

High-level Dialogue on Financing for Development Highlights: Thursday, 26 September 2019

The High-level Dialogue on Financing for Development, the first such dialogue since the adoption of the Addis Ababa Action Agenda (AAAA) in July 2015, took place at UN Headquarters in New York. It considered ways to accelerate progress in the implementation of the AAAA and financing the 2030 Agenda, through energizing growth and tackling challenges in the global economy, encouraging public and private investment to align with the 2030 Agenda, and promoting new and innovative initiatives that target gaps in financing sustainable development.

The opening session was followed by four interactive dialogues, on: putting public resources to work for more equal, sustainable societies, including by combatting illicit financial flows (IFFs); financing the Sustainable Development Goals (SDGs) and climate action against rising debt burdens; moving the money to fill the climate action and SDGs financing gaps; and announcements and new initiatives.

Opening Session

In his opening address, Tijjani Muhammad-Bande, President of the UN General Assembly (UNGA), said the USD 2.5 trillion annual financing gap for the implementation of the SDGs needs to be addressed. He noted that developing countries lose trillions each year due to IFFs.

UN Secretary-General António Guterres described his Roadmap for Financing the 2030 Agenda for Sustainable Development, for aligning the international financing system behind the SDGs. He announced the launch of his Global Investors for Sustainable Development (GISD) alliance in October 2019, with members collectively managing almost USD 16 trillion.

In a keynote address, President Nana Addo Dankwa Akufo-Addo, Ghana, said aid was never meant to be the only solution for development in Africa – the continent is rich in mineral and resources, but unbalanced contracts between African governments and investors are a key barrier.

Bill Gates, Bill and Melinda Gates Foundation, emphasized the need for equitable tax collection systems, noting the role of domestic resource management in providing the largest share of financing. Recognizing the need to “protect aid,” he also called for realism about the gaps that private financing can, and cannot, fill.

Sola David-Borha, Standard Bank Group, said the Standard Bank is one of 130 banks that have signed the Principles for Responsible Banking. She stressed the need for public-private cooperation, increasing inter-African trade, and investing in gender equality.

Interactive Dialogue 1: Putting Public Resources to Work for more Equal, Sustainable Societies, Including by Combatting Illicit Financial Flows

The first interactive dialogue was moderated by Sarah Cliffe, New York University.

In a video message, the Prince of Wales said the current market system is no longer fit for purpose, and a new approach rooted in sustainable markets is needed. He stressed the imperative of moving from billions to trillions of financing for sustainable development.

Cliffe noted that none of the high-level summits during the week will deliver results without finance. She highlighted the importance of taking international action on tax avoidance and evasion, addressing fair contracts and concessions on natural resources, and recovering IFFs.

Prime Minister Mohammad Shtayyeh, Palestine, for the Group of 77/China (G-77/China), stressed that financing for development (FfD) must be aligned with national priorities and development strategies, and called for strengthening international cooperation on taxation and addressing IFFs.

Prime Minister Kokhir Rasulzoda, Tajikistan, pointed to global trade and investment as primary drivers of growth.

Deputy Prime Minister Alexander De Croo, Belgium, described corruption as a serious threat to development cooperation as it lowers confidence in governments.

Udoma Udo Udoma, Minister of Budget and National Planning, Nigeria, underscored the need for international cooperation on tax collection to target IFFs.

Darren Allan Henfield, Minister of Foreign Affairs, Bahamas, said the vicious cycle of building, destruction, and recovery caused by natural disasters in his country is unsustainable; and noted the role of IFFs in impeding economic growth and worsening inequality.

Svetlana Lukash, Office of the President, Russian Federation, said the G-20 Base Erosion and Profit Shifting Action Plan identifies tax havens and offshore funds that can be taxed.

In an exchange between experts, Manuel Montes, South Centre, pointed to the role of existing rules and standards, such as those of the Organisation for Economic Co-operation and Development, in facilitating IFFs. While the UN Tax Committee has a method for addressing these issues, it is not currently dominant in the international system, he said, while calling for the UN to increase its involvement in setting standards.

