



MOBILISING EUROPEAN RESEARCH  
FOR DEVELOPMENT POLICIES



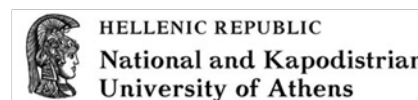
EUROPEAN REPORT  
ON **DEVELOPMENT**

# European Report on Development 2015

“Combining finance and policies to implement a  
transformative post-2015 development agenda”

Main messages

EU Delegation to Japan/JICA Joint Seminar on Presentation of the ERD  
Tokyo, 11 March 2015



# Overview

- Unprecedented and exciting challenge is coming when the UN agrees an ambitious post-2015 development agenda
- But whilst there is progress in means of implementation (finance and other) they are not fit for purpose
- Moreover, lessons from MDGs suggest we need a different approach towards financing for development
- Hence ERD2014/15 asks:

**“How can financial resources be effectively mobilised and channeled and how can they be combined with selected policies to enable a transformative post-2015 agenda?”**

# Lessons from implementation of MDGs

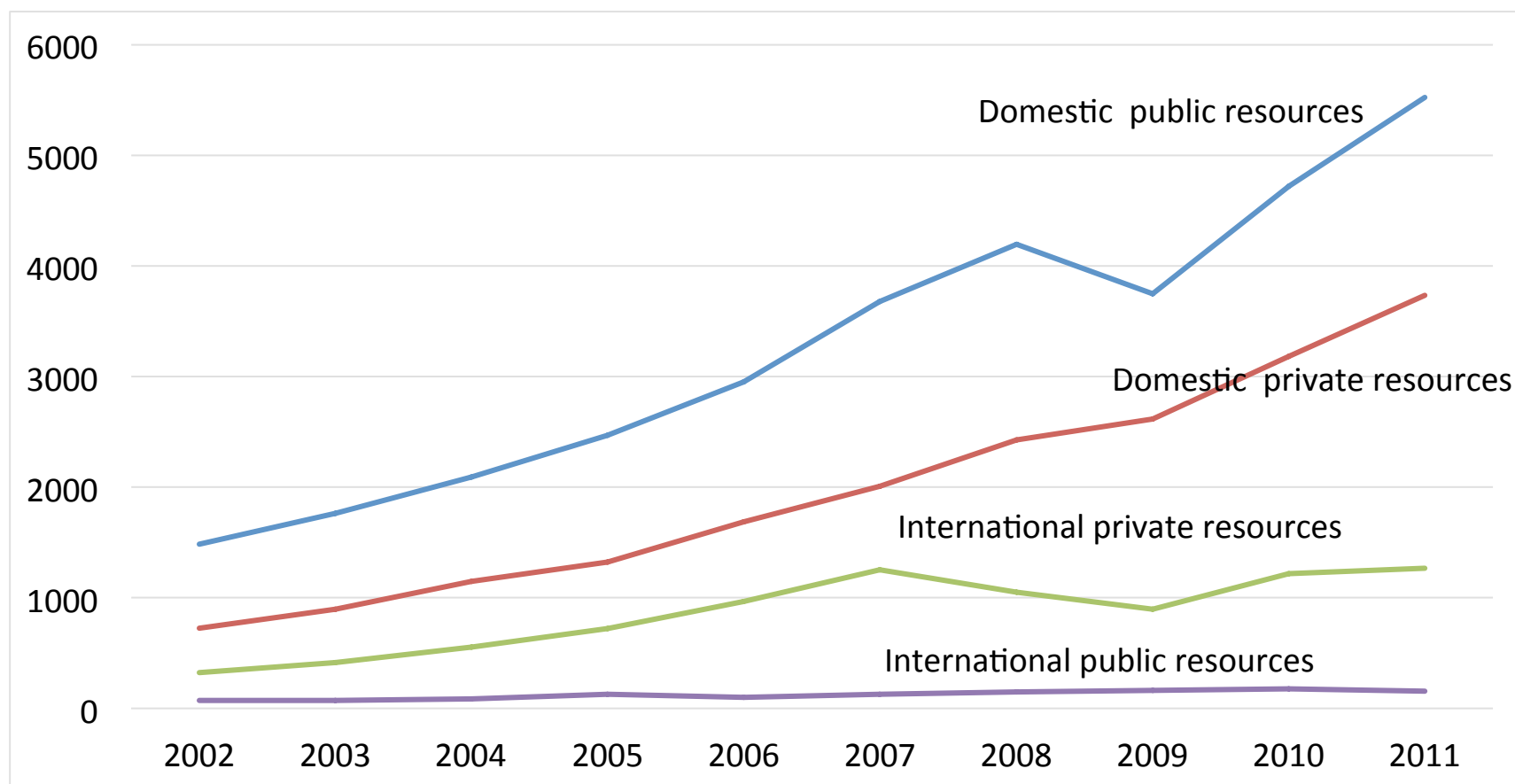
1. Finance needs studies emphasised gaps to be filled with *aid*, but the finance context has changed (e.g. domestic resources grown)
2. MDGs catalysed aid for social sectors, but it is important to consider long term *enablers* for a transformative context
3. MDG mindset often ignored role of *policy*, which is crucial

