Concept Note
Informal Interactive Hearing for the Business Sector
The Third International Conference on Financing for Development
8 April 2015
Trusteeship Council Chamber

Background

The Third International Conference on Financing for Development (FfD) aims to reinvigorate and strengthen the financing for development framework as well as support the implementation of the Post-2015 Development Agenda currently being negotiated by Member States. The ambitious scope of the new agenda will require the participation of all stakeholders, and there is therefore a high expectation that business can significantly contribute to the implementation strategies for the FfD and Post-2015 development agenda.

Businesses are as diverse in nature as the communities from which they come and in which they operate as investors, producers, employers, marketers, customers, entrepreneurs and taxpayers. Through these roles, businesses make an invaluable contribution by providing capital, creating jobs and generating economic growth, which raises living standards and helps to lift people out of poverty. A robust private sector is one of the key contributors to economic development and job creation. In this regard, appropriate governance is necessary not only to catalyze private sector involvement but to also ensure that its contributions will be made in a sustainable manner and with the greatest impact on human development.

Objective

The Business Hearing on 8 April will aim to:

- Create an interactive dialogue among business leaders, member states and other stakeholders on topics that are central to the Third International Conference on Financing for Development and the achievement of the Post-2015 Development Agenda
- Identify opportunities for new partnerships and joint action by government, business and other stakeholders to ensure financing for
sustainable development and the achievement of the Post-2015 Development Agenda.

**Format**

The one-day hearing will be divided into an opening plenary, three panel sessions and a closing. Each session will open with a 5 minute overview by the moderator, identifying recent trends, challenges and gaps in the specific topic. Each speaker (4 speakers will be identified for each panel) will first be asked to share their insights on the topic for 5 minutes. The moderator will then open an interactive discussion for panelists and participants.

**Provisional Programme (details to be availed in due course)**

10:00-10:45 **Opening Session**: PGA, SG, business sector/ civil society speaker
10:45-1:00 **Panel Session 1**: Infrastructure Finance
1:00-3:00 **Lunch break**
3:00-4:30 **Panel Session 2**: SMEs and Finance
4:30-5:45 **Panel Session 3**: Responsible Investment and ESG considerations throughout the investment chain
5:45-6:00 **Closing Session**

**Panel Descriptions**

**Panel 1: Infrastructure Financing**

The number of people living in cities is expected to double by 2030. This rapid pace of urbanization underlines the importance of investment in the provision of infrastructure to ensure economic growth is spread and sustained. However, developing countries already face a massive infrastructure deficit, which comes at huge economic and social cost: today 1.2 billion people live without electricity; 2.8 billion still cook their food with solid fuels (such as wood); 1 billion people live more than two kilometers from an all-weather road; 60 percent of the world’s population lack internet access; and at least 748 million people lack access to safe drinking water.

Developing countries currently spend about US$1 trillion a year on infrastructure. However, to maintain current growth rates and meet future demands from industry and households, investment will need to increase by an estimated additional US$1 trillion a year through to 2020. This estimate would
be even higher if we included assets adaptation to environmental concerns. Sub-Saharan Africa alone is calculated to have an infrastructure financing gap of over $50 billion over the next 10 years. A failure to bridge this gap will have serious consequences, while succeeding in this task promises to reap great dividend: research shows that a 10 percent increase in infrastructure investment contributes to one percent growth in GDP.

The scale of infrastructure financing, and innovation, requires a solution that goes beyond public sector – especially after the global financial crisis. The global business community is, therefore, central to a solution for addressing this infrastructure deficit and shifting our global economy into a more inclusive and sustainable trajectory. Attracting private finance to complement public funds is vital to provide governments the long-term liquidity they need for infrastructure. Nonetheless, research from the World Bank shows that private infrastructure investment in emerging markets has been declining—from $186 billion in 2012 to $150 billion in 2013—representing a 20 percent drop\(^1\). The key challenge is not a fundamental lack of capital, rather a shortage of capital willing to invest in the more complex, longer-term and riskier investments that may be encountered in infrastructure projects in developing economies.

This panel will consider several key guiding questions:

1. **What are the recent developments in private sector financing of infrastructure and how do we assess their results?** What strategies have been most successful in promoting and leveraging investment from the private sector?

2. **What areas of infrastructure are the more difficult to finance?** Why? What are the challenges and what solutions can be explored to resolve them?

