High-level Dialogue on Financing for Development

HIGH-LEVEL DIALOGUE ON FINANCING FOR DEVELOPMENT

Trusteeship Council Chamber, United Nations Headquarters, New York

Wednesday, 20 September 2023

CONCEPT NOTE

Introduction

In a context characterized by multiple compounding global crises, the 2023 High-level Dialogue on Financing for Development will be a critical moment to follow up on progress towards achieving the Addis Ababa Action Agenda (AAAA) and to show political support at the highest level to financing for sustainable development, while complementing the Sustainable Development Goals (SDG) Summit and its Political Declaration. It represents an important platform for Member States and other stakeholders to discuss creative solutions to the current challenges at the highest level to drive political support and advance the means of implementation of the 2030 Agenda for Sustainable Development at a time when it is needed most. The 2023 High-level Dialogue will achieve this by mobilising political engagement and accelerating the actions necessary to scale up financing and implement the AAAA.

The High-level Dialogue will take place under the overarching theme: *Financing the SDGs for a world where no one is left behind*.

Context

While progress has been made across all action areas of the AAAA, many of its commitments have yet to be met. Moreover, concurrent crises and the rapidly shifting global economic and financing landscape have created new challenges and opportunities for financing the SDGs. Both immediate measures and structural changes are urgently needed to address the gaps that have affected the SDGs.

The current context has been well described in the Inter-Agency Task Force's Financing for Sustainable Development Report (FSDR) 2023 and addressed in the outcome document of the 2023 ECOSOC Forum on Financing for Development follow-up (E/FFDF/2023/L.1).

Urgent solutions are needed to address the debt overhang and to alleviate the risk of a widespread debt crisis in developing countries. Despite the progress on some Debt Treatment Agreements, the Common Framework for Debt Treatments has not yet yielded the results expected, and long-standing challenges to resolving sovereign debt crises remain. This reaffirms the shared understanding that the international financial architecture has significant gaps and needs reform.

Furthermore, while the global financial safety net has expanded, developing countries received only around one third of the International Monetary Fund's (IMF) US$650 billion SDR allocation in 2021. Pledges to rechannel SDRs to the countries most in need are quickly approaching the total global ambition of US$100 billion. Nonetheless, developing countries often continue to lack access to liquidity in times of crises and developing countries continue to be underrepresented in global economic decision-making.

The growing SDG financing gap has accelerated calls to boost financing from all sources. Increased multilateral development bank (MDB) lending and a growing recognition of the important role of public development banks (PDBs) have helped meet increased demand for financing. Nonetheless, there remains room for MDBs to further increase lending through capital infusions and balance sheet optimization approaches and by de-risking private investment. Enhancing collaboration between MDBs and other PDBs could strengthen the entire system of development banks and generate even more investment.

In parallel, while official development assistance (ODA) reached its highest level ever in 2022, aid flows remain significantly below commitments, with loans still predominating over grants and concerns over whether the quality and impact of development cooperation is supporting both responses to short-term crises and long-term sustainable development priorities.

The provision of climate finance, critical for delivering on the SDGs and the Paris Agreement, is not keeping pace with the growing needs to address the adverse effects of climate change.

Additional private finance will be needed to close the SDG financing gap. Yet, efforts to increase private investment in the SDGs in developing countries have not shown sufficient progress. A range of policy tools and innovative instruments have to be further developed, especially under the auspices of the UN, to mobilize private finance and overcome some of the impediments to private investment. Establishing instruments and partnerships most likely to deliver results in local contexts is key. Regulating private business and finance with the aim to increase their impact on the SDGs and climate action is also required.

Without fundamental reforms of the international financial architecture, the urgent long-term investments necessary to achieve the SDGs by 2030 will not be possible. Aggressively scaling up SDG financing will require innovative approaches, bold policy decisions, and new sources of funding. In this regard, the UN Secretary-General has proposed an SDG Stimulus to significantly increase affordable, long-term financing for development in areas such as infrastructure, education, social protection and sustainable structural transformation. Full respect for human rights and reducing gender inequalities are essential to ensure that SDG investments are truly sustainable and benefit the most vulnerable.

While international tax cooperation has advanced significantly, the search continues for common solutions in tax matters and in combatting illicit financial flows. As developing countries are particularly susceptible to the negative impact of illicit financial flows, efforts to combat illicit financial flows need to be urgently made. The consensual adoption of the recent General Assembly resolution on the promotion of inclusive and effective international tax cooperation at the United Nations (A/RES/77/244) is a positive step in this regard.

