Global Donor Platform for Rural Development

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Travelers

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Date

Christian Mersmann 3. – 7. April 2017
Martina Karaparusheva 4. – 5. April 2017

Destination

Paris, France

Purpose

1. coordination meeting with MFAID France as lead of Platform work stream “Climate Finance for NDCs in ARD”
2. participation in OECD Global Forum “Working together to achieve the Sustainable Development Goals”
3. briefing and information exchange on OECD/DAC ODA data collection after the modernisation of ODA and the introduction of TOSSD

Persons met

Sébastien Subsol and Lilian Puech, MFAID France; Frederik Teufel, Private Sector Officer and Sibry Tabsoba, Director, Transition States Coordination, African Development Bank; Valérie Gaveau, Cecile Sangare, Cecilia Piemonte, Statistical analysts, OECD/DAC;

Background

(1) **Platform work stream** MFAID France has taken the lead on the Platform work stream: “Climate Resilience and ARD” in 2016. The focus of this engagement was on NDC finance in the aftermath of Paris (FCCC COP 21) in December 2015; MFAID made Euro 30.000 available for the work plan 2016/2017; one major activity was the organisation of a side-event in Marrakesh at FCCC COP 22 on NDC finance with France, European Union Commission, FAO, IFAD and ECOWAS;

(2) **OECD Global Forum** – the Platform secretariat has covered a variety of OECD Global Fora which have been organised since 12 years on various topics of Platform interest like territorial strategies and in this case private sector and governmental cooperation to achieve SDGs; the work on inclusive agri-business and trade of the Platform is informed by this global forum;

(3) **OECD/DAC data collection and analysis** - as a member of the Platform, OECD/DAC is consulted regularly by the Platform secretariat on new data analytical methodologies like “ODA modernisation” as well as quantitative and qualitative results of OECD/DAC analysis on financial flows; with the publishing of ODA/financial flow data of 2016 around 12 April, the discussion at OECD/DAC was geared at the next information note of the Platform as part of the Platform work on finance for ARD;

Coordination meeting with MFAID France

Information exchange on various initiatives and ongoing activities – (i) NDC partnership developments and ARD meeting at FAO 4 – 5 May 2017 in Rome; (ii) state of discussion/activities of the Africa Adaptation Initiative (AAI) under the auspices of the African Ministerial Conference on the Environment (AMCEN), the Adaptation of Agriculture in Africa (AAA) announced by Morocco in 2016, the Global Alliance on Climate-smart Agriculture, the regional/ continental alliances in Africa and Asia as well as the new FAO Department on Climate Change.

A draft version of the work plan 2017 *Climate Finance and Rural Development* was basically agreed upon with three elements: (i) knowledge creation and sharing – finalising the analysis of donor responses to climate challenges of ARD, infoNotes, IISD guest article, (ii) observation and reporting to membership on the various ongoing initiatives like upcoming GACSA Strategic Committee (June 2017 in Rome) and the Annual Forum in September (location to be determined; (iii) opportunities for donor agencies to engage as to position ARD in the global financial architecture of climate adaptation and mitigation efforts for ARD.

Great need to build capacity in countries in climate finance and access, in particular Green Climate Fund, inter-ministerial governance and civil society/private sector engagement at country level and donor coordination. The latter should be provided with a tool box/coordination methodologies based on Platform's work in the aftermath of the Paris Declaration of Aid Effectiveness, sector-wide approaches and financing strategies. Examples of capacity building in readiness finance to be discussed with AfD, FAO and BMZ/GIZ.

The observance objective of the work plan 2017 should be strengthened by establishing a map of initiatives and financial sources to have all opportunities "at one glance". In view of the many initiatives, programmes, contributions, institutions and partnerships, the Platform membership should consider a message to FCCC COP 23 to underline the importance role of agriculture in achieving NDCs and the need balance projects (which are not necessarily well prepared) and the required improved governance and coordination at country and regional levels to enhance long-term wins and possibly transformational change. Climate resilience/mitigation efforts should not be stand-alone projects, but should be made programmatic part of development planning.

