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**ESSAY : DEVELOPMENTAL FINANCE**

**By**

EBOA EDOUBE SERGE CLAUDE, BSc in Banking and Finance, MSc in Money, Banking and International Finance

**EDUCATIONAL ESSAY**

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ABBREVIATIONS and GLOSSARY

Brownsfield project:to start a projet on based on prior work

Cos:Cosinus

IDFC :International Development Finance Club

HIV/AIDS : Human Immunodeficiency Virus Infection and Acquired Immune Deficiency Syndrome

MDGs : Millenium Development Goals

MFI: MicroFinance Institutions

NDBs: National Development Banks

NGOs: Non Governmental Organizations

ODA : Official Development Assistance

OECD: Organization of Economic Cooperation and Development

PH: Potential of Hydrogen

Rand D: Research and Development

RSP: Retail Selling Price

SARS: Severe Acute Respiratory Syndrome

SDGs : Sustainable Development Goals

SMES: Small and Medium Size Enterprises

SPV:Special Purpose Vehicle

SSA: Sub- Saharan Africa

SUD: Sustainable Urban Development

UN : United Nations

UNEP:United Nations Environment Programme

UNDP: United Nations Development Programme

USA :United States of America

USD: United States Dollar

Royalty funds: It is a category of private equity fund that specializes in purchasing consistent revenue streams deriving from the payment of royalties.

Blended Finance: Is the strategic use of development finance and Philantropic funds to mobilize private capital flows to emerging and frontier markets, resulting in positive results for both investors and communities. Blended finance offers the possibility to scale up commercial financing for developing countries and to channel such financing toward investments with development impact. Blended finance is designed to support progress towards the Sustainable Development Goals.(SDGs) set up by the United Nations.

**Blended Development Finance**:

It is the strategic use of development finance for the mobilization of additional commercial finance towards the Sustainable Development Goals (SDGs) in Developing countries.

Hedge funds: A hedge fund is an aggressively managed portfolio of investments that uses leveraged, long, short and derivative positions.

They stand as an aggressively managed portfolio of investments that uses leveraged, long, short, and derivative positions.

Holistic approach: an approach that takes into account the various components of an entity, an economy, etc…

Introduction

The quest of economic development and prosperity has led world economies to mobilize financial resources within economic sectors where opportunities are available. These financial resources are flowing out within the handling framework of financial institutions. The specific topic of the governance of financial resources from an economic development perspective is hardly addressed in textbooks and do not consider finance as a significant theme. For effective human development and poverty alleviation across the globe, Development Finance with its multilevel role stands and remains a critical theme requiring further attention (Stephen Spratt 2009). Finance as a management discipline seeks for maximizing private returns with financial operations related to known and unknown risks. But a more socially desirable flow or allocation of financial resources is critically required. This is a focal point of Development Finance discipline (P. K. RAO 2003). This paper is seeking to provide a comprehensive insight of Development Finance topic by pointing out what is all about (Chapter I); coming out with the internal sources of development Finance(chapter II); the interdependent relationship that could be derived from the financial development and economic development(chapter III). The issue between Finance and Sustainable Development (chapter IV) should not be put aside. Furthermore, examining Development Finance perspectives (chapter V) is quite pertinent to take a look about the horizons that the discipline is looming ahead. A debate could be raised about how far could Development Finance go? (chapter VI). Our discussion will also be carried out in the extent of analyzing essential achievements of Development Finance (chapter VII). After such a straightforward discussion a conclusion will be welcome to underline the main issues and critical points that any rational economic agent should apply in the aim of enhancing Development Finance bigger challenges such as social inclusion, human development, financial sector stability and development, sustainable development and poverty alleviation.

CHAPTER 1: DEVELOPMENT FINANCE: WHAT IS ALL ABOUT?

Nowadays, large amounts of global savings move through an increasing integrated global capital market in the quest of investment opportunities. The developing world is gathering an improving part of these flows, for the sake of private investment. As a new field of study since the 1970s, Developmental Finance is standing as the most and relevant facilitator to networking large volume of capital flows for economic and financial development perspectives. To illustrate Foreign Direct Investments are moving into the smaller economies of sub-saharan Africa (SSA) in a rising manner although they are being concentrated on a small range of countries with China dominating ( Tony Addison and Georges Mavrotas, 2008). As one of its core objectives human development is being paid greater attention and the final step that Development Finance is seeking all throughout its process. Financial systems and reforms can be judged against a simple and single benchmark: do they positively contribute to poverty reduction and human development, or not? (Stephen Spratt 2009). This means there are certain key principles that govern and guide Development Finance discipline. These essential principles merit to be examined in the course of developing this paper.

1. Defining Development Finance

Development Finance is a new field of study that focuses on the governance of financial resources from an economic perspective in a socially desirable manner through the promotion of human development and poverty reduction including social inclusion and economic prosperity. In a simple manner Development Finance can be broadly defined as using scare capital flow often innovative and untraditional manners to stimulate or spur economic activity. These key principles that are inherent to Development Finance merit to be scrutinized in the lines ahead.

2. The domestic financial system and the process of human development

The domestic financial system plays a key role in the human development process to many extents. It mobilizes savings and allocate credits surplus resources placed by households in banks are allocated to borrowers or investors for most productive use, generating added value and enhancing human development and curbing poverty. The domestic financial system as long as it has improved its development contributes to human development directly through providing financial services to the poor hereby illustrating the financial inclusion principles. Similarly, broader accesses to financial services generate employment, increases incomes and curb poverty. By enhancing the poor to save in a safe environment, the delivery of bank accounts (or other savings facilities) and insurance enables the poor to set up a buffer against shocks, so decreasing vulnerability and minimizing the need for other coping strategies that is asset sales that may destroy long-term income outlooks (Stephen Spratt 2009). We hereby notice that financial sector development enhances high and rising living standards and a good quality of life for citizens especially the poor through the economic growth process. Financial globalization is a powerful strength which can both help or hinder human development. Human development will be effective if governments use appropriate policy measures to enhance income distribution and promote employment. Most likely human development over financial systems development, effective financial governance points at the one tailored to the needs of excluded financial system economic agents. Exploring human development within the framework of the international finance system is also critical.

3. The international financial system and the process of human development

Financial institutions over the past 15 years are looking for ways to give priorities to international agenda set out by the United Nations systems. Firstly, the Millennium Development Goals (MDGs) through its 8 objectives: eradicate poverty and requesting for human development across the globe. Furthermore, the UN system current year agenda is prioritizing to improve human being living standards. The World Bank Group and IMF are funding development projects in areas where inhabitants will experience social improvements in the light of getting access to potable water; hygiene and sanitation, energy, roads infrastructures, schools, hospitals; etc… . Likewise, officials Development Assistance is part of the international financial system expression or tool to seeking for human development through technical assistance, technology transfer, knowledge update. It is the case with medical equipment that low income economies are gaining as recipient countries. Many hospitals in these countries are providing medical facilities, technical assistance for their personnel. Most ODA are socially oriented in the aim of improving people's welfare.

4. The purposes of Development Finance

In this section we are not pretending to come out with all the general and specific purposes of Development finance as well. All we are underlining hereby are just some main objectives that stand as the most prominent targets that Development Finance seek for to name a few:

- Financing for development
- Promoting sustainable development
- Looming future horizons through achieving SDGs (Sustainable Development Goals)
- Debt relief Management
- Designing and regulating the domestic financial system
- Financial sector development
- Financing the private sector

4.1 Financing for Development

The core objective of Development Finance is to financing development in the extent of mobilizing and increasing the effective use of financial resources to eradicating poverty, achieving sustained economic growth and promoting sustainable development in the target of moving to a fully inclusive and equitable global economic system. The aim is one of the resolutions of the UN sponsored high-level international conference on Financing for development held at Monterrey, Mexico in March 2002 as first of kind (P.K. RAO 2003).

This is to underline the empirical facts that Developmental Finance has driven experts, officials, governments and organizations in perspective of reaching out a consensus and ensuring economies betterment especially the developed world for human development other aspects of Development Finance issues such as external debt management, debt relief, etc… were also examined.

4. 2 Promoting Sustainable Development

In the quest of human development through mobilizing financial resources for economic perspectives, Development Finance needs to be carefully integrated with the principles of Sustainable Development by involvement in the design of policies and their implementation on the ground. Integrating financial and environmental aspects of development is regarded as a critical task.

Sustainable development entails environmental dimensions for economic development. Environmental dimensions include: environmental amenities such as fresh coaster for human consumption, clean air for survival and physical facilities that is proper housing and sanitation.

Primary environmental assets and resources enumerate the following: the fast and extending to marine fisheries, ozone layer, ecosystems, marine resources, and biodiversity and biogeochemical. Environmental bad: they are in contrast to environmental goods in the first two groups. This implies basic chemicals greenhouse gases, acid rain, land/ water contamination, air pollution. The main purpose for Sustainable Development in an environmental governance policy perspective is to maximize the potential of the first two groups whereas mitigating the risks of the third, on a sustainable basis. He mentioned before Sustainable Development seeks to integrate financial governance at national and international scales with environmental governance (P.K. RAO 2003).PP161-163

Promoting Sustainable Development is synonymous of meeting the needs of the present generations without compromising the capability of future generations to meet their proper needs.

Sustainable Development should give overriding priority to the world's poor. Development Finance is precisely suitable into the effort of improving the poor living conditions in environmental protection and preservation perspectives not only for the poor but for the future generation as well. Many resolutions have been taken in these extents: The Stockholm Declaration in 1992, the UN Charter of Economic Rights and Duties of States, adopted by the UN General Assembly Resolution 3281, 1974; the UN convention on Biological Diversity, 1992, the Rio Declaration on Environment and Development 1992, The Millennium Development Goals (MDGs) adopted in September 2000 by the UN General Assembly all 189 – member countries just to name a few (P.K RAO 2003).

4.3 Looming the future horizons: achieving Sustainable Development Goals (SDGs)

The United Nations and the entire international community have so far noticed that the previous Millennium Development Goals planned on 8 main targets in 2015 have failed to be fully fulfilled or are partially attained prior to its shortages other objectives goals scheduled from 2015 to 2030 have been set up. Nowadays, the struggle to attaining these 17 Sustained Development Goals request the action of the entire Sustainable Development expertise which cannot ignore the virtues and values of Development Finance. All the various goals designed in the framework of Sustainable Development Goals are Inherent to vital needs, human development and person dignity and blossoming while more attention to environment protection, conservation of biodiversity and finding ways of energy supply without threatening ozone layer.

Development finance has to play a key role in the implementation of the SDGs through effective mobilization of financial resources and paying greater attention to orientating funding in areas with greater economic opportunities and reaching out significant social inclusion for human betterment (P.K. RAO 2003). Henceforth, Development Finance stands as the engine of SDGs achievements in the 2030 deadline.[i]

## 4.4 Debt relief Management

Development Finance also focused on the issue of debt relief management to the extent of enhancing poverty reduction. Debt relief management has led developed countries to adopt the initiative of debt cancellation in 2005 at G8 summit in Gleaneagles, Scotland thereby promoting the issues of development and poverty alleviation for the sake of developing countries. When those countries reach the completion point (Tony Addison and George Mavrotas, 2008).

Development Finance promotes debt relief management for the purpose of gaining incentives for private investments through effective Foreign Direct Investments in a given economy that produce a sound sovereign credit rating.

Debt relief management has been promoting the availability of fresh funding destined to finance social programmes such as schools, construction of hospitals infrastructures, safe water and sanitation, agriculture micro projects, etc… thus, enhancing national development and poverty reduction. Development Finance is attempting to bring in more awareness of financial institutions to improve debt relief management procedures in order to enhance human development and welfare return for recipient countries.

## 4.5 Designing and regulating the domestic financial system

Development Finance field of study essentially stresses on financial sector development as one of its key mission or attributions. Developing financial sector requires a deep design and sound regulating practices of a domestic financial system. Financial system is needed to be deep in terms of available deposits that should reach a substantial part of the national GDP percentage, more market-based structures, banking, non-bank financial institutions and capital markets with efficiency and full of activity. This is not the case for developing countries but a common reality for high-income countries (Stephen Spratt, 2009).This means that financial sector development accounts for key features on the ground such as Macroeconomic stability, legal framework, regulating savings mobilization, assuring risks transfer through time, obtaining information on alternative investment opportunities efficient allocation of capital to its most productive use and monitoring the use of capital once allocated. Most of these functions are undertaken by governments in low-income countries whereas they are being work-out in the developed countries.

## 4-6 Financial sector development

As another main pillar of Development Finance financial sector development is pointed out. In developed countries practicing or enhancing financial sector development enables grabbing more investment opportunities and strengthening financial inclusion offering to the economy more sophisticated financial processes and practices. whereas in developing countries financial sector development is directed in the angle of promoting or enhancing poverty reduction, financial inclusion and offering financial services to the reach of excluded-banking services economic agents especially those dwelling in the informal economic sector and the poor. This enables the poor to draw down accumulated savings and/or borrow to invest in income- enhancing assets (including human assets, eg through health and education and begin micro-entreprises, wider access to financial services generates employment, increase incomes and curb poverty, etc… (Stephen Spratt, 2009). Furthermore, developing the financial sector must not only generates more investment opportunities but also is associated with higher rates of growth and consequently decrease levels of poverty across a given economy.In the same light, various financial systems namely agriculture finance, growth finance; housing finance,trade finance, safeguarding finance, climate finance are carefully practiced in the aim of solving different problems that an economy encounters in the process of reaching out or performing steady growth thus enhancing financial sector development.

4.7 Financing the private sector

Development Finance also cares for the development of the private sector especially its small and size enterprises components that constitute the paramount force of the private sector sustaining economic growth in any real economy. Financing the private sector requires some prerequisites that need to be achieved in terms of security and macroeconomic stability, regulation and attractive taxation facilities, fostering a sound investment climate, growth and poverty reduction, tackling costs, risks and barriers to completion. Financing the private sector is a global problem solving issue that Development Finance experts are struggling to tackle on their daily base activities. Supporting Small and Medium Size Enterprises which operate in relevant areas influencing poverty reduction and social inclusion and generating more investment opportunities for the real economy is a great task that stands significant for capital inflows within a national or international economy.

Conclusion

Our chapter has sought to express the meaning of Development Finance in its multilevel dimensions stressing on its human development significance. Its poverty reduction propensity through a developed financial sector is enhanced by a proper regulation and a macroeconomic stability framework. Development Finance means a lot of perspectives outlook since it is seeking greatly to contribute and prepare a bright future for next generations through a prominent sustainable development requirements. Meanwhile, sustainable Development appliances call for most environmental considerations leveraged by a sound debt relief management and multidisciplinary approaches. Development Finance integrates all along the way of attaining and preserving Sustainable Development in the world economy.



Chapter 2: INTERNAL SOURCES OF DEVELOPMENT FINANCE

Policymakers and diverse scientists have been paying great attention on the issue of global economic development for several decades. Every country considers the associated discussion in the context of its own development and from geographical certainties. There is a great need in improving living standards and life quality in developing countries. It is found to be considered that global development stood as one of those scarce topic characterized by non specific compromise (P.C. KUMAR, 1994). But nowadays, there is a specific consensus on carrying out Global Development. The SDGs designed for a 15 –year period is a placid illustration of this agreement. Development Finance discipline has to play a key role in this journey of human development in poverty alleviation or Sustainable Development quest as a whole.

