that public and private finance working together can contribute to reducing vulnerabilities and enable countries to prevent or combat situations of crisis related to conflict or natural disasters. In this context, the Agenda commits to promoting innovative financing mechanisms to help countries to better prevent and manage risks and develop mitigation plans and to assist countries in accessing financing for peacebuilding contexts.

There has been growing interest in blended finance as a way to use public finance to attract private investments. However, this type of finance has had until now limited application in peacebuilding contexts. According to OECD data, out of the USD 157 billion in private finance mobilized for development from 2012 to 2017, less than a fifth (i.e. USD 28.8 billion) went to

contexts considered conflict affected¹. The contexts are often considered too risky in terms of instability and limited institutional capacity or too expensive in terms of transaction costs. Blended finance has a potential, especially for some peacebuilding contexts which are also least developed countries that have huge and urgent investment needs. But we need to better understand under which conditions blended finance can be effective in these contexts and how we judiciously leverage scarce ODA to bring in private investments, especially to support economies in the context of Covid-19.

Examples of blended finance have already been brought to the attention of the Commission, including its application in support of small-and medium-sized enterprises (SMEs).

For instance, the Central Africa SME Fund, launched by the fund manager XSMF in 2010, provides private equity, long-term debt and technical assistance to SMEs in the Democratic Republic of the Congo and the Central African Republic, two markets in sub-Saharan Africa considered particularly risk for private investors. The USD 19 million fund leveraged technical assistance grants to support SMEs pre- and post-investment while also returning capital to its investors.

This and other similar examples point to exciting prospects. However, they also beg more questions about blended finance in peacebuilding contexts. How can blended finance be best adapted to peacebuilding contexts to create impact? What are the potential risks and opportunities? How do we leverage national development plans, domestic investors and domestic finance to support these initiatives? How do we bring these examples to scale?

These are all questions that I hope we can explore today.

In conclusion, moving forward, I will continue to use my role as PBC chair to facilitate member states' consideration of the full range of peacebuilding financing proposals, as well as those set out by the Secretary-General in his 2018 Report in order to ensure predictability and sustainability of peacebuilding funding, with a view to generate action oriented inputs to the General Assembly meeting.

¹ <https://www.oecd-ilibrary.org/docserver/f5e557b2-en.pdf?expires=1620072208&id=id&accname=guest&checksum=814C805BD197D8BE9542C4DF3320BB17>