



**FINANCING FOR DEVELOPMENT**

**TRAINING MANUAL**

“Tell me and I forget, teach me and I may remember, involve me and I learn.”  
— Benjamin Franklin

“Spoon feeding in the long run teaches us nothing but the shape of the spoon.”  
— E.M. Forster

“I cannot teach anybody anything. I can only make them think”  
— Socrates

## Theme 1

# Contextualising Financing for Development in Sub-Saharan Countries

### *Brainstorming session*

1. What do you understand by financing for development?

2. In your opinion what do you think are the main goals that need financing?

3. List down the different forms of financing that are available through:

*Public domestic sources*

*Public international sources*

*Private domestic sources*

*Private international sources*

4. Explain whether you think debt is a sustainable form of financing?

5. Towards what objectives is financing in sub Saharan Africa directed?

6. Are there any general principles of financing for development that you are aware of?

7. What factors inform where financing is to be directed?

*Political?*

*Global level*

*Domestic level*

*Socio-economic?*

8. Is the role of the private sector important in financing for development?

### ***Paired reading assignment***

1. Financing for Development: Monterrey Declaration 2002 and the Doha Declaration 2008 to be read together with the SDGs Agenda 2030
  - *Questions guiding paired reading assignment: Do you notice any similarities between the two declarations? What financing mechanisms have been proposed in the two declarations and the Agenda 2030? What development concerns do the declarations and the Agenda 2030 target?*
2. The Kenya Vision 2030, the Big Four Agenda read together with SDGs Agenda 2030
  - *Questions guiding paired reading assignment: Is a financial framework proposed in the Vision 2030? What development concerns does the Vision address? Does the Vision 2030 and Big Four Plan align with the Agenda 2030? What financing schemes are proposed in the Vision 2030 and Big Four Plan?*
3. Addis Ababa Action Agenda read with the SDGs Agenda 2030
  - *Questions guiding paired reading assignment: Is there a global framework for financing sustainable development proposed in the Addis Agenda? How does the Addis Agenda align financial flows with economic, social and environmental priorities?*

### ***Small working group discussions***

Read chapters III A, III B and III C of the Report of the Inter-agency Task Force on Financing for Development on ‘Financing for Development’ Progress and Prospects 2018, available:

[https://developmentfinance.un.org/sites/developmentfinance.un.org/files/Report\\_IATF\\_2018.pdf](https://developmentfinance.un.org/sites/developmentfinance.un.org/files/Report_IATF_2018.pdf) and discuss the following questions:

- *Group 1- Questions guiding reading on III A: Domestic public resources*
  - What do you understand by the term ‘domestic resource mobilisation’ (DRM)?
  - Explain what are the barriers to DRM?
  - What challenges does the digital economy pose in generating DRM?
  - How can DRM influence the early implementation of the SDGs?
  - How do illicit financial flows impact on development?
  
- *Group 2 - Questions guiding reading on III B: Domestic and international private business and finance*
  - What enabling environment facilitates domestic and international private sector to investments in development projects?
  - How does the financial market support development?
  - What impact can the financial market have on the early implementation of the SDGs?
  
- *Group 3 - Questions guiding reading on III C: International development cooperation*
  - To what extent has official development assistance (ODA) facilitated development?
  - Do you think lending by multilateral development banks is a sustainable way to finance development?
  - Do you think south-south cooperation can strengthen financing development? Focus your response on climate and humanitarian finance.