Regarding internal sources of Development Finance will help us to have insights on how this particular field of study can take part to these prominent goals set up by the United Nations system.

1. Components related to internal sources of Development Finance

As far as we will examine sources of Development Finance, we categorize them into two parts: traditional or old sources of Development Finance and new or modern sources of Development Finance.

1.1 Traditional or old sources of Development Finance

1.1.1 Tax policy

Tax policy is a key element of the financing process through its connection with savings issues. Through the process of saving the government raises its capital building and finances several developmental projects. By undertakings tax policies the government is pursuing numerous objectives such as diminishing the foreign exchange gap, correct market failure, encourage financial intermediation through financial markets and institutions impact changes in factors proportions by the help of encouragements, and so on and so forth (P.C. KUMAR, 1994). To fulfill their given objectives, tax policies have to be under circumstances.

- They should be as broad-based as possible
- Have restricted goals
- Availability to implement the various tax schemes by the administrative capacity.

Furthermore these conditions should also enhance tax revenues increase; the issue of tax revenues is opposite experience on certain grounds. In developing countries central government tax revenues collapse whereas in developed countries tax revenues increase due to administrative capacity to diversify tax schemes and supervise the collecting process. Raising the tax take is critical if governments wish to both achieve development objectives, whilst at the same time holding down fiscal deficits (Stephen Spratt, 2009).

1.1.2 Capital markets

To acquire capital flows, economic agents need to address their needs to the available capital markets that enable or illustrate the issue of Developmental Finance through financial intermediation varying levels of direct investments by savers acquire securities in the primary market perpetrated by institutional banks brought together in the aim of supervising selling of securities such as shares by direct investors.

On the other hand, the old market or secondary market is the proper financial which also allows the selling of securities on grounds orders are given by institutional investors or to markets sellers or by price levels on the consent given by investors. A sound capital market requires a legal framework within which contracts can be designed, carried out and strengthen. Accounting information need to be standardized and brought in line with accepted international standards. Modern communications and computing technology facilities are critical. Development Finance purpose is to promote an efficient banking system with the smooth flow of transactions where the legal framework should furnish a regulatory environment that enhances free and fair price building. Full and reliable disclosure of information, with appropriate safeguards and investors 'protection are needed to enable securities markets to efficiently provide Development Finance (P.K. RAO).

### 1.1.3 Development Finance Institutions

Development banks perform financial intermediation that is focused on their specific capabilities to finance, select and monitor the performances of investors, entrepreneurs and their given projects. Development Finance institutions also create and promote human capital. For the developing world, three goals are identified by the development banks.

Developing countries are called to be self- supporting; that is capable of raising funds in domestic and foreign markets at affordable rates. Furthermore, Development banks operations should make sure that there is profitability for any undertaken endeavour.

Finally, they should accumulate human capital in the outlook acquiring management and organization strengths in the aim widening the scope of their services and develop independently. Likewise, strategic operations are required to attain these objectives.

- Improve profitability and flexibility over the business cycle through diversification into activities namely leasing, provision of working capital, and trade finance.
- There is a consideration for underdeveloped financial markets in developing nations that needs to be addressed.
- Development banks are called on to keep on assisting these developing world financial markets by expanding into investment and merchant banking activities.
- Development banks should act in creating the financial infrastructure which enhances transaction through the promotion of accounting and auditing standards and a sound legal framework to strengthen agreements, promote communication technology that eases uniform information accessibility, quick transfer for up to date financial operations.
- Development banks have all the strengths to play a catalytic role introducing such technology in all the developing world financial sectors.

### 1.1.4 Public sector privatization

In 1980s privatization played a key role in developing countries and developed nations as well. It has become a medium through which Development Finance is moving ahead and resources allocation in line with market priorities on the ground of essential government action. Privatization involves the sale of firms to private or individual shareholders in the aim of releasing capital from non productive government investment and allows them to focus on policy making, diluting the financial drain on government (P.C. KUMAR, 1994). The main purpose of privatization is to enhance great internal efficiency of privatively owned firms and success as compare to publicly owned firms in the context market products competition. In this way, within these circumstances that Development Finance can be more proficient where firms' performance is set as a priority. Added value and economic production are perquisite for a straightforward step to come is the combination of economic growth added and poverty reduction as well in a nutshell human development as a whole. In this extent the banking sector is called on to finance privatization by rediscounting loans, debt equity swaps to fund employees' buyout, investment by institutional investors and tax incentives are tools in mobilizing resources. Apart from these traditional and most common components of Development Finance, these are new sources of the Development Finance discipline that merit to be examined.

## 2. New sources of Development Finance

As compare to old or traditional internal sources of Development Finance, there are additional channels through which Development Finance process is being carried –out nowadays in the globe. A deep insight of these innovative sources of development Finance is more than required.

### 2.1 A tax on airline fuel

In the spirit of tackling global development problems some developed countries came together within the framework of the UN financing for Development summit in 2002 and in Monterrey summit in 2004 due to the fall in ODA in 1990s to seek ways to finance the MDGs set out in 2000 UN Milllenium Summit as international development goals especially interest to put in place more global public goods in peacekeeping issues, health, that is fighting against pandemics such as SARS, away influenza as the continuing HIV/AIDS crisis and global climate change. In this mood, some developed countries such as France came out with the tax on airline fuel in order to raise fundings for development purposes. This initiative has constituted a cornerstone of French action in innovative finance for development perspectives (Tony Addison and George Mavrotas, 2008)



### 2.2 The current transaction tax

This new internal source of development Finance is not only regarded as a new way of funding development purpose but also an old channel through which development objective could be achieved. Originally known as the Tobin tax raised by the economist James Tobin who underline tax as a way to stabilize the extreme fluctuations in exchange rate that followed the breakdown of the Bretton Woods system in the 1970s, extreme criticism came out against the Tobin tax by several economists. The tax is destined to be applied to foreign exchange transaction that is spot, forward and future markets swaps and other derivatives. But many developed countries that host major centres of international finance do not agree applying it that is USA, England, and Germany. But the question is still open.

### 2.3 Global environmental taxes

Global environmental taxes specifically refer to carbon- use tax and the current transaction cost in addition given framework for international taxation largely. Taxing hydrocarbon fuels could provide many tens of US dollars billion per year.Taxing global environmental emissions help to reducing adverse global climate change that is the carbon taxes as well as raising substantial revenues (Tony Addison and George Mavrotas, 2008).

Many countries like the USA feel reluctant to affirm these global environmental taxes be it the Kyoto protocol that up to now was not ratify by the USA. But nowadays more awareness is being considered by the country to take into account global environmental threats or warming. The

United Nations seem to provide the best home to handle the necessary tax authority. This in the case will bring an increase of power to its nation – state members.

### 2.4 A mixed bag as an innovative finance approach

The mixed bag as an innovative finance approach refers to a blend of Official Development Assistance leveraged by private capital markets. Likewise, information technology also stands as a means to attract or keep in touch with charitable donation organization for development in particular micro-firms. For example, we can name a global premium bond for alleviating poverty. Remittances cross borders at affordable transaction costs also play a vital role in the process of financing development be it informal but it impacts on development processor poverty alleviation is not neglected. The Bill and Melinda gates foundation also act as an important actor in the process of financing development especially in the area of health, granting vaccines malaria drug to poor children in developing countries in Africa. This initiative is a fruit of part of global philanthropy.

### 2.5 Development philanthropy

As a new internal source of developmental Finance, development philanthropy refers to donations made by individuals or corporation for the sake of human development in the domain of health, education, transport infrastructures granted individually by celebrities and organizationally by foundations be it nationwide or worldwide institutions. To illustrate let us point out micro loan Foundation and given talents building on the much-deserved success of the Grameen Bank (Tony Addison, George Mavrotas, 2008). Meaning Global philanthropy requires no government intervention. Furthermore, lottery for development objectives could be introduced by individual nations without supervision for example a global premium bond aimed to pursue development purposes (environment protection). Henceforth, development philanthropy by its process of mobilizing huge financial resources also raise awareness of associating Official Development Assistance is still being critical.

## Conclusion

This chapter focused on underlining the various components of internal sources of Development Finance. We came out with a given classification from two categories old or traditional internal sources of Development Finance that is the tax policy applied in several domains in the purpose of fueling both economic and human development. Capital markets that direct savings flows into investment opportunities and economic sections where economic development process is moving ahead. Development Finance institutions play the financial intermediation role to direct financial resources to the requesting hands and economic sectors full of investment opportunities. Public sector privatization is also a great support for seeking public sector, financial and economic yields attaining. New components of internal sources of Development Finance point out a particular tax on a given area (tax on airline fuel to raise huge funding for sustained development across some development countries. These particular taxes aim to protect or restrict adverse effects in the environment and raise some critical funding needed in the development process. Development philanthropy illustrates a modern and new approach to involve new actors in the Development Finance process that is individuals such as celebrities and organizations namely foundations involved in social issues (healthcare, education, water and sanitation, etc) in fact in humanitarian quest as a whole. Development Finance sources are gaining ground as well as innovative ideas and practices surrounding and supporting it in the purpose of attaining both financial development and economic prosperity especially in the developing world where they are mostly and critically needed.

## CHAPTER 3: FINANCIAL DEVELOPMENT AND ECONOMIC DEVELOPMENT

### Introduction

Two main issues are at the core of Development finance discipline on the one hand financial development of a given economic agent be it a household, a firm, a public institution (council, rural community, a whole country). On the other hand, economic prosperity objective is also critically pursued in the angle of economic development of a related economic agent. These two key pillars of Development Finance field of study aim to improve human development and poverty alleviation at the end of the day as the ultimate goals of the discipline's endeavour. Several researchers or authors have come out with the relevant insight stating a close relationship between financial and economic development in several countries over several years. Thus,underlining the causation running from financial to economic growth as a supply-led relationship in the early levels of economic development but causation direction reverses in relatively more advanced stages of development P.K. RAO, 2003).

1. Features leading to financial development and economic development

Financial Development and economic development stand as the main pillars of the issue of country's development process. There are common features for these two economic and financial concepts namely focused on better developed financial institutions and higher quality of financial institutions. Especially we underline the following considerations:

- Provide greater priority to investors that belong to the class secured creditors;

  Put in place a legal system that strengthens contractual agreements vigorously;

- Apply accounting standards that furnish comprehensive and transparency;

- The World Bank Group also advocate in its 2011 global report similar considerations by stressing on the given issue namely improving the legal and regulatory environment rather than building a special financial structure.

- Promoting financial development through adopting more effective and reliable policies for the sake of developing the legal and regulatory environment enhancing the natural evolution of framework structure through the protection of private property the role of legal and institutional infrastructure in attracting and sustaining external commercial finance for economic activities development.

2. Financial development

Talking about financial development refers to come out with the various determinants that entail the concept. That is the political, economic policy and geographic determinants of financial markets. Specifically this involves the causality between financial development and another factor of economic activities namely aggregate private investment without putting aside outcomes of political liberalization In terms of institutional improvement for financial development (Hongful Huang, 2010). Financial development of a given entity also request innovative reforms on certain factors such as institutional; macroeconomic, geographical factors. Empirically initial GDP, initial population; legal origin and institutional quality stands as basic determinants of cross- country differences in financial development. The author Hongful Huang concludes that economic reforms with more open trade policies and attractive investment policies and political reforms aimed at a more democratic society should be inherent to financial development. The implementation of these reforms has not yet been fully understood. Furthermore, an effective financial development process calls for the link between domestic and international financial markets, the impact of financial market integration on the development of domestic financial markets and the role of foreign Institutions in domestic financial development and enhancement of Clean Domestic mechanism.[ii]

3. Economic Development

By Economic Development, we mean progress in an economy or the qualitative measure of this. Economic Development mostly refers to the adoption of new technology transition from agriculture-based to industry –based economy and general improvements in living standards. Furthermore, there is jobs creation, the support of innovation and new ideas, higher wealth creation and an overall better quality of life. Pointing out improving infrastructure namely roads, bridges; etc… improving our education system through building of new schools, enhancing our public safety through fire and police service; or incentivizing new businesses to open a site in a community.

Economic Development entails three major areas:

- Big economic objectives pursued by government namely creating jobs or growing an economy can be fulfilled through written laws, industries adjustments and tax incentives or collections.

- Infrastructure and service such as bigger highways, community parks new school programs and facilities public libraries or swimming pools, new hospitals and crime preventions initiatives are parts of elaborated programs.

- Creating jobs and business retention through workforce development programs to help get the required skills and educational background. Likewise, small business development programs are also indispensable to geared to help entrepreneurs get financing or network with other small business to make sure whether economic development is working certain measures are to undertake. Namely improvements in average income of families, local unemployment rates, standardized testing and literacy results in children; leisure time and changes in life expectancy, or hospital accommodation (Michigan Test for Teacher certification Economics 2003-2017). As a whole, economic development promotes the following slogan ‘growing capacity for poverty reduction’. Since it stands as a multidimensional concept in the extent that it embraces not only growth in income but a broad transformation of the economy in all its aspects as well (P.C. KUMAR, 1994). Economic development and financial development stand as interrelated concepts both seeking to achieve human betterment or development the interaction dwelling amongst is necessary to be clarified and provide the inherent insight.

4. Interaction between Financial Development and Economic Development

As far as economic prosperity remains a battle field of government, there is an interrelated link between economic development and financial development. Economic development as previously underlined seeks for attaining economic objectives such as creating jobs or growing an economy thorough macroeconomic openness. Macroeconomics calls for mechanism to ensure economic growth while leading to enhanced risk exposure (P.K.RAO, 2003), adopting an appropriate domestic strategy which favours creation of institutional arrangements including those for dispute resolution at different stages. Whereas, financial development stands as the engine enabling economic development to take off to the various areas where productive activities are located. Likewise, financial development points out financial liberalization as an open macroeconomic policy. This measure seeks to promote economic growth with better mobilization of capital for productive use. Financial development through its process contributes to economic growth by the help of the reduction in the costs of provision of capital and favoring entrepreneurship. Financial development provides innovation and economic infrastructural base for the promotion of international trade and finance (P.K.RAO, 2003). In addition, these externalities constitute other sources of economic growth. Therefore economic development increases resources for its blossoming. Financial development tools such as capital inflows derived from Foreign Direct Investments accrue to economy that make proof or evidence of efficient governance entities for the sake of financial and other companies. The interaction between financial development and economic development requires an efficient government action in supplying macroeconomic policies that are leading to the productivity of financial institutions while balancing the interest of the society as a whole in the social welfare maximizing sense are other critical prerequisites that enhance efficient economic growth and development (P.K. RAO, 2003). This means that these two concepts stand correlated.

Conclusion

The current chapter has focused on the interaction between the two main concepts of economic development and financial development. Both concepts follow the objective of a country or entity development as a whole. That is higher quality of financial institutions for productive use of financial mobilization. In the same light, economic development searches the qualitative measure of a country or entity with the adoption of new technology, transition from agriculture-based to industry-based economy and general improvements in living standards namely job creation, wealth creation, infrastructures improvement. These concepts are the mainstream of a country's society welfare and requesting efficient government action through regulation and supervisory capacity for a sustainable development.

