Funding development

The funding of development policies should be mainly based on the mobilisation of resources within the concerned countries, especially their tax and non-tax resources. However, these funds should be complemented with external sources, which will diversify, and cannot be limited to Official Development Assistance. The total amount of official development assistance reached approximately 135 billion dollars in 2014, while international financial flows mobilisable to reach the goals set by the UN for sustainable development in 2015 exceed 1000 billion dollars. As well as official development assistance, these flows include South-South government transfers, philanthropic resources (charities and NGOs), transfers by migrants, foreign direct investments, as well as other capital flows. These resources ought to be utilised with the utmost efficiency.

The discussions leading to and during the third international “Financing for Development” conference organised by the UN in July 2015 in Addis Ababa highlighted the importance in developing countries of using Official Development Assistance, local resources, and private flows in a complementary way. Research conducted by CERDI echoes the challenges faced by the international community in matters of development funding. These challenges involve reinforcing countries’ ability to mobilise public resources through modern and accepted tax policy, ensuring a greater efficiency of public spending and securing macroeconomic stability. They also involve increasing the performance of administrations and the accountability of local authorities. In order to attract private funding, it is necessary to develop local capital markets, to reinforce the banking sector, and to encourage a healthy business environment. Finally, special emphasis is placed on analysing the resilience of local populations and economies to climate change and natural disasters, using appropriate economic policies and the provision of innovative financial products.

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