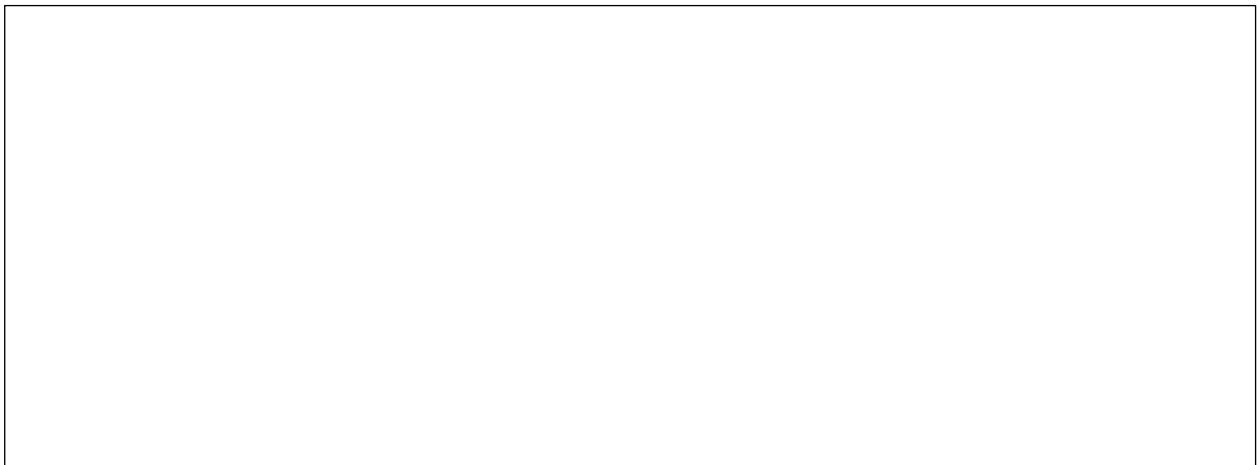


## Theme 2

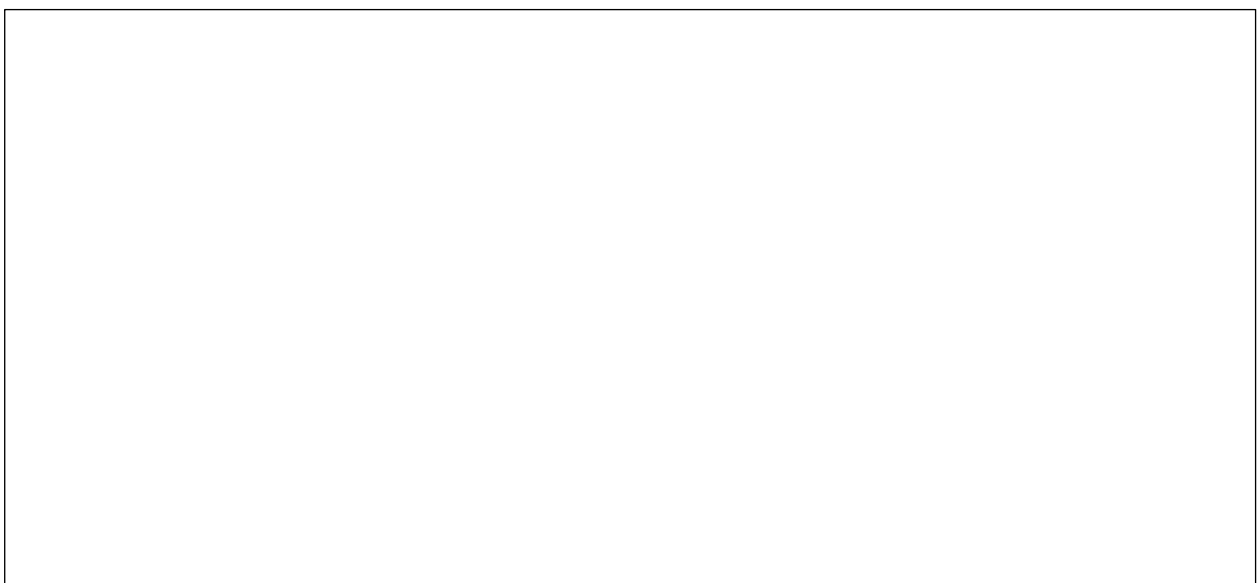
# Mobilising Finance and Problem Areas Challenging Financial Sustainability