CHAPTER 4: FINANCE AND SUSTAINABLE DEVELOPMENT

Development Finance is a broad discipline with key components extending critical areas of human life. In this light Development Finance entails Sustainable Development requiring equilibrium in the use and exploitation of environmental resources for economic prosperity in the aim to ensure and protect the interests of future generations. Understanding Development Finance requests to be carefully aware of required integrated principles of Sustainable Development and recognition in the design of policies and their implementation (P.K. RAO, 2003). This chapter seeks to find out the relationship that could be derived between finance and Sustainable Development after defining it, coming out with relevant reforms for integrating financial economic and environmental issues, as well as reforms or amendments of international financial institutions and their policies for environment protection, lender liability, producer liabilities and financial aspects of meeting environmental and development goals including the Sustainable Development Goals.

1. Defining Sustainable Development

Sustainable Development is both a way of looking at the world with a focus on the interlinkages of economic, social, and environmental change, and a way of describing our shared aspirations for a decent life, combining economic development, social inclusion, and environmental sustainability (Jeffrey.D. Sachs, 2015).

It means that Sustainable Development is a new specialty in the area Development Finance discipline seeking to combine the ideal of economic prosperity including social excluded or poor based communities or countries taking into account environmental changes for non environmental sustainability towards a life of dignity for all. In a nutshell, Sustainable Development is both an analytical theory and a "normative or ethical framework, a newly described era through the recently adopted global goals, the Sustainable Development Goals (SDGs).

2. The link between Finance and Sustainable Development: financing Sustainable Development

It is truly recognized that there is a strong link between Finance and Sustainable Development. Finance stands as an engine for economic activity. It is also true that it enhances the process of Sustainable Development. Greening a given economy requires applying a newly brought finance area namely climate finance. Since climate management, or forecast is an essential issue to be considered while searching to find some economic ventures such agricultural development projects, energy development projects that have impact in promoting Sustainable Development in line with planetary boundaries stated by ecological scientists.

Finance is also finding means of resources through the search of Sustainable Development that is the adoption of green taxes for curbing environmental damage and also using the tax revenue potential for effecting desirable income redistribution policies, debt relief and the role of environmental protection, reform of international financial institutions and their policies for the protection of the environment and seeking ways of meeting SDGs (P.K. RAO, 2003).

The problem of inappropriate financing in the context of external shocks forces indeed states that developing countries adopt adjustments that are in line with the requirements of Sustainable Development.

Likewise, multilateral financial institutions need to make sure that their policies and operations are governed by the following requirements:

- A new charter of articles that explicitly include the role of environmental protection;
- Admit lender liability for wrong advice in economic, environmental or other matters to borrow countries; and
- Forgive and/or write off loans that were ill designed by the lenders (PK.RAO, 2003).

All these considerations mean that Finance in the purpose of promoting development also takes into account lives of future generations and the environment protection in the aim of enhancing a better Sustainable Development financing process.

3. Financing Sustainable Development

Empirically many initiatives have been taken by international organizations in the view of financing development as a whole and sustainable Development in particular. In line with the SDGs a financing framework to support them and a framework agreement on climate change since the SDGs takes a holistic approach to development, encompassing the economic; social, and environmental dimensions (Mahmond Mohieldin, Djordiija Petkoski, 2015). The July 2015 'Financing for Development Conference held in Addis Ababa adopted an outcome document outlining a global framework for financing development to support the SDGs and the next 15 years of development as SDGs are scheduled from 2015-2030 agenda. This initiative seeks to promoting Sustainable Development and shared prosperity.

In the mood of financing Sustainable development in the spirit of the scheduled SDGs some ideas are attempting to fall into actions that are creating new micro insurance Products for remittance service providers witnessed in India. The initiative aims to improve the lives of lower- class families in India through risk reduction, financial literacy, worker empowerment, remittance growth, potential increase MFI and RSP profits. Furthermore, other ideas in promoting and financing Sustainable Development issues are also to be taken into account the case of innovative Public Private Partnership model for promoting financial deepening and inclusion. The example of the Rice value chain in Nigeria illustrates such a PPP initiative.

4. Sustainable Development finance Mechanisms

Apart from micro insurance products for remittance services providers in order to improve the lives of lower –class families the case of India through risk reduction. There are other funding mechanisms adequate for enhancing Sustainable Development financing.

4.1 Automated warehousing receipt system

Developing such a financing mechanism improves access to customized funding for smaller farmers in Nigeria rice value chain for instance. This initiative calls for a Public Private Partnership pattern that the potential of private sector capabilities, and public sector resources to improve smaller farmer's access to financing using movable assets namely inventory as collateral to secure loans and get access to agricultural inputs(Mahmoud Mohieldin; Djordjija Petkoski,2015).

This solution will be implemented on the grounds of a consortium where government agencies, private sectors partners including agribusiness and small and medium size enterprises(SMEs), financial institutions such as microfinance institutions and smallholders farmers and cooperation succeeding in such a solution requires a clear understanding of roles and responsibilities, risk and benefits sharing, mainstreaming of efficiency-enhancing information technology innovation and measures to ensure equation involvement of both genders(men and women).

4.2 Empowering communities in the control of mining royalty funds

This example of funding mechanisms in the idea of supporting Sustainable Development is focused on the Peruvian case study. The goal here is to set up a strategy that improves the effectiveness of how mining royalties are allocated in addressing the needs of the population. The use of qualitative indicators is recommended in order to prioritize projects objectively. The involvement of an external agent of information and control is responsible to the task of informing the population on how local government's stakeholders are spending mining royalties. This initiative expresses and implements the principle of accountability and good governance where any citizen or representatives of communities act on the behalf of the entire communities in the light of having insight about the royalties funds are used on the grounds strategically in order to meet various communities needs and enhancing local Sustainable Development namely investments in infrastructure and capacity building. A proposed mechanism by which civil society may raise its complaint to the level of the National controller, where the office is to investigate the validity of such claims that is seeking for requested feedback in the field helped by a project incubator that is responsible to finance, implement and monitor initiatives of various projects.

4.3 Impact Bonds Development

This funding mechanism aims to enhancing the participatory involvement or development of economic agents in creating Sustainable market demand for the case study of open fires and inefficient cookstoves. This initiative is mostly dedicated to the developing world where it is noticed an inefficient cookstoves for meal preparation resulting in the production of toxic smoke that kills over 4 million people per year. Access to clean cookstove technology for citizens at the bottom of the economic pyramid can be directly improved through a participatory model of Development Impact Bonds (DIBs) (idem). The proposed bond that could be Diaspora bond model or philanthropic institutions or NGOs bonds enhance the current structure of DIBs financially, while also building in an innovative component that backs local training; education and knowledge sharing. This model not only provides enhanced financial access to clean cookstove technology, but also provides the resources to train local individuals on the maintenance, distribution and sales of the cookstoves by doing so the model becomes an income-generating pattern. This empowers citizen involvement and adoption.

4.4 An initiative to enhance and transform non Profit sector: the case of Philippine by Impact PH[iii]

Hereby, we focus on the issue of enhancing and transforming the nonprofit sector. The case study of Philippines is henceforth underlined that is analyzing each social sector issue and identifying the most effective initiatives. The aim here is to drive philanthropy to the extent of the most effective companies. This initiative is encouraged by Impact PH as a strategy to increase shareholders' access to the information on registered non-profit organization and social sector objectives that trust and make better decisions, galvanize stakeholders regulatory agencies, non profit netwoks, non profits organizations and the donor community, to increase oversight transparency, accountability and impact; develop the needed tools to find, analyze, and support causes stakeholders care about. There Impact PH generates a list of Philippine non profits comprehensively organized in the aim of enhancing and transforming the Philippine non profit sector through information, creating big impact or beneficiaries through increasing access to information oversight, transparency and accountability to enhance non-profits' impact and grow charitable giving(idem)PP 67-70.

Therefore Impact PH is pursuing four primary objectives namely:

- Enable intelligence for the social sector;
- Enlighten donors and other stakeholders;
- Build better non-profits;
- Solve social sector issues.

Conclusion

The chapter focused on the issue of linking finance and Sustainable Development to human betterment and poverty alleviation perspectives. Before, coming out with the critical relationship among both valuable concepts, we attempt to define what Sustainable Development is all about. The relationship between Finance and Sustainable development stands in the perspectives of achieving the SDGs as a whole and social sectors issues in particular. Various financial mechanisms were discovered and brought forward to illustrate how Sustainable Development issues can be achieved in various angles of economic activities. Be it the rice value chain in Nigeria illustrated by Automated Warehousing receipt system.

Microinsurance products remittances services providers in India, Mining royalty funds control for Empowering Communities in Peru, Impacts Bonds Development in the developing World and Enhancing and transforming the Nonprofit sector in Philippine. We understand that innovative financial approach results lead to communities empowerment and society transformation for the purpose of Sustainable Development and human development. Another funding mechanism that was not developed is also taken into account at this conclusive stage: introducing internet –based funding mechanisms for World Bank operations that stands as a new source of Development Finance as a crowd funding market place estimated to raise USD15 billion in 2015 and reach USD 93 billion by 2025[iv]. This proposal outlines how the World Bank can test new funding mechanisms using internet-based donation platforms by making them crowd funding-friendly. Specifically, it is all about externally financed outputs with crowd funding organizations and trust funds which can be replenished by outlined funding campaigns. All these funding mechanisms enhancing Sustainable Development in various endeavours drive us to find out the relevant perspectives of this broad discipline that stands Development Finance.

## CHAPTER 5: DEVELOPMENT FINANCE PERSPECTIVES

### Introduction

As a broad field of study, Development Finance entails several perspectives that stand as critical and relevant for economic prosperity; environmentally sustained and human development purposes.

Specifically, diverse and several perspectives constitute essential challenges of Development Finance discipline. Namely, we can state financial sector development especially advocated for the developing world, attainment of Sustainable Development Goals(SDGs) scheduled for the 2015 – 2030 world agenda with 17 specific goals across several domains.

The perspective of financial inclusion where financial system-excluded economic agents are called on to reap the benefits of the financial system or expanding financial services in areas especially rural places where financial institutions are still yet to exist. Furthermore, the perspectives of keeping a sustained development in respect of planetary boundaries and enhancing renewable energy is also a critical outlook be it to promoting the era of Sustainable Development. Since Sustainable Development entails several and innovative types of finance (climate, green, infrastructure finance, blended) that were not brought forward or seen the day in the previous decades.

### 1. Attaining the SDGs: a crucial world challenge for present and future generations

At the UN Sustainable Development Summit on September 25, 2015 the world leaders have adopted a new set of Sustainable Development Goals of outstanding ambition and committed themselves to working tirelessly for the full implementation of this agenda 2030. So 17 Sustainable Development Goals (SDGs) and 169 targets will lead global policy on a wide range of issues related to poverty alleviation and inequality, democracy, sustainable consumption, climate change, and ecosystem preservation. These challenges are called on to be implemented for the sake of human progress. The 17 specific SDGs merit to be reviewed.

#### 1.1 No poverty

Eradicating poverty in all its forms remains one of the greatest challenges facing humanity. While the numbers of people living in extreme poverty dropped by more than half between 1990 and 2015 from 1.9 billion to 836 million – too many are still struggling for the most basic human needs. Globally, more than 800 million people are still living on less than USD1.25 a day[v], many lacking access to adequate food, clean drinking water and sanitation. Rapid economic growth in countries like China and India has lifted millions out of poverty, but progress has been uneven. Women are more likely to live in poverty than men due to unequal access to paid work, education and property.

Progress has also been limited in other regions such as South Asia and Sub-saharan Africa, which account for 80 percent of those living in extreme poverty. New threats brought on by climate change, conflict and food insecurity, mean even more work is needed to bring people out of poverty.

The SDGs are a bold commitment to finish what we started, and end poverty in all forms and dimensions by 2030. This involves targeting the most vulnerable, increasing access to basic resources and services, and supporting communities affected by conflict and climate – related disasters(United Nations Development Programme, 2017).

1.2 Zero Hunger

Rapid economic growth and increase agricultural productivity over the past two decades have seen the number of undernourished people drop almost half. Many developing countries that used to suffer from famine and hunger can now meet the nutritional needs of the most vulnerable. Central and East Asia, Latin America and the Caribbean have all made huge progress in eradicating extreme hunger. These are all huge achievements in the line with the targets set out by the first Millenium Development Goals. Unfortunately, extreme hunger and malnutrition remains a huge barrier to development in many countries. 759 million people are estimated to be chronically undernourished as of 2014, often as a direct consequence of environmental degradation, drought and loss of biodiversity over 90 million children under the age of five are dangerously underweight. And one person in every four still goes hungry in Africa. The SDGs aim to end all forms of hunger and malnutrition by 2030, making sure all people-especially children-have access to sufficient and nutritious food all over year round. This involves promoting sustainable agricultural practices: supporting small scale farmers and allowing equal access to land, technology and markets. It is also requires international cooperation to ensure investment in infrastructure and technology to improve agricultural productivity. Together with the other goals set out here, we can end hunger by 2030. (UNDP, 2017).

1.3 Good health and well-being

We have made huge strides in reducing child mortality;, improving maternal health and fighting HIV/AIDS; malaria and other diseases since 1990, there has been an over 50 percent decline in preventable child deaths globally. Maternal mortality also fell by 45 percent worldwide. New HIV/AIDS infection fell by 30 percent between 2000 and 2013 and over 6.2 millions lives were saved from malaria. Despite this incredible progress, more than 6 million children still die before their fifth birthday every year. 16,000 children die each day from preventable diseases such as measles and tuberculosis. Every day hundreds of women die during pregnancy or from child birth related complications. In many rural areas, only 56 percent of births are attended by skilled professionals. AIDS is now the leading cause of deaths among teenagers in sub-saharan Africa, a region still severely devastated by the HIV epidemic. These deaths can be avoided through prevention and treatment, education, immunization campaigns, and sexual and reproductive healthcare. The Sustainable Development Goals make a bold commitment to end the epidemics of AIDS, tuberculosis, malaria and other communicable diseases by 2030. The aim is to achieve universal health coverage and provide access to safe and affordable medicines and vaccines is an essential part of this process as well (UNDP).

1.4 Quality education

Since 2000, there has been enormous progress in achieving the target of universal primary education. The enrolment rate in developing regions reached 91 percent in 2015, and the worldwide number of out of school has dropped by almost half. There has been dramatic increase in literacy rates, and many more girls are in schools than ever before. There are all remarkable successes. Progress has been taught in some developing regions due to high levels of poverty, armed conflicts and other emergencies. In western Asia and North Africa; ongoing armed conflicts has been an increase in the number of children out of school. This is a worrying trend while sub-saharan Africa made the greatest in primary school enrolment among all developing regions- from 52 percent in 1990, up to 78 percent in 2012 – large disparities still remain. Children from the poorest households are up to four times more likely to be out of school than those of the richest household. Disparities between rural and urban areas also remain high. Achieving inclusive and quality education for all reaffirms the belief that education is one of the most powerful and proven vehicles for sustainable development. This goal ensures that all girls and boys complete free primary and secondary schooling by 2030. It is also to provide equal access to affordable vocational training, to eliminate gender and wealth disparities, and achieve universal access to a quality higher education (UNDP, 2017).

