Preparatory Process for the
Third International Conference on Financing for Development
Substantive informal session: "The Global Context"

10 November, 3:00 - 6:00 p.m., Trusteeship Council Chamber, United Nations, New York

The global context has changed considerably since the adoption of the Millennium Declaration in 2000 and the Monterrey Consensus in 2002. Global economic strength is spread amongst more countries. Innovations, especially in digital technology, have opened both new opportunities and challenges. At the same time, the financial crisis revealed global vulnerabilities and the deficits of the international financial system. While some MDGs have been achieved, other social and economic concerns have arisen, particularly the widening inequality of income and wealth in many countries and its impact on societies. While extreme poverty has been halved, more needs to be done.

There is a greater recognition of the imperative to address climate change and its risks. The effects of global warming on human and economic development are already visible, making it more imperative than ever to cooperate more effectively in both mitigation and adaptation to these challenges. At the 2012 United Nations Conference on Sustainable Development (Rio+20), the international community agreed to undertake a major effort to promote and mainstream sustainable development in its three dimensions.

Yet, prospects are for slow global economic growth in the medium term, with adverse consequences for the growth of world trade and the exports of developing countries in particular. Much work remains to be done to meet the commitments of Monterrey on systemic reforms to deliver a more enabling international economic environment for development.

Programme

Substantive informal session: "The Global Context"
10 November, 3:00 - 6:00 p.m., Trusteeship Council Chamber, United Nations, New York

Co-Chairs: H.E. Mr. George Wilfred Talbot (Guyana)
H.E. Mr. Geir O. Pedersen (Norway)

Keynote address: Ms. Helen Clark, Administrator, UNDP

Panel discussion

Moderator: *Mr. Alexander Trepelkov, Director, Financing for Development Office, UN-DESA*

Panel 1

Presentations by the panellists:

- Mr. Maged Abdelaziz, Under-Secretary-General, Special Adviser on Africa
- Mr. Pablo Fonseca Pereira dos Santos, Secretary for Economic Monitoring, Ministry of Finance, Brazil

Questions & answers

Panel 2

Presentations by the panellists:

- Mr. Seán Nolan, Deputy Director, Strategy, Policy & Review Department, IMF
- Ms. Shari Spiegel, Chief, Policy Development and Analysis Branch, Financing for Development Office, UN-DESA
- Dr. James Manyika, Director (Senior Partner), McKinsey Global Institute; Vice Chair, President's Global Development Council, USA

Questions & answers

Interactive discussion

The Global Context

Briefing Note

World economic situation and prospects

According to the United Nations 2014 World Economic Situation and Prospects, the world economy is expected to grow by 2.8 per cent in 2014 and 3.2 per cent in 2015.[1] With projected growth rates of 4.7 per cent and 5.1 per cent for 2014 and 2015 respectively, developing countries as a whole continue to make a significant contribution to global growth. Nonetheless, on average, developing country growth rates remain markedly below the levels registered for a number of years prior to the global financial and economic crisis.

At the same time, vulnerabilities remain. Net portfolio inflows to developing countries fell to $116 billion in 2013, from $165 billion in 2012, with high volatility partially driven by unwinding of unconventional monetary policies of advanced economies. Several developing countries are also vulnerable to country-specific challenges, including structural imbalances, infrastructural bottlenecks, increased financial risks and political tensions.

In regional terms, Africa continues to see solid growth in 2014, although political problems in a number of African countries hamper the full realisation of the continent's growth potential. East and South Asia remain the world's fastest-growing regions, but the pace of expansion has slowed notably in recent years. In Western Asia, political instabilities and lower oil exports are challenging economic prospects. Growth in Latin America is subdued, with a few large economies falling into recession. The economies in transition are suffering from heightened geopolitical tensions. While the US economy has continued to strengthen, European growth has stalled. In Japan, momentum generated by the fiscal stimulus package and monetary easing has faded out.

While the narrowing of GDP per capita gap between developed and developing countries reflects impressive gains in East Asia as well as emerging and developing Europe, some countries have not yet recovered from weak growth in the 1980s and 1990s, despite improvements since 2000. Indeed, the gap between GDP per capita of Latin America, sub-Saharan Africa, and the Middle East and North Africa and that of the developed countries is greater today than it was more than 30 years ago (see figure I).

