
# The Fourth International Conference on Financing for Development

BY BODO ELLMERS

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Box

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The lack of adequate and effective financing is one of the main constraints on development. In particular, countries of the global South suffer from the inability to mobilize and retain sufficient resources internally. External finance could fill the gap, but rich countries fail to meet internationally agreed commitments when it comes to transferring official development assistance. Private finance, in turn, is not available on affordable terms. When borrowing on financial markets, Least Developed Countries (LDCs) face interest rates that are up to eight times higher than in rich countries, and 25 developing economies are spending over 20 percent of Government revenues solely on servicing debt.[1]

The annual financing gap to reach the SDGs had already been estimated at US$ 2.5 trillion when the 2030 Agenda for Sustainable Development was adopted in 2015. It has further grown due to backlogs in implementation, and the economic havoc caused by the cascading crises, the COVID-19 pandemic, the climate crisis and most recently the food and energy crisis caused by severe price shocks. The need to finance climate change mitigation, adaptation and loss and damage has emerged in recent years as another source of massive financing needs.

The current international financial architecture is strongly biased, it disadvantages developing countries, particularly the least developed countries, which, according to the UN Secretary-General have been handed “the rawest of deals” by a “deeply dysfunctional and unfair global system”.[2] Whereas the 46 LDCs hold 24 percent of voting rights in the UN General Assembly, their share of voting rights is only 3.5 percent at the International Monetary Fund. In many other institutions of global economic governance – such as the G20, the OECD, or the Financial Action Task Force, founded by the G7 to combat money laundering – there is no LDC representation at all.[3] The predictable consequence is that these institutions create rules that disadvantage LDCs. A key example is the OECD´s recent two-pillar tax agreement, intended to address tax challenges due to digitalization, which allocates most taxing rights to rich countries.

The problems are not new. In 2002, the first International Conference on Financing for Development was convened in Monterrey, Mexico. The Outcome Document of the conference, the Monterrey Consensus, established a holistic approach to development finance. It developed a comprehensive policy framework for all potential sources of development finance, domestic and external, private and public. Most importantly, the UN´s Financing for Development (FfD) process also addresses the institutional dimension, the reform of the international financial and trade systems. Two additional FfD conferences have taken place since, one in Doha (2008) and the other in Addis Ababa (2015), which further developed the international FfD-framework. The Addis Ababa Action Agenda adopted in 2015 counts as a central pillar of the means of implementation for the 2030 Agenda.

Pressure has been growing in recent years to convene a new, the Fourth International Conference on Financing for Development (FfD4). The backlog in implementing the SDGs has proven that the Addis Ababa Action Agenda has been insufficient, that more

1 https://press.un.org/en/2023/dev3447.doc.htm

2 Ibid.

3 https://www.globalpolicy.org/en/publication/financing-development-least-developed-countries-needs-challenges-and-doha-programme

needs to be done to make means and ends meet. Moreover, today's global polycrisis has unveiled the fact that the international financial architecture is in urgent need of reform as it is not able to protect vulnerable countries from shocks and contagion, and ensure that they have adequate fiscal space to respond and recover. It is also obvious that entities of global economic governance that lack sufficient developing country participation, have failed to create the institutions that developing countries need. The G20, for example, recently took the lead in addressing debt crises in LDCs, but failed to deliver a mechanism that makes fair, speedy and sustainable debt workouts possible. The OECD´s unfair tax agreements have prompted the Africa Group at the UN to suggest a UN Tax Convention.[4] Hence, the need to develop new rules and mechanisms in a global body with universal membership.

In December 2022, and following massive political pressure from many developing countries and from civil society, the UN General Assembly finally gave the green light for the FfD4 conference. Resolution A/RES/77/156 considers convening FfD4 in 2025. The expectations are high.

4 https://globaltaxjustice.org/news/press-release-governments-approve-proposal-for-international-tax-cooperation-at-united-nations/

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