1.5 Gender equality

Ending all forms of discrimination against women and girls is not only a basic right, but it is also crucial to accelerating sustainable development. It has been proven time and again, that empowering women and girls has a multiplier effect, and helps drive up economic growth and development across the board. Since 2000, UNDP, together with our UN partners and the rest of the global community has made gender equality central to our work; we have seen remarkable progress since then. More girls are now in school compare to 15 years ago, and most regions have reached gender parity in primary education women now make up to 41 percent of paid workers outside of agriculture, compared to 35 percent in 1990. The SDGs aim to build on these achievements to ensure that there is an end to discrimination against women and girls everywhere. There are still huge inequalities in the labour market in some regions, with women systematically denied equal access to jobs. Sexual violence and exploitation, the unequal division of unpaid care and domestic work, and discrimination in public office, all remain huge barriers affording women equal rights to economic resources such as land, and property are vital targets to realizing this goal so in ensuring universal access to sexual and reproductive health. Today, there are more women in public office than ever before, but encouraging women leaders will help strengthen policies and legislation for greater gender equality (UNDP, 2017).

1.6 Clean water and sanitation

Water scarcity affects more than 40 percent of people around the world, an alarming figure that is projected, to increase with the rise of global temperatures as a result of climate change. Although 2.1 billion people have gained access to improve water sanitation since 1990, dwindling supplies of safe drinking water is a major problem impacting every continent.

In 2011, 41 countries experience water stress 10 of which are close to depleting their supply of renewable freshwater and must now rely on alternatives sources. Increasing drought desertification is already worsening these trends by 2050, it is projected that at least on in four people will be affected by recurring water shortages. Ensuring universal access to safe and affordable drinking water for all by 2030 requires we invest in adequate infrastructures, provide sanitation facilities, and encourage hygiene at every level. Protecting and restoring water-related eco-systems such as forests, mountains, wetlands and river essential if we are to mitigate water scarcity. More international cooperation is also needed to encourage water efficiency and support treatment technology in developing countries (UNDP, 2017).

1.7 Affordable and clean energy

Between 1990 and 2010, the number of people with access to electricity has increased by 1.7 billion and as the global population continues to rise so will the demand for cheap energy. A global reliant on fossil fuel and the increase of greenhouse gas emissions is creating drastic changes to our climate system. This is impacting every continent. Efforts to encourage clean energy have resulted in more than 20 percent of global power being generated by renewable sources as of 2011. Still one in seven people look access to electricity and as the demand continues to rise these needs to be a substantial increase in the production of renewable energy across the world. Ensuring universal access to affordable electricity by 2030 means investing in clean energy sources such as solar, wind and thermal. Adopting cost-effective standards for a wider range of technology could also reduce the global electricity consumption by buildings and industry by 14 percent. This means avoiding rought 1,300 mid-size power plants. Expanding infrastructure and upgrading technology to provide clean energy in all developing countries is a crucial goal that can both encourage growth and help the environment.

1.8 Decent work and economic growth

Over the past 25 years the number of workers living in extreme poverty has declined dramatically, despite the lasting impact of the 2008 economic crisis and global recession in developing countries, the middle class now makes up more than 34 percent of the total employment a number that has almost tripled between 1991 and 2015.

However, as the global economy continues to recover we are seeing slower growth, widening inequalities and not enough jobs to keep up with a growing labour force. According to the International Labour Organization more than 204 million people were unemployment in 2015. The SDGs promote sustained economic growth, higher levels of productivity and technological innovations. Encouraging entrepreneurship and job creation are key to this, as are effective measures to eradicate forced labour, slavery and human trafficking with these targets in mind, the goal is to achieve full and protective employment and decent work, for all women and men by 2030.

1.9 Industry, innovation and Infrastructure

Investment in infrastructure and innovation are crucial drivers of economic growth and development with over half the world population now living in cities, mass transport and renewable energy are becoming ever more important as are the growth of new industries and information and communication technologies.

Technological progress is also key to finding lasting solutions to both economic and environmental challenges such as providing new and promoting energy efficiency. Promoting sustainable industries, and investing in scientific research and innovation are all important ways to facilitate sustainable development.

More than 4 billion people still not have access to the internet, and 90 percent are from the developing world. Bridging this digital divide is crucial to ensure equal to information and knowledge, as well as foster innovation and entrepreneurship.

1.10 Reduced inequalities

it is well documented that income inequality is on the rise, with the richest 10 percent earning up to 40 percent of total global income. The poorest 10 percent earn only 2 percent and 7 percent of total global income. In developing countries, inequality has increased by 11 percent if we take into account the growth of population. These widening disparities require the adoption of sound policies to empower the bottom percentile of income earners, and promote economic inclusion of all regardless of sex, race or ethnicity. Income inequality is a global problem that requires global solutions. This involves improving the regulation and monitoring of financial markets and institutions, encouraging development assistance and Foreign Direct Investments to regions where the need is greatest. Facilitating the safe migration and mobility of people is also key to bridging the widening

divide (UNDP, 2017).

1.11 Sustainable cities and communities

More than half of the world's population now lives in urban areas. By 2050, that figure will have risen to 6.5 billon people- two thirds of all humanity Sustainable development cannot be achieved without significantly transforming the way to build and manage our urban spaces. The rapid growth of cities in the developing world, coupled with increasing rural to urban migration, has led to a boom in mega cities. In 1990, there were ten mega-cities with 10 million inhabitants or more. In 2004, these are 28 mega-cities, home to a total 453 million people. Extreme poverty is often concentrated in urban spaces and national and city governments struggle to accommodate the rising population in these areas. Making cities safe and sustainable involves investment in public transport, creating green public spaces, and improving urban planning and management in a very way that is both participatory and inclusive (UNDP, 2017).

1.12 Responsible consumption and production

Achieving economic growth and sustainable development requires that we urgently reduce over ecological footprint by changing the way we produce and consume goods and resources. Agriculture is the biggest user of water worldwide, and irrigation now claims close to 70 percent of all freshwater for human use.

The efficient management of our shared natural resources, and the way we dispose of toxic waste and pollutants, are important targets to achieve this goal. Encouraging industries, businesses and consumers to recycle and reduce waste is equality important, as is supporting developing countries to move towards more sustainable patterns of consumption by 2030. A large share of the world population is still consuming far too little to meet even their basic needs. Having the per capita global food waste at the retailer and consumer levels is also important for creating more efficient production and supply chains. This can help with food security, and shift us towards a more resource efficient economy.

1.13 Climate action

There is no country in the world that is not experiencing first hand drastic effects of climate change. Greenhouse gas emissions continue to rise and are now more than 50 percent higher than their 1990 level. Further, global warming is causing long-lasting changes to our climate system, which threatens irreversible consequences if we do not take actions now.

The annual average losses from earthquakes, tsunamis, tropical cyclones and flooding amount to hundreds of billions of dollars requires investment of US Dollar 6 billion annually in disaster risk management alone. The goal aims to mobilize US Dollar 10 billion annually by 2020 to address the needs of developing countries and help mitigate climate-related disasters. Helping more vulnerable regions, such as land locked countries and islands states, adapt to climate change must go hand in hand with efforts to integrate disaster risk measures into national strategies. It is still possible, with the political will and a wide array of technological measures, to limit the increase in global mean temperature to two degrees Celsius above pre-industrial levels. This requires urgent collective action.

1.14 Life below water

The world's oceans their temperature, chemistry, currents and life-drive global systems that make the Earth habitable for humankind. How we manage this vital resource is essential for humanity as a whole, and to encounter balance the effects of climate change. Over three billion people depend on massive and coastal biodiversity for their livelihoods. However, today we are seeing 30 percent of the world fish stocks over exploited, reaching below the level at which they can produce sustainable yields. Oceans also absorb about 30 percent of the carbon dioxide produce by human, and we are seeing a 26 percent rise in ocean acidification since the beginning of the industrial revolution. Marine pollution, an overwhelming majority of which comes from land-based services is reaching alarming levels, with an average of 13,000 pieces of plastic liter to be found on every square kilometer of ocean. The SDGs aim to sustainably manage and protect marine and wastal ecosystem from pollution, as well as address the impacts of ocean acidification. Enhancing conservation and the sustainable use of ocean-based resources through international law will also help mitigate some of the challenges facing our oceans.

1.15 Life on land

Human life depends on the earth as much as the ocean for our sustenance and livehoods. Plant life provides 80 percent of our human diet and we rely on agriculture as an important economic resource and means of development. Forests account for 30 percent of the Earth-s surface, providing vital habitats for millions of species and sources for clean air and water as well as being crucial for combating climate change.

Today we are seeing unprecedented land degradation, the loss arable land at 30 to 35 times the historical rate. Drought and desertification is also on the rise in each year, amounting to the loss of 12 millions hectares and affect poor communities global, of the 8,300 animal breeds known 8 percent are extinct and 22 percent are at risk of extinction.

The SDGs aim to conserve and restore the use of terrestrial ecosystems such as forests, wetlands, drylands and mountains by 2020. Halting deforestation is also vital to mitigating the impact of climate change. Urgent action must be taken reduce the loss of natural habitats and biodiversity which are part of our common heritage.

1.16 Peace, justice and strong institutions

Without peace, stability, human rights and effective governance, based on the rule of law – we cannot hope for sustainable development. We are living in a world that is increasingly divided. Some regions enjoy sustained levels of peace, security and prosperity. While other fall into seemingly endless cycles of conflict and violence. This is no means inevitable and must be addressed. High levels of armed violence and insecurity have a destructive impact on a country's development, affecting economic growth and often resulting in long standing grievances that can last for generations. Sexual violence, crime, exploitation and torture are also prevalent where there is conflict or no rule of law, and countries must take measures to protect those who are most at risks.

The SDGs aim to significantly reduce all forms of violence, and insecurity. Strengthening the rule of law and promoting human rights is key to this process as is reducing the flow of illicit arms and strengthening the participation of developing countries in the institution of global governance (UNDP,2017).

1.17 Partnerships for goals

The SDGs can only be realized with a strong commitment to global partnership and cooperation while Official Development Assistance from developed countries increased by 66 percent between 2000 and 2014[vi], humanitarian crises brought on by conflicts or natural disasters continue to demand more financial resources and aid. Many countries also require Official Development Assistance to encourage growth or trade.

The world today is more interconnected than ever before. Improving access to technology and knowledge is an important way to share ideas and foster innovation. Coordinating policies to help developing countries manage their debt, as well as promoting investment for the least developed, is vital to achieve sustainable growth and development.

The goals aim to enhance North- South and South- South cooperation by supporting national plans to achieve all the targets. Promoting international trade, and helping developing countries increase their exports, is all part of achieving a universal rules-based and equitable trading system that is fair and open, and benefits all.

Backgrounds of the Sustainable Development Goals (SDGs) were born at the United Nations conference on Sustainable development held in Rio de Janeiro in 2012. The objective was to produce a set of universal goals that meet the urgent environmental, political, and economic challenges facing our world.

The SDGs replace the Millenium Development Goals (MDGs) which started a global effort in 2000 to tackle the indignity of poverty and hunger, preventing deadly diseases and expanding primary education to all children, among other development priorities.

For 15 years, the MDGs drove progress in several important areas: reducing income poverty, providing much needed access to water and sanitation, driving down child mortality, and drastically improving maternal health. They also kick started a global movement for free primary education, inspiring countries to invest in their future generations. Most significantly, the MDGs made huge strides in combating HIV/AIDS and other treatable diseases such as malaria and tuberculosis (UNDP, 2017).

2. Promoting innovative kinds of finance specialist in order to address specific challenges of development issues.

2.1 Climate finance

Reconciling the fight against climate change and development is central to many international development institutions such as the Agence Francaise de Developpement[vii] which constitute their given strategy. The case of COP 21 which stands as one of the agreement to address the fight against climate change and its outcomes on the world economy where concrete commitments on the integration of climate change within financial system. Thus, climate finance is a new field of finance discipline that seeks to address the issue of mobilizing financial resources in an effective way while taking into account mitigating the negative effects of climate change on funding development projects (Perspectives on Development Finance, 2015). Precisely, financing clean energy and transport, sustainable forest management, and resilience measures, thereby substantially increasing the scale the finance provided. There is Climate Investment Funds billion of dollars involved. As climate finance refers to financing channeled by national, regional, and international entities for climate change mitigation and adaptation projects and programs in this extent. These measures include specific supports mechanisms and financial aid for mitigation and adaptation of activities to spur and enhance the transition towards low carbon, climate resilient growth and development through capacity building, research and development and economic development. The United Nations has taken the pace by putting in place climate convention obligations to provide "new and additional financial resources" and in a larger sense to refer to all financial flows relating to climate change mitigation and adaptation(Wikipedia, 2017).

2.2 Infrastructure finance

Public deficits, increased public debt to GDP ratios and at times the inability of the public sector to deliver efficient investment spending have in many economies led to a reduction in the level of public funds allocated to infrastructure. In this light, infrastructure can be finance using different channels and commit different financial structures and tools. Namely listed stocks and bonds are marker-based instruments with well- established regulatory frameworks (OECD, 2015). It has been recognized that traditionally banks have been providers of infrastructure loans. Efforts are underway to develop new financial instruments and techniques for infrastructure finance. Namely Developments in the equity market for investments in infrastructure are pledging and the creation of a liquid market for project bonds can be a good complement to syndicated loans for project finance. The securitization of bank loans could help support lending and diversify risks, while also assisting in the development of transparent capital market instruments (OECD, 2015). Infrastructure finance seeks to broaden the financing options to facilitate investment in infrastructure, improving the understanding about opportunities and challenges of financing instruments alternatives to traditional tools. Likewise, it is also requested to addressing the risks that is policy actions needed to mitigate risks and secure prospects bankability. Promoting a common understanding of infrastructure financing and related risks is also a critical component or challenge of infrastructure finance implying uncertainty reduction and risk perception address. Other actions also stand challenging and relevant for the progress of infrastructure find stated as follow:

- Identify the scope for enhancing infrastructure financing approaches and methods, including the development of infrastructure as an ''asset class''

- - optimize the role of governments, NDBs
- Enable more fine-tuned financial regulatory framework
- Provide a framework for addressing data gaps in infrastructure financing

In terms of financing instruments and channels, we point out the use of corporate finance as the dominant channel in private infrastructure finance. More recently, as a result of increase budgetary constraints, the financing of infrastructure has increasingly taken the form of project finance. This technique has later emerged to be the financial solution for infrastructure involving public entities in the role of either regulator or counterparty. In addition, Project Finance has been an increasingly popular technique to attract private capital, most notably investment in projects characterized by high specificity, low-re-deployable value and high intensity of capital (OECD, 2015).

Below, there is a table underlining financial risk mitigants and incentives for infrastructure finance

| Type of measure | Instrument |
|---|---|
| 1.Guarantees, realized directly by Government or by its own controlled agency or development bank | 1. Minimum payment, paid by contracting authority<br>2.Guarantee in case of default<br>Guarantee in case of refinancing<br>4.Exchange rate of guarantees |
| 2. Insurance( private sector) | 1. Wrap insurance, technology guarantees, warrantees, commercial and political risk insurance. |
| 2. Hedging (private sector) | 1. Derivatives contracts such as swaps, forwards, options etc |
| 4.Contract design, paid by contracting authority | 1. Availability payment mechanisms<br>2. Offtake contracts |
| 5. Provision of capital, realized directly by Government or by its own controlled agency or development bank | 1. Subordinated (junior) debt<br>2. Debt:<br>2.1 at market condition<br>2.2 at lower interest rate<br>3. Equity<br>3.1 at market conditions |

| | |
|---|---|
| | 3.2 at more advantageous conditions |
| 6.Grants, generally delivered by contracting authority, even if some, dedicated fund at national level may exist. Tax incentives can be delivered by national or local authorities | 1. Lump sum capital grants<br>2. Revenue grant:<br>2.1 Periodic fixed amount(mitigating the demand risk)<br>2.2 revenue integration(it leaves the demand risk on the private player)<br>3. Grant on debt interests<br>4. Favourable taxation schemes for SPV<br>5. Favourable taxation schemes for equity investors |

Source:OECD and Vecchi V. et al.(2015)

Specifically, it is recognized the adoption of infrastructure project finance which stands as a distinct corporate finance representing the financing of a standalone regarded as an outstanding economic unit.

