Addis Plus Much More: The Scope of Global FfD Actions in 2015

In 2015, significant global policy attention is focused on mobilizing the public and private actions needed to achieve the post-2015 Sustainable Development Goals (SDGs). One area of emphasis has been the intergovernmental agreement, set to be finalized at the UN’s Third International Conference on Financing for Development in Addis Ababa, Ethiopia on 13-15 July. At the same time, a large number of private and public sector actors have been focused on direct and sometimes pioneering actions that will help mobilize essential financing and investment breakthroughs in support of the SDGs.

In an effort to describe and understand the growing momentum of actions being taken and planned in this regard, this document presents a cross-section of relevant new initiatives and commitments that suggest a scaling-up of impact beyond what was already underway at the end of 2014. Items are mapped to the seven focus areas set forth in the UN’s draft Addis Ababa outcome document. We also describe some areas where further key actions are possible over the months ahead.

The intergovernmental agreement being considered for the UN’s Third International Conference on Financing for Development (FfD) in Addis Ababa, Ethiopia, will mark a major stepping stone towards the launch of the post-2015 SDG agenda. Following many months of intensive negotiations, the formal UN text looks set to affirm a wide range of important guiding policy principles. Meanwhile, concurrent with – and often stimulated by – the diplomatic process, a large number of companies and public entities have also been taking direct actions that will make important contributions to sustainable development. To that end, the 2015 global FfD effort needs to be understood as “Addis plus much more”.

The broad mix of policy agreements plus practical actions taking shape draws parallels to the launch of the Millennium Development Goals (MDGs) during the early 2000s. The initial 2002 Monterrey Consensus on FfD was itself a historic policy agreement, while many of the key financing actions in support of the MDGs advanced outside the official intergovernmental process. This included the United States’ launch of the Millennium Challenge Account on the eve of the Monterrey conference; the launch of the GAVI Alliance in 2000 and the Global Fund to Fight AIDS, Tuberculosis and Malaria in 2001-2002, both of which provided crucial vehicles for scaling up health investments; and the launch of the Education for All Fast-Track Initiative in 2002, focused on expanding access to primary education. Each of these efforts played a crucial role in breathing action-oriented life into the political agreements of Monterrey.

Since the beginning of 2015, many public and private sector stakeholders have made key announcements linked to financing and investing for the emerging SDG agenda. Additional commitments will undoubtedly continue to take shape in the months ahead. The United Nations is coordinating a registry of voluntary commitments and government announcements that will complement the Addis outcome document and be recognized as part of the conference outcome (see http://www.un.org/esa/ffd/ffd3/commitments.html). This will help to collate an extensive body of commitments from a diverse range of entities engaged in FfD issues around the world.

Alongside those important efforts, members of the World Economic Forum’s Global Agenda Council on Sustainable Development decided to produce the following informal overview of illustrative commitments that have either recently been announced or could potentially soon be announced in support of the FfD agenda. It is important to stress that this unofficial exercise does not form any type of comprehensive list of official commitments. It only aims to highlight the range of action-oriented initiatives that are already helping to “bend the curve” of financing and investment for the achievement of the SDGs around the world.

The actions are organized according to the draft Addis outcome document’s seven key cross-cutting priorities. For each priority area, a few relevant actions are described in line with two criteria: significant milestones have occurred since 1 January 2015; and they represent a new layer or scale of activity compared to previous actions.

We also identify some areas where additional important commitments appear likely over the near term. This list is
created such that it can be easily updated subsequent to the conclusion of the Addis Ababa conference, where more initiatives are expected to be unveiled.

Illustrative List of Important Global FfD Actions in 2015

1. Delivering social protection and essential public services for all
   • In January, the GAVI Alliance completed its five-year replenishment of $7.5 billion for 2016-2020. This represents a 74% annual increase on its previous replenishment, a 28% increase in its total available resources (which are also provided through innovative financing streams) and more than a 50% expansion in its overall coverage targets for 2020.
   • In April, the African Union Commission announced it would partner with the US Centers for Disease Control and Prevention to establish an African Centers for Disease Control and Prevention, scheduled to open in mid-2015 at the African Union’s headquarters.
   • In July, the World Bank’s Global Financing Facility in support of Every Woman Every Child is slated to be unveiled in Addis Ababa, newly consolidating up to $4 billion of health financing.
   • In July, following the Oslo Summit on Education for Development, discussions will continue on how to scale up the Global Partnership for Education and related mechanisms to address the global education financing gap of more than $20 billion per year.
   • In December, the Global Fund to Fight AIDS, Tuberculosis and Malaria will begin its next replenishment round to finance its operations over the 2017-2019 period.
   • Looking forward, the World Bank Group is working with partners to design a new Pandemic Emergency Financing Facility (PEF). This facility will leverage resources from insurance companies and capital markets to support the creation of a new market for pandemic insurance in developing countries. The PEF’s emerging design builds on the bank’s experience with instruments to manage climate and natural disaster risks faced by governments. It will engage all key players involved in crisis preparedness and response, including the World Health Organization, other UN agencies, non-governmental organizations, the private sector, and developed and developing country governments.

