



ECONOMIC AND SOCIAL COUNCIL

Substantive Session of 2013

Coordination Segment

Panel discussion on
“Financing for sustainable development”
Geneva, Palais des Nations
E Building, Conference room XIX
9 July 2013, 3:00-6:00 p.m.

TENTATIVE PROGRAMME

Chair: H.E. Mr. Daffa-Alla Elhag Ali Osman (Sudan), Vice-President of the Economic and Social Council

Moderator: Ms. Shamshad Akhtar, Assistant Secretary-General for Economic Development, Department of Economic and Social Affairs, United Nations

Panellists:

Mr. Petko Draganov, Deputy Secretary-General, United Nations Conference on Trade and Development, Geneva

Mr. Manfred Schepers, Vice President and Chief Financial Officer, European Bank for Reconstruction and Development, London

Ms. Marilou Uy, Senior Adviser to the President’s Special Envoy on the MDGs and Financial Development, World Bank Group, Washington D.C.

Mr. Axel Bertuch-Samuels, Special Representative of the IMF to the United Nations and Deputy Director, Strategy, Policy and Review Department, International Monetary Fund

Mr. Manuel Montes, Senior Advisor on Finance and Development, The South Centre, Geneva

Interactive Discussion

**ECOSOC panel discussion on “Financing
for sustainable development” (Geneva, 9
July 2013, 3:00 p.m. - 6:00 p.m.)**

Concept note

Objective

The objective of the panel discussion will be to explore options for a coherent strategy for financing sustainable development in the context of the Financing for Development (FfD) follow-up process, implementation of the outcome of the United Nations Conference on Sustainable Development (Rio+20) and in support of accelerating progress towards the achievement of the Millennium Development Goals (MDGs) and advancing the UN development agenda beyond 2015.

Format

The panel will be chaired by Ambassador Daffa-Alla Elhag Ali Osman, Vice-President of ECOSOC (Sudan), and moderated by Ms. Shamshad Akhtar, Assistant Secretary-General for Economic Development, DESA. The panel discussion will consist of presentations by 4-5 high-level experts (15 minutes each) from the international financial institutions and other relevant stakeholders, followed by an interactive, free-flowing dialogue among all meeting participants, including representatives of Member States, UN agencies and accredited civil society and business sector organizations. No list of speakers will be established in advance. Each intervention from the floor will be limited to 5 minutes.

Outcome

The meeting will result in an informal summary by the Secretariat highlighting the main points of the discussions and specific action-oriented proposals. The summary will serve as an input into the Financing for Development process, including the preparations for the High-level Dialogue on Financing for Development (New York, second half of 2013), as well as provide potential inputs to the implementation of the Rio+20 outcome document and the elaboration of the post-2015 development agenda.

Background: Towards a global strategy for financing sustainable development

The landmark 2002 Monterrey Consensus and the 2008 Doha Declaration on Financing for Development remain critical policy frameworks for development cooperation. Both documents recognized that a comprehensive financing strategy for sustainable development should focus on promoting inclusiveness across the three pillars of social, economic and environmental sustainability. The outcome document of the 2012 United Nations Conference on Sustainable Development, “The future we want”, stressed the need for significant mobilization of resources to promote sustainable development. For this purpose, Governments agreed to establish an intergovernmental committee to explore options for an

effective sustainable development financing strategy. At the secretariat level, a dedicated working group was set up under the UN Task Team on the post-2015 development agenda, with the objective of mobilizing inputs from the UN system in support of the work of the expert committee. Most recently, the report of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda reaffirmed the relevance of the principles and agreements established at Monterrey for the post-2015 agenda, and recommended an international conference on financing for sustainable development.

Financing across all three pillars of sustainable development will require investments in varied sectors, including energy, transport and telecoms, as well as housing, health and education, in both developed and developing countries. Although estimates of the financing needs for sustainable development are necessarily imprecise, studies conclude, without exception, that financing needs for sustainable development are extremely large. While the fulfilment of all ODA commitments remains crucial, including the commitments by many developed countries to achieve the target of 0.7 per cent of GNP for ODA, it is clear that financing needs far outpace public sector resources.

Nonetheless, estimated needs still represent a relatively small portion of global savings; the challenge lies in promoting a financial system that incentivizes channelling investments toward sustainable global development. A framework for sustainable development finance will need to include financing from all sources, including private and public financing at the national, regional and international levels, and to support an enabling environment for such investment. It is important to ensure complementarities across these different sources of finance, as each type of financing has unique investment objectives, fiduciary responsibilities, and associated incentives, and no one source will be sufficient on its own.

