WHERE DOES PRIVATE DEVELOPMENT FINANCE FLOW?

Financing the SDGs will demand massive re-channeling of private investments. ODA may play an important role in mobilizing such flows to development purposes.

In the EBA report ***Mobilising Private Development Finance: Implications for Overall Aid Allocations***, Polly Meeks, Matthew Gouett and Samantha Attridge take a critical look at where the flows currently go when donors use “blended finance”.

To reach the Sustainable Development Goals by 2030 will demand massive amounts of money – substantively more than international development assistance may provide. This insight increases the pressure to mobilise private investments towards the SDG.

This report shows how donor countries increasingly intend to use tools for “blended finance” for this purpose.

It traces the flows and shows that they dominantly go to middle income countries and productive sectors – not necessarily where poverty needs are greatest.

The report points out that deliberate choices have to be made for enough development finance to flow to least developed countries and social sectors. It also calls for common international reporting practices, to make clear what private finance is to be counted as aid.

THE STUDY CALLS FOR:

1. Improved reporting by donors to the OECD-DAC, using a private sector instrument “flag” in a consistent way.
2. Provider countries refraining from setting predetermined limits on grants or other forms of financing - so that needs steer.
3. Before committing to spending, aid donors ought to assess and document the expected development effects from private sector instruments, as compared to alternative uses of aid.

The report can be downloaded at *www.eba.se*

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