Kevin Gallagher, Boston University, said regulating cross-border financial flows could save USD 400 billion per year and called for addressing illicit trade mis-invoicing, which costs approximately USD 1 trillion annually.

Irene Ovonji-Odida, Independent Commission for the Reform of International Corporate Taxation, called for more multilateral attention to international tax reform and adequate regulation of the private sector.

Sneha Shah, Refinitiv - Thomson Reuters, said IFFs are not only a problem for tax coffers, but also cause social ills, hindering the achievement of the SDGs. She said USD 1.5 trillion is lost to IFFs annually, and another USD 1.3 trillion is spent fighting them.

President Idriss Déby Itno, Chad, stressed investment in natural resources, diversification of economies, addressing IFFs, enabling access to markets, and reform of international institutions to take into account the effective participation of African countries. He welcomed the UN Secretary-General's Strategy for Financing the 2030 Agenda.

Prime Minister Imran Khan, Pakistan, stressed that IFFs cause poverty, death, and destruction, and undermine development progress. He called for an effective deterrent, saying this issue should be treated similarly to money laundering from drugs and terrorism, and questioned why developed countries allow tax havens to exist.

Neven Mimica, Commissioner for International Cooperation and Development, EU, highlighted plans to leverage EUR 44 billion in private investment in the African continent by 2020 and 10 times that amount between 2021 and 2027. He stressed the need to improve management and mobilization of domestic resources.

José Valencia Amores, Minister of Foreign Affairs and Human Mobility, Ecuador, expressed concern about unequal foreign direct investment (FDI) between regions, and the growing gap between public resources and financing needs. He said middle-income countries (MICs) need access to official development assistance (ODA), and to public concessional and non-concessional facilities.

Dag-Inge Ulstein, Minister of International Development, Norway, said IFFs are a systematic injustice to those left behind, and called for world leaders to take a "strong moral stance" in abolishing financial secrecy.

Ma Zhaoxu, Vice Minister of Foreign Affairs, China, described efforts to better align the Belt and Road Initiative with the 2030 Agenda and said that as the largest developing country, China has provided CNY 400 billion in South-South assistance.

In response to the panelists, Montes said the term "illicit financial flows" is incorrect, as many of these are in fact legal and the challenge facing the international community is to make them illegal.

In the expert exchange, Gallagher noted that the national development banks of China, Japan, and South Korea are financing clean energy transitions in their own countries, while financing coal-fired power plants around the world.

Ovonji-Odida called IFFs the "civil rights issue of our times," and said the UN should provide the space to develop hard rules in this area.

Shah said infrastructure financing could be a big problem if it is not managed well, both in terms of environmental impact and IFFs, and noted the launch of Refinitiv's Digital Governance of Infrastructure initiative in partnership with the UN.

Reflecting on the session, Cliffe emphasized that domestic resource mobilization cannot be seen separately from international tax systems and IFFs, and international reforms are needed to allow developing countries to raise the funds needed to achieve the SDGs.

Interactive Dialogue 2: Financing the SDGs and Climate Action Against Rising Debt Burdens

Moderator Matthew Bishop, The Rockefeller Foundation, highlighted that financing trends are "mostly going in the wrong direction" and underscored the importance of focusing on states that experience fragility.

Prime Minister Ralph Gonsalves, Saint Vincent and the Grenadines, stressed that while "new technical ideas are always coming," the problem is more structural. He called for "serious" political will from developed countries in delivering on their aid pledges.

Prime Minister Josaia Voreqe Bainimarama, Fiji, called for new ideas and collaborations to bridge the funding gap. Among such solutions, he proposed loans that carry zero interest, or loans linked to sustainable development criteria, and expanding "debt for nature swaps" to debt for sustainable development and climate action.