Insufficient financing is identified in four broad areas that are critical for sustainable development. These include long-term investments, riskier investments (such as low-carbon, innovation, and the financing of small and medium sized enterprises and other aspects of inclusive finance), financing of the global commons and other areas of international cooperation, and additional financing of social needs.

There is an ever increasing need for long-term financing, especially for infrastructure. Yet, the long time frame necessary for many types of infrastructure investments is outside the investment parameters of many investors, even for those considered to be 'long-term investors'. For example, the liability structure of longer-term institutional investors, such as pension plans and life-insurers, averages around 10-15 years, while the actual duration of their portfolios is generally much shorter. The financial crisis has further shortened the investment horizon of many institutional investors. The recent crisis also revealed that banks had mismanaged their liquidity positions, resulting in a significant deleveraging of the banking system and a reduction in credit. Local capital markets in many developing countries have a short-term bias, so that many countries continue to have difficulty financing long-term needs associated with necessary investments in sustainable development domestically. At the same time, public resources often remain constrained through low tax revenues caused by challenges in the implementation of effective tax administration and tax policies. In this context, further progress in enhancing transparency and accountability in Government and implementing the rule of law and the control of corruption remain critical enablers for mobilizing domestic resources through tax collection and financial sector development.

While the issue of a long investment horizon arises with traditional infrastructure investment, it is particularly relevant for low-carbon infrastructure projects, due to higher risks and lower expected returns over the life of the project. Similarly, long-term financing is needed for emerging technologies, which carry high risks that are often difficult to measure and price. Credit for small and medium enterprises (SMEs), which in many countries are main drivers of innovation, employment and growth, also remains constrained in many countries.

Financing of the global commons and other global public goods is also limited. Climate financing has evolved largely on a separate track from conventional development finance. The global architecture for climate finance is a complex and evolving structure, with over 50 international public funds, the participation of a disperse private sector, and increasing volatility in market-based mechanisms. Climate financing needs to be better incorporated into the broader global framework for financing for development, with a greater focus on the needs of low income countries.

Since financing gaps are especially large in areas that the private sector has not found attractive on a risk-reward basis, official financing will remain crucial for the Least Developed Countries (LDCs) and financing global social needs, as well as for leveraging private finance. There are a number of mechanisms in which the official sector can leverage private finance and better align private incentives with public goals, including through risk sharing tools such as guarantees and public-private partnerships (PPPs), and taxes and subsidies. In addition, it is important for countries to build sustainable financial sectors and to enhance the domestic investment climate. Domestic resource mobilization is crucial, as is international efforts to fight illicit financial flows.

Innovative mechanisms, such as financial transactions taxes and carbon taxes, can potentially be used to raise substantial new sources of both domestic and international public financing, although allocating the revenue toward development could require international agreement to and should be additional to existing ODA commitments.

Finally, the financing strategy will need to promote sustainable financial practices and financial stability. Without a stable financial system the post-2015 development strategy risks being derailed by the next sudden regional or global financial crisis.

Proposed questions for discussion

1. Given the enormous financing needs associated with sustainable development, how can the large pool of existing savings be mobilized more effectively for social, economic and environmental purposes?
2. Given the different levels of financial sector depth and intermediation in low-, middle-and high-income countries, what are the most effective policies, regulations and incentives to tap underutilized savings for sustainable development?
3. How can public resources, including official development assistance, leverage private sector investments for sustainable development? What role should insurance and guarantees play?

4. How can impact-first investors most effectively catalyze more traditional investors for sustainable development? How do private sector incentives affect investments in sustainable development and how can these best be addressed?
5. What steps are necessary to ensure that innovative sources of financing and climate financing are additional to traditional ODA, and do not reduce incentives to meet the UN ODA target of 0.7 per cent?
6. What are the implications of a post-2015 development agenda that has a dual focus on poverty eradication and sustainable development for the relationship between traditional development cooperation and climate financing? How can climate financing be more effectively integrated into the broader global framework for financing for development?
7. How can a coherent strategy for financing sustainable development be forged in the context of the Financing for Development follow-up process and the implementation of the Rio+20 outcome, with a view to accelerating progress towards the achievement of the MDGs and advancing the post 2015 development agenda?
8. What role can ECOSOC play in strengthening the link between the work of the intergovernmental committee on sustainable development finance and the FfD follow-up process?