The ERD's response:  
3 elements

# (1) Consider all financial resources for sustainable development

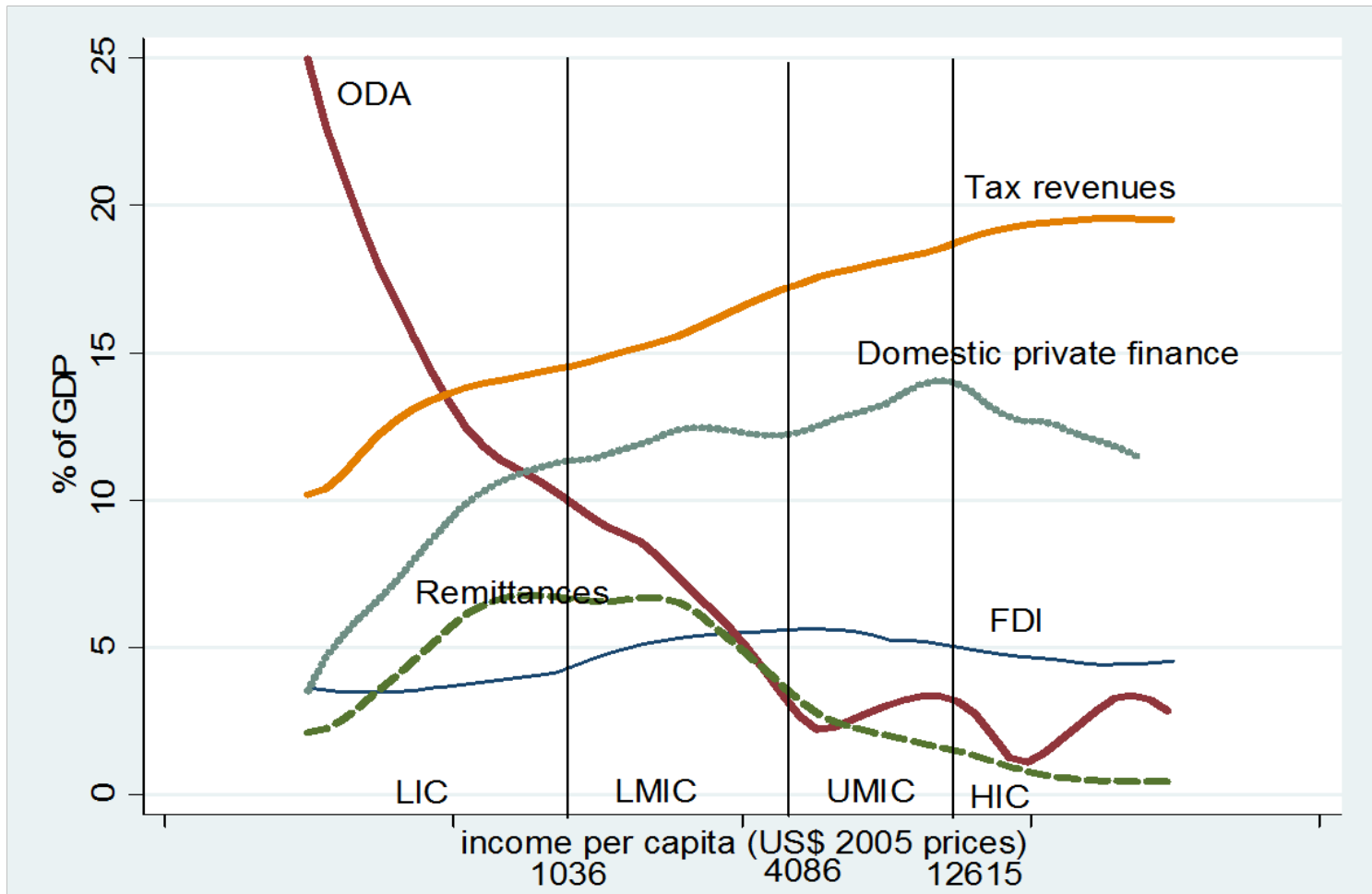
## *Trends in finance to developing countries*

