IRF2015 Independent Research Forum

Towards a *Transformative* Post-2015 Development Agenda

Informal Member State Retreat #6
Tarrytown, New York, 15-16 February 2015

Summary

On 15-16 February 2015, the Independent Research Forum on a Post-2015 Sustainable Development Agenda (IRF2015) hosted the sixth in a series of informal retreats on the overarching theme "Towards a *Transformative* Post-2015 Development Agenda." The purpose of the retreats is to provide an informal setting for open and substantive exchange of views (under Chatham House Rule) on issues critical to framing the global debate on the post-2015 agenda and its implementation.

This sixth retreat included participants from 32 member states, as well as UN and World Bank representatives, members of IRF2015 and other independent experts. The Governments of The Netherlands, Norway, Saint Lucia, Switzerland, Uganda and Vietnam supported the organization of the retreat.[1] The meeting addressed the theme of "*An Integrated Financing Framework for the Post-2015 Sustainable Development Agenda*." Through plenary discussions and small group exercises, supported by brief background papers and presentations by IRF2015 and collaborating experts, the retreat covered three inter-related topics:

1) *Framing the 'financing for sustainable development' challenge*—identifying priority needs and gaps for a post-2015 sustainable development financing agenda, building on the 2002 Monterrey Consensus ("Monterrey plus");
2) *Forging an integrated financing framework*—building consensus on design principles and elements for enhancing the coherence and effectiveness of financing for sustainable development, including the need to better link development, climate and environmental finance;
3) *Unlocking private finance for sustainable development*—identifying priority policy options for catalyzing private finance for sustainable development, and moving toward a sustainable financial system.

The following summary highlights key messages that emerged during the discussion.

[1] Financial support was provided by the governments of The Netherlands, Norway and Switzerland.

Key Messages

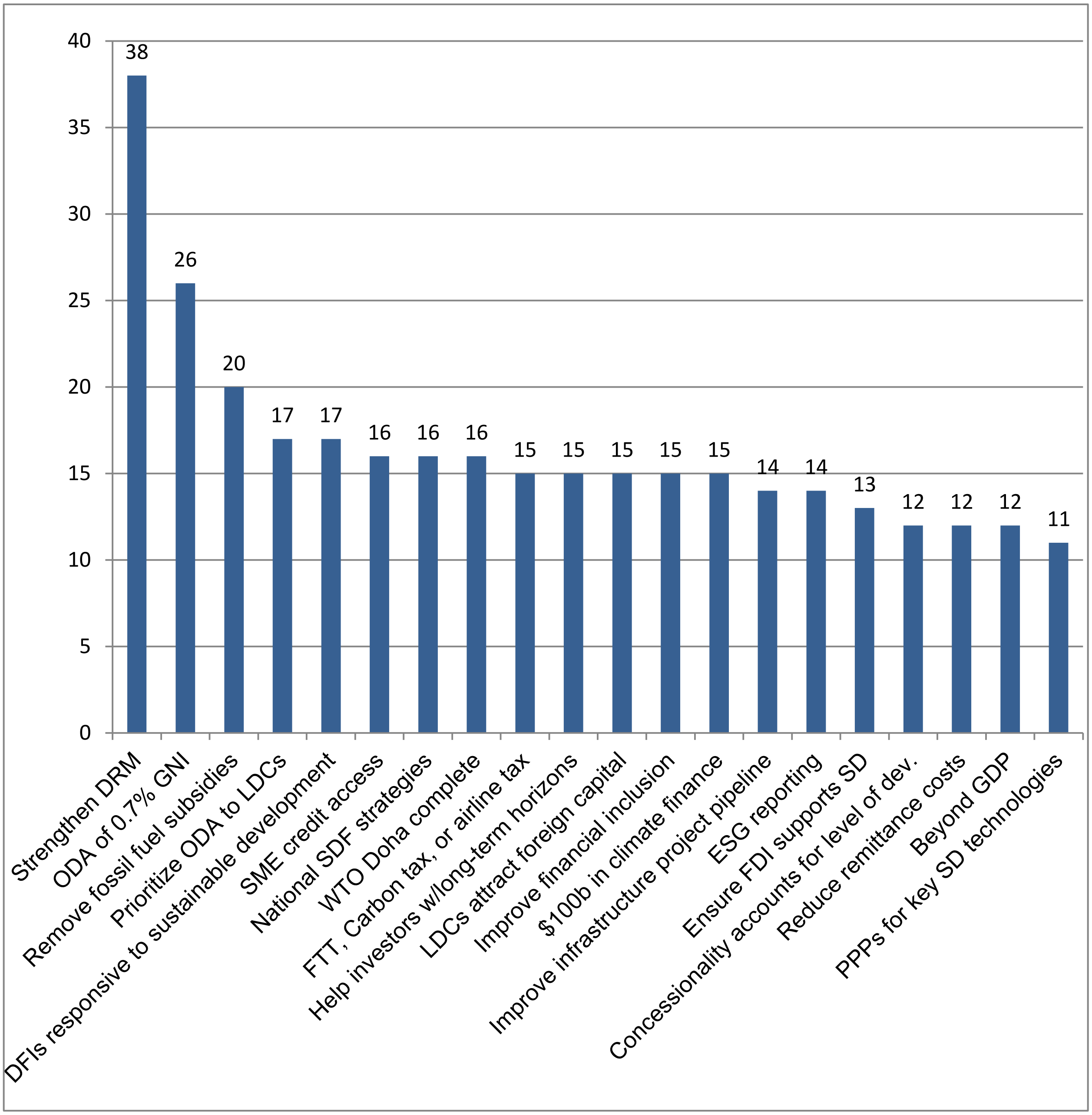
While ODA will remain a critical source of revenue particularly for least developed countries, the growing diversity and importance of new development finance sources and instruments—domestic and international, public and private—opens up both new opportunities and new challenges for overcoming poverty and accelerating the shift to sustainable development pathways.