3. **What is the recent experience of public-private partnerships; what is the role of blended finance and innovative, multi-stakeholder initiatives?** How can governments, international finance institutions and business best work together to create incentives for increased investments in infrastructure?

4. **How active are institutional investors in financing infrastructure, and how can they be encouraged to accelerate investment in this area?**

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\(^1\) Private Participation in Infrastructure Projects Database, World Bank Group
5. What policies, regulatory and enabling frameworks are successful in reducing investor uncertainty, and catalyzing substantial private sector financing?

Panel 2: SMEs and Finance

The world needs to create 600 million new jobs by 2020 just to accommodate the number of young people entering the workforce over the next six years.\(^2\) The link between unemployment and poverty is stark: employment is the surest path out of poverty – boosting living standards, raising productivity and fostering social cohesion.

Small Medium Enterprises (SMEs) are the primary engine of job creation, representing on average 66 percent of permanent, full-time employment in developing countries, and therefore pivotal drivers of growth\(^3\). However, access to capital is a major obstacle in the development of small businesses; an estimated 45-55% of formal and informal micro, small, and medium enterprises (MSMEs) in developing economies (200-245 million enterprises) lack access to credit.\(^4\) Often considered by commercial banks and financial institutions as risky and costly to service, SMEs are largely underserved when it comes to basic financial services. With such limited access to financing, SME owners struggle to make the investments they need to increase productivity and competitiveness of their business, develop new markets – including to target markets at the base of the pyramid – and hire more people.

This underlines the need for the financial system, including banks, to become much more active in lending to smaller enterprises and tap into new opportunities in local markets.

Central to the discussion of this panel is how to catalyse the growth of SMEs.

This panel will consider several key guiding questions:

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\(^3\) IFC Jobs Study 2103

\(^4\) IFC study in micro, small, and medium enterprises (MSMEs) 2010: http://www.ifc.org/wps/wcm/connect/1f2c9680441689903950bb79e78015671/AccessCreditMSME-Brochure-Final.pdf?MOD=WPSAJPERES
1. What are the key building blocks to better cater for the financial needs of SMEs so as to enhance their competitiveness?

2. Is there a role for government subsidies to allow for SMEs to successfully commercialize their innovations, products, services, etc. – do they work, or do they inappropriately skew the marketplace?

3. What measures can be taken to address the negative influence from financial market volatility in SMEs – exchange rates, lack of clear banking regulations can play a role in deflating SMEs?

4. Governments and international finance institutions (IFIs) use due diligence assessments in their efforts to catalyze and scale growth in SMEs. However, these requirements are often more challenging to smaller SMEs than to larger or well established firms due to their limited capacity, and depend on the specific country context. How can governments and IFIs balance their due diligence requirements with the need to reach beyond well established actors at the country level? How can IFIs provide capacity building capacity support to SMEs?

5. What is needed to establish stronger linkages between SMEs and large businesses? Why are local SMEs often not part of global value chains?

6. What are innovative solutions for debt financing structures for SME?

7. What regulation and policies are needed to foster public-private mechanisms to fund SMEs?

Panel 3: Responsible Investment and ESG considerations throughout the investment chain

The levels of financing required to achieve sustainable development are significant and governments and civil society are calling on private actors to be part of the solution. Companies and investors are increasingly working together to address sustainability challenges. With the growth of the responsible investment and corporate sustainability movements, investors and companies are increasingly aware of the importance of embedding environmental, social and governance (ESG) considerations in their investment decisions and reporting on ESG practices.
ESG information helps connect companies with investors, governments and civil society. An increased adoption of ESG considerations can help companies and investors gain a better understanding of the net present value of investments in sustainability, typically with longer term horizons and involving benefits that are otherwise hard to value. And the adoption and disclosure of ESG considerations is also a key driver for private transparency and accountability.

Increasing the adoption of ESG considerations by private actors, through voluntary approaches as well as effective regulations that enable responsible investment and corporate sustainability to flourish, has the potential to increase the volume, impact, transparency and accountability of private investment. However, despite the growth of corporate sustainability and responsible investment, and the increased adoption ESG considerations throughout the investment value chain, private sector participation in financing sustainability is relatively low and the volumes of responsible investment that can be categorized as “impact investment” or catalytic philanthropy is still modest.