*(\$ billion, 2011 prices), 2002–2011*



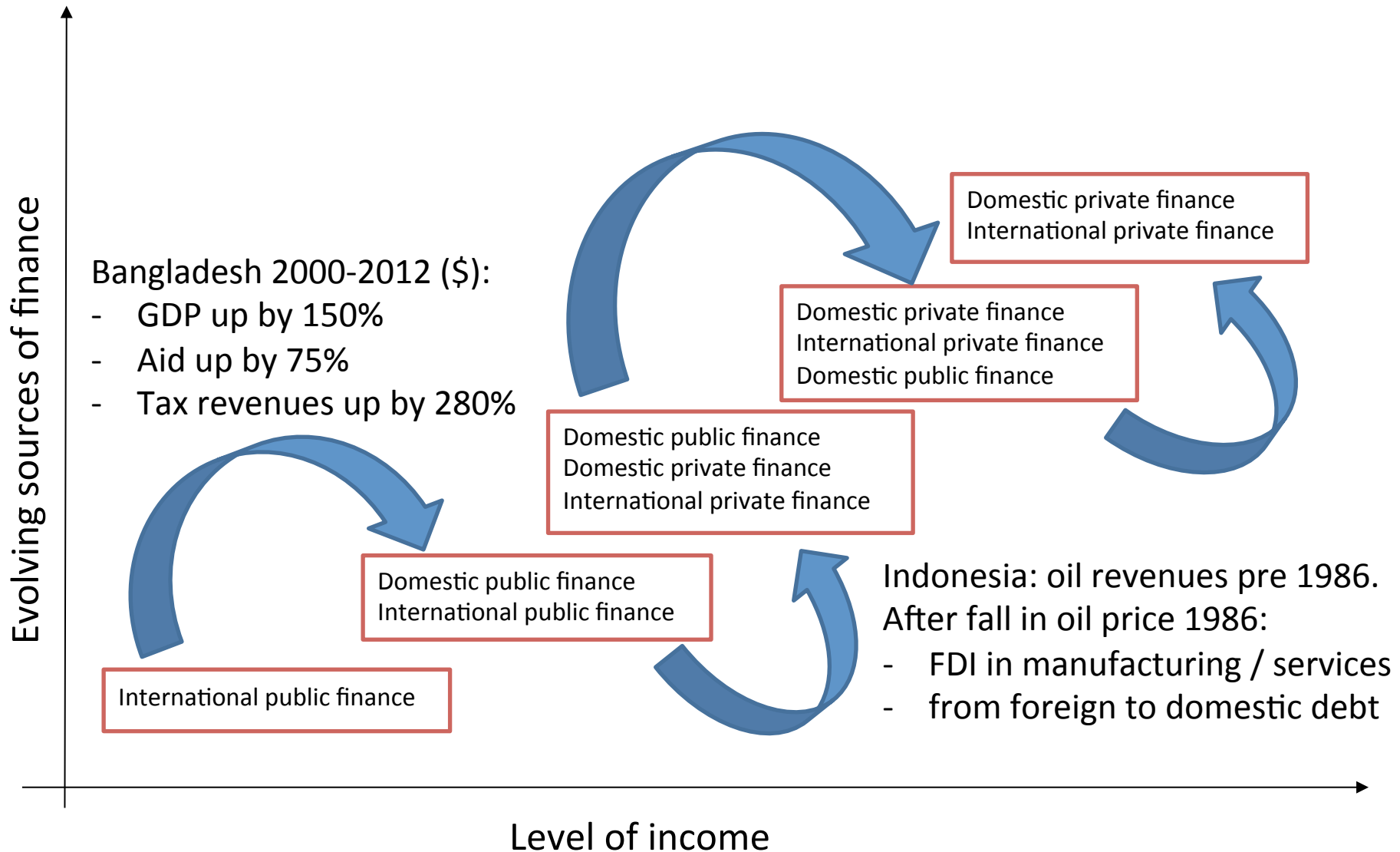
Sources: (See report) IMF, OECD, WDI, etc.