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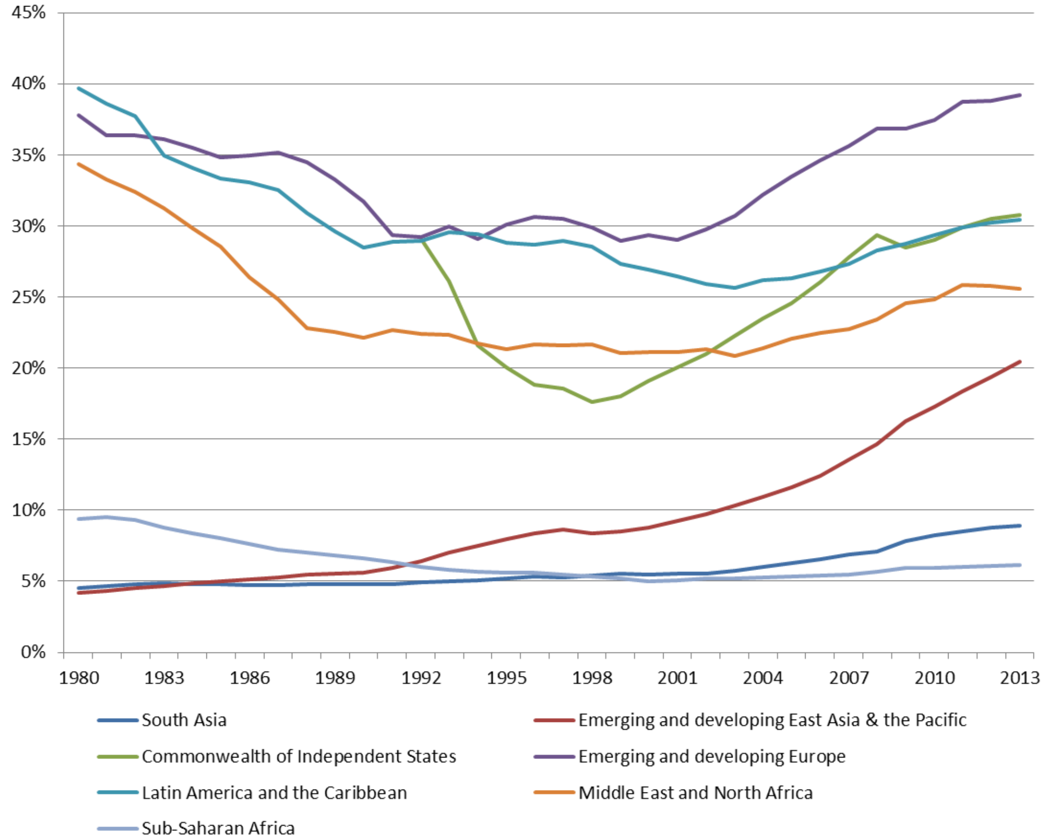
[1] United Nations, 2014: World Economic Situation and Prospects 2014, available from http://www.un.org/en/development/desa/policy/wesp/wesp_archive/wesp2014.pdf.

Figure I: GDP per capita, relative to advanced economies[2]



The post-2015 development agenda

Against the backdrop of a fragile recovery of the global economy, the world community is formulating an ambitious and transformative post-2015 development agenda. The Open Working Group of the General Assembly on Sustainable Development Goals, initiated by the United Nations Conference on Sustainable Development (Rio+20), has put forward a proposed set of 17 goals and 169 associated targets. This proposal was developed by Member States, but with extensive engagement from external stakeholders, including business and civil society.

While poverty eradication will remain at its core, the post-2015 development agenda should balance the economic, social and environmental dimensions of sustainable development. It is generally agreed that the agenda should be firmly anchored in universally accepted values and principles and complete the unfinished business of the Millennium Development Goals, while building upon their strengths.

Financing for sustainable development

An ambitious sustainable development agenda will need to be complemented by a comprehensive financing framework to provide its means of implementation. The third International Conference on Financing for Development, to be held in Addis Ababa from 13 to 16 July 2015, is expected to be a milestone in forging consensus on a renewed global

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[2] Calculations based on the *World Economic Outlook — Recovery Strengthens, Remains Uneven* (Washington, D.C., International Monetary Fund, April 2014).

partnership for sustainable development, underpinned by a holistic and comprehensive financing framework. The Conference will build on the Monterrey Consensus and Doha Declaration, while addressing new challenges. The report of the Open Working Group, and in particular Goal 17, which calls for strengthening the means of implementation and revitalizing the global partnership for sustainable development, will serve as an important input to the Conference.