Immediate action:

1. Finalisation of work plan 2017 and concept note of work stream with a focus on NDC finance;
2. Finalisation of report on donor responses to climate challenges;
3. Mapping of important initiatives in climate initiatives, including financial provisions;
4. Identification of opportunities for donors/IFIs to engage in the future;
5. Preparation of the expert consultation based on the three points above to be held in Paris during the week of 19. – 23. June for two days;
6. First teleconference in late May on the envisaged message to FCCC COP 23 in November 2017;

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OECD Global Forum "Working together to achieve the Sustainable Development Goals"

General remarks:

High-level panelists, well prepared sessions by concept notes and excellent moderation provided an interesting event which focused primarily on the cooperation between governments, the international development community and the private sector. Besides some good analysis as an outcome of the forum, the turn-out of the private sector and in particular SMEs representation was rather low by only around 10% of participants. Again, as in many fora and conferences, the call for "walk the talk" summarised the event in the end.

Overall, agriculture and food security played an important role in the debate without getting a prominent space in the conference.

Opening session:

SDGs are a collective mandate for all countries and institutions and increasingly, the private sector picks up on them as a business model following impact investing and corporate social responsibility measures. The international community was called to use the momentum created by the Agenda2030 and reinforce dialogue between public and private sector. Through dialogue, the two sectors should aim to build trust and present united front to the society. Opportunities and potential are there, there is just the need to innovate and use new tools to tap into the resources.

ODA has to play a catalytic role and developing nations' governments need to address the increasing challenges of governance. However, 9 out of 10 jobs are created within the private sector – what does this mean for "leaving no one behind"? Private capital and investments need be mindful of the already existing fragmentation of the societies with an increasing socio-economic gap between winners and losers of growth and globalisation despite all development rhetoric.

The AAAA and the SDGs introduced a pathway for private sector to bring sustainability around the world. And in sustainability is where the potential for private sector is hiding. The new report of the WEF and its Commission on Sustainable Development outlines the opportunities that could be provided by dormant capital not invested into developing countries being too risky. There are 4 sectors with most potential – energy, urbanisation/infrastructure, agriculture and health. Private sector investments will be more impactful in every sector, if the international community agrees on universally accepted criteria for sustainability to track and measure progress. High-growth countries are winning the game with emerging donors like Brazil, China and India investing heavily into fast growing economies with a high potential of natural resources and extractive industries. Value- chain development is still weak in all above mentioned sectors, which should be used as an opportunity to invest by both public and private sector.

The opening session provided an overview of the political as well as the financial potential vested in the private sector for SDG achievements, but also warned against the myth that the private sector might compensate for decreasing ODA and public spending of development countries' governments. All panelists called for intensified dialogue between public, private sector and society, to ensure that every stakeholder gets involved in projects that suit their expertise and role there are willing to assume.

Session 1: Financing the SDGS – How to make it happen?

Established donors such as the EC are looking into ways to incentivise the private sector involvement in sustainable development. The new European investment fund has therefore three pillars focusing not only on technical support, but also on innovative finance and facilitation of political dialogue. Ensuring better business climate and promoting local value chains was agreed to be the ultimate goal of development financing, but political dialogue is needed to ensure that private sector is complying with legal regulations. The universality of Agenda2030 and the extent of investments needed present an impossible task for governments on their own. They need to use ODA in a new sustainable way to complement the expansion of the domestic private sector, because sustainability means competitive domestic private sector that ultimately will drive the development. Bilateral donors should focus on using ODA to catalyse private sector investments and support the inclusive and sustainable functioning of regulatory frameworks.

Concrete tasks identified for ODA funding include the need for public finance to support transformative change in the market economy of developing countries. ODA and bilateral funding should also take the risk out for investments and create conditions that allow for changes to take place. Therefore investments focus on efforts to reduce poverty through economic development and job creation. Primarily the investments are targeting the development of market economies that are well governed, green and inclusive, corresponding with the interest of private sector in profits and sustainability. So private and public capital is available, but it needs to be moved and invested towards sustainable development in developing countries.

In order to guide the finance flows, finance institutions need to work towards bridging the gap between governments and private sector, one way is to support and promote inclusive business models. In order to ensure that finance really does go to bankable projects, there is clear need for international agreement for guidelines on blended finance. Such agreement will also guide governments in their macro-economic decisions on taxes – finding the balance between increasing the domestic revenues and not hampering the investment climate. Public and private finances are interdepended, each of value to the other. The opportunity of collaboration needs to be based on predictability, ODA taking the risk away and guide the inclusive and sustainable engagement of the private sector.

Overall, the ambitious Agenda2030 requires new innovations and ideas and financing business like conducted in the past will not be enough. Data can give an insight into past experiences and provide predictability for future developments. Data shows for example that vulnerable populations are often not reached by private finances, because of the instability of the countries they live in. Data can therefore pave the way to finding the leverage points of value chains, for example, where private and public sector can entry and achieve most with least resources in countries that need the support most.