*...the composition of finance varies by level of income (% GDP)*

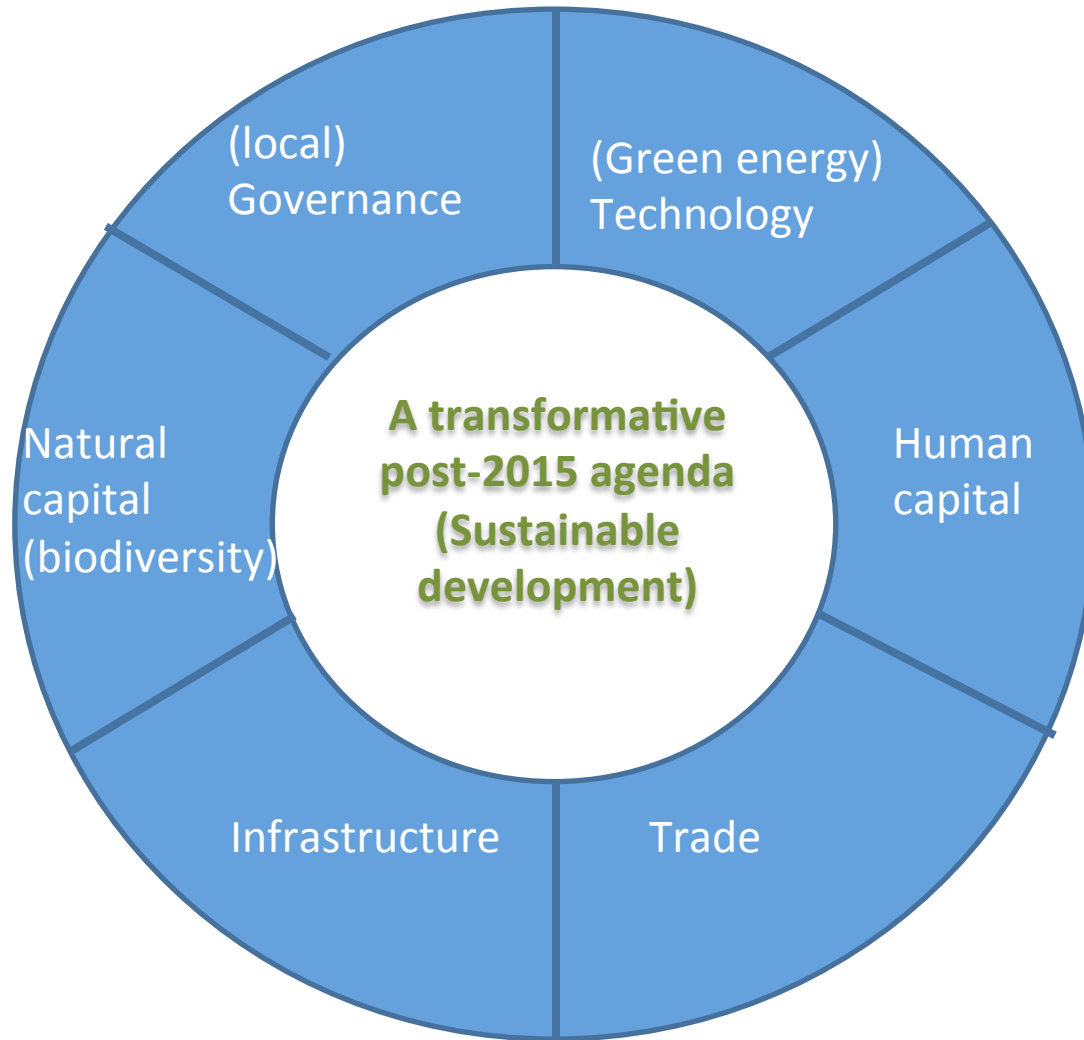


Sources: (See report) IMF, OECD, WDI, etc.