Financing instruments are considered to be debt; mezzanine and equity.

- Debt financing mostly adequate as projects loans and projects bonds.
- Mezzanine debt or subordinated issues added to provide credit support to lead leaders.
- Equity Finance that entails risk sharing and control arrangements which are often determined through contract such as concessions, long-terms, and PPP usually equity investors are exposed to the asset-specific risk, as no security is provided by the investee, thus the investment return is determined by the success of the asset(OECD, 2015).

-Financing instruments – features

Infrastructure financing instruments are numerous and entail several descriptions. There are stated as follows:

Debt instruments implying Government, municipal, and other sub-sovereign bonds issued by these public entities in capital markets in order to finance the construction and operation of an infrastructure asset. They are backed by multilateral development banks for their fulfillment of infrastructures project. Likewise there are other debt instruments such as syndicated loans and bank loans. Syndicated loans are originated by commercial or development banks and are either directly sold to investors through syndicated loans markets, or large institutional investors may participate through co-investment arrangement. Loans may be issued through a corporate finance structure or through project finance entity, and can detain a high level of customization (OECD, 2015).

Other could be stated as follows:

- Corporate bonds

They stand as standardized securities they finance the balance sheet of corporations and can be issued in public markets, or placed privately.

- Projects bonds

They are also standardized securities that finance individual stand-alone infrastructure projects, likely issued in public markets or privately placed. They are growing in the area of project finance and provide a potential solution to finance Brownfield projects with long-term debt.

- Green bonds

They are corporate bonds, projects bonds, and sub-sovereign bonds that fund investment in green infrastructure assets such as clean energy (OECD, 2015).

Green bonds are originated through development banks, governments municipalities, corporations, banks (as covered bonds) or by SPV as projects finance and asset backed instruments.

Sukuk and sharia compliant finance Sukuk stand as a class of investments that are structures to comply with sharia law. They are banned as interest-bearing instruments but structured in a way to channel rents, changes in capital gains/losses, or income to investors I periodic payments.

- Securitisation and asset- backed securities

Securitization is a financial technology referring to the bundling of various types of contractual debt (namely loans) for the aim of pooling and selling them to investors whereas Asset-backed securities are bonds backed by infrastructure loans that are sold to investors directly through the capital markets. Infrastructure loans are pooled together and the issued securities are arranged in tranches, creating level of credit and prepayment risks (OECD, 2015). In the same light, other debts instruments of infrastructures financing can also be named: Debt funds; Direct lending and co-investment platforms, hybrid instruments such as Mezzanine and subordinated debt; convertible bonds and preferred equity; equity instruments namely listed infrastructure corporate, listed infrastructures funds, yield cos, unlisted direct equity investment and co-investment platforms; unlisted infrastructure equity funds.

Furthermore, mitigating risk and reaping out incentives is also critical in the area of infrastructure finance. Understanding of the strategies being deployed to mitigate risks and enhance returns for infrastructure investment, in line with appraising their efficiency and effectiveness is equally relaevant. In this light, it is important to carefully analyse all risks that the project will bear during its economic life while determining an acceptable compensation for bearing such risks. The objectives of risks mitigation and incentives are to correct certain markets failures or inefficiencies in the procurement of infrastructure investment and delivery of infrastructures assets by private entities, or in the financing of infrastructure investment (OECD,2015).

We hereby underline in the shape of a table the taxonomy of instruments and vehicles for infrastructure financing.

Models Infrastructure Finance Instruments Market Vehicles

| Asset Category | Instrument | Infrastructure project | Corporate Balance sheet/Other Entities | Capital pool |
|---|---|---|---|---|
| Fixed income | Bonds | Projects Bonds<br>Municipal, sub-sovereign bonds<br>Green Bonds, Sukuk | Corporate Bonds, Green bonds<br>Subordinated Bonds | Bond Indices, Bond funds, ETFs |
| Fixed income | Loans | Direct/Co-investment lending to infrastructure project, Syndicated Project Loans | - Direct/Co-investment to infrastructure corporate<br>- Syndicated Loans, securitized(ABS) CLOs | - Debt Funds (GPs)<br>- - Loans Indices, Loan funds |
| Mixed | Hybrid | Subordinated Loans/Bonds Mezzanine, Finance | Subordinated Bonds, convertible Bonds, preferred stock | Mezzanine debt Funds(GPs, Hybrid Debt Funds |
| Equity | Listed | Yieldcos | Listed Infrastructure and Utilities stocks, closed-end Funds REITS, IITs, MLPs | Listed Infrastructure Equity Funds, Indices trusts, ETFs |
| Equity | Unlisted | Direct/Co-Investment in Infrastructure project equity, PPP | Direct/Co-Investment in Infrastructure Corporate equity | Unlisted Infrastructure Funds |

Source:OECD analysis drawing on OECD (2015b)

### 2.3 Green finance

Green finance refers to any financial instruments or investment namely equity, debt, grant, purchase and sale or risk management tool (for example investment guarantee, insurance product or commodity, credit or interested rate derivative, etc issued under contract to a firm, facility, person , project or agency, be it public or private in the exchange for the provision of positive environmental externalities that are real, verified and additional to business as usual, whereby such positive externalities result in the creation of transferrable property rights recognized within international, regional, national and sub-national legal frameworks (climate Mundial, 2017).

Climate finance stand as one of the challenges that face Development Finance especially in the area of Sustainable Development in the angle of environmental protection. Climate finance is an emerging form of green finance available for projects in developing countries that help reduce emissions or adaptt climate change. This is achieved either via increasing the revenues available to public and private development projects such as tariff support or carbon finance, or by improving project capital structure, for example by decreasing the cost of debt and equity. This new finance discipline is a growing sector in international development and environmental finance. Governments of the World are continually raising more resources available for this field of study and engaged to raising USD100 billion per year by 2020 from public and private sources under the Paris Agreement on climate change.

3. Greening the economy

The green economy is defined as an economy that aims at reducing environmental risks and ecological securities and that aims for Sustainable Development without degrading the environment. It is closely related with ecological economies, but has more politically applied focus, the 2011 UNEP Green Economy Report argues that to be green an economy must not only be efficient, but also fair. Fairness implies recognizing global and country level equity dimensions particularly in assuring a just transition to an economy that is low-carbon, resource efficient and socially inclusive.[viii]

Greening the economy implies an economy that improves human well-being and social equity while reducing environmental impacts. Thus, Development Finance has a more ambitious goal to create a new ‘’ green economy’’ that embodies the concept of Sustainable Development. Greening the economy generates growth in income and employment is carried out by public and private investments that reduce carbon emissions and pollution, enhance energy and resources efficiency and prevent the loss of biodiversity and ecosystem services. Likewise, the concept of green economy does not necessarily reject economic growth but instead seeks to foster growth that is adequate with sustainability. It explicitly rejects the standard job vessels the environment protection (Jonathan M. Harris and Brian Roach, 2017).

4. Expanding Financial inclusion at national and international scales

One of the greatest challenges that face Development finance is to expand financial inclusion especially digitalization of daily economic agents activities for instance digital payment one of the exciting sectors for promoting economic development. Digital payment can advance financial inclusion and reduce the cost of transaction across the economy, unleashing new efficiencies in other areas that promote development, including health, education, infrastructure and women’s empowerment (perspectives on Development Finance, 2015). Thus, including financial excluded-economic agents especially those dwelling in rural areas at the developing world stands a crucial, relevant and very challenging perspectives that seeks to achieve Development Finance nowadays. According to the 2008 World Bank Report, payments systems worldwide, a snapshot, outcomes of global payment systems survey, found financial inclusion spurs “broader and stronger economic growth by deepening financial intermediation not only at national scales but also worldwidely or international and increasing efficiency of and access to payment, savings, insurance and credit services. However, governments cannot undertake financial inclusion alone, it is adequate to take collaborative action with the private sector, donors and NGOs to realize the development potentials of payments for instance. The shift of financial inclusion at giant scales may not be easy especially, government leadership, and public private collaboration will make it more successful and allow developing nations to more rapidly achieve the reduced costs, increased transparency, financial and women's empowerment that can come from financial inclusion especially digital payments.

5. Giving access to middle income economies and low income economies the facility to issue bonds at international financial markets

Development Finance discipline is also focused on bringing in new financial tools or mechanisms to enhance and allow middle income economies and low –income economies to issue bonds in the international financial markets in order to fund development projects in their own countries. These countries are not connected to international financial markets whereby it is difficult for them to promote their economic performance and embellish their credit rating. It is appropriate and critical for these countries to get access to these international financial markets in order to keep in touch with potential investors and attract Foreign Direct Investments in their economies. Furthermore, theie need to get access to these international financial markets constitute an assessment assignment for credit rating agencies in the aim to publish their economic performance. Various financial tools are available such as bonds for instance Eurobonds issued by governments, diaspora bonds and many more.

6- Investing in people as a key to making agriculture sustainable

Agriculture stands as one of the pillar in curbing poverty worldwide through seeking to cancel hunger and malnutrition in our lifetime. This means more financing and investment in agriculture to meet food security needs of the world as well to increase economic growth and family income particularly in rural areas. The main focus is the poor, the majority of whom are food insecure and live in rural communities. Development Finance also regards the issue of adopting holistic foods systems approach that enables us to examine how finance and investment all those in the system from the farmer to the consumer and their entire communities. The impact on the environment and the poor should not be neglected (perspectives on development Finance, 2015).

Appropriate financing instruments and services are critical for inclusion of households into competitive values chains. It is relevant to understands that no one can be excluded from financial resources if Sustainable Development is going to be achieved. However, financial resources themselves are only a mere part of investment needed. The most critical investment is in people. We should invest on people through capacity development, education and social services. Furthermore, it is recognized that a successful use of finance entails capacity development to improve opportunities of small farms households for instance and results of finance and investments for them and those providing funding. Investment in research and technology along with extension programmes to share and apply the learning in order to become or stay competitive in nowadays' world economy. Investing in people as a key to making agriculture sustainable also calls for a regard on social and economic inclusion.

7-Social and economic inclusion

Development Finance main targets is to promote both social and economic inclusion. Social inclusion is all about bringing in or considering social impact of any given economic policies or development projects in line with communities' needs and aspirations. Likewise, social inclusion is defined as the process of improving terms of participation in society, particularly for people who are disadvantaged though enhancing opportunities, access to resources, voice and respect for rights. Economic inclusion entails all various opportunities that could be found or discovered in a given development projects and the effective use of their impacts on the related economic agents. Furthermore, economic inclusion points out the opening up of economic opportunities to underserved social groups and is integral to achieving a transition towards sustainable market economies. An inclusive market economy ensures that anyone regardless of their gender, place of birth, family backgrounds, age or other circumstances over which they have no control, has full and fair access to labour markets, finance and entrepreneurship, more generally economic opportunity. Promoting an inclusive market-based system is about efficient resource allocation rather than being social policy choice (Economic Inclusion Strategy, 2017-2021) Both social and economic inclusions are interrelated in the angle of the search of economic prosperity and human living conditions improvement. These SDGs that are to be fulfilled by 2030 under UN supervisory capacity are mainly focused on both social and economic inclusion without putting aside the environmental protection and limits of planetary boundaries for a world living the era of Sustainable Development.

8- Energy efficiency

Sustainable Development seeks to keeping global warning below 2 celsius. Reaching this aims requires various mitigation measure amongst which energy efficiency stands prior, particularly, promoting a low-carbon society. Energy efficiency is considered to be one of the critical measure which serves on a relevant tool to relieve pressure on energy supply.

Empirically, efforts to promote energy efficiency have been made in many countries, and been made in many countries, and we observe remarkable progress on the ground. For instance,the world energy outlook 2014 issued by the International Energy Agency underlines that new efficiency efforts will have the effect of canceling total oil demand growth by an estimated 23 mb/b(million barrels per day) in 2040 more than the current oil production(perspectives on Development Finance, 2015).Furthermore, it is pointed that finance needs to be increased from USD 177 billion in 2020 to USD 290 billion in 2035. Answering this huge financial demands, many institutions provide various types of financial services. The IDFC organized an internal working group for energy efficiency in 2012, with the purpose of sharing experiences, exploring new financial tools, and identifying concrete measures to strengthen interbank financial corporation amongst its members. IDFC members produced a working paper in October 2014 in supporting energy efficiency from the supply side. This working paper identifies three major barriers to the promotion of energy efficiency that is institutional and organizational, financial and economic, and knowledge and information. To tackle these challenges, IDFC members came out with a comprehensive package composing of financial, technical and other assistance programmes, added value to their energy efficiency programmes. Through business models which rely on local private financial institutions, this ability to provide risk-sharing mechanisms in enlarging access to energy efficiency investment and through engagement with government to undertake the energy policy reforms requires to advance energy efficiency (Perspectives on Development Finance, 2015).

9. Sustainable Urban Development

Cities are considered as important engines of economic growth producing more than 80 percent of national income. However, cities are vulnerable to a number of social and environmental perils, especially climate change-related risks and other natural disasters. Some 1 billion people currently live in slums, with limited access to basic services, and this number is expected to rise to 2 billion by 2030. Cities account for the great majority of global energy use , natural resource consumption, green gas emissions and solid waste. Through the challenges well-managed urban development could give rise to cities which are more conducive to economic growth and social Inclusion and more environmentally sustained and resilient to climate change. The concept of Sustainable Urban Development (SUD) has been attracting ever-increasing attention at cross-border scales. Indeed, "Make cities and human settlements inclusive, safe, resilient, and sustainable is goal 11 of Sustainable Development Goals proposed by the open working group, which is expected to be incorporate in the post 2015 Development agenda. There are three pillars of sustainable urban Development that is social development including education and health, food and nutrition, greenhousing and building, water and sanitation, green public transportation, green energy access, recreation areas and community support. Economic Development by its side points out the following green productive growth, creation of decent employment, production of distribution of renewable energy, technology and innovation(R and D). Environmental management calls for forest and soil management, waste and recycling management, energy efficiency water management (including fresh water), air quality conservation and adaptation to and mitigation of climate change. Furthermore, urban governance is also requested, namely planning and decentralization, support of local, national, regional and global links strengthening of civil and political rights and reduction of inequities.

10. Triangular cooperation

Development Finance also seeks to promote multilateral or triangular cooperation for instance collaboration among development partners has become common as financing becomes more focused, budgets are more carefully scrutinized and partners aim to get more development impact from their given investments. Deepening cooperation within the development finance sector is a key to success or an important tool to ensure that value is added to exciting relationships and the impact of the given investment is quantifiable and positive to recipient countries or partners. Cross-cutting triangular cooperation is required to determine each member-s individual experience with various patterns of cooperation. Triangular or multilateral cooperation promote knowledge sharing experiences and practices among peers for mutual benefits. The cooperation can be a single event collaboration with a particular sector for instance energy generation, multi year programme on a wide range of sectors. In short, triangular or multilateral cooperation is a kind of way that leads to a refinement of the patterns of commitment among members for economic performance achievement.

