UN Side Panel Event:
Celebrating the United Nations at 70: Financing for development Post 2015, The growing importance of multi-stakeholder partnerships for developing countries

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United Nations Church Center
Floor 2 Conference Room
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The Monterrey Consensus was adopted in 2002 as the world's template for the financing of global developmental efforts. The agreement was viewed as historic and far reaching, having addressed the complex issue of financing the sustainable growth and development objectives of the UN's Millennium Development Goals established two years earlier.

Several important meetings and agreements followed, including the 2008 meeting in Doha, Qatar, out of which arose The Doha Declaration on Financing and Development and, the Rio+20 summit in 2012, an international gathering organized to re-direct and renew global political commitment to the three dimensions of sustainable development: economic growth, social improvement and environmental protection.

These international meetings and declarations have solidified the international consensus on the importance on financing for development and have given impulse to many new approaches and initiatives.

As we approach the 2015 deadline for the Millennium Development Goals, the international community has elaborated a new draft framework to promote sustainable development for all beyond 2015. The 17 Sustainable Development Goals go beyond the protection of basic human needs and poverty eradication. They look instead at what factors can trigger a change of situation, this includes economic growth, reduced inequality, sustainable management of natural resources and tacking urgent action to combat climate change and its impacts. The issue of financing those goals remains an ongoing challenge, albeit one in which great strides have been made. The worldwide financial crisis of 2008 only served to highlight the urgency for more predictable international public and private financing with the result that the search for new sources of development financing has intensified.

With this in mind, the General Assembly established the Intergovernmental Committee of Experts on Sustainable Development Financing (the Committee) and tasked it with developing options for a sustainable development financing strategy to facilitate the mobilization of resources and their effective use in achieving the sustainable development objectives set out at Rio in June 2012.

During its initial consultations with all relevant stakeholders, the Committee began an analysis by assessing sustainable development financing needs, current financing flows and potential sources of financing. It found that the needs are huge and the challenges in meeting them are enormous. Indeed, the current OECD figures stating the total requirement for global infrastructure investment by 2030 (for transport, electricity, water and telecommunications) is around USD 71 trillion. With such figures in mind, the Committe found that current financing and investment patterns will not deliver sustainable development.

The solution it found included better aligning private incentives with public goals and creating a policy framework that would encourage for-profit investment in these areas.

Earlier this month, at the presentation of his Synthesis Report, Secretary General Ban Ki-moon welcomed the policy options presented this August by the Intergovernmental Committee of Experts on Sustainable Development Financing in its final report (the Report). He also further stressed the important role that the Third International Conference on Financing for Development, taking place next July in Ethiopia, will play, being critical for achieving "concrete outcomes that would finance sustainable development and set the stage for a successful outcome of the COP21 in Paris."

GFDD endorses the suggestion in the Report to include traditional public private partnerships between governments, the private sector and civil society, but also new forms of blended financing and innovative partnerships. Typically used in infrastructure projects and innovation, blended finance is a useful financing tool when the overall benefit of a project or investment is sufficiently large that an attractive benefit is still available to the public sector after the private partner is compensated. The rise in popularity of these types of finance projects speaks for itself: Between 2007 and 2013, the European Union allocated €2.1 billion in "blended financing" subsidies for infrastructure projects in developing countries. However, facilitating these types of investments will require governments to align themselves with the private sector to allow these partnerships to take place, ensuring that incentives, pricing and regulations are aligned.

Although the report does call for blended finance projects to be "transparent and accountable" and makes the link to their sustainable development impacts in the project design phase, it does not mention human rights. Full participation by, and transparency towards, those affected by these projects, should apply to their negotiation, implementation and monitoring. In seeking to unlock further capital investment we therefore need to ensure that governments do not undermine human rights or recreate the capital market mistakes of 2008, by providing too much regulatory freedom to the private sector.

Although these new mechanisms of mobilizing resources for development have found enthusiastic trailblazers in private, public and non-governmental sector, the potentially biggest, long ago identified mechanisms, like Official Development Assistance (ODA) and Financial Transaction Taxes (FTTA) have not progressed in their implementation.

Since the first two working sessions of the Expert Committee on Financing for Sustainable Development, GFDD has continued to push for greater private funding in the form of Financial Transaction Taxes (FTT) on global financial transactions as a way of mobilizing resources towards achieving the goals. FTT's refer to a very small tax on trades of stocks, derivatives, currency and other financial instruments.

To quote Dr. Leonel Fernandez, President of the Global Foundation for Democracy and Development, and former President of the Dominican Republic, who addressed the UN General Assembly on this issue in 2009:

"The placement of financial resources in tax heavens implies a yearly tax evasion of at least 250 billion dollars. As we have said, this is equivalent to the amount of funds estimated by the World Bank needed to complete the funding for achieving the Millennium Development Goals."

A Financial Transaction Tax (or FTT), in general, is typically represented by a very small tax on trades of stocks, derivatives, currency and other financial instruments, and is extremely effective in raising large amounts of revenue for urgent needs while simultaneously discouraging the type of short-term financial speculation that has little social value but poses high risks to the economy. It is estimated that a FTT could generate up to 200 billion Euro's at the European level and almost 650 billion at the global level.

We stand at a point in time that offers us the perfect opportunity to embrace innovative approaches to financing for development. Provided we implement the correct regulatory and institutional frameworks to accommodate these new funding strategies, we can push our boundaries back and make the transition to sustainable development a reality.