## ...typical evolution in sources of finance sources:

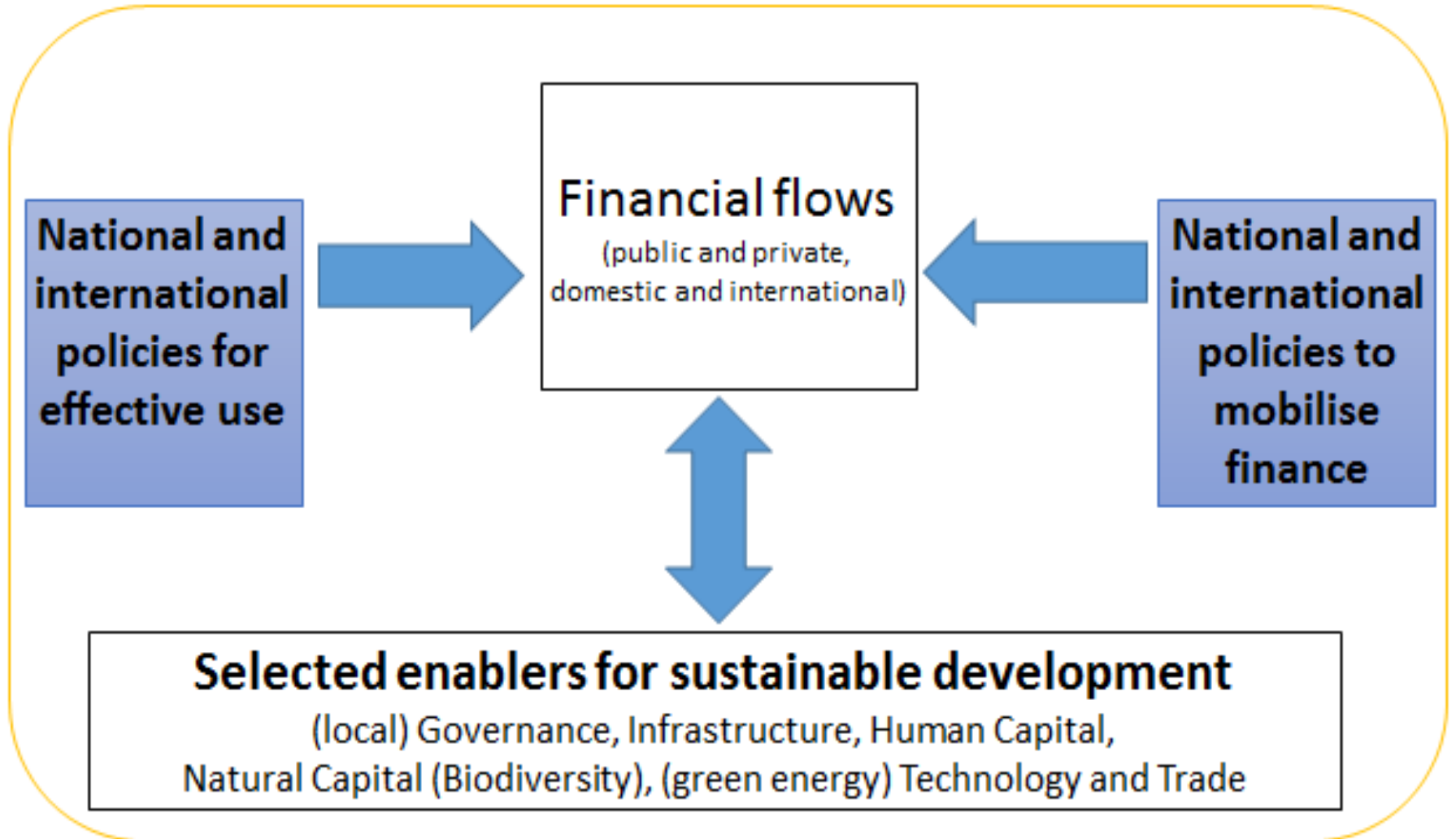


## (2) Focus finance on (selected) enablers of sustainable development





### (3) Consider policy and finance to enable a transformative post-2015 agenda



# Applying framework: key policy areas

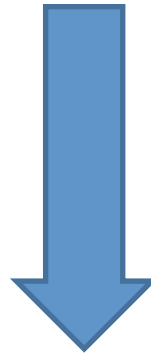
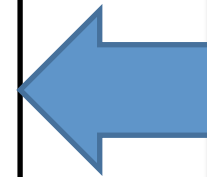
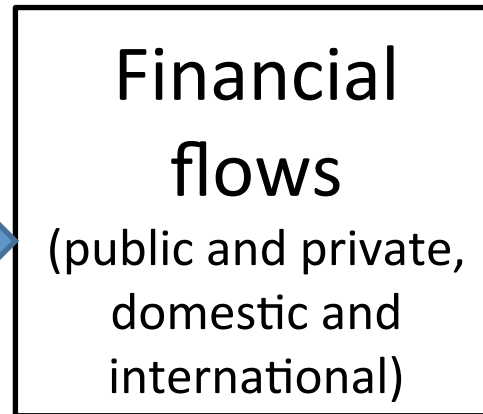
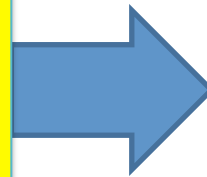
## Policies for effective use

### National:

- National capacities
- Standards, transparency
- Regulatory framework
- Policy coherence (e.g. trade policy)