### *Brainstorming session*

1. What are the major challenges affecting the efficiency of the financial system?



2. What measures have been put in place to ensure an effective, resilient and accountable financial system?

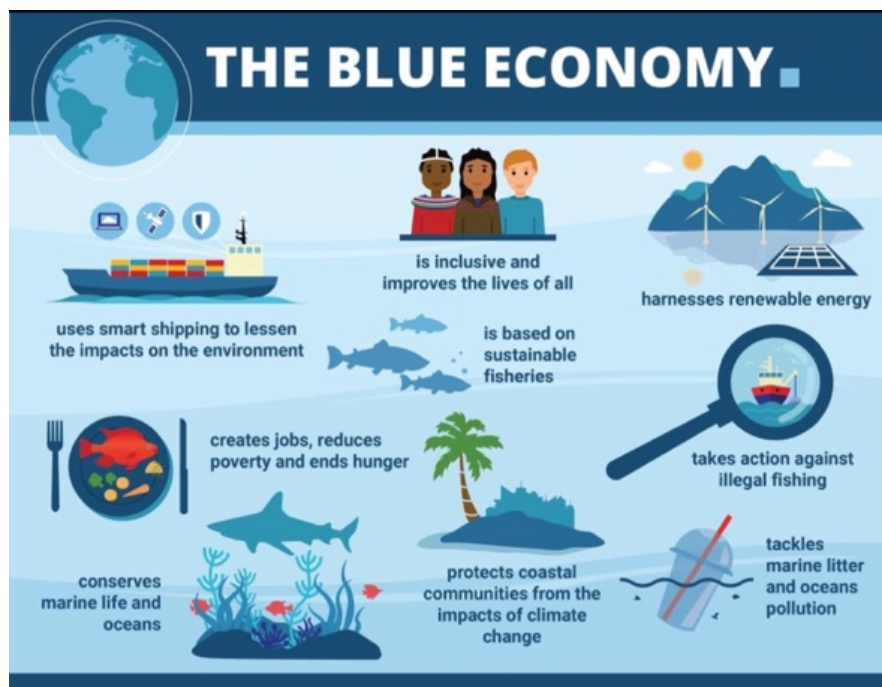


## *Throwback Quessions*

1. Financing for development: Borrowing Kshs 61 billion to construct a dam in Kenya.



2. Financing for development: Enabling environment for achieving progress towards a Blue Economy





3. Financing for development: Banning public service vehicles from the city centre in Kenya



4. Financing for development: Alternatives to securing access to education



## 5. Financing for development: Sustainable innovative mechanisms

### This farmer is using an ancient technique to reverse desertification



Last year, erratic rains left nearly a million people in need of food aid across Burkina Faso.

Image: REUTERS/David Gray

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**Nellie Peyton**  
Journalist, Reuters Foundation



Most Popular

A farmer from Burkina Faso who popularized an ancient farming technique to reverse desertification is among the winners of Sweden's "alternative Nobel prize", announced on Monday.

Yacouba Sawadogo shared this year's award with three Saudi human rights activists and an Australian agronomist. The 3 million Swedish crown (\$341,800) prize honours people who find solutions to global problems.



### *Group presentations*

Read chapters III E and III F of the Report of the Inter-agency Task Force on Financing for Development on 'Financing for Development' Progress and Prospects 2018, available: [https://developmentfinance.un.org/sites/developmentfinance.un.org/files/Report\\_IATF\\_2018.pdf](https://developmentfinance.un.org/sites/developmentfinance.un.org/files/Report_IATF_2018.pdf) and discuss the following questions:

- *Group 1- Questions guiding reading on III E: Debt and debt sustainability*
  - What significant challenges can you identify as a result of borrowing?
  - How can debt management be improved?
  - Should the SDGs be dependent on debt financing? Banks prefer to lend money for short term projects with high returns, will banks be willing to lend money for climate mitigation projects?
  - Is debt sustainable to finance development?
  
- *Group 2 - Questions guiding reading on III F: Addressing systemic issues*
  - Can you identify regulatory gaps and misaligned incentives in the international financial system?

- What reform measures would you propose to oversee the financial system so that crises such as those posed by Green Arava Ltd do not occur again?
- *Group 3 – General question on financial security (section 4. III F)*
  - Financing for development means that sources of revenue must be securely mobilised. In the event of a financial crisis, development projects suffer a major setback. Think of measures to prevent and reduce the risk and impact of financial crises on development projects.

