

## First session of the Preparatory Committee for the fourth International Conference on Financing for Development

### Ministerial Scene-Setter: "Reviewing the progress and gaps in the implementation of the Addis Ababa Action Agenda as an integral part of the 2030 Agenda, and identifying actions and ideas to accelerate the implementation of the SDGs"

Monday, 22 July 2024, 11:00-13:00

#### *Issue note*

#### **Background**

The Financing for Development (FfD) process at the United Nations (UN) is a unique platform to finance the SDGs and ensure that financing for development discussions are aligned with and promote policies and investments for long-term sustainable development that are economically, socially, and environmentally sustainable.

The FfD process enables policy dialogues between finance, foreign affairs and development officials, which has become increasingly critical in a world characterized by rising systemic risks that require multifaceted and multisectoral responses. By bringing together voices from all countries in the world on an equal footing, along with the voices of stakeholders – such as civil society, including academia and think tanks, and business – the UN ensures that financing for development initiatives consider a wide range of creative solutions as well as the needs of the most vulnerable. The FfD process also fosters multilateral cooperation and partnerships, encouraging countries to work together and with the international community to address global financial challenges and support sustainable development.

The **Monterrey Consensus** in 2002 was the first comprehensive international framework for financing development in which development became a central objective of finance policies and regulations. Developed against the backdrop of a series of emerging market debt and capital flow crises and the adoption of the Millennium Development Goals (MDGs), the Monterrey Consensus was based on shared responsibility: countries are responsible for their own development and the international community is responsible for providing an enabling international environment.

To realize this, countries agreed to a package of commitments related to domestic and global actions, including domestic financial resources for development (taxes); international resources for development (foreign direct investment); international trade; international financial and technical cooperation; external debt; and systemic issues. Thinking about financing in this broad sense allows countries to mobilize resources for development in an interconnected and integrated way. Following the agreement in Monterrey, donors increased allocations to official development assistance (ODA) and initial effort were made to increase the voice of developing countries in global economic governance at the international financial institutions.

The **Doha Declaration**, adopted in 2008, adapted the principles of the Monterrey Consensus to a more challenging and complex global environment amid the 2008 global financial crisis, food insecurity and volatile energy prices. The Declaration highlighted the need to address new and emerging issues such as climate change, food security, and financial instability while continuing to push for effective development cooperation and systemic reforms in global economic governance.

Developed in parallel to the Sustainable Development Goals (SDGs), the **Addis Ababa Action Agenda**, adopted in 2015, reflected the evolution that had taken place in the understanding of sustainable development over the two previous decades. The Addis Agenda built on the Monterrey Consensus and Doha Declaration by providing the first comprehensive framework for financing sustainable development by aligning all financing flows and policies with economic, social, and environmental dimensions. This broad, integrated approach to development emphasized that finance should not be disconnected from the real economy. Policies and institutions must be designed to effectively harness all sources of financing, recognizing that different financial flows have complementary roles.

To address the larger and more diverse financing needs associated with sustainable development, the Addis Agenda offers a more nuanced understanding of the benefits and the risks associated with different types of finance. At its core is the importance of long-term investment, and the need for all financing to be aligned with sustainable development. It spells out the potential contributions of public finance, capturing a compromise to strengthen the UN's role in international tax cooperation by strengthening the UN Committee of Experts on International Cooperation in Tax Matters. This momentum sustained leading to the decision by the General Assembly in 2023 to begin a process towards a UN Framework Convention on Tax.

The Agenda also highlights the growing role of national, international and multilateral development banks, calling for these institutions to optimize their balance sheets and to align their business models with the SDGs. It also sparked discussions on how public development banks can increase efficiencies and knowledge-sharing by working together as a system.

The Addis Agenda also elevated the importance of sustainable finance to a new level. It puts forward specific public policies and regulatory frameworks to encourage private investments that support the SDGs, including calling for harmonization of the various initiatives on responsible financing standards – another call that is currently being implemented through the International Sustainability Standards Board (ISSB), established at COP26 in Glasgow, efforts to standardize non-financial reporting, with several countries currently contemplating adoption. The Addis Agenda also highlighted the issue of blended finance, establishing principles on which blended finance projects should be based to share risks and returns fairly between the public and private sectors.

For the first time in an FfD outcome, the Addis Agenda incorporated commitments to leverage technology for sustainable development, expanding the conception of the means of implementation for development. Furthermore, the outcomes of the Addis Agenda included the establishment of integrated national financing frameworks (INFFs), mainstreamed gender in the development finance discourse, and gave impetus to the establishment of the Technology Bank for Least Developed Countries.