Dionisio da Costa Babo Soares, Minister of Foreign Affairs and Cooperation, Timor-Leste, called for "climate action for debt swaps" and for solutions specific to small island developing states (SIDS).

Ciarán Cannon, Minister of State for Foreign Affairs and Trade, Ireland, highlighted partnerships with least developed countries (LDCs) and SIDS, and said green finance is a strategic priority for the country.

Eric LeCompte, Jubilee USA Network, recalled the agreement under the AAAA to stop vulture funds from taking advantage of poor or indebted countries, and for action on debt reduction and restructuring. He warned of an approaching extreme debt crisis in low-income countries.

Gita Gopinath, International Monetary Fund (IMF), said the primary reason for a country to enter into a debt crisis is an undiversified economy, and called for more efficient management of expenditures, particularly on public investment projects.

Responding to Gopinath, Rebeca Grynspan, Ibero-American General Secretariat, said sound domestic policies must be complemented by international cooperation. She proposed new legal frameworks to encourage the private sector to invest in a more socially and environmentally sound manner.

Baba Musa, West African Institute for Financial and Economic Management, described findings of the 2019 World Bank Debt Management Performance Assessment, noting a widespread lack of capacity for public debt management.

Prime Minister José Ulisses Correia e Silva, Cabo Verde, focused on the difficulty of accessing financing, and the indebtedness caused by taking loans for resilience and adaptation. He also pointed to the dilemma for SIDS that graduate from LDC to MIC status, resulting in the loss of concessional financing.

Francine Baron, Minister of Foreign and Caribbean Community (CARICOM) Affairs, Dominica, stressed the connection between debt, climate change, and SDG implementation. She called for a financing instrument for small, vulnerable states, and for simplified access procedures for the Green Climate Fund.

Jerome Walcott, Minister of Foreign Affairs and Foreign Trade, Barbados, described FfD as the lynchpin for the achievement of the SDGs in SIDS, and called for broader criteria, including a vulnerability index, for graduation from LDC status.

Prime Minister Gaston Browne, Antigua and Barbuda, called for support from financial institutions for a CARICOM proposal to accelerate low-carbon transition in the region.

President Danny Faure, Seychelles, highlighted the introduction of sovereign blue bonds in his country as a "pioneering way" to raise capital to finance oceans-related projects. He stressed that traditional financing approaches such as ODA and domestic resource mobilization remain critical.

Emanuela Claudia Del Re, Vice Minister of Foreign Affairs and International Cooperation, Italy, noted that Italy's provision of ODA has increased to 0.3% of its gross domestic product (GDP), and her country is enhancing its project evaluation capacity to optimize impact. She indicated that Italy's voluntary contributions to the UN will increasingly be based on the ability of UN agencies to embrace reform and contribute to the 2030 Agenda.

Musa urged ensuring "responsible fund movement" alongside responsible lending and borrowing, policy change by international financial institutions to address the funding needs of developing countries, and insurance from the private sector against climate change-related disasters.

Grynspan supported a move away from the current approach to graduation of countries, to a focus on vulnerability. She expressed concern about the high transaction costs to access special funds.

Gopinath highlighted measures taken by the IMF to improve debt sustainability frameworks, public investment management, domestic resource mobilization, and international tax cooperation.

LeCompte said that for the first time in modern history, six major storms took place during a single week in the Atlantic and Pacific, and debt relief in the face of natural disasters must be prioritized.

Bishop concluded the session by stressing the “very alarming” nature of the interventions, saying “we are far from where we wanted to be in 2015.”

Interactive Dialogue 3: Moving the Money to Fill the Climate Action and SDG Financing Gap

Moderating the first segment of the dialogue, Gillian Tett, *Financial Times*, said the funds needed to implement the SDGs exist but are in the wrong place.

In a keynote address, Tharman Shanmugaratnam, Senior Minister, Singapore and Chair of the G20 Eminent Persons Group on Global Financial Governance, called for “significant and bold reform” in global finance through: mobilizing private sector finance; getting more value out of investments; and greening global finance.