Efforts to strengthen domestic resource mobilisation and related capacities must be pursued. Mobilizing sufficient tax revenue to finance public goods and services and provide social protection is fundamental to the achievement of the SDGs. Good governance, as well as sound public financial management and budget execution are needed to maximize the effectiveness of government expenditure and ensure national resources contribute effectively and efficiently to sustainable development.

The AAAA identified trade as an engine of economic growth. The multilateral trading system can contribute to the achievement of the SDGs by providing policy space for national development objectives, poverty eradication and sustainable development. Therefore, efforts to promote a universal, rules-based, open, transparent, predictable, inclusive, non-discriminatory and equitable multilateral trading system need to be enhanced.

Science, technology and innovation solutions have great potential to support progress on the SDGs, including through promoting sustainable industrial transformation. Digitalisation also has the potential to promote financial inclusion, and to reduce costs for the transfer of remittances. Yet important gaps remain, with a deepening digital divide, insufficient global support for strengthening countries' capacities and large unmet needs for sharing of transformative technologies that support industrial transformation. Investments in sustainable infrastructure, skills and productive capacity are key to overcome supply-side bottlenecks. Specific measures to reduce gender inequalities are needed for women and girls to equally benefit from the transition to sustainable economies and industries.

Finally, more needs to be done to improve and support data collection, management and analysis to support sound decision making for the implementation of the 2030 Agenda for Sustainable Development.

Scope of the High-level Dialogue

The High-level Dialogue, which was established as a biennial gathering by the 2002 Monterrey Consensus on Financing for Development, was elevated by the AAAA "to be held back-to-back with the high-level political forum under the auspices of the General Assembly[1] when the high-level political forum is convened every four years."[2] The first High-level Dialogue following the adoption of the AAAA took place immediately following the SDG Summit on 26 September 2019 and featured the announcement of initiatives and commitments by governments, the private sector, and civil society, as reflected in the Summary by the President of the General Assembly (A/74/559).

The 2023 High-level Dialogue forms an integral part of an interconnected series of events to advance the implementation of the AAAA and the 2030 Agenda for Sustainable Development, ensuring complementarity and continuity.

[1] The Sustainable Development Goals Summit

[2] Addis Ababa Action Agenda of the Third International Conference on Financing for Development, paragraph 132

The Dialogue will build on the outcome of the 2023 ECOSOC Forum on Financing for Development follow-up and will take into account the outcomes of other relevant discussions on Financing for Development. Furthermore, coming immediately after fresh commitments to turbocharge action on the SDGs at the 2023 SDG Summit, the Dialogue will be a critical complement to ensure commensurate financing. It will contribute to the overarching goal of rescuing the SDGs.

The Dialogue will directly inform preparations for the Summit of the Future in 2024, including the ministerial meeting taking place during the 78th session of the United Nations General Assembly. It will also feed into the annual meetings of the IMF and World Bank Group in October 2023. The High-level Dialogue will help drive forward the calls of the Secretary-General's 'Our Common Agenda' report for a more sustainable, inclusive and resilient global economy, and his proposal for an SDG Stimulus, which includes elements on the reforms to the international financial architecture and the strengthening of the MDBs.

With the decision of the General Assembly to consider convening a Fourth International Conference on Financing for Development in 2025[3], the High-level Dialogue will play a key role in framing the issues that a potential conference could address.

[3] See A/RES/77/156

Interactive Roundtables

Interactive Roundtable 1

Reforming the international financial architecture to achieve the SDGs
Trusteeship Council Chamber
9:30 a.m. – 1:00 p.m.

Segment 1

Fostering debt sustainability and strengthening the global financial safety net.

Today, 3.3 billion people – half of humanity – live in countries that are spending more on debt servicing than on health or education. One in three emerging markets is now at high risk of a fiscal crisis. Urgent solutions are needed to address the debt overhang and to alleviate the risk of a widespread debt crisis in developing countries. Despite some progress in recent months in the Common Framework, notably the restructuring agreement between Zambia and its official creditors in June, overall it has not yet yielded the results expected. This is because long-standing challenges to resolving sovereign debt crises remain, including in particular, the treatment of commercial debt.

Furthermore, while the global financial safety net has expanded, developing countries received only around one third of the International Monetary Fund's (IMF) historic US$650 billion Special Drawing Rights (SDRs) allocation in 2021. Pledges to rechannel SDRs to countries most in need have met the total global ambition of US$100 billion. Nonetheless, developing countries often continue to lack access to liquidity in times of crises and developing countries continue to be underrepresented in global economic decision-making. Without fundamental reforms of the international financial architecture, the urgent long-term investments necessary to achieve the SDGs by 2030 will not be possible.

This interactive roundtable segment will evaluate the current policy response to debt vulnerabilities, assess gaps in the global financial safety net and identify ambitious but achievable solutions that would engender lasting debt sustainability and realize a global financial safety net that reduces volatility.