Despite the significant progress made since the adoption of the Addis Agenda, many gaps remain in its implementation. After four years of interconnected and mutually reinforcing shocks, including the COVID-19 pandemic, geopolitical conflicts and economic instability, the SDG financing gap has ballooned to up to USD 4 trillion annually for developing countries, and laid bare additional gaps in the international financial architecture that need to be addressed to achieve the SDGs. The inability of international financial architecture (IFA) to mobilize sufficient, stable, long-term financing to address today's needs, including the climate crisis and the SDGs, has laid bare its structural flaws and accelerated calls for reforms.

Against this backdrop, Member States have decided to convene a **fourth International Conference on Financing for Development (FfD4)** from 30 June – 3 July 2025 in Spain. FfD4 is mandated to assess progress in previous FfD outcomes, address new and emerging issues, and support reform of the international financial architecture.

A number of solutions have already been proposed to achieve these aims. In September 2022, the United Nations Secretary-General called for an SDG Stimulus to urgently scale up development financing by \$500 billion annually. A range of options for governments to consider, elaborated in his policy brief published in February 2023, includes concrete proposals to: (i) bring down high debt servicing costs and rising risks of debt distress; (ii) massively scale up affordable long-term financing for the SDGs; and (iii) step up liquidity support to countries in need.

The Secretary-General has also proposed ambitious recommendations in six areas that would make the IFA fit for purpose in today's world, including: (i) global economic governance; (ii) debt relief and the cost of sovereign borrowing; (iii) international public finance; (iv) the global financial safety net; (v) better linking private sector profitability with sustainable development and the SDGs; and (vi) global tax architecture for equitable and inclusive sustainable development.

Beyond the UN, important actions are taking place in the international financial institutions, informal country groupings such as the G20 and G7, as well as initiatives spearheaded by individual Member States, such as the Bridgetown Initiative and the Paris Pact for People and Planet (4P) to step up support to developing countries and to rescue the SDGs.

FfD4 will be a key opportunity to transform proposals into action and reach a new global agreement that builds on the successes of past FfD outcomes and bridges the outstanding financing gaps that have hindered progress on the 2030 Agenda.

### **Participation and objective**

The Ministerial Scene-setter will feature the participation of Ministerial-level participants from countries that hosted or were extensively involved in the first three FfD Conferences, as well as those that will be for FfD4. The session will be chaired by the Co-Chairs of the FfD4 PrepCom, the Permanent Representatives of Burundi and Portugal.

Participants will discuss the experiences of the previous FfD Conferences to take stock of progress since the 2015 Addis Ababa Action Agenda, identify remaining gaps in implementation, and harvest lessons that can inform the FfD 4 preparatory process. The session aims to generate political momentum to realize an ambitious FfD 4 outcome. The discussion held during the Ministerial Scene-setter will set the tone and orient discussions for the entire session of the PrepCom by providing high-level political guidance for the multi-stakeholder round table discussions that will follow.

### **Format**

The session will begin with brief procedural remarks by the Co-Chairs of the PrepCom. The moderator will kick off the discussion with brief remarks before initial interventions of up to five minutes by the Ministerial panelists. Lead discussants will comment following the initial interventions from the Ministerial panel.

An interactive discussion with interventions from the floor will follow. There will be no pre-established list of speakers. Delegations wishing to participate in the interactive discussion should press their microphone

button after the moderator opens the floor for comments or questions. Interventions during the interactive discussions should be limited to three minutes when speaking in a national capacity and five minutes when speaking on behalf of a group.

During the interactive discussion, the moderator will comment on the interventions from the floor and engage the panelists, as necessary. Time permitting, there will be an additional round of interventions from the Ministerial panel following the interactive discussion.

Finally, the Co-Chairs will deliver brief remarks reflecting on the discussion and will procedurally close the session.

### **Guiding questions for discussion**

1. What were the most important outcomes of the first three FfD Conferences? What actions were taken to realize these successes?
2. What are some the key lessons from past FfD Conferences that should be considered in preparing for FfD4? What can Member States do now to ensure an ambitious and successful FfD4 outcome?
3. How can FfD4 mark a step change in financing for sustainable development, including in reform of the international financial architecture? What politically feasible, action-oriented and ambitious proposals should Member States consider taking forward at FfD4?