President Julius Maada Bio, Sierra Leone, described a blockchain digital identity system to increase access to financial services, and a national financial framework to pursue a range of development financing options.

Monica Juma, Cabinet Secretary for Foreign Affairs, Kenya, stressed that investment opportunities are growing in Kenya, while investment risks are reducing. She emphasized the importance of public-private partnerships, prioritization, blending, and inclusion.

Highlighting that nearly 70% of individual savers in the UK want people and planet to be considered in pension investments, Matthew Rycroft, Permanent Secretary, Department for International Development, UK, emphasized the need for common standards to measure development impact.

Frank Elderson, the Netherlands Bank, described the work of the Network of Central Banks and Supervisors for Greening the Financial System. As well as climate-related financial risks, he said banks should consider financial risks associated with broader sustainable development concerns such as biodiversity loss, water scarcity, and human rights violations.

Akinwumi Adesina, African Development Bank, said multilateral development banks can free up more capital by working together, and stressed the need to provide access to finance.

Anne Finucane, Bank of America, noted the benefits of cooperation between banks, asset managers, development banks, and non-profit organizations to provide blended finance, saying this enhances the viability of projects.

Mark Wiseman, BlackRock, highlighted the need to mitigate sovereign risk, carry out projects at scale, and manage currency volatility. He said “the conditions could not be better” for investing in the low-carbon economy in developing markets.

Offering final remarks, panellists noted that: blended financing can reduce risk and restore confidence; special attention must be given to fragile states; and the green bond market is now “mature and working.”

Bio raised the concern that developing countries “are a little confused by global leadership,” which tells them to “walk together,” but also to take care of themselves.

In a keynote address to open the second segment of the dialogue, David Lipton, IMF, called for significantly raising the price of carbon, and for carbon taxes to be implemented in a “fair and growth-friendly way.”

Prime Minister Andrew Holness, Jamaica, called for a system to track and measure climate action, determine the price of carbon, and analyze climate investments. He noted that adaptation only receives 17% of climate finance, while 73% goes to mitigation.

Vice President Jusuf Kalla, Indonesia, said his government has launched an SDG Financing Hub to create an innovative financing environment, matchmake, build strategic networks and capacity, and share knowledge.

Carin Jämtin, Swedish International Development Cooperation Agency (SIDA), said SIDA works in a catalytic way to make its ODA go further, including by supporting accountable tax systems, censuses, and judicial systems to fight corruption.

Noting that over one billion people are not part of the banking economy, Julie Hanna, Kiva, said that with political will, every adult could be given a digital identity and bank account within two years, at no cost to their governments.

Eric Xiandong Jing, Ant Financial Services Group, emphasized the importance of data for addressing the financing challenge and the need to provide financing to small and medium-sized enterprises.

Maurice Tulloch, Aviva, called for a new Marshall Plan for the planet, noting the need for: governments to allocate 5% of pension funds and sovereign wealth funds to the SDGs, and shape fiscal incentives for insurers; public league tables ranking companies on their sustainability performance; redirecting subsidies towards the SDGs; and spending public money on areas that have difficulty attracting private finance.

Michael Sabia, Caisse de Dépôt et Placement du Québec, noting that the level of private capital into projects at the start-up and development stages is not increasing, proposed that governments “recycle” capital for start-up projects by selling portions of existing infrastructure.

Summing up, Tett said key threads emerging in the conversation were: the need for scalability; techniques and tools for moving trillions of dollars into the right place, including the importance of using blended finance to overcome obstacles; and the importance of better regulatory structures and investor education.

Interactive Dialogue 4: Announcements and New Initiatives

This dialogue was moderated by Luis Alfonso de Alba, the UN Secretary-General’s Special Envoy for the 2019 Climate Summit.

