

Development in Brief



No 22, 18th June 2015

Sustainable Development Finance: What Will The Conference In Addis Achieve?

Author: Klaus Vöhringer

Editor: Simone Sieler

Major summits in 2015 crucial for development and climate finance

Following the G7 summit in Germany with its strong focus on development and climate policy, there are three more major international conferences on the issue of development and climate finance scheduled for 2015. The first of these, the Third International Conference on Financing for Development (FfD) being held in Addis Ababa from 13 July to 16 July, is to lay the groundwork for the success of UN negotiations regarding a new, universal system of targets for sustainable development (Sustainable Development Goals, SDGs) in September. Finally, the 21st Conference of the Parties to be held in Paris in December will aim to arrive at a treaty to succeed the Kyoto Protocol in 2020.

Massive future demand for financing requires multiple sources

It is generally agreed that the new development goals will fuel a surge in demand for financing – particularly in the fields of infrastructure and climate-related investment. Estimates of the annual, global need for investment in water and energy supply, agriculture, telecommunications, industry and the

transport, construction and forestry sectors range from USD 5 trillion to USD 7 trillion (source: ICESDF 2014).

The UN's Intergovernmental Committee of Experts on Sustainable Development Financing drew up initial financing proposals in August 2014. The aim of the third FfD conference is to set up an international financial architecture for the implementation of the SDGs on the basis of the previous conferences in Monterrey in 2002 and in Doha in 2008. The goal is to make use of all available sources of financing for development and climate-related issues and to standardise their reporting – including both public and private resources at a national and international level.

New global partnership for sustainable development

The conference is not yet seeking to elicit specific pledges with respect to the individual SDGs. Instead, the aim is to replace the traditional structure of donors and beneficiaries by a global partnership for development.

Emphasis is being placed on every country's responsibility for development, with a stronger focus on improving government revenue in developing countries (for example by improving their tax systems).

At the same time, limited public funds should be used to mobilise more private capital for the purpose of sustainable development. This expands the range of financial instruments beyond conventional financing in the form of grants.

The conference will also discuss the revision of certain aspects

of the current regulatory framework such as how to deal with highly indebted countries, further reforms to multilateral institutions (the IMF and the World Bank in particular), reforms with respect to the regulation of financial markets and the international trade system.

Development banks to play an important role in the financing of SDGs

National development banks have an important role to play in the proposed process of transformation towards a new global partnership. Rather than simply financing investment directly, they also contribute to institution building. Through their targeted promotional activities and collaboration with the national banking system, they make a comprehensive contribution to the inclusive and sustainable development of the financial system and the economy.

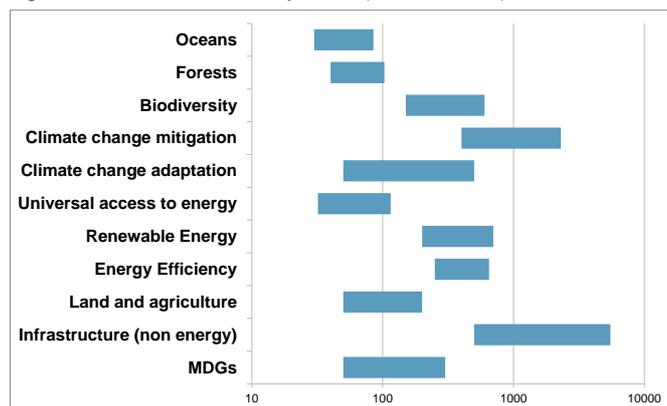
Significant differences between traditional donors and beneficiaries in negotiations

Negotiators are currently working hard on producing an outcome document at the supplementary rounds of negotiations being held in New York. There are still a number of differences between the industrialised countries on the one hand and the developing and emerging countries of the Group of G77 on the other. The main points of contention are the importance of ODA as opposed to the recipient countries' own revenue, the treatment of foreign direct investment and the discontinuation of subsidies for fossil fuels. The principle of "common but differentiated responsibilities", which is supported by the G77 Nations, is a particular sticking point in the negotiations. The G77 Nations are also calling for a new timeschedule for achieving the ODA target of 0.7 %, or even increasing it to 1.0 %, by 2020.

Conclusion

It remains to be seen to what extent the proposed new "global partnership for development" will also be backed up by specific resolutions and measures. One thing that is clear, though, is that the FfD conference will have a major influence on the debates regarding international development and climate-related finance for the next few years. ■

Figure 1: Demand for finance by sector (in USD billions)



Source: ICESDF (2014); logarithmic diagram