The panel will discuss the current and potential role of investors and companies in the design and implementation of a financing strategy for global sustainability and, through a detailed look at the growing experience with the adoption of ESG considerations, will provide recommendations to public and private actors for policies and practices that can lead to a greater alignment of private investment with sustainable development.

This panel will consider a number of key guiding questions:

1. Why investors and global companies should contribute to global sustainability? What investment opportunities emerge from the SDGs?

2. What is the role of principle based voluntary approaches to the adoption of ESG considerations towards sustainable development? What can effectively embed ESG considerations in companies and investors decisions?

3. What is the role of integrated thinking, non-financial disclosure and sustainability reporting to achieve more effective capital allocation and sustainable capital markets?

4. What can governments do to support the development of responsible investment practices aligned with the SDG financing needs? What policies can enable responsible investment and corporate sustainability to flourish?

5. How should responsible investors and sustainable companies engage with governments and the UN to help contribute to implementation of the SDGs? What are the key elements of successful partnerships between the public sector, companies and investors to mobilize private investment towards sustainable development?
Outcome

The President of the United Nations General Assembly will circulate a summary of the hearings to Member States and all relevant stakeholders.
Background

The informal interactive hearings on 9 April will be the principal forum for civil society to contribute their views to the preparatory process for the Third International Conference on Financing for Development (FFD3) Conference. Since the zero draft of the outcome document for the Conference will be available in March, the interactive hearings will provide an opportunity for a diversity of stakeholders to provide important feedback and inputs at an early stage of the process toward the evolution of the outcome document.

Resolution 68/279 OP 6 "emphasizes the need for effective coordination between the preparatory process for the third International Conference on Financing for Development and the preparations for the summit to be held in September 2015 for the adoption of the post-2015 development agenda, in order to promote coherence and to minimize duplication of effort." The interactive hearing on 9 April will take place 12 days prior to the negotiating session on Means of Implementation (MOI) for the post-2015 development agenda. It will therefore also provide a timely opportunity for discussion among civil society, the private sector, and Member States on fostering coherence between these two UN processes.

Objective

Drawing on the results of consultations with civil society, the proposed organization of the programme is intended to:

a) foster high-level participation;
b) provide civil society the opportunities to lead a day of panel discussions with representatives from various multi-stakeholder groups;
c) ensure participation of Member States as moderators and/or discussants;
d) underscore linkages with the post-2105 development agenda negotiations, as well as accountability and follow up mechanisms; and
e) ensure topics such as technology, innovation and capacity building will be addressed in the context of the relevant panels.

Format

The one-day hearing will be divided into an opening plenary, four interactive roundtable discussions and a closing. The provisional themes for the four panel
discussions are outlined below, and may be adjusted after the release of the draft outcome document for the FID3 Conference.

Provisional Programme

9 April 2015

10:00-10:30am - High-level Opening Ceremony
President of the UN General Assembly, the UN Secretary-General, and representatives of one civil society organization and one private sector entity.

10:30am-11:45pm - Civil Society Roundtable Discussion 1
Theme: Domestic public resource mobilization, including international tax cooperation
Co-moderated by one of the co-facilitators and a civil society representative.
4 civil society panellists (5 min each). Each round will have 2 designated Member State respondents (5 min)

11:45-1:00pm - Civil Society Roundtable Discussion 2
Theme: International public finance, including ODA and innovative sources of finance
Co-moderated by one of the co-facilitators and a civil society representative.
4 civil society panellists (5 min each), followed by 2 designated Member State respondents (5 min)

3:00pm-4:30pm - Civil Society Roundtable Discussion 3
Theme: Systemic issues, including global economic governance and external debt
Co-moderated by one of the co-facilitators and a civil society representative.
4 civil society panellists (5 min each), followed by 2 designated Member State respondents (5 min).

4:30pm-5:45pm - Civil Society Roundtable Discussion 4
Theme: International trade and investment, including private finance
Co-moderated by one of the co-facilitators and a civil society representative.
4 civil society panellists (5 min each), followed by 2 designated Member State respondents (5 min).

5:45pm-6:00pm - High-level Closing Ceremony
President of the UN General Assembly, the UN Secretary-General, and representatives of one civil society organization and one private sector entity.

Outcome

The President of the United Nations General Assembly will circulate a summary of the hearings to Member States and all relevant stakeholders.