***Reflective Exercise***

The Addis Ababa Action Agenda calls for increased investment in sustainable and resilient infrastructure as prerequisites for achieving the SDGs. Several new initiatives have been launched, including the Global Infrastructure Forum called for in the Addis Agenda, other infrastructure platforms and facilities, and new development banks and finance institutions (such as Green Climate Fund). Yet, major challenges remain to scale up SDG investments in infrastructure and beyond.

The next theme focuses on innovative financing for development. To prepare you to engage effectively during the lecture reflect on what roles the public, private and community should play towards strengthening financing for development.

## THEME 3

# THE DEVELOPMENT OF INNOVATIVE INSTRUMENTS TO EXPAND FINANCIAL OPPORTUNITIES FOR DEVELOPMENT

### *Brainstorming session*

1. Think of how banks can support innovation and use of innovative techniques to finance SDGs

2. Read the extracts below and consider how the digital economy can be used to finance the SDGs.

**BANGLADESH** By paying incentives with mobile money, MAMA Bangladesh managed to mobilize enough community health agents to **register over 1 million new mothers** to their maternal mHealth program. The mothers received vital health information from pregnancy to infancy on their mobile phone.<sup>10</sup>

**KENYA** TM-Tiba's mobile health wallet enables health payments, savings, and access to credit. It has already reached 1 million Kenyans since its launch in 2016, **facilitating 150,000 patient visits to medical facilities and \$2 million in medical payouts.**<sup>11</sup>

**PAKISTAN** Mobile money-enabled incentives increased the efficiency of a tuberculosis detection program by mobilizing a wider population of screeners and improving availability of data. The program **resulted in a 300% increase in detection** over a year in one catchment area and a **90% increase in patient treatment adherence.**<sup>12</sup>



**SIERRA LEONE** Shifting to digital payments at the height of the Ebola crisis from 2014 to 2016 helped critical health workers receive their pay quicker - **reducing payment time from over a month to around one week** - which eliminated worker strikes and secured the Ebola response workforce that saved countless lives.<sup>13</sup>


\* These represent only a few of the many important challenges and solutions. They should not be read as an exhaustive list.

**KENYA** An experiment providing access to a digital savings account to Kenyan households in 2015 **boosted high school enrollment by 5%-6%**, one-third higher than those without such access.<sup>9</sup>

**NEPAL** Households headed by women **increased education spending by 20%** when given access to digital savings accounts.<sup>10</sup>

**LIBERIA** Digitizing teacher salary payments **saved teachers 13.5 hours per paycheck on average**, and cut the cost of collecting wages by 92%, from \$25 per paycheck to \$2. Less time collecting cash wages means more time that teachers can spend in classrooms.<sup>11</sup>

**UGANDA** A flexible education loan using mobile wallets and a "pay-as-you-go" business model helped parents to start paying school fees at the beginning of term and keep their children in school. In households using this product, only 15% of students missed a day of school for nonpayment, compared to 24% for those not using the product.<sup>12</sup>



**AFRICA** Mobile payments enable **pay-as-you-go e-learning**, allowing vulnerable or remote populations to access educational content digitally and more affordably. Eneza Foundation's mobile education platform has **over 3 million unique users across Africa, 70% of which are from rural areas.**<sup>13,14</sup>





“Take urgent action to reduce corruption and promote just societies.”

**TANZANIA** Digitizing entrance fees in national parks **reduced leakages by 40%**, increasing government revenues by \$7 million.<sup>8</sup>

**MEXICO** Digitizing government salaries, pensions, and social transfer payments **helped save around \$1.3 billion per year, or 3% of government expenditure.**<sup>9</sup>

**INDIA** Switching from cash to smart cards for pension payments in Andhra Pradesh between 2010 and 2012 resulted in a **47% fall in reported requests for bribes** from officials.<sup>10</sup>



**GEORGIA** A tax modernization program deployed **digital tax payments, yielding \$4 billion in additional revenue** over six years and reducing the incidence of leakages.<sup>11</sup>

**WORLDWIDE** Governments can **capture about 20% of leakages** over several years of concentrated effort using digital payment data, alternative data sources, and advanced analytics. Worldwide, that represents a **trillion-dollar opportunity.**<sup>12</sup>



“Achieve gender equality and empower all women and girls.”

