

# FINANCING FOR DEVELOPMENT INITIATIVE

## Objective

An important contribution of the Financing for Development (FfD) Initiative process is the forum it provides for taking a systemic look at impediments to the mobilization of substantially increased resources for international development and poverty alleviation. Its scope encompasses the full range of trade, aid, and international and domestic finance and governance issues, cutting across the mandates of different international organizations and national ministries, and involving topics where much of the relevant expertise is in the private sector.

As such, the FfD follow-up process presents a special opportunity to improve the coherence – and thus effectiveness – of the world's response to a number of the challenges identified at the 2002 Monterrey conference requiring an interdisciplinary and joint public-private response.

The United Nations Department of Economic and Social Affairs and the World Economic Forum are partnering to stimulate progress on some of these interdisciplinary and public-private problems through a new, informal process that will gather public-private actors to develop policy alternatives and issue recommendations.

In a series of nine structured workshops during 2004 and 2005, experts from the official and private sectors as well as academia and civil society will commission research and deliberate together to supplement the ongoing work of official institutions. Building on the World Economic Forum's independence and informality, the workshops will provide a conducive environment for leaders from varying backgrounds to stimulate thought and progress in the system as a whole through their freedom to look at problems and their solutions in an integrated fashion. By adding substantive focus to the follow-up to the Monterrey conference, these informal, public-private efforts will help the UN to

realize the potential of FfD to stimulate new thinking and greater interdepartmental coherence – i.e., to generate an enhanced, systemic response to the inadequacies of development finance.

These roundtables provide a platform for 35 to 40 practitioners and experts. The findings from the discussions will be integrated into the World Economic Forum's Annual Meeting in Davos, Switzerland, and be summarized in a Report detailing public-private success factors that will be of practical use to governments, businesses, NGOs and philanthropic foundations, presented at the next UN High-Level Meeting in the autumn of 2005.

## The multistakeholder process will explore the following topics in two workstreams:

**1. Public-Private Partnerships – Understanding how public-private partnerships can improve the reach and effectiveness of development assistance**

Private sector appreciation of the need for engagement in broader social, environmental and other international governance problems is growing. The Johannesburg World Summit on Sustainable Development crystallized appreciation by all stakeholders of the importance of informal networks and public-private partnerships in the quest for progress on global problems. This new consensus on the indispensability of partnerships is not yet matched by a capacity in the international system to develop and successfully manage them. In part, this is because there has been little analytical work done to assess the types of partnerships that work best in different circumstances. The UN/Forum multistakeholder expert process will systematically examine the experience to date in the various topical areas of development (health, basic education, water) and build on the experience and research of a number of public, private sector and civil society actors. Six roundtables in health, education and water are being organized to this effect to thoroughly analyse existing public-private partnerships in developing countries. These roundtables are also developing practitioners' solutions to improving them as a tool for development

**2. Risk Mitigation – Improving the climate for private investment**  
**Leveraging multilateral development banks and aid agencies to catalyse private investment**

In recent years, in all of the discussions on reform of

international financial institutions, relatively little attention has been focused on the adequacy and efficacy of their programmes to co-finance, guarantee, provide trade financing or otherwise stimulate private investment by mitigating risk at the margin. A review of available options and new opportunities in cooperation with knowledgeable company and financial institution representatives, academic experts, and Multilateral Development Bank and bilateral aid agency officials would add an important, practical dimension to these discussions. The FfD private sector coordinating committee has set the stage for such a process by advancing a number of concrete new ideas. Other experts have offered additional proposals. A public-private process to examine how best to leverage existing public institutions (or indeed to create new ones) could make an important contribution to both FfD and the ongoing debate about the reform of the Bretton Woods institutions.

### **Bringing financial governance capacity building to scale**

In many developing countries, improvement in the investment climate for domestic and foreign investors depends heavily on strengthening the public and private institutions of financial governance. Priority needs to be attached to building capacity in the areas of accounting, auditing, financial analysis, contract dispute adjudication, corporate governance, etc. Since the private sector has much of the expertise in these areas, it should be brought into deeper partnership with development assistance agencies and multilateral institutions with respect to both the strategy and delivery of such assistance. The FfD follow-up process provides a good opportunity to bring relevant public and private sector actors together for a sustained look at how programmes of cooperation could be developed to greatly increase institution building in developing countries in these areas, drawing on the comparative strengths and capabilities of development agencies, multilateral development banks, private financial institutions and academia.

Three roundtables are being organized to assess and enhance the adequacy and efficacy of multilateral development banks and aid agencies to co-finance, guarantee and provide trade financing or other risk mitigation tools to improve the climate for private investments in poor countries and to bring financial capacity building to scale.

You can find more information at <http://www.weforum.org/site/homepublic.nsf/Content/Financing+for+Development>.

### **Who Is Involved?**

The United Nations Department of Economic and Social Affairs and the Swiss Development Cooperation Agency

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