Building on the Open Working Group on SDGs Outcome Document and the report from the Intergovernmental Committee of Experts on Sustainable Development Financing, retreat participants explored how to achieve a more comprehensive and better integrated financing framework to meet the demands of a universal post-2015 sustainable development agenda. A recurring theme that cut across the discussions was how to ensure alignment of and synergies between the outcome of the 3rd International Conference on Financing for Development in Addis Ababa (July 2015), the UN Summit on the post-2015 development agenda in New York (September 2015), and the UNFCCC COP21 meeting on a new global climate agreement in Paris (December 2015).

The post-2015 development agenda and FfD processes should be closely coordinated to ensure coherence, but questions remain on what coherence between the two processes should encompass, particularly with respect to means of implementation. Participants agreed on the need to continue to strengthen coordination between the FfD and post-2015 processes, but views differed on the scope of the FfD outcome in July and how it would ultimately relate and be incorporated into a post-2015 agenda outcome in September. Questions centered primarily around the extent to which the FfD conference should include means of implementation. Multiple participants stressed the importance of a strong outcome in Addis to set the course for the post-2015 summit and COP21, and the need for high-level political engagement in the preparatory process and at the conference itself.

While views vary on the key elements of a Monterrey 'Plus' approach, increasing domestic resource mobilization, meeting existing ODA commitments, and removing or rationalizing fossil fuel subsidies all received strong support. In an informal poll on participants' top ten priorities for a Monterrey 'Plus' outcome (see bar chart[2]), well over half of those present signaled support for an increased focus on domestic revenues (including increased international assistance for capacity building to strengthen tax administration). About half also prioritized a recommitment to ODA levels of 0.7% of GNI and greater targeting of concessional assistance to least developed countries, including timetables and a review mechanism. To review, rationalize, or remove fossil fuel subsidies also received strong support, as did the need for MDBs and other international financial institutions to align their lending portfolios with sustainable development priorities, including low-carbon energy, sustainable infrastructure and other areas requiring longer-term capital investment.

[2] Participants were asked to pick 10 recommendations from a list of 50 proposals compiled from major reports (see Supporting Document #1). All participants joined the retreat in their personal capacities and completed the survey anonymously. The results are illustrative only and should not be taken to indicate country positions on any given topic, and include the views of IRF2015 members and resource people present at the retreat.



A number of proposals for the Addis outcome that are seen as potentially high-impact do not yet enjoy a political consensus, and more information is needed by negotiators on the substance of these proposals and their relative impact in relation to the post-2015 agenda. During one session, participants considered a representative set of proposals and mapped these in terms of overall impact and political feasibility. There was considerable variation in how different groups evaluated the proposals. Those seen by most groups as having a 'high impact' while still being controversial included implementing new international mechanisms to raise revenue (such as a financial transaction tax, carbon tax, or tax on airlines), and increasing the voice and access of developing countries in international financial institutions. Overall participants expressed a need for a greater understanding of the relative effectiveness of different policy proposals.

The issue of middle-income country access to market-related official finance deserves greater attention and should be part of the FfD agenda. Participants discussed the need to address the 'missing middle' problem, whereby countries that reach middle-income status experience a sharp decline in ODA, but are not able to fill the gap (at least not for some time) by a proportional rise in domestic tax revenue. The multilateral development banks (MDBs), together with OECD countries and new providers such as Brazil, China and India, can help bridge the gap by increasing their non-concessional lending and other financial services to countries facing the missing middle problem.

The relationship between climate finance and development finance needs to be clarified in terms of mobilizing, allocating and tracking resource flows. This includes how to address the considerable overlap and interlinkages between the two (related) types of finance, and how the FfD, post-2015 and UNFCCC processes can ensure coherence and maximize synergies. Significant new amounts of both climate finance and development finance (however defined) will be needed in order to realize sustainable development objectives. Participants noted the considerable scope for co-benefits between development policies and interventions that also support climate mitigation and adaptation, and vice versa. However, both FfD and climate negotiations lack clear definitions for what counts as 'climate finance' and how that relates to development finance, a distinction clouded by the overlap between the two and the need for almost all development activities to be 'climate proofed.' With complicated politics surrounding both types of finance and as yet unmet commitments on both development (to reach 0.7 percent of GNI in ODA) as well as climate ($100 billion of climate finance annually by 2020), participants expressed a need for greater clarity, particularly on how the FfD outcome in Addis might relate to the Climate COP in Paris later this year.