2. Scaling up efforts to end hunger and malnutrition
   • In February, the governing council of the International Fund for Agricultural Development (IFAD) approved its 10th replenishment over 2016-2018 and gave IFAD the authority to borrow from sovereign lenders to support its operation. It also authorized IFAD’s management to explore the option for accessing private capital markets. In May, IFAD’s executive board established a general framework for the institution to pursue sovereign borrowing. These expanded capacities can enhance IFAD’s lending for rural regions in middle-income countries and concentrate donor resources in the poorest countries, especially in Africa.
   • In May, the board of the Consultative Group for International Agricultural Research (CGIAR) approved a strategy and results framework through 2030, with goals to help 100 million people escape poverty, ensure that the minimum dietary energy requirements of 150 million people are met, and restore 190 million hectares of degraded land. Efforts are underway to mobilize resources for the first phase over 2017-2022, requiring a roughly 50% budget increase.
   • In June, the Consumer Goods Forum, a network of approximately 400 companies with combined annual sales of more than $2.5 trillion, announced a commitment to cut food waste by half by 2025, compared to 2016.
   • In June, the Bill & Melinda Gates Foundation announced a commitment of $776 million for nutrition over the next six years, more than doubling its previous commitment. The pledge unlocked $180 million in additional matched funding from the UK government.
   • In June, the G7 Summit committed to work with partners to mobilize the resources to lift 500 million people in developing countries out of hunger and malnutrition by 2030. The G7 further committed to quantify its commitments in line with the outcomes of the Post-2015 development agenda process, and to monitor its progress through improved country-level accountability processes.

3. Establishing a new forum to bridge the infrastructure gap
   • In January, the International Finance Corporation (IFC) launched a Scaling Solar initiative as a “one-stop shop” to help smaller African governments enjoy the purchasing power of larger and more developed countries in mobilizing privately funded solar projects at competitive tariffs that can be operational to supply national power grids within two years.
   • In April, led by the People’s Republic of China, 57 nations were included as founding members of the new Asian Infrastructure Investment Bank, which will be capitalized by an initial infusion of $50 billion of paid-in and callable capital and is authorized to eventually issue capital of twice that amount.
   • In May, the Asian Development Bank approved a plan to combine the lending operations of the bank’s Asian Development Fund (ADF) with its ordinary capital resources balance sheet. The merger will boost ADB’s total annual lending and grant approvals to as high as $20 billion, 50% more than the current level.
   • In May, the New Development Bank (formerly known as the BRICS Bank) started work by appointing its first president for a term of five years. The bank’s primary focus of lending will be infrastructure projects, and it be capitalized initially at a level of $50 billion, rising to $100 billion over time. It aims to make its first loans by April 2016.
   • In June, the Global Infrastructure Facility (GIF) was opened for applications from emerging markets and developing economies, allowing GIF to provide support on designing, preparing and bringing to market PPPs and complex infrastructure investments with the potential to mobilize private sector finance. The GIF launched with $100 million of upstream seed funding from Australia, Canada, China, Japan, Singapore and the World Bank, with several technical partners and an advisory council of about 35 major financial institutions, including pension funds, insurance companies, fund managers, commercial
banks and DFIs. The aim is to leverage these dollars to mobilize much larger downstream investments.

- In July, a new global public-private partnership, the Sustainable Development Investment Partnership (SDIP), is set to be announced in Addis Ababa. The partnership aims to increase investments towards the SDGs – particularly in infrastructure – by $100 billion over five years. It will create a platform that enables governments and private investment institutions interested in expanding the public-private financing of sustainable infrastructure and other development needs to align their risk appetites and combine resources more easily.

4. Promoting inclusive and sustainable industrialization

- As of the end of March, the Green Bond market is estimated to have grown to $59 billion, indicating investor interest in standardized sustainability investments. Research indicates that this market has the potential to reach $1 trillion by 2020.

- In April, the Universal Financial Access 2020 initiative – including the World Bank and a variety of government, corporate and non-governmental partners – committed to reach as many as 1 billion adults who are now financially excluded, and helped them to gain access to a transaction account by 2020.

- In April, the Zero Routine Flaring by 2030 initiative – including 10 oil companies and nine countries representing 40% of global gas flaring – agreed to eliminate flaring by 2030. Currently, gas flaring represents approximately 1% of total global CO2 emissions, equivalent to the emissions from roughly 77 million cars.

- As of May, the Sustainable Stock Exchanges Initiative includes 23 partner exchanges that have committed to promote sustainable investment through material disclosure among listed companies. This marks an important step in the ongoing global movement to establish SDG-consistent private sector performance standards.

- In June, the European Commission (EC) launched a public consultation on multinational corporate tax reporting across countries of operation. A recent EC directive is also being rolled out across member states, with an agreement to enter into force within national laws by 2017. It will require approximately 8,000 large companies to report on policies, risks and outcomes across environmental concerns, social and employee activities, respect for human rights, anti-corruption and bribery issues, and board diversity. Meanwhile, the Sustainability Accounting Standards Board is working with industry partners in the United States to identify market-driven material reporting standards for more than 80 industries in 10 sectors by 2016, spanning issues of environment, social capital, human capital, business models and governance.