11. Country risk Analyses and credit ratings

Development Finance perspectives is also taking into account sovereign credit rating since it plays an important influence on the working of capital flows and access to capital markets, and consequently on the incidence of debt burden in a specific time range, on dampening of financial shocks and consumption smoothing. It is truly recognized that credit ratings have been influenced largely by sovereign debt and related aspects. Country risk entails the inability of a country to generate sufficient foreign exchange resources to pay for its external debt obligations. Further, a government should identify the main economic risks to which it is directly exposed and to which it is indirectly exposed through the economy as a whole. This can be handled by carrying out a risk audit (P.K . RAO, 2003).

Sovereign credit rating in the context of Development Finance is a significant and perhaps not yet fully recognized in academic field of studies and policy practices. The rating initiative is carried out by various groups of private agencies whose targets are to providing market guidance to potential and existing investors. It is not required to take into consideration various economic development perspectives.

Conclusion

The whole chapter has deeply focused on underlining the various Development Finance perspectives nowadays. It has been noticed many critical related issues namely attaining the 17 SDGs, promoting innovative kinds of finance specialists in order to extend or pursue financial inclusion purpose, greening the economy that is taking into account environmental protection, energy efficiency, social inclusion and economic Inclusion, investing in people as a key to making agriculture sustainable, etc…

Thus, it is obvious that Development Finance stands as a global issues discipline. Understanding the concepts and principles of Development Finance calls for having insights of its relevant theory.

CHAPTER 6 : THEORETICAL AND CONCEPTUAL INSIGHTS RELATED TO DEVELOPMENTAL FINANCE

Finance is at the core of the development process. This empirical evidence is illustrated in the field where development projects cannot be undertaken or carried out without flows of financial resources into economic opportunities that offer those development projects. Understanding the preponderance of finance within the development process calls for examining the given theory that enforces or fosters this strong relationship between both concepts of finance and development. It is also recognized by development practioners that well-functionning financial systems are crucial in channeling funds to the most productive uses and in allocating risks to those who can best bear them, so boosting economic growth and improving opportunities and income distribution, and reducing poverty. Improving access and building inclusive systems is a goal that is relevant to economies at all levels of development.

1. The background of the Development Finance theory

The crucial role of access to finance is expressed in the following – modern development theory studies the evolution of growth relative income inequalities, and their persistence in linked patterns. Many of these models, underlined that financial market imperfections play a central role, influencing essential decisions taking into account human and physical capital accumulation and occupational choices(Access to Finance and development: theory and Finance for All? Measurement, 2008). Modern development theory highlights the crucial role of finance.However some models show or stress on the fact lack of access to finance can be the critical mechanism for producing persistent income inequality or poverty traps, and lower growth as well. Modern development theories prescribe redistribution of wealth to foster growth. Financial depth, or development more generally, can have direct and indirect effects on small firms and poor households.

2. The structure of Finance for all theory

Developmental Finance is a broad field of study that is governed by the search a permanent access in financial resources for every reliable economic agent. That is any given economic agent needs adequate financial resources for its achievements and development. There is not specific theory related to Developmental Finance. But there are principles and financial concepts that address the issue of giving or enhancing access to finance to every reliable economic agent be it a household, individuals, enterprises, etc…

This financial concept that really addresses this vision is the study performed by some renowned World Bank Group researchers entitled. Finance for all? Stating the challenge and request to make financial resources available to everyone stands the main pillar of the theory.

2.1 The basics of the finance for all? Theory

In a nutshell, this theory reveals that the lack of access to finance for poor and small and Medium size enterprises stands as a critical mechanism that generates persistent unequal revenues or poverty features, and poor increase.

The theory examines major hurdles and bottlenecks that impede greater access to finance by given economic agents. Furthermore, the theory identifies some directives being advocated by policies focused on promoting access to finance. This theory recommends the provision of basic financial services namely facilities, credit, and funds transfer in a stable financial sector. Such an initiative is backed by more efficient financial services allocation and developing financial services access indicators related to basic financial services excluded communities. The theory of crucial role of funding access has been elaborated by a team of renowned researchers of the World Bank in 2008 within the framework of the report on the World Bank research policy called "Finance for All? Policies and pitfalls in expanding Access"

2.2 The theory founders

Founders of the related theory of finance for all? Are the World Bank Group researches who elaborated the 2008 report within the framework of the research policy of the renowned bank called Finance for all? Policies and pitfalls in expanding access. The team of researchers which designed the theory and concepts is made up of the following names Ashi Dermirguc Kunt, Thorsten Beck, focused on research in Development issues, Patrick Honohan from the group assigned for research on Development and the academic institutions of Trinity College at Dublin.

The elaboration of this theory has been supervised by L Alan Winters who is also a team member of World Bank researchers group focused on development issues.

2.3 Related insights of Finance for all? Theory and concept

They are so many and will be expressed as follows:

According to the theory, the lack of finding access of any economic agent constitutes a critical mechanism that generates persistent revenues inequalities, poverty factors and poor growth as well.

- According to the theory founders one of the outcomes of development theories discloses that wealth redistribution can consolidate and strengthens growth. This assertion has the main conclusion drawn from so many readers of modern development theory.

Some economists namely kunt and Levine 2007, Aghion and Bolton, 1997 support the idea and decision making of putting in place financial sector reforms that promote financial inclusion at the heart of development agenda.

- Furthermore researchers have recently demonstrated that depth financing curbs revenues inequalities and poverty as well. This is particularly beneficial for poor.
- This theory is focused on the importance of a great access and bigger opportunities. This is financial inclusion relatively less empirical evidence attributed to the access of financing to development outcomes, to lesser orientations of policies related to the best way of promoting access to development.
- This theory examines the main hurdles and barriers to a great access to financing, how important, access to financing constitutes a must to growth and poverty alleviation.
- As a measure, the theory advocates provision of basic financial services, to those who are excluded to the financial sector benefits. Could this be affordable through more efficiency in financial services and labour market? Developing financial services access indicators is the prerequisite that responds to these concerns. Before improving access to financing, it is important to measure it. These indicators are composed of the total value of banks claims on a given particular sector of the national economy relatively expressed in Gross Domestic Product shares value (relatively stock exchange markets capitalization or value that spread between debit and credit interest rates that have become standard benchmarks of financial sector development. Furthermore, GDP/per capita or inhabitant and exploring determinants of financial depth. Thus, it is also relevant to examine financial sector inclusion and any economic agents having access to financial services namely the number of borrowers that have been granted loans by the banking sector, the number of saving accounts holders statistically available, which part of the population make use of saving accounts which part of the population has been granted a loan?

Unfortunately, all these figures are not available in developing economies whose financial institutions are dedicated to poor households and small and medium size enterprises? Which various hindrances impede the expansion of access to financing? Better data are needed to foster and improve research on financial inclusion and significant efforts have been recently made in this extent (World Bank , conceptual insights, 2008).

2.4 Emerging initiatives in development financing

Development Finance core objective is to improve human condition in all of its aspects be it energy, environmental protection, sustained economic growth, inequality reduction, poverty reduction, etc… thus all concepts and theoretical insights of Development Finance underline the quest of improvement of economies of developing countries or emerging economies, less attention is being paid to the policies of rich and powerful countries. Financing instruments underline these emerging initiatives in development financing. There is the correspondence between the available set of financing instruments and the specific needs of different types of developing countries.

Furthermore, Development Finance advocate some concepts and insights for a better use of external resources utilization. It is likely recognized that there is significant scope for improvement in the decision-making approaches and strategies for concessional credit lending and borrowing. For a successful use of financial transactions, some pre-requisites are required:

- Reduction in information asymmetries,
- Enforceable incentive compatible credit borrowing and repayment strategy in a dynamic context under changing environments.

Aid effectiveness is synonymous to some relevant determinants namely policy and economic institutions in the recipient countries, socio-political factors, stability of institutions, and the existence of effective legal or quasi- legal mechanisms for the resolution of social and political conflicts (P.K. RAO, 2003) PP110- 111.

Conclusion

This chapter has focused on bringing out or clarifying the conceptual and theoretical insights related to development financing. Through our research process, we came out with a renowned World Bank report research work namely Finance for all? Theory and concepts. The Development Finance concepts and theory underline the crucial role of access to finance for households firms, and governments in the extent of an efficient use of these external financial resources for achievements and development. The theory examines the bottlenecks that impede greater access to finance by given economic agents namely financial exclusion, lack of access to banking accounts or financial services facilities. Thereby the theory advocates, policies focused on promoting access to finance, provision of basic financial services namely saving facilities credit, and fund transfer in stable financial sector, developing financial services access indicators for assessment to those facing difficulties to be financially included. Other conceptual insights are also taken into account such as financial deepening to give access to financial services facilities to the poor, households, small firms, specializing financial institutions dedicated to households small size firms, governments funding needs, improving research in both financial inclusion and deepening. Furthermore, stability of institutions, and the existence of effective legal or quasi-legal mechanisms for the resolution of social and political conflicts are also critical. In this extent, one could wonder to find out how far could Development Finance go?

CHAPTER 7: HOW FAR COULD DEVELOPMENT FINANCE GO? THE DEBATE

As a nexus broad discipline, Development Finance has already gone a long way in many respects. Many of its achievements are relevant and critical in so numerous trends. This chapter will focus on the various extents that development Finance has gone so far. However, its limitations and overwhelming challenges need to be raised in line of examining the ways and issues through which outstanding challenges or hindrances could be overcome or addressed.

1. The leading line of Development Finance – the great trends

1.1 Mobilizing savings

Development Finance discipline has worked out and encouraged the flows of savings in various parts of the globe. Levels of savings, as a proportion of GDP vary widely between developing countries and regions but what is needed is the correct balance between savings, investment and consumption since levels of savings depends upon country and region in the world economy. Although, one cannot unequivocally underline that higher rates of savings produce higher levels of growth, it is undeniably the case that rapidly growing developing economies tend to have relatively high savings rates (Sephen Spratt, 2009). The challenge here is to make sure that funds are channeled to their most productive use. Conditions must be created in order to achieve this ultimate goal. There is a two-way casualty between savings and growth mediated through the financial sector by increasing investments leading to higher growth requires a pool of saving to draw upon and the higher incomes resulting from growth lead to an increase in the size of this pool of savings enhancing further investment and yet higher growth (Stephen Spratt, 2009).

1.2 Financial sector development

Development Finance urges in each national economy its financial sector development. This stride is visible in many world economies although perfection is still seeking private firms in developing countries have less access to external finance. By promoting financial sector development, Development finance will solve the problems of access to external finances resources to private firms, households, government entities, etc… This lack of access to finance is considered a severe impediment to business growth throughout the developing world. The largest problem in this respect are reported in sub-saharan Africa where almost 70% of firms considered financial constraints as a key obstacle to growth, followed by South Asia (47%) and Latin America (33%) (Stephen Spratt, 2009). Financial sector development stands as a critical point that enhances the ability to access external forms of finance by entrepreneurs to grow their businesses, despite often being cash poor, and well-functioning financial markets may also impose respect, discipline on the behavior of firms by monitoring the uses to which this resource is used. However, poor functioning markets may perform the opposite of course. In the case where financial markets function well, shareholders are able to monitor the behavior of firms to make sure that their investments are being well looked after. In addition, effective financial system provide a range of opportunities for both firms and households to manage risk, especially through derivatives and insurance markets, thereby ensuring that risk. Complex derivatives products in particular can be used to obscure as well as to manage risk. For the World Bank a well developed financial system may also reduce poverty level, both directly and indirectly through its positive impact on growth through income inequality reduction, facilitation of completion among firms, that purchase goods produced by poor households. Likewise the liberalization of the financial sector is often synonymous with financial sector development thereby increasing the profitability of a country experiencing a financial crisis. The move towards the divestiture of state assets in the inevitable linear trend that accompanies more generalized economic development. Therefore financial sector development calls for ensuring macroeconomic stability; fostering competition; securing the rights of borrowers; creditors and shareholders, facilitating the flow of information; ensuring that banks not to take excessive risks (Stephen Spratt, 2009).

1.3 Delivering the basics

According to the World Bank many governments have learned the lesson of the past and now are of the necessity of delivering the basics a foundation for effective financial sector development. These fundamentals call for the followings as stated in the previous paragraph.

1.4 Ensuring macroeconomic stability

Macroeconomic stability is crucial to the effective functioning of financial markets, and to economic development as a whole. Some essential targets are requested that is low and stable rates of inflation, appropriate and sustainable exchange rate regimes, sustainable levels of external debt.

In depth, macroeconomic instability leads to the highly volatile interest rates and exchange rates, this comes up with significant costs on both financial institutions and firms and even households to borrow these financial resources. Therefore, savings, borrowing and investment decisions become extremely uncertain and complex. In addition high interest rates also attract speculative capital flows putting in high scales pressure on the exchange rate and having negative effects on exporting firms (Stephen Spratt, 2009).

1.5 Fostering competition

According to the World Bank there are two aspects to competition in the financial system. Firstly, it could be the existence or absence of restrictions on domestic financial institutions from competing in difficult sector of the financial system. Secondly, there is the existence or absence of restrictions on foreign financial institutions from entering the domestic market.

The bank underlines that restriction on competition between domestic financial institutions have been empirically linked to slower economic growth; reduced employment opportunities, and concentrated bank markets, leading to fewer large, mature firms developing. In this extent, the bank recognizes that removing these barriers will enhance greater stability of the banking sector, greater access to finance for firms and households and lower interest rates charged to borrowers (Stephen Spratt, 2009).

Likewise, for restrictions on the entry of foreign financial institutions, similar remarks are also drawn by the World Bank. This means that the presence of foreign banks leads to greater efficiency of local banks as well as introducing innovative techniques, processes developed in their home markets.

In addition, regulation and supervision of financial institutions should be robust and effective. It is so recognized that competition is a route to developing a more dynamic, vibrant financial sector that effectively supports the sustainable development of the real economy leading to the maximum level of poverty reduction. To the extent that competition achieves this goal of poverty reduction should be encouraged but the extent it does not it should not (Stephen Spratt, 2009).

1.6 Securing the rights of borrowers, creditors and shareholders

Asymmetric information is being identified as a breach consensus among business parties or agreements parties. Mitigating asymmetric information is synonymous of clearing establishing and effectively enforcing the rights of creditors and shareholders. In this light, governments have a key role to play in establishing and enforcing this framework, which draws in relevant advantages.

Securing property rights enable borrowers to credibly promise collateral (including land for instance) as security for a loan. The lack of an effective legal system to enforce borrower, creditors and shareholders rights is regarded a major hindrance to the extension of private credit and financial sector development as a whole. Furthermore, financial liberalization in developing countries, for instance, the high level of privatizations and development of domestic stock markets has significantly highered the need of effective and efficient shareholders rights. This implies issues of corporate governance to the fire not least due to pressure from foreign investors and evidence that improvements in corporate governance are related to better financial performance by companies. Effective shareholders rights give equity investors both the means and the incentive to monitor firms' corporate governance performance and so provide pressure for positive change. This implies degree of transparency in terms of firms 'financial reporting. However, transparency and monitoring by shareholders are not sufficient enough to guarantee good behavior, when we consider the case of Enron swindle, and the Robert Madoff case, we understand that good behavior was not their priority.