Beyond issues around mobilization and tracking, greater attention is needed on how to improve the integration and effectiveness of climate and development resource flows, with a focus on the central role of country planning and budgeting systems. Presenters and participants noted the importance of maximizing the coherence between financial flows intended for 'development' and those intended for 'climate' as they are deployed within countries, particularly in light of the growing diversity of development and climate financing sources and instruments. Participants flagged the need for reduced fragmentation in funding streams and for strengthened country ownership and coordination, including the central role of finance and planning ministries and more integrated approaches to planning and budgeting across national line ministries. By using country budgeting and planning systems to allocate funds, for example, international flows could be aligned with national development priorities while also contributing to global development and climate mitigation and adaptation goals.

Unlocking private sector investment toward poverty eradication and sustainable development calls for more strategic use of public finance, together with policy, regulatory and other reforms, to help leverage private finance and to create the enabling conditions and incentives needed to move the financial system toward sustainability. Presentations and discussion highlighted the need for more effective use of international and domestic public funds (e.g. through government spending, tax incentives and development banking) to leverage private finance in support of the SDGs, including through global multistakeholder (cross-sector) partnerships and better tracking of how public support catalyzes private investment. At a more systemic level is the need to transform the financial system by influencing the 'rules of the game' in order to reorient capital markets and the allocation of global savings pools (e.g. banks, bond markets and institutional investors) toward sustainability. This includes the need for enabling policies, regulatory reforms and risk mitigation mechanisms to help overcome the private sector's current orientation toward short-term gain and to help direct private finance toward long-term capital investment in areas such as low-carbon power and sustainable infrastructure and to address other sustainable development needs. Participants also highlighted the importance of making sustainable development part of the private sector's business model, rather than a philanthropic activity.

Retreat Background Materials

Session 1: Framing the 'Financing for Sustainable Development' Challenge

Background Paper #1: *Towards a Monterrey 'plus' outcome: The 2002 Monterrey consensus and what is needed for a post-2015 sustainable development finance agenda* (Romilly Greenhill, ODI)

Supporting Document #1: *Financing a Sustainable World: An overview of selected proposals for the FfD conference* (Sonya Suter, WRI)

Supporting Document #2: *Facts and Figures on Financing for Sustainable Development: A brief compilation* (Adam Fishman, WRI)

Session 2: Building an Integrated Financing Framework

Background Paper #2: *Financing for sustainable development: Country systems and other issues and options for enhancing the coherence and effectiveness of development and climate finance* (Aaron Atteridge, SEI and Paul Steele, IIED)

Session 3: Unlocking Private Finance for Sustainable Development

Background Paper #3: *Mobilizing Private Investment for post-2015 Sustainable Development* (Homi Kharas and John McArthur, The Brookings Institution)

Background Paper #4: *Global Multi-stakeholder Partnerships: Scaling up public-private collective impact for the SDGs* (Peter Hazlewood, WRI)

Supporting Document #3: *Mobilizing the Financial System for Sustainable Development* (Nick Robins, UNEP Inquiry)

* Background materials and presentations are available at www.irf2015.org

Independent Research Forum on a Post-2015 Sustainable Development Agenda

IRF2015 is a collaboration of leading sustainable development research institutes from across the globe that brings together a rich diversity of analytical skills and perspectives, engagement methodologies and networks. IRF2015 responds to the need for independent, rigorous and timely analysis to inform the evolution of the post-2015 development agenda and the concurrent intergovernmental process on Sustainable Development Goals (SDGs) agreed to at Rio+20. IRF2015 partners envision a post-2015 development agenda that is universal in scope, takes an integrated approach to the economic, social and environmental dimensions of global development challenges, and can lead to more sustainable and equitable development outcomes for all.

Caribbean Natural Resources Institute (CANARI)
Trinidad, West Indies
www.canari.org

Centro Latinoamericano para el Desarrollo Rural (RIMISP)
Santiago, Chile
www.rimisp.org

Council for the Development of Social Science Research in Africa (CODESRIA)
Dakar, Senegal
www.codesria.org

Development Alternatives (DA)
New Delhi, India
www.devalt.org

Institute for Global Environmental Strategies (IGES)
Hayama, Japan
www.iges.or.jp

International Institute for Environment and Development (IIED)
London, UK
www.iied.org

Open Society Initiative for Southern Africa (OSISA)
Johannesburg, South Africa
www.osisa.org

Overseas Development Institute (ODI)
London, UK
www.odi.org.uk

Research Centre for Sustainable Development (RCSD)
Beijing, China
www.rcsd.org.cn

Stockholm Environment Institute (SEI)
Stockholm, Sweden
www.sei-international.org

World Resources Institute (WRI)
Washington DC, USA
www.wri.org

www.irf2015.org