First Drafting Session of the Conference on Financing for Development

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Building on the vision from Monterrey and Doha, the OECD is proud to be a part of the global effort to devise a balanced, comprehensive and transformative financing for sustainable development agenda. In this process, we are actively supporting the delivery of ***a truly universal response to resource mobilisation*** – a response that will require ***better tracking, targeting and catalysing of a broader diversity of resource flows***. We are looking at the challenges of sustainable development from all angles in order to ensure that the right incentive frameworks and financing and investment tools are on the table for all countries.

In the aftermath of the worst economic and financial crisis of our era, there is a need for a ***global partnership for sustainable development*** to set the world on a course towards ***shared prosperity and to effectively manage resources for future generations***. The OECD is committed to strengthening that global partnership, making sure its fruits are shared broadly amongst the international community, and monitoring members' commitments undertaken in that regard.

Collective action will be critical to break down silos, to build trust, and to find more effective responses to global challenges. A strongly united international system in the post-2015 world is only attainable through our concerted efforts.

Resource mobilisation will require a multi-faceted approach that adheres to the following three criteria for success, which can – and must – be achieved in Addis Ababa *and beyond*.

First**,** we need to get the fundamentals right. ***ODA reached an all-time high of USD 134.8 billion in 2013***. It will remain a crucial source of finance – particularly for countries dealing with widespread extreme poverty and/or conflict – in the foreseeable future.

- OECD-DAC members have been hard at work over the past two years to modernise and improve ***the integrity of our high quality statistics on development finance as a global public good for the post-2015 agenda***. New incentives have been introduced to ensure that ODA is more effective and that it mobilises more diversified resources in a transparent and accountable manner.

- Last month's ***historic agreement*** by DAC Ministers firmly ***fixed the goal posts on aid*** to galvanise development co-operation and ***restore the credibility of ODA***. While approximately two-thirds of ODA is provided as grants, the remainder is provided in the form of concessional loans. Under the improved system, only the ***grant element*** – *and not the full face value* - of these loans will be counted as ODA. This improvement will more closely measure the ***true budgetary cost to donors*** in providing concessional loans, and allow for ***greater accountability*** through a better comparison of grants and loans. Furthermore, we have also ensured ***better terms and conditions of ODA loans*** to developing countries, implementing additional safeguards against the risk of debt-distress. Finally, the new ***thresholds for ODA loan eligibility are stricter*** and ***tailored to variety of developing countries' situations***, ultimately ensuring that poorer countries receive the softest loan terms.

- We are also working on making ***ODA "smarter" by promoting its strategic use to catalyse other sources of funding, including private investment*** which is a critical resource for sustainable development. In collaboration with leading multilateral and bilateral development agencies, we have developed new benchmarks for measuring private finance mobilised through official actions which creates incentives to work in closer co-operation with private *sector* actors that utilise financial instruments such as guarantees, blended finance and public-private partnership schemes.

- ***To strengthen the monitoring of external financing above and beyond ODA***, OECD-DAC members are consulting with a wide range of stakeholders, including developing countries and other providers of development co-operation, to develop a new ***comprehensive statistical measure*** that further incentivises additional officially-supported resources to promote sustainable development in the developing world. The ***Total Official support for Sustainable Development (TOSD)*** measure – ***to complement and not replace ODA*** – will enable *the* international system to more transparently monitor a broad array of resource flows for financing development, including Other Official Flows. Its ultimate parameters will be contingent on the final shape of the post-2015 framework.

Next, we need to make sure we have put in place ***favourable enabling environments to maximise sustainable financing and broad-based platforms for policy dialogue***. The approximate investment levels needed in key sectors related to the SDGs at the global level are estimated at between USD 5 trillion to USD 7 trillion per year. In developing countries alone, the estimated needs range from USD 3.3 trillion to USD 4.5 trillion, leaving an annual funding shortfall of around USD 2.5 trillion.[1]

- ***Mobilisation of domestic resources*** will be a crucial financing pillar for long-term sustainable development. The ***Task Force on Tax and Development***, a multi-stakeholder group, advises and makes recommendations to OECD members on these issues in order to improve the enabling environment for developing countries to tax fairly and effectively. The OECD is gathering evidence about the ***impact of ODA on tax systems*** to feed into the Financing for Development process.