1.7 Facilitating the flow of information

Lenders can reduce the problem of asymmetric information by collecting information themselves both ex ante and ex post related to each potential borrower. This turns to be very costly and inefficient approach. This problem is tackled in developed countries by putting in place of third party credit bureaus, whose role is to collect and collate data on loan payment histories, allowing lenders to more exactly predict the probability of default in a far more cost-effective manner.

The expansion of credit bureau substantially has increased the incentives for borrowers to promptly repay their loans since one delay or default with a given lender will jeopardize their future access to credit form all lenders using the credit bureau. This third-party information bureaus are requested in developing countries in order to curb borrowers default repayment but they are not essential to high levels of credit to the private sector (Stephen Spratt, 2009).

1.8 Controlling excessive risk taking

Financial institutions such as banks have a trend to take on excessive levels of risk. Several reasons justify this, mainly are linked to moral hazard. For instance limited liability laws ensure that banks do not face the full potential downside of their activities as does the fact they may use depositors' funds to speculate but receive any potential upside themselves. Furthermore, according the belief of state intervention on the financial system, they may think that government will not let them fail. Indeed, deposit insurance can obviously reduce the risks of a bank runs, but itself a major source of moral hazard. In this extent government plan the role in constraining banks from taking on excessive risks through the prudential regulation and supervision of banks requiring banks to maintain a certain level of diversification of products and to hold minimum levels of regulatory capital (for instance 10%°) in line with outstanding loans.

The World Bank also underlines that prudential regulation and supervision needs to be increased by effective market discipline. The monitoring operation may be undertaken by large depositors, subordinated by debt holders, shareholders or rating agencies for instance (Stephen Spratt, 2009).

2. Private sector development : delivering the basics

For a private sector development perspective delivering the basis is a prerequisite. For the private sector effectively and efficiently must invest external finance derived from the financial sector. Likewise investing its own internal resources is also indispensable for its development. In this extent, some requirements are needed to be put in place namely:

2.1 Security and stability

To be developed in an effective way economic activity that is financial institutions, firms and households require a minimum level of security that is avoid war outbreak that will last economic activity in any country. As property rights and law enforcement are vital for financial sector development, these same conditions are needed for private sector development of all firms.

### 2.2 Regulation and taxation

Good regulation is requested In order to correct market failures that impede productive investment and enhance firms' interests and society as a whole. Sometimes, there is lack of pertinence between interests and objectives of firms with larger societal objectives. In this respect, regulation is needed to align these two sets of aims as long as is possible. Regulation is needed to correct anti-competitive practices of big firms operating in their jurisdiction.

Furthermore, domestic taxes also clearly influence the investment decisions and firms behavior. Tax collection in developing countries is lower than those in developed ones, broadening the proportion of economic activity that operate in the formal sector is fundamental to expanding the tax take. This battle is essential to make the tax system as efficient, simple and streamlined as possible. Tax take should be affordable not too high and distort or produce counterproductive efforts. Adjustments are welcome in this respect in order to attract FDI and preserve an effective tax take level.

### 2.3 Workers and labour markets

Many companies in developing countries claim that a shortage of skilled workers and labour markets adjustments are a serious and main constraint on the blossoming of their entities to tackle this problem, governments are called to foster a skilled workforce through investment in human capital via education and training. This requirement has been and is still a reality in East Asian Tiger economies where governments made huge efforts in education and skills than other countries with the rank of development. Institutions like the World Bank argues that labour market regulation is important to find a balance between protecting the right of existing workers and protect those of the entire potential workforce. In many developing countries, there are abuses of workers' rights by unscrupulous employers and a required legal and applied adjustment is more than needed.

All the relevant points mentioned so far underline the leading line through which Development Finance discipline acts in order to solve global problems in the globe. These critical points are part of the investment climate needed for a country to grow and move forward.

## 3. The investment climate, investment, growth and poverty reduction

It is recognized that financial sector Development is a tool to an end, but not an end for its own sake. This means private firms growth is enhanced by financial sector development generating positive outcomes such as growth and poverty reduction. A private firm delivering is influenced by a country's investment climate. Multilateral organizations such as World Bank and IMF agree that a good investment climate provide opportunities and incentives for firms that enhance major jobs creation, growth and poverty reduction. Furthermore, the increasing importance of external finance is expressed in the form of Foreign Direct Investment (FDI). The quality of the investment climate also affects the lives of the poor through a number of direct tools. First, the creation of jobs in the private sector directly reduces poverty. However Government should ensure a balance between protecting the rights of incumbent workers and making sure that jobs are of a high enough quality to have a positive effect on poverty levels (Stephen Spratt, 2009).

Second, a good investment climate enhances competition which gets down the prices of goods and services from where the poor benefit. Financial Sector Development enables firms to take advantage of profitable investment opportunities also helping the poor to cope with natural disasters, exogenous shocks, etc… In addition, a good investment climate enhance economic activity, blossoming high tax collection for the government, provide funds that could improves the poor lives (Stephen Spratt, 2009).

4. Tackling costs, risks and barriers to competition

Many constraints are impeding competition within a given economy namely costs, risks and barriers. The tax system is one of the costs that affect companies on doing business. Other channels also have great impacts on business costs through government policy. The provision of education and cost of training that companies face is also affected by government policies. The benefits of training and education are not always or entirely benefit by the incurring firm. The employee might well decide to work for a rival firm.

Likewise the state of a country's infrastructure also has a strong influence on firms costs (Stephen Spratt, 2009). In addition, by putting in place the framework for contract enforcement; governments disclose the cost, efficiency and time taken for this initiative.

In Cameroon, more than 2 years (800 days) is considered whereas 230 days is required in South Korea. Such a comparative situation might lead a country to take the required business decision. Thus, bureaucracy as a real barrier should be shorten and enhances a rapid enforcement of a given contract or agreement among parties.



5. The process of reforming the investment climate

A change of investment climate requires reform of formal policies that will depend upon implementation. There is not always appropriation between reforms or policies put in place and reality in the field. Some key challenges are being faced by, governments in developing countries namely restraining rents seeking, establishing credibility that have confidence in the future, ensuring policies fit local conditions thus, so any policies must be in line with local conditions, focus on the basics so government should focus on delivering the basics and avoid more direct intervention in the economy so argues the World Bank. The leading line through which Development Finance proceeds is a well defined process and structure line that entails key values and relevant outlines for given economies. But these benefits are facing serious challenges that need to be raised in order to master the whole process and work out the various pitfalls and impediments.

6. The limitations of Development Finance in practice: facing challenges on regular basis

Finance promotes and follows up its process. There are serious challenges appearing on regular basis and need to be effectively addressed. These hindrances are most witnessed in the developing world. Many developing countries lack effective functioning, liquid local currency bond markets and other local vehicles namely corporate bond markets. There are serious challenges in the extent that need to be addressed that is directly providing local current finance to unhedged or vulnerable borrowers as well their intermediaries; building up domestic capital markets, supporting local banking and other domestic finance to expand reach (development committee, 2015). Indeed, domestic financial intermediaries banks and non –bank financial institutions can be a vital source of steady, sustainable finance which strengthen growth and creates jobs. However with insufficient information or capacity to take on unfamiliar risks, banks and other financial intermediaries in many markets have limited incentives and ability to lend to the real economy, particularly small and medium size Enterprises and under-served individuals (United Nations Development Programme, 2015).

Furthermore, another challenge is still around-enhancing the impact of the private sector via inclusion and sustainability. This challenge stands as a critical need for inclusive and sustainable business models. Inclusive business models that require low-income consumers, distributors and suppliers can bring income generating opportunities and provide products and services where they were previously unaffordable or unavailable (Idem).

Likewise, providing new and expanded channels to enhance private sector flows and expertise towards development also stands as a critical challenge (Development committee, 2015). Other challenges appear in the extent of promoting the leading line of Sustainable Development as part of Development Finance discipline. This is a main challenge that entails practical undertaking named as the implementation of SDGs. The challenge here is to seek and encourage fresh up-to date thinking and big ideas for the implementation of the post 2015 SDGs. Implementing the SDGs call for mobilizing greater financial resources to areas where economic opportunities are found. There is an increasing money flows to developing countries dramatically external sources such as the private ones. Official Development Assistance is requested to act as a catalyst to mobilize various financial resources, knowledge and further economic activity towards developing countries where SDGs are mainly expected to be achieved in the main extent of poverty reduction and its impacts and the fight against the environmental destruction at global level. In terms of loans that will be acquired by developing countries from international Financial Institution. The measure of the best use of these external resources should be the human development index which is a combination of GDP plus social Indicators such as access to education health and sanitation.

Furthermore, a greater role for Public- Private Partnership is required as well as rules for local government, universities and research institutions in order to implement SDGs in developing countries or where needed(Financing for development, the challenge of implementing the SDGs, (Development Policy Forum, 2015).

Furthermore, another source of funds for the developing world is the developing world itself that is the promotion of South-South cooperation. The case of China which uses its development experiences and promotes common development South-South cooperation should in this extent play a complementary role to the main channel South –North cooperation. Implementing the SDGs stands as a big challenge for world countries but this could be fulfilled when the debate that entails the challenges becomes insightful to the various stakeholders in the process.

7. The current debate on Development Finance: the needs to make the move from quantity to quality

The implementation of a future global development agenda with a broader set of goals replacing the Millennium Development Goals (MDGs) after 2015 will request greater and more efficient financing meaning there is a need to make from quantity amounts of funds to the quality that is its destination and critically its achievements in its course or process of financing mechanisms. Since the failure to establish a sound and relevant financial foundation and mitigating risks compromising the success of any new development agenda typically from the beginning. A global consensus on how to implement the post 2015 agenda is more than needed. So the big question stands on the extent that if the international community does not succeed in advancing this initiative rightly, there is a risk of having "too little finance, too late". This stands as the qualitative stance of enhancing the implementation of the SDGs. It is only viewed or practiced that additional financial resources can only be mobilized throughout aid. Thus, other sources of financing and new financing mechanisms will have to be brought in to bridge the funding gap (German Development Institute, 2013).

Each financing source and funding mechanism is made up of single feature that has to be carefully adapted to local contexts. There is a need to explore ways to move beyond quantity in order to focus on improving the quality of financing. Increasing the level of domestic resources through taxation is a case in point for illustrating the strength, forces limitations and specific conditions of financial resources in pursuing the SDGs (idem).

More effective and efficient tax system in developing countries can have positive impacts on governance and accountability. To move from quantity to quality in the extent of a sound financial resources flows framework it is important to identify the various challenges that face developing countries for instance limited tax bases. The scope of taxation in developing countries is affected by international tax regimes, which find it difficult or fail to curb illicit financial flows and provide adequate measures for tax evasion.

So the pursuit of SDGs should focus on addressing the challenges at several levels to make more efficient and effective use of the different resources available.

Thus, country leaders are requested to work together in the aim to establish the right policy environment at the national and international scales. The implementation of a future development agenda requires the political and financial process to work hand in hand. Henceforth, development stakeholders should take into account three important aspects namely.

- Using the right tool for the right increasing the efficiency and job effectiveness of individual financial flows.

- Tackling global framework conditions the SDGs have the great potential to contribute towards a more stable and equitable financial system and to improve the coordination of international development cooperation.

- Putting ahead policies implies improving the developmental impacts of financial flows requires sound and relevant policies. Thus, a debate on the means of implementation for the SDGs agenda is at least as important as the debate on the content of a future agenda. So minding the gap by facing the challenge of increasing Development Finance in the future is so critical to allow or enhance the implementation of SDGs. Likewise, a look inside country is also required in mobilizing domestic resources through taxation since equitable tax system underpin national development and enhance governance.

In addition, taxation provides substantial policy space that is the space for national decision-making for developing countries. By making use of tax revenues instead of external sources of finance, countries are becoming less dependent on the interests of external contributors, be the donors or investors (German Development Institute,2013).

- Looking outside: development in external financing.

South south cooperation is encouraged for developing countries. Emerging countries provide very huge amount of money in terms of aid to the developing world. This aid will increase in the future.

-Furthermore, bridging the gap is critical for international cooperation Development Finance. Thus, developing cooperation in line with the SDGs should not only focus on raising the level of Development Finance, but more critically, also focus on reforming international policies in order to improve the policy environment in for developing countries (idem).

- Stepping beyond quantity.

There is a diverse number of sources of Development Finance, providing avenues to increase the level of financial resources to fund a future development agenda. However these financial resources have limitations. These limitations can partly be overcome through enhanced cooperation and the international scale, through better regulation of the international financial system and stronger political commitments of leaders. Since the impact of any financial flow critically depends upon the global as well as the local policy environment. So, public attention and political pressure need to be generated at an early stage. Thus, International financial institutions should not only discuss or focus how to increase the level of Development Finance but also address the quality of Development Finance as the policy context plays a crucial role in ensuring an effective and efficient use of financial resources (idem).

So quality matters and should be addressed while finance development agenda is part of the stakeholders.

Conclusion

Empirically Development Finance issues raise serious concern or debate nowadays. A discussion which is being expressed in various Medias platforms, websites from renowned research centres, summits, forums and radio and television panels. It is recognized that Development Finance has gone a long way in promoting at first the basics- mobilizing savings, enhancing financial sector and private sector development, the investment climate, etc… however in practice Development Finance is facing serious challenges that raise a great concern and stands as the raison d'être of ongoing debate and discussion – diversifying the sources of Development Finance apart from aid or ODA in order to fund the SDGs. Moreover, the other way round – improving the move from quantity to quality meaning implementing a future development agenda with a broader set of goals (SDGs) request greater and more efficient financing and the required mechanisms as well. Since its appearance in the early 1970s Development Finance has gone a long way though on daily basis it faces big challenges that have been mentioned so far in this paper. One could wonder to find out the various accomplishments that Development Finance discipline has fulfilled.

CHAPTER 8: ESSENTIAL ACHIEVEMENTS OF DEVELOPMENT FINANCE

Introduction

In the late 1960s and 1970s, Development Finance institutions proliferated around the world as financial intermediaries that aimed to improve social welfare. As a whole, Development Finance has achieved critical advancements that have improved humanity well-being. This chapter essentially focuses to bring out and clarify the various strides made in several domains of mankind despite the various pitfalls and challenges that arise throughout the improvement process.

1. The performance and achievements of social objectives of Development Finance Institutions(DFIs)

DFIs tend to promote and distribute agricultural credit to the farming sector namely this contributes to promote the integral development of the country. Furthermore, Development Finance Institutions have at their disposal concessionary financial resources that are usually made available, vary and include, among others cheap borrowing under-priced guarantees, exemptions from reserves requirements and taxes coverage the government of partial or all operational costs loan, losses, and the transfer of funds to create a capital endowment (Manuela Francisco,Yira Mascaro, Juan Carlos Mendoza, Jacob Yaron, 2008).

In addition, it is also recognized that Development Finance Institutions can provide useful information even in poor data environments. Indeed, in appropriate data environment to which most DFIs currently aspire metrics can be used to assess performance at the business unit, product, or branch level.