Session 2: How can Small and Medium-seized enterprises help achieving the SDGs?

Argentina started out with a fine overview of challenges, including the prevailing informality of SME, reduced tax collection, problems in acquiring loans for SME investment because of the informality and the low application of the digital economy of many SMEs. Argentina tries to address by innovative means like SME credit lines, digital technology transfer and crowd funding regulations.

TATA, second biggest employer in India provided a brief overview of the opportunities for SME to cooperate as a supplier and distributor – the former having problems with product quality and products flows, while the latter is struggling with logistics and timely delivery. TATA has embarked on a more environmentally friendly production approach because TATA production and products are responsible for about 70% of India's pollution in a wider sense.

In general, many SDGs could be considered by the private sector, including regulations for public procurement through SMEs. Argentina and Islamic Development Bank are working on suppliers' development programmes through technical and financial assistance as SME capacity building in line with SDGs. The issue of cost-benefit analysis of SME capacity building and the impact on product prizes were not discussed in more detail.

Session 3: Public-private dialogue in support of better national policies and the SDGs

The main question guiding through the session was, how to identify practical next steps to engage public and private investments in the implementation of the SDGs. Volvo advocates that private sector should not be seen as a funder, but rather involved in projects based on their knowledge and products. They have assets and willingness to contribute on equal basis, but there has to be a direct link to the core business. Allianz called for donors to create neutral space, where public and private sector can come together and discuss differences.

In the future the international community should avoid building parallel systems that duplicate the efforts and rather focus on establishing equal and compromise based partnerships. Both sides need to recognise each other's strengths. On the one hand, the public sector cannot implement the SDGs without the investments and involvement of the private sector. On the other hand, if the private sector does not collaborate with the public sector and follow the call for inclusivity and sustainability, it will have to probably face repercussions such as regulations and bad image.

The panel also discussed the fact that flows of development funding are and will remain dwarfed by the flows of remittances and foreign direct investments. Donor countries need to recognise the extraordinary potential private sector has and work towards establishing a cooperative approach towards development. Emerging market countries are already recognising the positive impact a strong private sector can have on the overall development and are strengthening the cooperation and engagement with the sector.

The panel recognised that challenge funds are a mechanism that links public and private sector and can also help align the objectives of both sectors, especially in agriculture. The expectations of the private sector for stable regulatory environment and equal playing field for foreign and local investments are reinforcements that need to be initially done by the public sector. Another task that the panel identified was the need to further strengthen the dissemination of information and link development projects to private sector and public sector initiatives more transparently. An easy flow of information will ensure traceability, accountability and transparency – strengthening the commitment of the private sector and ensuring the trust of society.

Session 4: Delivering sustainable urbanisation in Africa – the role of the private sector
Difficult task, difficult question: while a mayor of a small town in Northern Burkina Faso talked about water and sanitation infrastructure, the Vice-chair of GIZ Management Board, Christoph Beier, outlined the importance of a multi-layer approach in terms of decentralisation and functioning of local governments. Corruption-free service delivery and checks and political/financial balances are key to the promotion of trust by the private sector.

Infrastructure remains an investment by the public sector, but informally must be slowly changed into a formal integration of SMEs linking the informal economy to the overall socio-economic development with all responsibilities and benefits.

Examples of formalised engagement of SMEs ranged from a SCANIA/GIZ cooperation in a transport academy, introduction of reduced emissions vehicles in public transport fully integrating informal taxi business as well as engagement with C40 Cities Leadership Group which include now more than 90 mega cities around the world.

The NGO Social Protection Programme – Women in informal employment underlined that the switch from informal business to formalised structure might take more public and private investments than anticipated - "leave no one behind" policies are very vulnerable in this transformation.

Closing session
It was reiterated that ODA will continue to play an important catalytic role. The focus is shifting from contributions from the international community to domestic financial resources, other financial flows like remittances and private sector investments. How to deliver on the commitments with still unclear roles and priorities? An important step will be to not implement new approaches, but rather improve existing value chains by finding segments where private sector and public sector can support and complement each other. The SDGs changed the development business, the private sector is not the enemy of development anymore, but rather will be the engine in the next decades, so its efforts deserve recognition and coherence.