Prime Minister Allen Chastanet, Saint Lucia, for CARICOM, welcomed the UN Secretary-General’s commitment to support the adaptation debt swap proposal for SIDS, and highlighted a partnership between Saint Lucia and the World Economic Forum to implement a country financing roadmap, which he said will diagnose financing challenges and produce a tangible action plan to overcome them.

Mohamed Azmin Ali, Minister of Economic Affairs, Malaysia, announced a new initiative by the International Federation of Red Cross and Red Crescent Societies and the Islamic Development Bank, aimed at combating cholera in 29 member countries of the Organization of Islamic Cooperation.

Peter Eriksson, Minister for International Development Cooperation, Sweden, announced that his country has partnered with the UN Capital Development Fund to launch a new initiative that seeks to leverage the potential of remittances for sustainable development, saying the world has a historic opportunity to strengthen the synergies between human mobility and development.

Rasmus Prehn, Minister for Trade and Development Cooperation, Denmark, said that pending parliamentary approval, his country intends to almost double its climate-relevant ODA.

Marcelo Ebrard, Secretary of Foreign Affairs, Mexico, highlighted a shared plan with El Salvador, Guatemala, and Honduras to invest in areas with the greatest outflow of migrants.

Nasser Bourita, Minister of Foreign Affairs and International Cooperation, Morocco, highlighted: an initiative to adapt African agriculture to climate change; an initiative with Senegal to reinforce sustainability, stability, and security in Africa; and an African youth climate hub to provide for exchange of information.

Jean Asselborn, Minister of Foreign and European Affairs, Luxembourg, said the recent doubling of climate finance by his country is additional to ODA, which is 1% of gross national income.

Ville Skinnari, Minister for Foreign Trade and Development Cooperation, Finland, invited more countries to join the Coalition of Finance Ministers for Climate Action, saying the coalition will work to reduce the cost of capital for climate projects in countries with limited access to affordable capital.

Keith Krach, Under Secretary for Economic Growth, Energy, and the Environment, US, described how the US' International Development Finance Corporation aims to facilitate the private sector's participation in development financing.

Ohood Al Roumi, Minister of State of Happiness and Wellbeing, United Arab Emirates (UAE), highlighted energy and technology as the focus area of the UAE's development activities, including through partnerships with over 30 SIDS on climate change action, and renewable energy partnerships that have leveraged USD 1 billion.

Manuel Sager, Swiss Agency for Development and Cooperation, highlighted the Blue Peace Initiative to support the prevention and resolution of water conflicts.

Jean-Baptiste Lemoyne, Secretary of State to the Minister for Europe and Foreign Affairs, France, shared actions by France to adopt a statistical standard to gain an accurate picture of public funds transferred to developing countries, and to better use public funding to leverage private sector resources.

Amar Bhattacharya, Brookings Institution, presenting a report of a technical task force on mobilizing USD 100 billion for climate finance by 2020, warned that there is a serious risk the goal will not be met. He urged setting a new goal well beyond USD 100 billion, strengthening concessional finance architecture, and aligning the financial system with the Paris Agreement.

Rémy Rioux, International Development Finance Club, proposed that the UN define and promote a new sustainable development investment label, with clear parameters and guidelines and without prejudice to ODA.

Barbara Zvan, Investor Leadership Network (ILN), said its Task Force on Climate-related Financial Disclosures Recommendations Report identifies the information needed by investors and lenders to appropriately assess and price climate-related risks and opportunities.

Stephanie von Friedeburg, International Finance Corporation, said of the USD 269 trillion in financial assets invested worldwide, less than USD 1 trillion is invested for impact beyond financial return. She described a strategy launched in 2019 that seeks to improve confidence in investing for impact through implementing common operating principles.

Anne-Marie Levesque, 2X Working Group, described an initiative by G-7 countries to mobilize USD 3 billion by 2020 to invest in women, saying it has already mobilized USD 2.5 billion.