1.1 The evolving Development Finance

Development Finance in practice has gathered different actors in the process of financing any given development projects. Multi-sectors part takers are indeed involved in process of infrastructure, climate change fight financings. In order words, new actors in setting global norms have been included in the extent of critical practices. Furthermore, other advancements have been empirically noticed so far this implies.

- Clarifying the role of ODA in order to make sure that ODA really crowds-in other fundings.
- Deal with under-aid and fragile state. This concern of these particular issues are being addressed by the Development Finance discipline in order to bring in more clarity and contribution for their improvement.
- Integrated global funds and national needs – this mixture is not longer a wish but it is getting to the extent of experimenting it on the ground. Demand for new target schemes outstrips incentives to adapt existing channels. Beneficiaries are called on to be involved earlier especially as thematic finding is not fully additional.
- Close key information gaps. Demands for more timely and transparent data have led to several new initiatives in practices. Partners may need to examine the tradeoffs between the precision of data and strict classification of development flows with a platform that delivers more timely data on wider variety of development flows.

- Reduce fragmentation and volatility. More complexity and diversity brings greater opportunities for some greater cost for others. So international discipline is advocated by Development Finance experts in the field in order to reduce volatility and fragmentation (Andrew Rogerson, 2011).

1.2 Integrated financing solutions frameworks enhancement

Development Finance has brought in new ideas, and practicals at the level of country and integrated financing solutions for strengthening integrated national financing frameworks and financing solutions for sustainable development. The initiative has been the case of Addis Ababa agenda. Thus, Development Finance experts have brought in this initiative of building or strengthening financing frameworks at country level ahead of achieving Sustainable Development Goals by 2030 agenda. This approach is already being implemented as part of the United Nations Development Group's (UNDG) to supporting UNDP's member countries to implement this agenda. This third conference on financing for Development held in Addis Ababa in July 2015 in the aim of opening discussions on how to mobilize unprecedented amounts of financial resources that will be required to achieve the Sustainable Development Goals. It is expected that countries are facing an increasingly complex landscape of Development Finance to manage at the national level as domestic public and private resources increase, and the sources of external resources diversify (Achieveing the Sustainable Development Goals in the era of the Addis Ababa Action Agenda, 2015).

Furthermore, Development Finance achievements stand in the extent of bringing in new ideas, discussions and putting in place integrated financing solutions framework in order not only to diversify external resources of financing but also seeking approaches to mobilize funding in the areas where they are mostly needed and their impact so critical and beneficial to so many economic agents and translate more social and economic impacts and humanity welfare in terms of implementing and achieving SDGs. Thus, it is recognized that financing the SDGs will not happen through global financing agendas alone but instead be built from a bottom-up, holistic country- level approach.

Development Finance experts have put in place, the Development Finance Assessment (DFA) which is a tool that has been developed by UNDP and is implemented at country level under the overall leadership of the Government, and with support from UNDP country offices in partnership with other organizations.

2. Financing for Development the Monterrey consensus: achievements and prospects

The International conference on financing for development held in Monterrey Mexico, in March 2002, marked the beginning of a new international approach to dealing with issues of Development Finance. Within this initiative, Development Finance theoreticians and practitioners came out with a unique process that broke new ground in bringing together all relevant stakeholders in a manner that was unprecedented in inclusiveness under the umbrella of the United Nations, all parties involved in the financing for development process contributed to creating a policy framework, the Monterrey consensus of the international conference on financing for Development, to guide their respective future efforts to deal with issues of financing development at the national, regional, international and systemic levels. (Abdel Hamid Bouab, 2004).

Thus, a summary of the major recommendations of the Monterrey Conference is outlined as follows:

- Mobilizing domestic financial resources for development in order to ensure the necessary internal conditions for mobilizing domestic savings, both public and private, sustaining adequate levels of productive investment; and increasing human capacity in order to enhance our common pursuit of growth, poverty eradication, and sustainable development, promoting good governance as an essential tool for sustainable development, fighting corruption at all levels is a priority. Furthermore, it is critical to reinforce national efforts in capacity-building in developing countries and countries with economies in transition in areas such as human resource development, public finance, institutional infrastructure, Mortgage finance, financial regulation and supervision , early warning and crisis prevention, social and gender budget policies, debt management, etc…(idem).

- Mobilizing international resources for Development: Foreign Direct Investments and other private flows.

Attracting and enhancing inflows of productive capital, countries express their needs to carry on their attempts to achieve a transparent, stable , and foreseeable investment climate, with proper contract enforcement and respect for property rights, mixed with sound macroeconomic policies and institutions that enhance businesses be it at national and international levels in order to deliver maximum development impact. So, special efforts and initiatives are required in order to promoting and protecting investments; thereby attracting Foreign Direct Investments (FDI).

Singularly some attracting measures are welcome such as double taxation avoidance, corporate governance, accounting standards and the promotion of competitive environment, and strengthening multilateral and regional financial and development institutions in the world economy in order to allow financial resources mobilization. Inter-enterprise partnership is also powerful means for transfer and dissemination of technology (idem).



- International trade as an engine for development

One of the development Finance achievements has been or is still being the enhancement of International trade as an engine for development. This consideration mostly stands for developing countries and countries with economies in transition. International trade stands as a means to enhance their capacity to finance their development.

- Increasing international finance and technical cooperation.

Development Finance discipline in its practical perspective promotes and enhances the increase of international financial and technical cooperation for development. This Endeavour is materialized by ensuring Official Development Assistance (ODA) effectiveness. Thus, a major priority is to build those development partnerships, particularly in support of the neediest countries and maximize the poverty reduction impact of ODA. In this respect, there is a need for multilateral and bilateral financial and development institutions to intensify efforts to harmonize ODA operational procedures at the highest standard in order to improve ODA targeting to the poor, coordination of aid and measurements of results (idem).

- External debt

- Sustainable debt financing is an important tool for mobilizing resources for public and private investment. So, national comprehensive strategies to monitor and manage external liabilities mixed with domestic preconditions for debt sustainability, including relevant macroeconomic policies and public resource management are essential key in curbing national vulnerabilities. Thus, debtors and creditors must share the responsibility for preventing and resolving unsustainable debt situation. Debt relief arrangements should seek to avoid imposing any unfair burdens on developing countries. Debt relief management should seek ways to attaining SDGs for a given country and enhance a developing country's citizens well –being.

- Addressing systemic issue: enhancing coherence and consistency of the international monetary, financial and trading systems in support of Development.

Development Finance discipline in its full practice really advocate to address systemic issues in the extent of promoting coherence and consistency of the International Monetary, financial and trading system in support of Development complementary national efforts. So it is important to continue to improve global economic governance and to strengthen the United Nations leadership role in promoting development.

Development Finance discipline contributes to reform the international financial architecture in the extent of mobilizing both national and external resources to areas and opportunities where their use can have a significant social and economic impact for human betterment. Efforts made in this light, need to be sustained with greater transparency and the effective participation of developing countries and countries with economies in transition.

A first priority is to find pragmatic and innovative ways to further enhance their effective participation in international dialogues and decision –making processes. This implies international institutions such as International Monetary Fund and World Bank are called on to enhance participation of all developing countries and countries with economies in transition in their decision-making and thereby to strengthen the international dialogue and the work of those institutions as they address the development needs and concerns of these countries (idem).

Conclusion

In this last chapter of our essay related to Development Finance; we have stressed on essentials achievements of Development Finance discipline and its endeavour on the ground. In the wake of our analyses, we have come out with some relevant and critical findings namely the performance and achievements of social objectives of Development Finance Institutions that promote and distribute agricultural credits for the farming sector in order to promote the integral development of a given country, provide useful information even in poor data environments and help to make decision. The evolving Development Finance action had also been underlined in the way that Development Finance gathered different actors or stakeholders in the process of financing any given development projects as well as clarifying the role of ODA in respect of development purpose. Integrated financing solutions frameworks enhancements also underline the need to strengthen and integrated national financing framework and financing solution in order to achieve SDGs by 2030 agenda at country level.

Empirically Development Finance also performs serious achievements and takes on prospective horizons. It was at the International Conference on financing held in Monterrey Mexico, in March 2002 marking the beginning of a new international approach to dealing with issues of

Development Finance under the umbrella of the United Nations. By creating a policy framework in order to mobilizing domestic financial resources for development purposes, mobilizing international resources for development through attracting FDI and other private flows is very critical for developing countries. In addition, promoting international trade as an engine for development, increasing international financial and technical cooperation with a sound external debt management and more coherence and consistency of the international, monetary, financial and trading system in support of development is more than critical.

As a whole, Development Finance really stands as the main and maiden attracter of development. Human betterment passes through the action and intervention of Development Finance theoreticians and practitioners since the discipline acts as the provider of sustainable development.

Overall conclusion

In our efforts to meet the requirements of grabbing the title of Doctor of Philosophy in Developmental Finance, Risk Assessment and Financial Analysis, we have been requested to write an educational essay related to Developmental Finance by the Holy State University. All through this assignment Development Finance discipline has been examined in different angles broken into eight chapters. Firstly, our curiosity seeks to define what Development Finance is all about?

Our findings brought out the understanding that Development Finance is a new field study that focuses on governance of financial resources from an economic perspective to social desirable manner through the promotion of human development and poverty reduction bringing in financial inclusion and economic prosperity.

In depth, we struggle to analyze in chapter 2, the internal sources of Development Finance that imply traditional and old sources of Development Finance namely tax policy, capital markets, Development Finance Institutions, public sector privatization, etc… Furthermore, the relationship between financial Development and economic development has been addressed thereby revealing the search of human development and poverty alleviation. Thus, financial development attempts to provide and build high quality financial institutions that provide greater priority to investors through legal systems that strengthen contractual agreements vigorously.

Meanwhile, economic development seeks to find out progress in an economy and the qualitative measure of its implying. The adoption of new technologies transition agriculture based to industry-based economy and general improvements of living standards.

Development Finance has a main pillar the quest of Sustainable which has been related to finance in chapter 4. This relationship underlines the emergency of finance to integrate principles of Sustainable Development and recognition in the design of policies and their implementation (P.K. RAO, 2003).

Finance and Sustainable Development are called on to pursue the SDGs attainment for the sake of human betterment, poverty alleviation in respective of planetary boundaries and environmental preservation.

In terms of perspectives, Development Finance reveal some relevant considerations namely attaining the SDGs, by 2030 agenda, promoting innovative kinds of finance specialists in order to address specific challenges of development issues be it climate finance, blended finance, infrastructure finance, trade finance, green finance, etc… without putting aside the quest of expanding financial inclusion, investing in people on a key to making agriculture sustainable, social and economic inclusion, energy efficiency, multilateral cooperation, country risk analysis and credit ratings.

In addition, we also find out insightful considerations of conceptual and theoretical issues of Development Finance implying the Finance for all? Theory background and its founders. We also dwell our analysis into the extent of the ongoing discussion and debates related to Development Finance issues by wondering to know how far could Development Finance discipline go?

The discussion and debate lead us to recall the leading line that features Development Finance namely mobilizing savings, promoting financial sector development, delivering the basics that is ensuring macroeconomic stability, fostering competition, securing the rights of borrowers, creditors and shareholders, facilitating the flow of information, controlling excessive risk taking, enhancing private sector development and investment climate, investing growth and poverty reduction, tackling costs, risks and barriers to competition.

The debate on the limitations of Development Finance in practice has not been put aside from some relevant issues. The issues are related to the given hindrances such as lack of effective functioning of liquid local currency bond markets. The impact of private sector via inclusion sustainability requesting sound business models that could grasp business opportunities and generate revenues. So the big challenge of Development Finance is to provide Sustainable Development in various parts of the world. This challenge requests to move from quantity to quality implying finding economic opportunities where financial resources allocation could have greater social impact, and SDGs could effectively be implemented.



Alongside these summarized considerations of Development Finance, it is truly recognized Development Finance stands as a multi-sector discipline that searches to address relevant economic, social, financial and even environmental issues for the sake of human betterment and respect of planetary boundaries. In this light, could one asserts and supports this field of study or discipline to stand as the prime one of the 21 st century?

APPENDIX

We hereby underline the various appendixes related to Development Finance issues that we have found out so far. There are some titles and links as related documents are enclosed In the additional attached files.

- List of ODA recipient 2014 to 2017

http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC_List_ODA_Recipients2014to2017_flows_En.pdf

- List of ODA recipient 2018 - 2020

http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC_List_ODA_Recipients2018to2020_flows_En.pdf

- List of ODA- eligible International Organizations

http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC%20list%20of%20ODA-eligible%20international%20organisations%20-%20May%202016.pdf

- List of ODA- eligible International Organizations

http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC%20list%20of%20ODA-eligible%20international%20organisations%20-%20May%202016.pdf

- Financing water and sanitation in developing countries

https://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/Financing%20water%20and%20sanitation%20in%20developing%20countries%20-%20key%20tr

- Monitoring and evaluation in developing countries

https://www.oecd.org/dac/financing-sustainable-development/Monitoring%20and%20measuring%20external%20development%20finance.pdf



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Jeffrey. D. Sachs.(2015): The Age of Sustainable Development, Columbia University Press, 544P.

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P.K. RAO. (2003): Development Finance, Springler, 209 P. PP89-92; PP161-163;PP164-165; P110 – P111.

Organization for Economic Co-operation and Development.(2015):Infrastructure Financing instrurments and incentives, 2015, 69P.

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Stephen Spratt.(2009): Development Finance Debates, dogmas and new directions, Routledge, 418 P; PP 337 – 348; P 353; P355.

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Useful websites:

www.issu.com

www.africadigitallibrary.org

www.idfc.org

www.cgdev.org

Useful webcasts from centre for Global Development (CDG)

Global economic challenges : A conversation with IMF Managing Director Christine Lagarde.

Prospects for economic growth and Global Development in 2018 by Ayhan Kose , Director of the World Bank's Development prospects Groups.

The future of Development Finance: A conversation with World Bank Group President Jim Yong Kim.

A new approach to Development Finance by Phillipe Le Houérou, International Finance Corporation Executive Vice President and CEO.

End notes

[i] The 2030 deadline is a critical target period from when the UN organization is expecting to attaining these 17 SGDs for the sake of the entire world community. By this period evaluation will be carried out and adjustments will be required for further betterment.

[ii] Clean Domestic Mechanism calls for an initiative taken domestically by financial authorities in order to enhance effective movement of financial flows in areas of areas where economic opportunities are relevant.

[iii] Impact PH is a consulting team whose comprehensive solution aims to strengthen the Philippine non profit sector through an information based strategy that will enable stakeholders to better access which non-profits they can trust, which nonprofits best support their causes, and which nonprofits can ensure accountability and impact.

[iv] The estimation is underlined by the Rolling Stones Team composed of 4 valuable researchers of the World Bank Group published in the textbook 'Financing Sustainable Development: Ideas for Action by Mahmud Mohieldin, Djordiija Petkoski edited in 2015 in its chapter 5.

[v] These figures were extracted from the United Nations Development Programme Organization and rewritten as they are boldly published.

[vi] As we previously underlined, the published figures are part of the publications made on the United Nations Development Programme (UNDP).

[vii] Agence Francaise de development is a french international institution that tacles and promote development issues such as funding infrastructure building, enhance agricultural activities, energy and Sutainable Development as a whole. It has been founded in the early 70s.

[viii] This detail is derived from the Wikipedia 2017 edition where more insightful issues are being clarified and published.