**NIGER** Women who received social transfers via their mobile phones **were better able to control this income and reprioritize household spending.** As a result, their families had more diverse diets and their households were more likely to grow cash crops than those who received social transfers in cash.<sup>7</sup>

**DOMINICAN REPUBLIC** One-third of low-income women who were previously rejected for loans **were considered creditworthy** using alternative data and a gender-differentiated credit scoring model.<sup>8</sup>

**INDIA** In a government workfare program reaching over 100 million people, women who received benefits paid digitally into an account led to **increased employment** compared to those paid in cash. The biggest impact was on women whose husbands had expressed the most opposition to their wives working.<sup>9</sup>

**KENYA** When **women-headed households** adopted mobile money, the country saw a **22% plunge in extreme poverty and a 20% increase in savings** between 2008 and 2014. In addition, 185,000 women left farming jobs for better, more stable jobs in business or retail.<sup>10</sup>

**SOUTH AFRICA** The use of digital cards for government safety net transfers enhanced women’s decision-making power in the household and led to a **92% increase in women’s likelihood of participating in the labor market.**<sup>11</sup>



*Reflective Exercise*

Achieving the SDGs will take between \$5 to \$7 trillion, with an investment gap in developing countries of about \$2.5 trillion. Think of whether there is a need to explore innovative financing mechanisms or to review current revenue streams and close leakages that result in revenue losses.

Reflect back on all the themes and jot down what you feel was the most important topic for you and why. Think of how you would want to build further on what you have learnt and how you can factor in this knowledge in your work.

### ***Working group session to generate ideas through drawings***

- *Group 1- The role of south-south cooperation in the context of the post 2015 agenda*  
*To guide you in preparing your work*
  - Pick a problem (no poverty, zero hunger, good health and well-being, quality education, climate finance etc)
  - Identify what the issue is
  - Consider whether there a need for cooperation
  - How can the cooperation be achieved between countries in the south ( you can look at two countries assisting each other, or you can look at it from a regional point of view)
  - For examples: see –  
[https://drive.google.com/file/d/1pMjBpMwMDPPBD\\_EKtnp0zL9TxsQ3tmGT/view](https://drive.google.com/file/d/1pMjBpMwMDPPBD_EKtnp0zL9TxsQ3tmGT/view)
  
- *Group 2 – Diversifying the economies of fragile African state: how donors can help*  
*To guide you in preparing your work*
  - Identify a fragile state
  - Think of what the economy of fragile states is like (e.g., small tax bases, risks that deter private capital)
  - Think of solutions other than aid
  - List down potential donors
  - Think of what strategies donors can come up with to diversify the economy of a fragile state
  - For an example, see Paul Collier, Chapter 15  
[http://www.ferdi.fr/sites/www.ferdi.fr/files/publication/fichiers/ferdi\\_-\\_financing\\_development-web-2\\_0.pdf](http://www.ferdi.fr/sites/www.ferdi.fr/files/publication/fichiers/ferdi_-_financing_development-web-2_0.pdf)
  
- *Group 3 – Innovative financing for development*  
*To guide you in preparing your work*
  - Think of what SDG you would like to finance
  - How would you do it?
  - For an example see: <https://www.iied.org/local-climate-finance-mechanism-helping-fund-community-prioritised-adaptation>



## ***Group Position Statements following Video Sessions***

### **Video 1: Making Finance Work for the Poor: A Partnership with Bamboo Capital Partners**

*Guidance to help you prepare your position statement*

*What challenge is being addressed? What solution is proposed? What is your opinion on the proposed model and its pillars? Can you identify specific principles for financing for development from the proposed model? Do you agree with the solutions proposed? Can you think of a sector in which this model can prove useful?*

### **Video 2: How Improving Financial Systems Can Help Fight Global Poverty**

*Guidance to help you prepare your position statement*

*What is the problem that is presented, and what solutions are proposed? Why is it important to provide financial access to poor households? What is an ideal financial system? What should be its underlying principle – how would you describe financial inclusion? What policy recommendations are proposed, and do you agree with the recommendations.*

