Financing the Sustainable Development Goals

Summary of the DAC Development Debate – 3 June 2015

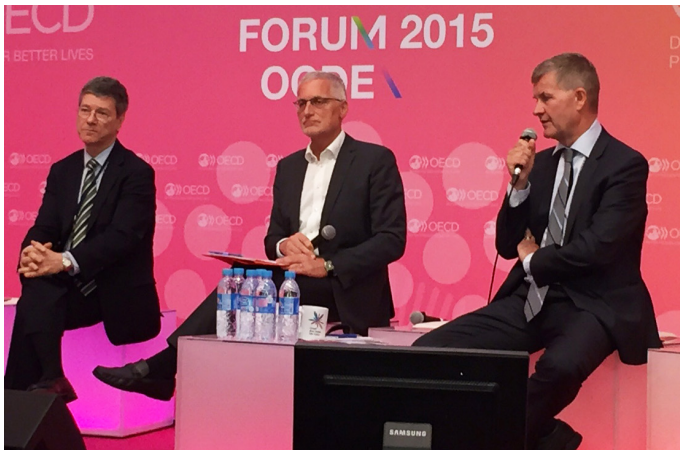
In the context of the recent OECD Forum, Jeffrey Sachs, director of the Earth Institute at Columbia University, and Erik Solheim, Chair of the OECD Development Assistance Committee (DAC), discussed the role of the multilateral system in delivering the Sustainable Development Goals (SDGs).

Their conversation was centred around the forthcoming OECD-DAC *Multilateral Aid 2015: Better Partnerships in a Post-2015 World,* which describes the fundamental role multilateral aid organisations – global, regional, traditional and new – will have to play to foster the partnerships needed to implement the SDGs. This report argues that bilateral providers and multilateral organisations will need to adjust their models and modus operandi to keep pace with a fast-changing environment and adapt to the universal development agenda proposed by the new goals.

Likewise, a recent report by the UN Sustainable Development Solutions Network (SDSN), I*mplementing the SDGs through Effective Investment Strategies and Partnerships,* stresses the need for public and private finance to complement each other. It identifies pooled financing mechanisms as one of the key tools through which public-private-partnerships could be established.

Jon Lomøy, Director of the OECD Development Co-operation Directorate, set the stage by emphasising the importance of the upcoming Third International Conference on Financing for Development to be held in Addis Ababa (July, 2015), where financing for the SDGs will be discussed. He highlighted that in 2013 DAC members channelled USD 59 billion to and through the multilateral system (see the OECD-DAC *Multilateral Aid 2015*) and that it is crucial to invest these funds effectively.

Jeffrey Sachs argued that issues such as loss of biodiversity and desertification are more pressing than ever, and that we must take advantage of the opportunity offered by the Addis conference and the SDGs to ensure that economic development is both inclusive and environmentally sustainable. Around USD 25 trillion per year is saved globally; just 3% of these savings, he said, could be enough to set humanity on a path of sustainable development with the right investments. But currently, wealthier nations are reluctant to allocate even less than 1% of their national income for this purpose. He stressed the impossibility for many developing country governments of successfully financing the SDGs with their current internal revenues.



Professor Sachs questioned whether it might have been wiser to have the discussion on how to finance the SDGs *after* these had been precisely defined and documented. This way, there would be clearer targets on which to base exact calculations of the required budgets, which would in turn promote coherency and accountability. Political influence will be crucial, he said, but politicians are concerned with staying in power and thus have a short-term view. Policy makers need to focus on solving global problems – problems that require a long-term perspective.

Erik Solheim stated that although the multilateral aid system is not perfect, it is working more efficiently than ever in human history. One way of improving the system would be for governments channelling financing through the system to stop earmarking this funding for specific, time-bound projects and programmes, which weakens the options for multilaterals to address global, long-term priorities. They should, instead, provide more core funding and more flexible funding overall. He highlighted that multilateral organisations must find ways of making it more attractive for politicians to do so.

Mr Solheim affirmed that more effort should be made to reform the governance of the multilateral system: currently, it is dominated by the more "traditional" providers of development finance, while emerging economies are vastly underrepresented. Finally he stated that as well as increasing finance for development, the right policies are crucial to make development finance effective.