### International:

- Global rules/ standards
- Donor co-ordination and DFIs



## Policies to mobilise

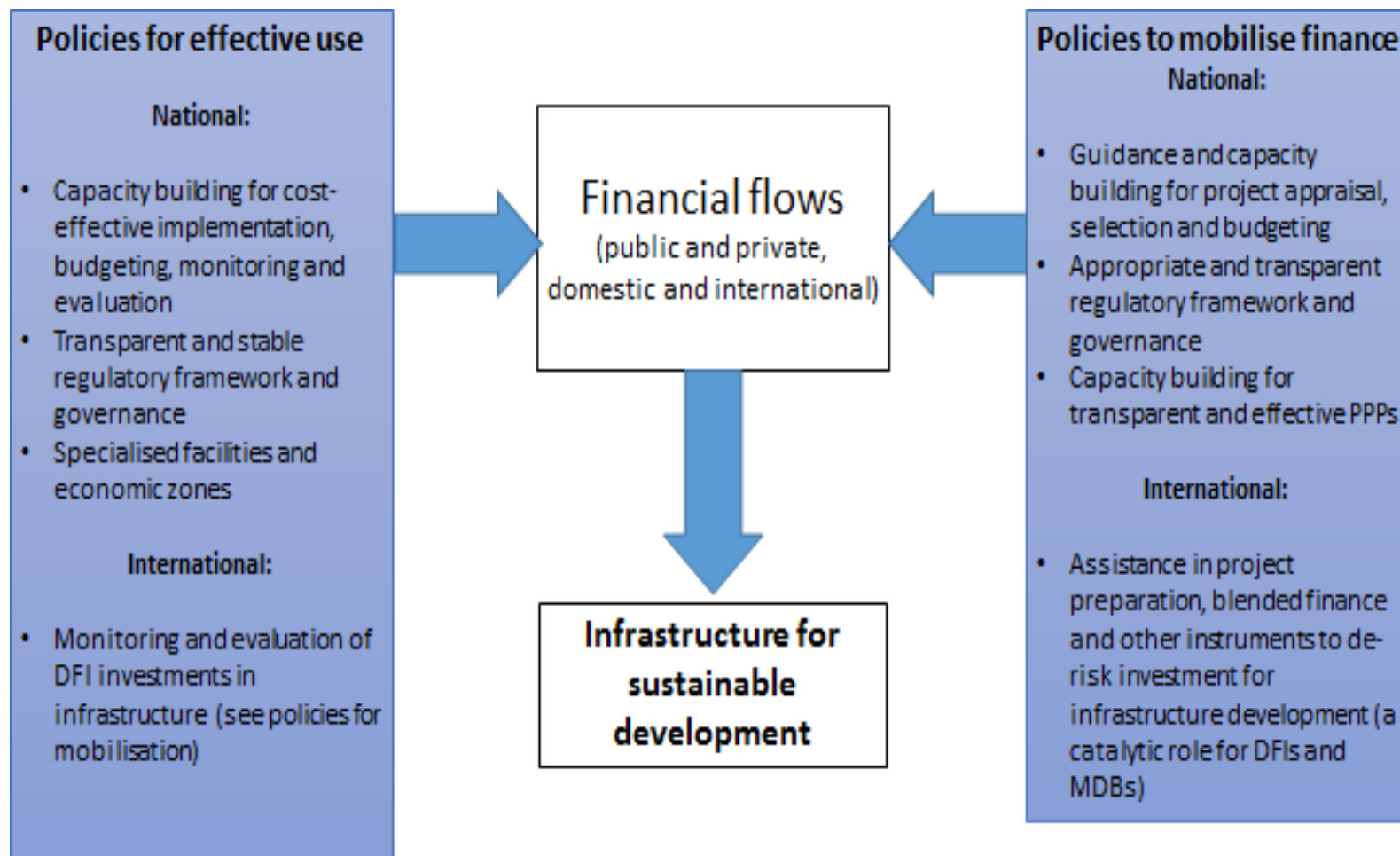
### National:

- Regulatory framework
- Financial sector instruments
- Public sector capacity (e.g. project preparation)