### **Video 3: Promoting accountability in agricultural investment chains**

*Guidance to help you prepare your position statement*

*What is an investment chain, and how does it help in improving financing for development? How would you apply the investment chain to a sector of your choice in ensuring financial inclusion for all concerned parties? To what extent should local communities be involved in financing for development activities? How would you mitigate against the investment chain and human rights violations?*

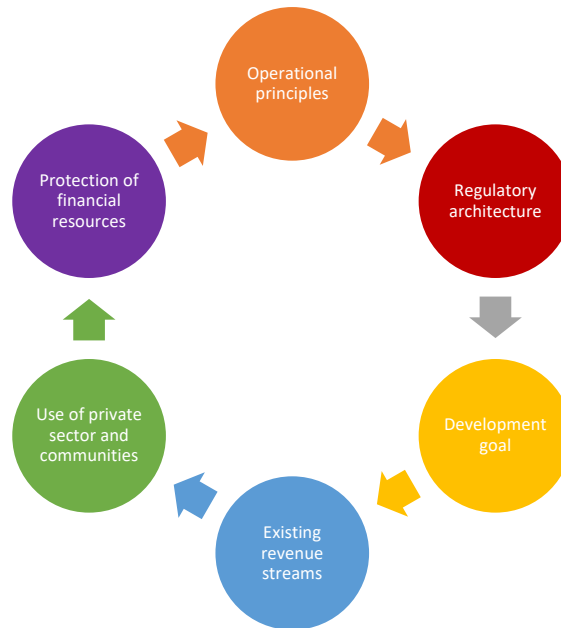
## DEBATE SESSION



In understanding financing for development, it is important to appreciate the socio-economic context of a country. Country X is a rural based husbandry economy. 40% of its population lives on less than \$1.90 a day. Income is taxed at 30% and profits at 35%. Foreign companies are exempted from corporate tax. Personal income of foreigners is taxed at 10%. There are a number of tax evasion cases against citizens and foreigners filed in court that are discontinued for lack of cogent evidence. Corruption is widespread. Parts of country X are facing drought, desertification and crop failure. 50% of its market is captured by SMEs, 30% by the informal sector, and the formal market holds the remaining 20%. Country X is committed to implementing SDGs, in particular SDG 1, 2, 3, 4, 6 and 13. The government has borrowed heavily to finance its development expenditure from foreign states and multilateral development banks. It has defaulted on many occasions in repaying its debt. Most of the borrowed funds are unaccounted for, and there is no transparency in how the money is spent. Health and education facilities are fairly accessible and available, though standards are average. Electricity remains underdeveloped and is soon to be privatised. The government seeks to invest in hydropower dams, irrigation, and renewable energy. It has invited foreign investors, diaspora and local SMEs to invest in this. The government is also considering issuing a bond and approach the Green Climate Fund for a loan.

*Will the 6 SDGs lead to development? Are the investment needs of country X justified? What are your arguments on country X's approach to securing financing for development? How would you address its financing gaps? What key factors would you consider in preparing an enabling environment to secure innovative financing for development?*

## DEVELOPING A TOOLKIT FOR CHECKING PROGRESS ON FINANCING FOR DEVELOPMENT



To guide you in preparing the toolkit consider the following:

1. What principles would you develop to guide financing for development in a country? *(Think of national ownership, integration across public sector, incentive frameworks)*
2. What barriers and opportunities exist for financing for development? *(Think of our discussions on climate finance for ideas)*
3. What needs financing? *(Pick a SDG)*
4. What would be the priority and specific concern under (the SDG picked) that requires financing?
5. What financing mechanisms already exist? *(Go back to the Day 1 lectures)*
6. Are these financing mechanisms adequate? *(Reflect on our discussions on innovative financing)*
7. Are there other alternatives to mobilise additional financing?
8. Are there any incentives to get the private sector involved? *(Consider Kilimo Salama)*
9. What information needs to be made public to help investors make informed investment decisions?
10. How would you increase transparency, track and compare financial sustainability? *(Think of our case studies on CMC Di Ravenna and Green Arava)*
11. How would you ensure reporting on financing for development?
12. What steps would you take to help the public understand how to hold their governments accountable for financing for development?
13. What steps would you take to mitigate risks involved in financing for development? *(Pick a SDG and assess its impact and implications)*

# NOTES