- The ***OECD/G20 Base Erosion and Profit Shifting Project*** (BEPS) is tackling gaps in international tax rules that allow artificially to shift profits to low or no-tax locations. This initiative is particularly important for developing countries who are reliant on corporate taxation as a domestic resource. Moreover, developing countries now shape the BEPS Project. In a major breakthrough to curb multinational tax avoidance and offshore tax evasion in developing countries. We have also developed a new global standard for ***Automatic Exchange of Information*** for tax purposes which will contribute to tackling corruption and prioritising sustainable development. The OECD-hosted and 124-member strong ***Global Forum on Transparency***

[1] "Private Sector Investment and Sustainable Development", UNCTAD, UN Global Compact, UNEP and PRI, page 5

and Exchange of Information for Tax Purposes is actively working with developing countries to overcome obstacles hindering participation in the new benchmark. The OECD is developing ***internationally comparable revenue statistics*** in a global project to help measure progress on domestic resource mobilisation and to underpin tax policy analysis and decision-making.

- Another top priority for maximising resources for sustainable development is to ***curb illicit financial flows***, which are by far outstripping the amount of ODA that is received by developing countries every year. The OECD is intensifying its efforts by strengthening awareness and sharing knowledge on effective approaches to tackle issues including illicit trade, money laundering, bribery and strengthening asset recovery efforts.

- An integrated framework is also necessary to increase investment – both foreign and domestic -- as a crucial catalyst to create jobs, spur innovation and hasten the integration of local enterprises into global value chains. The OECD's ***Policy Framework for Investment***, which offers a holistic and systematic approach to improving the enabling environment for investment, is now being updated and enriched to build on countries' experiences with its implementation to-date. It has been used by over 30 emerging and developing countries at different stages of development and across all continents, as well as major regional economic communities, as a tool for assessing and reforming investment regimes, and is an important policy resource for enhancing investment that contributes to achieving and implementing the Sustainable Development Goals.

- At the request of 162 countries, the OECD hosts the ***Global Partnership for Effective Development Co-operation*** together with the United Nations Development Programme. The Partnership convenes a broad range of development finance stakeholders and works to ensure a ***more effective use of all development finance*** by strengthening developing country leadership over planning and management of resources. The impact of development partnerships is based on ***mutual accountability*** through a developing ***country-led process*** for monitoring the quality of partnerships.

Finally, we need ***better targeting and strategic use of ODA and other resources for enhanced sustainable development impact***.

- OECD-DAC members have reaffirmed their commitment to ***allocate more of total ODA to developing countries most in need***, including least developed countries (LDCs), low-income countries, small island developing states, land-locked developing countries and conflict affected states, agreeing on measures to ***incentivise lending on highly concessional terms to those countries*****.**

- ODA continues to play an important role in ***targeting stubborn pockets of poverty and leveraging other flows in middle income countries***. We are paying particular attention to strengthening debt sustainability which is a pressing concern for a number of developing countries, including lower middle income countries.

- ***ODA also enhances capacity building in the area of trade*****,** improving export performance which in turn stimulates growth, creates jobs and generates crucial foreign exchange. Through the ***Aid for Trade initiative and associated monitoring work*****,** the OECD helps developing country suppliers connect to global value chains – and advises members on ways to provide more and better aid for trade.

- ***Climate change and development are intrinsically linked*** and need to be tackled in an integrated manner. The OECD stands ready to contribute a robust statistical monitoring framework that includes ODA as an important part of the solution to deliver finance for ***climate change adaptation and mitigation*****,** and to avoid the reversal of important development gains already made this century. ***Strong frameworks to measure and monitor climate-related development finance*** will enhance transparency, boost accountability and help build trust. There is a need to tap into synergies and manage trade-offs to achieve ***compatibility between the UNFCCC and post-2015 processes***. We are working with the international community, including multilateral development banks and developing countries, to improve the quality, coverage and communication of climate-related development finance data

- The OECD will continue to hold its members accountable in order to close ***persistent ODA financing gaps in priority post-2015 agenda areas***, such as women's economic empowerment, sexual and reproductive rights, and ending the scourge of violence against women and girls. ***Achieving gender equality*** is a prerequisite to realizing sustainable development for all.

Conclusion

Global development is at a critical juncture, and the opportunities to bring new momentum to the development finance agenda are now within reach. The international community has set in motion a process that depends on collaboration and knowledge sharing among all actors. To this end, the OECD stands ready to work with you – *and for you*.

The upcoming ***Global Forum on Development***, which will be held in Paris on 1 April 2015 will provide a crucial platform to carry out country-level visioning of financing scenarios and better understand the interaction between different financing components, all of which can serve as pivotal inputs to Addis Ababa preparations. All countries and organisations are invited to participate in the Forum.

A strengthened OECD-UN collaboration is crucial as we work toward our shared goal of devising the requisite strategic financing framework in Addis Ababa and effectively mobilising, monitoring and implementing the wide array of resources available for achieving the Sustainable Development Goals.