The Intergovernmental Committee of Experts on Sustainable Development Financing, established in follow-up to the Rio+20 Conference, has delivered its report proposing options for a sustainable development financing strategy.[3] The report makes three major contributions: it develops an analytical framework for financing sustainable development; it proposes a basket of over 115 policy options for countries to choose; and it suggests areas for advancement of the global partnership for sustainable development. The report incorporates global challenges, such as combatting climate change, into the conceptual framework. Relatedly, it addresses the economic, social and environmental dimensions of sustainable development in an integrated manner. In addition, by treating different financing sources – public, private, domestic and international – as complements, not substitutes, and analysing the underlying mandates and incentives of different financial intermediaries, it sheds light on *how* to design new policies to incentivize investments in the three dimensions of sustainable development.

The emerging patterns of resource flows highlight the opportunities for mobilizing financing needed to support the achievement of sustainable development. All four types of finance — public and private, domestic and international — have increased since 2002. Global savings remain robust, at about $22 trillion a year (inclusive of public and private sources), despite a temporary decline due to the crisis. The stock of global financial assets — a placement for only a small portion of annual global savings — is estimated to be about $218 trillion. Yet it is clear that current financing and investment patterns will not deliver sustainable development.

Climate change

In September 2014, the UN Secretary-General hosted a Climate Summit in New York, which aimed at laying the groundwork for securing a universal, ambitious and binding climate agreement in 2015. A key obstacle in combatting climate change has been the level of financing required. The Climate Summit saw billions of dollars' worth of new commitments to the Green Climate Fund. In 2009, developed countries agreed to the joint mobilization of $100 billion annually by 2020 to address the needs of developing countries. A preliminary assessment of "fast-start finance" finds that $35 billion were mobilized between 2010 and 2012.[4] Action to address climate change can be complementary to promoting economic stability and growth. Tackling climate change offers enormous investment opportunities, but the right national and international policies and frameworks must be in place.

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[3] United Nations, 2014, A/69/315, available from: http://www.un.org/esa/ffd/documents/ICESDF.pdf.
[4] ODI, WRI, IGES, 2013, Mobilizing international climate finance: lessons from the fast start period, available from http://www.wri.org/sites/default/files/mobilising_international_climate_finance.pdf.

Transformational technologies and innovation

Transformational technologies and innovation bear huge potential to contribute to sustainable development, particularly in emerging economies. In 2012, the internet in developed countries contributed on average 3.4 per cent of GDP, compared to 1.9 per cent in emerging economies. Simultaneously, internet penetration from 2008-2012 grew by 25 per cent per year in emerging economies, compared to 5 per cent per year in developed countries.[5] One out of numerous examples for the transformational role of information and communication technologies is their potential to enable poor people to receive financial services at low cost. Branchless banking and mobile banking technologies can be used in making government-to-people payments (wage, pension and social welfare payments) with lower administrative costs and fewer leakages, plus an additional beneficial effect on tax collection. The transfer of technology can be supported by partnerships between nascent and established markets.

Guiding questions

1. *The global context evolved since the Millennium Declaration in 2000 and the Monterrey Consensus in 2002. What are the expectations for the next 15 years? What are the views of the different actors?*
2. *What do the major trends and data on financing tell us about the outlook for financing the three dimensions of sustainable development?*
3. *It is said that the growing inequality in income and wealth is distorting the policy decisions being made and that a strong sense of public responsibility needs to be reasserted, especially the priority concern to eradicate poverty, achieve full gender equality across the globe and ensure a liveable planet for the next generation. How can we accomplish this? What roles can/should be played by different actors?*
4. *To what extent are climate investment, poverty eradication, and sustainable and equitable growth mutually reinforcing goals? To what extent will policymakers have to privilege one goal over another?*
5. *How should the new global context be reflected in the third International Conference on Financing for Development and the post-2015 agenda?*

[5] McKinsey & Company (2012): Online and upcoming: The Internet's impact on aspiring countries, available from http://www.mckinsey.com/client_service/high_tech/latest_thinking/~/media/mckinsey/dotcom/client_service/high%20tech/pdfs/internet_in_aspiring_nations_report_april_2012.ashx.