Credibility and trust was a top issue – does civil society trust the private sector, in particular multi-nationals? Is the relationship between developing countries and the international community basically clarified and the necessary change of roles and responsibilities can be implemented? Alternatively, it was quoted: „I trust you only if you meet my expectations"! Secondly, it was underlined that the development rhetoric does not fully consider „the second best" – high expectations in socio-economic development, poverty reduction and social benefits of development – the private sector cannot live up to these expectations despite major shifts towards SDG implementations. The „second best" remains to be an option.

The private sector needs to prove that it is not getting profit out of policy distortions, non-compliance with the legal frameworks and unfair treatment of SMEs. The market should work properly respecting the safeguards in terms of social and environmental objectives for economic

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development and the public interest at large. The donors can help ensure stable interface between public and private sector with frequent exchange and growing trust. But also donors need to invest into publicity to help society understand why public finance needs to be used to incentivise private sector for something the private sector does on its own.

The meeting closed by reminding the audience to follow up with their constituencies on the results of the forum – no action agenda was put forward.

OECD/DAC information exchange

The OECD/DAC analysis on ODA and other financial flows in 2016 is coming out around 12. April 2017. The OECD/DAC report 2016 will also cover the increasing in-country costs of migration/refugees which go up to 34% of the total ODA made available. It will also include "other official flows beyond ODA" like foreign direct investments and remittances.

The "modernisation of ODA" basically means to focus of low-income countries and poverty reduction counting ODA for those countries higher that for other developing countries. The instrument is "grant equivalence" for grants and concessional loans rather than simple financial reporting of cash flows of ODA to developing countries at large. Besides grants (counting differently than loans according to the macro-economic classification of countries by income), the concessional loans are analysed for their "grant element". This means that the difference between credit market prices and the concessional conditions of the given loans count as ODA and not the entire loan despite its concessional nature. The data collection and analysis will only be adapted in the 2019 report.

The statistical system continues to use sector classifications, but multi-purpose codes are being discussed and agreed in principle, without being applied. The multi-purpose codes make it possible to classify complex programmes which increasingly do not fit simple sectoral objectives. This is especially important for rural development programmes as they often include elements of forestry, agriculture, job creation, market access and value chain development and migration. Important to note is that the OECD/DAC is continuing to analyse data in agriculture. However, this data contains ODA for plant and livestock production, forestry and fisheries as well as overall rural development.

There is not yet a distinction between climate finance in general (see: Rio markers for FCCC finance) and ODA development finance. This discussion in OECD/DAC is a similar to the debate on incremental cost coverage by the Global Environment Facility (GEF) and the provision of "complimenting development finance". The joint approval on tracking climate finance is still pending.

Since OECD members provide the finance for IFIs through ODA budget lines, OECD/DAC analyses data of a wide range of those institutions without inserting their portfolio into the ODA statistics to avoid double counting.

The interactive data bank on "other official flows beyond ODA" like international direct investments, private grants as well as remittances (all collected by the World Bank and made available to OECD/DAC), show very interesting results: the Philippines receive about 3.4% of ODA and almost 80% of remittances as total external flows leaving only 16% for foreign direct investments, private grants and loans. This is unspecific to agriculture which might be an important receiving sector for remittances, but is not analysed.

As a consequence of the modernisation of ODA and the focus on low-income countries s well as the emergence of a variety of new financing instruments for development along the lines of the Finance of Development (FfD) agreement of Addis Ababa in 2015, OECD/DAC is developing a system called *Total Official Support for Sustainable Development* (TOSSD) which will be much more inclusive beyond ODA.

In the Development Cooperation Report of OECD/DAC in 2012, a special chapter on agriculture was dedicated to the rural space. Considering that the modernisation of ODA was concluded for the purpose of re-focusing ODA on poverty reduction and considering that the majority of the poor and vulnerable (in particular women) live in the rural space, it was suggested to discuss with Platform members the opportunities to have a special edition of the Development Cooperation Report on agriculture and rural development in view of making better and catalytic use of ODA and to tap into “other official financial flows” beyond ODA.

Immediate action:

1. sharing of OECD/DAC analysis of the 2016 data report with Platform members through infoNotes and a webinar;
2. follow-up on summarized data of agriculture which include rural development financing data;
3. follow-up on statistical systems with regard to “other official financial flows” beyond ODA, in particular remittances for rural development;
4. convey suggestion to Platform members on a special edition of the Development Cooperation Report on agricultural and rural development ODA and other official financial flows beyond ODA.