Lise Kingo, UN Global Compact, announced a new chief financial officer network to mainstream the SDGs in corporate finance, and said that an SDG Bond designed to increase renewable energy and support full decarbonization by 2050 raised USD 1.5 billion.

Richard Curtis, SDG Advocate and movie director, announced the launch, in 2020, of a public campaign to empower people to ensure their pensions are no longer invested in fossil fuels, tobacco, and supply chains that employ child labor.

Gerbrand Haverkamp, World Benchmarking Alliance, announced plans to rank the world's most influential technology companies on the basis of their alignment with the SDGs.

Maria Ramos, Co-chair of the UN Secretary-General's Task Force on Digital Financing for the SDGs, announced the launch of the interim report of the Task Force, which finds that: faster, better, and cheaper data has a strong impact and must be used wisely; people are the real "global financiers" as they channel money to the things they care about; and digitalization is reconfiguring economies. She added that if the digital divide is not bridged, it could entrench the financial divide.

Two youth representatives shared recommendations from the Youth Climate Summit. Genevieve Jiva, Pacific Islands Climate Action Network, said young people are calling out the lack of political ambition to mobilize finance, in particular for climate change adaptation and loss and damage. She called for more youth-inclusive climate finance, support for a just transition, and holding major polluters accountable.

Dominique Souris, Youth Climate Lab, called for: capacity-building programmes to scale up youth climate solutions; involving young people in the design of financial policy solutions; and a youth climate fund.

Closing Session

Marc-André Blanchard, Permanent Representative to the UN, Canada, and Chair of the Group of Friends of SDG Financing, said that while there are more than enough financial resources to achieve the SDGs, the capital is not where it is needed. He stressed the relevance of the UN in addressing this issue.

Amina J. Mohammed, UN Deputy Secretary-General, said the interactive dialogues had highlighted the importance of mobilizing and leveraging public and private finance, increasing efforts to fight IFFs, and systematically addressing the SDGs' investment gap.

Mona Juul, President of the UN Economic and Social Council (ECOSOC), pointed to three urgent areas for action: tackling IFFs; promoting fair and predictable taxation; and responsible borrowing and lending. She noted that the 2020 ECOSOC Forum on FfD will further review progress.

Listing takeaways from the High-level Dialogue, Muhammad-Bande said while public finance remains the backbone of sustainable development, private funding is also essential, and fiscal policies must take a long-term view.

The Summit ended at 6:23 pm.

In the Corridors

A plan (or Goal) without a budget is a hallucination, one speaker observed on Thursday. The budget for the SDGs is currently considerably short – by as much as USD 2.5 to 3 trillion annually. In a series of dialogues that were refreshingly focused and balanced, participants set about discussing where this money will come from.

Bill Gates said mobilizing domestic public resources and increasing tax revenue could provide a third of the funds needed for implementing the SDGs in low-income countries. More effective spending, ODA, and blended finance could further plug the gap. His set of proposals missed at least a couple of solutions, as speakers later pointed out. Reigning in multinational corporations that exploit existing rules and standards to "legally" disadvantage developing countries is one. "Making the legal, illegal," said a commentator, could be a task for the UN.

IFFs are another serious drain on global resources and on developing countries: USD 1.5 trillion is lost due to IFFs annually, one speaker informed participants. USD 1.3 trillion is then spent fighting the problem! A head of government was brutal in his assessment: developed countries do not address this situation because they benefit from it. At least one developed country minister was willing to break the mold. Calling IFFs a "systematic injustice" to the poorest, he called on leaders to take a "bold and brave moral decision" to reinvent international rules and stem IFFs.

While leaders pat their pockets, the tab keeps growing. Participants from the SIDS were coordinated and persuasive in conveying the challenges and higher costs of implementing the SDGs at a time when climate-related disasters are constantly ravaging development gains, and the moral responsibility of the international community to come to their aid. "Why are countries that make pledges not delivering on them?" he asked. "Why all the difficulties in accessing the money that is available?"