



# Investments to End Poverty

2017–2019

Development Initiatives is an independent organisation that focuses on the role of data in driving poverty eradication and sustainable development. This note outlines the focus of the next phase of Development Initiatives' Investments to End Poverty programme, which delivers data-driven evidence, policy research and new ideas to shape international development finance for delivering the 2030 Agenda.

## The challenge to end poverty and leave no one behind

Economic growth has been a key driver of progress, but alone it will not be sufficient to achieve the 2030 Agenda, especially for the poorest people. A continuation of current trends will not produce the progress needed. To end poverty in sub-Saharan Africa, for example, we would need to see a jump from the current pace of poverty reduction to one that is higher than South Asia has had over the last 15 years.

Ending poverty and leaving no one behind will require catalysing additional resources for development and better targeting, and making effective use of existing investments. The Financing for Development agreement, the 2015 Addis Ababa Action Agenda, provides a framework for financing the 2030 Agenda. It outlines the need for differentiated contributions from all types of financing – public and private, domestic and international – while emphasising the centrality of nationally led sustainable development strategies, supported by integrated national financing frameworks. Yet while resources are growing in many countries, they remain lowest in many of the places where poverty is deepest. Government revenues, for example, are less than \$500 per person (PPP) each year in 24 of the 33 countries where the depth of poverty is greatest. Two-thirds of foreign direct investment to developing countries goes to just 11 countries.

## A continued, critical role for international public finance

Within this financing landscape, official development assistance (ODA), south–south cooperation and non-concessional forms of international public finance will continue to play an important role, alongside domestic public resources and private finance. As part of the international community's investment in sustainable development, these flows can be more targeted to address the challenges of the 2030 Agenda than many other types of financing. ODA, for example, is uniquely placed among international resources to support efforts to leave no one behind, support nationally owned sustainable development strategies and respond to global challenges that disproportionately affect the poorest people.

The 2030 Agenda and the evolving financing landscape call for new thinking about aspects of the financing architecture, including how to catalyse new types of resources and improve the targeting and use of existing types. The architecture creates incentives that influence decisions about how to invest international public finance. The desire to report spending as ODA, for example, may conflict with the desire to choose the most appropriate financing instrument for a given challenge – so it is imperative that the rules on defining ODA respond to the 2030 Agenda. Measures for classifying countries, such as the World Bank’s income groups, play a major role in decisions about if and how to invest resources. These measures and other key aspects of the architecture must be aligned with the 2030 Agenda to maximise the impact of international public finance.

Gaps in the information available to answer critical policy questions have a significant bearing on where and how international public finance is invested. We still do not know enough about who the poorest and most vulnerable people are and where they live; what investments are being made and what impact they have; or the best scale, mix and role of different types of resources required to support nationally owned sustainable development strategies (or operate in politically fragile contexts where these do not exist). Better data, analysis and evidence are needed to encourage more effective finance where it is most needed.

## **Evidence-based analysis to support investments in poverty reduction**

The next phase of work in our Investments to End Poverty programme will address the most pressing gaps in information, evidence and analysis on international public finance.

### **Improved targeting of international public finance investments**

The 2030 Agenda presents a strong commitment to leaving no one behind, yet there is no mechanism to ensure that investments are responsive to the countries and people at risk of being left behind. Detailed, rigorous, accessible analysis can inform institutions that are committed to this agenda by providing evidence on where international public finance is most needed and on the quality and effectiveness of existing interventions. We will identify the countries and populations being left behind and examine how successfully different financing instruments reach them. We will build evidence on the comparative advantages of various financing instruments and the roles they can play across different contexts, including those where domestic resources are low and where political fragility or environmental vulnerability inhibit progress. We will develop recommendations for improving targeting at the resource flow and instrument level, including ways to improve the measures and country classifications that are commonly used to inform where and how resources are invested.

### **Catalysing new private and public financing to end poverty**

There is wide recognition of the large overall financing gaps for the 2030 Agenda and the need to mobilise and catalyse greater volumes of both public and private financing to end poverty. We will continue to strengthen the evidence base for the role that 'catalytic'

public–private finance instruments (including blending<sup>1</sup>) can play, unpacking where and how such instruments are used and producing case study analysis to assess their impact. These instruments will be most effective where there are adequate domestic resources. Building on our work on ODA for domestic revenue mobilisation, and as international support for tax revenue mobilisation is scaled up, we will continue to analyse<sup>2</sup> and propose ways to strengthen the impact of this cooperation.

## **Transparency, traceability and effective reporting to maximise impact**

The ability to understand, monitor and trace international public finance is critical to ensure its efficiency and maximise its impact. It informs lessons about what works where and facilitates accountability. The way that reporting mechanisms are designed and configured can create powerful incentives to invest in particular ways. We will participate in processes to refine reporting mechanisms in areas such as public–private finance, south–south cooperation and total official financing, provide technical inputs and assess demand for information from key actors such as recipient governments. We will continue to make comprehensive information on the financing landscape and trends (and the institutions and instruments they encompass) accessible to inform decision-making and advocacy.

## **Informing policy debate and decisions**

Through engagement and communications with key agenda-setting actors and bilateral and multilateral institutions, we will ensure that our work informs and influences policy debate in international and regional policy dialogues. This will ensure actors make informed decisions that strengthen the impact of international public finance on poverty.

## **Contact**

We welcome your thoughts, feedback and ideas about the next phase of our Investments to End Poverty programme. Please contact:

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## **Notes**

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<sup>1</sup> Blended finance: understanding its potential for Agenda 2030, Development Initiatives, November 2016. Available at: <http://devinit.org/post/blended-finance-understanding-its-potential/>

<sup>2</sup> Aiding domestic revenue mobilisation, Development Initiatives, April 2016. Available at: <http://devinit.org/post/aiding-domestic-revenue-mobilisation/>