- In July, the Global Finance Exchange (GFX) is slated to be launched in Addis Ababa. It is a global platform for public and private investors to connect, develop and support blended finance investments in emerging markets. It will include an online marketplace, a new product design facility with collaborative workshops and grant funding, and tools such as a historical blended finance deal database and a directory of intermediaries who can assist in deals.

- Looking forward, the Swedish Leadership for Sustainable Development network of CEOs is considering new and deepened commitments linked to the SDGs. The network includes more than 20 global companies that generate roughly half of Sweden’s GDP, plus three expert organizations and the Swedish International Development Cooperation Agency (Sida), which have all pledged to make sustainable development an integral part of their core operations and business models. This entails systematically minimizing the negative environmental impact of investments; improving resource use efficiency; creating decent jobs and development opportunities in societies where they operate; and fighting corruption and unethical business methods in countries where they operate. Network members are committed to promoting gender equality and equal opportunities for all as fundamental necessities for systemic change.

- Looking forward, The Bretton Woods II initiative is working with prominent financial institutions and research bodies to dedicate at least 1% of long-term investment assets to social impact, development finance and civil society support. This commitment – the Progress Pledge – is designed to minimize long-term societal risks, reduce global volatility and improve investment returns.

- Looking forward, the International Development Association (IDA) – the part of the World Bank Group focused on supporting the poorest countries – is seeking expanded partnerships to mobilize private resources and leverage market finance to tackle the challenges faced by poor and vulnerable populations. This includes efforts to explore options for leveraging IDA’s balance sheet to significantly increase investments towards implementing the SDGs.

5. Generating full and productive employment and decent work for all and promoting MSMEs

- In June, the World Bank Group launched the Smart Remitter Target at the Global Forum on Remittances and Development. It commits to monitor remittance transactions and ensure that at least three remittance service providers in each country corridor charge 3% or less.

- In September, under the auspices of Turkey’s G20 Presidency, an SME Finance Forum will be established as a global membership body for private and public financial institutions and a permanent platform for knowledge sharing and good practice promotion.

- In September, in the Maputo Affirmation, the Alliance for Financial Inclusion will recognize SME lending as a core pillar of the Maya Declaration, and will provide a toolkit to encourage institutional commitments and goals for SME finance.

- Looking forward, the IFC’s Asset Management Company is considering an equity fund for low-income countries, to showcase profitability even when operating in tough and unproven business environments.

6. Protecting our ecosystems for all

- In March, the UK created the world’s largest contiguous ocean reserve, setting aside 322,000 square miles around the Pitcairn Islands. No commercial fishing or seafloor mining will be permitted within the reserve. This follows the fall 2014 US expansion of the Pacific Remote
Islands Marine National Monument, which is the largest non-contiguous ocean reserve.

- In June, the Global Environment Facility’s Sustainable Cities Integrated Approach Pilot was approved for $138 million, aiming to leverage $1.6 billion. This initiative will develop new models for smart urban growth that showcase sustainable, resilient development and sound ecosystem management.

- As of June, the Green Climate Fund (GCF) has received pledges totalling $10.2 billion, with $5.8 billion committed so far. The United States is the largest outstanding pledge announcement ($3 billion) yet to be formally signed. Sweden is expected to join the GCF in July.

- Looking forward, the Port States Measures Agreement will enter into force when 25 countries have ratified it. The agreement will prevent illegal, unreported and unregulated fishing from entering ports and selling fish into national and international markets. Chile, Gabon, Mozambique, Myanmar, New Zealand, Norway, Oman, Seychelles, Sri Lanka, Uruguay and the EU have already ratified or approved the agreement.

- Looking forward, the UN System for Environmental and Economic Accounting will accelerate the development and promotion of internationally agreed standards on natural capital accounting and the valuation of ecosystem services in a range of pilot countries, with a view to establishing a new global standard for national accounts (beyond GDP).

7. Promoting peaceful and inclusive societies

- In March, African ministers and other stakeholders agreed to an Africa Data Consensus. This initiative seeks to build an African data ecosystem to respond to the challenges of monitoring the SDGs. Transparent, disaggregated data is essential to citizen participation in policy-making.

- In July, a proposed Global Emergency Education Fund will be considered at the Oslo Summit on Education for Development. This idea, championed by UN Special Envoy for Education Gordon Brown, would target children who are out of school because of conflict, disease or natural disasters.

- Looking forward, the US and Mexican governments have been working with UN and civil-society collaborators to promote the creation of a Global Multistakeholder Partnership on Sustainable Development Data in consultation with members of the Data Revolution Task Force.

- Looking forward, the World Bank is developing country-level metrics of illicit financial flows in selected economies.

This paper was prepared as a group product by the listed co-authors who are convened by the 2014-2016 Global Agenda Council on Sustainable Development, organized by the World Economic Forum. All co-authors contributed in a personal capacity. The views expressed are not necessarily those of all contributors, who may have had different opinions on some issues.

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