Segment 2:

Promoting inclusive and effective international tax cooperation and mobilizing domestic resources

There is wide consensus that international tax cooperation must be further strengthened to combat tax avoidance, tax evasion and illicit financial flows. These issues drain much needed resources from countries, especially those that are least developed countries or in special situations. The importance for all stakeholders in tax systems of simple, administrable tax rules is also recognized. In an increasingly globalized and digitalized world, international tax cooperation must be made fully inclusive and more effective so that Governments can better cooperate in generating financing to invest in the SDGs and fostering SDG-aligned policies.

Building on General Assembly resolution 77/244, focused on “Promotion of inclusive and effective international tax cooperation at the United Nations,” the upcoming Assembly session provides a timely opportunity to discuss and decide on additional options and next steps to make international tax cooperation fully inclusive and more effective. The options include a multilateral convention on taxation, a framework convention on international tax cooperation, and a framework for international tax cooperation. Each option would entail varying degrees of legal bindingness for the involved parties.

Efforts to strengthen domestic resource mobilisation and related capacities must also be pursued. Mobilizing sufficient tax revenue to finance public goods and services and provide social protection is fundamental to the achievement of the SDGs. Good governance, as well as sound public financial management and budget execution are needed to maximize the effectiveness of government expenditure and ensure national resources contribute effectively and efficiently to sustainable development.

This session will explore advances in international tax cooperation and measures against illicit financial flows. It will evaluate existing mechanisms for enhancing the efficiency of domestic resource mobilization and will identify practical yet ambitious but solutions for reform.

Interactive Roundtable 2:
Innovative solutions to unlock SDG investments
Trusteeship Council Chamber
3:00 p.m. – 5:45 p.m.

Segment 1: ***Innovative approaches and partnerships to boost private finance for the SDGs***

Private business activity, investment and innovation are major drivers of productivity, employment, and economic growth. Yet, efforts to increase private investment in the Sustainable Development Goals (SDGs), under way even before 2015, have not shown sufficient progress. Increasing private investment and finance, especially in developing countries, is one of the greatest challenges to achieving sustainable development.

Achieving the SDGs would require trillions of dollars of investment per year, especially in sectors like sustainable energy, transport, telecommunications, health, education and green economy. A significant scaling up of private investment will be required. However, as it stands, private investment is insufficient and does not always flow to where it is most needed to advance sustainable development. While the amount of foreign direct investment (FDI) in clean energy attracted by developing countries in 2022 stood at $544 billion, a considerably greater amount is required. In this regard, the fact that global FDI flows fell by 22 per cent to $1.3 trillion in 2022 is especially concerning

Building an enabling SDG-aligned business environment would reduce investment risk while promoting the SDGs. Good governance, rule of law, policies, incentives, and instruments that fairly share risks between the official sector and private partners will be needed. Moreover, developing instruments and partnerships most likely to deliver results in local contexts are key to tailoring solutions to the specific SDG needs and priorities.

To facilitate private investment, blended finance instruments can be deployed. Yet, while there has been increased interest in blended finance, to date, it has not lived up to the expectations of scaling SDG investments from billions to trillions. Blended finance investments to date have not focused on deals with the greatest sustainable development impact, thus bypassing LDCs and countries most in need.

Segment 2:

Scaling up affordable and accessible international public financing for sustainable development and ensuring efficiency

Official Development Assistance (ODA) remains an essential form of international public finance, especially for countries where there are structural impediments to domestic resource mobilization. However, while ODA reached a record high in 2022 in absolute terms, in response to multiple crises, at USD 185.9 billion, it represents only 0.33 per cent of donor country gross national income (GNI), far below the target of 0.7 per cent. Loans still predominate over grants and concerns remain over whether the quality and impact of development cooperation is supporting both responses to short-term crises and long-term sustainable development priorities.

Since the Addis Ababa Action Agenda, international development cooperation has seen significant shifts in its provision, modalities, focus and recipients. There is increased delivery of ODA through multilateral rather than bilateral providers, a rise in South-South and triangular cooperation, and a nascent contribution of philanthropy.

At the same time, increased multilateral development bank (MDB) lending and a growing recognition of the important role of public development banks (PDBs) has partially helped meet increased demand for financing. Nonetheless, there is room for MDBs to further increase lending through capital infusions and balance sheet optimization approaches, as well as by leveraging private investment. The Secretary-General's SDG Stimulus, the Bridgetown Initiative, and the Paris Summit for a New Global Financial Pact all call for an expansion in the volume of lending and a greater role for PDBs. Enhancing collaboration between MDBs and other PDBs could strengthen the entire system of development banks and generate even more investment.

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