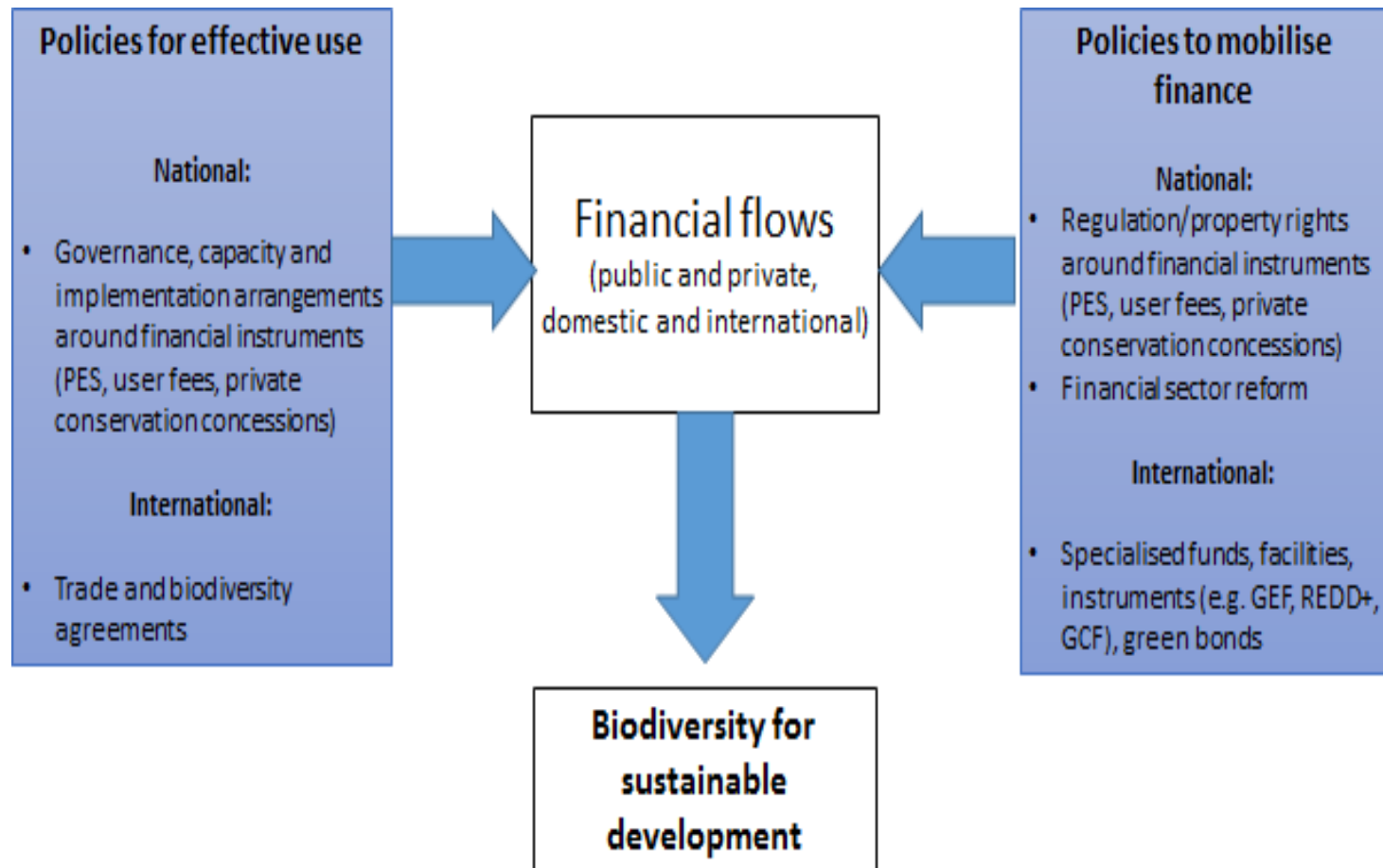
### International:

- Development finance institutions / special funds
- International policy environment (trade, tax, climate, finance)

# Applying framework: infrastructure



# Applying framework: biodiversity



# Appropriate policy can

- **Generate, attract and steer finance**
  - clear policy frameworks for transformation (Mauritius )
- **Unleash more public and private finance**
  - reductions in tax exemptions and public finance (Tanzania)
  - weaknesses in energy regulatory framework limit private finance for renewables energy (Tanzania)
- **Increase the stability of international private finance**
  - global banking (Basel 3) rules lead to benefits for SS Africa that are 10 times greater than the costs
- **Pull finance from less productive to more productive uses**
  - global tax rules and tax havens (e.g. Africa and transfer pricing)
  - relax SWF investment restrictions for developing country infrastructure.
- **Lead to more results with the same amount of finance**
  - better project management improves infrastructure productivity by 60%
- **Reduce the need for finance**
  - reduction in fossil fuel subsidies (FFS same amount as climate finance needed to keep climate change safe)

# Implications for discussions on Finance and Policy Framework

- There are **many sources of finance** which tend to vary by level of income and type of enabler
- **Policy matters:** finance important but not enough; essential to encourage appropriate policies for effective use and mobilisation:
  - **Domestic policy and financial frameworks** for mobilising domestic resources and facilitating their effective use for sustainable development
  - **A conducive global policy environment**
  - **International public finance** to be used in a more focused and catalytic manner (e.g. for DFIs, tax capacity, vulnerable groups in transformation)
- Need for a **monitoring and accountability** framework to encourage appropriate action



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# Thank you!

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