African Development Bank

RIO+20, RIO DE JANEIRO BRAZIL
20 to 22 June 2012.

FINANCING SUSTAINABLE DEVELOPMENT
TRANSITION TOWARDS GREEN ECONOMY IN AFRICA

RIO +20 SIDE EVENT BRIEF

LEAD ORGANIZER: AFDB

SPONSORING PARTNERS: AUC, UNECA, UNEP

Date: 17 June 2012  Time: 17:30 - 19:00  Venue: T-4, RioCentro
1. **Context / Background**

- The means of implementation for sustainable development include financing, technology development and transfer, capacity development, globalization and trade, regional integration and South-South cooperation.

- Finance for development remains a major challenge on the international agenda, yet financing is paramount for achieving sustainable development goals.

- It is becoming increasingly difficult for developed countries to fulfill their commitments with regards to the ‘finance’ component of the means of implementation (e.g. to provide 0.7% of their Gross National Product (GNP) to Official Development Assistance (ODA); as reaffirmed in 2002 at the International Conference on Financing for Development in Monterey, Mexico).

- Over several years, experts have been actively debating the effectiveness of aid in achieving economic or development targets. In light of the recent crises (economic, food, fuel) that have had global repercussions, discussions have focused on improving effectiveness of use. Some of the main concerns raised include the apparent lack of legitimacy that results from ineffective use of available resources, which contributes to a decrease in financing.

- At a very simplistic level, Africa is the poorest region in the world, and receives the highest volume of aid relative to other regions; today some governments remain vulnerable to sharp fluctuations in aid flows due to their dependency.

2. **AfDB’s Participation**

- As Africa’s premier finance institution, the Bank will be initiating dialogue on the challenges and opportunities related to long-term finance for sustainable development, and the transition towards a green economy in Africa. Particular focus will be made on innovative sources of financing and renewed commitment to finance sustainable development and green growth.

- The event will enable participants to benefit from open discussions on proposals and ideas for Africa’s long-term development finance strategy; enhance knowledge of participants especially African countries on alternative sources of finance for sustainable development; and indirectly increase partners support/interest in Africa’s development priorities in the context of increasing Africa’s access to existing and future financing mechanisms, including those that will be developed to facilitate transition of countries to green growth.

- The event will have help gain first hand information on what the expectations are from countries, including what other like-minded partners are thinking of on how to implement the emerging paradigm of green economy (and broader anticipated sustainable development goals).

3. **Key Issues/Questions under Discussion**

- **What are the major impediments in Africa to date in mobilizing and accessing financial resources for sustainable development at the national, regional and global level, including for green growth? And how can the emerging non-traditional donors be engaged effectively?**

  - **Impediments** include: Poverty and limitations of taxable capacity; the impacts of the global financial crises; lack of diversity in financial sources; weak public financial management and procurement systems as well as illicit capital flows.
- **Non-traditional donors can be engaged effectively by**: Leveraging public-private partnership; providing an enabling environment for private sector participation; good governance including efficient and effective institutions.

- **What is the role for national governments, sub-regional and regional organisations, to improve the mobilisation of financial resources for sustainable development?**
  - To improve fiscal policy, financial sector reforms, budgetary and public financial management control mechanisms and to strengthen and widen the tax base; peace, security and good governance.

- **How can development and aid effectiveness be improved?**
  - Through good governance (adhering to principles of the Paris Declaration and Busan Partnership).

- **What are the roles of the DFI, such as the AfDB, in financing sustainable development?**
  - Supporting countries to identify and access diverse sources of financing such as; the Global Environment Facility (GEF), Climate Investment Funds (CIF), Adaptation Fund.
  - Pioneering and promoting the use of innovative instruments and mechanisms to support rapid transition to a green economy such as; the Climate for Development in Africa Fund (Clim-Dev Africa) and the proposed Green Facility for Africa (GFA). Fostering partnerships (North-South, South-South, Public-Private, etc...)

- **What can DFIs do to further encourage innovative financing for sustainable development and the engagement of the private sector in sustainable development?**
  - New incentives (financial guarantees).
  - New approaches for pooling private and public revenue streams.

### 4. Key thoughts

- Adequate means of implementation is a prerequisite to the implementation of the Green Growth Development agenda.

- Infrastructure development continues to be important for Africa’s continued socio-economic growth. There is an urgent need for continued investment in public transport systems, roads, ports, hospitals and schools. These will require huge financial resources and hence the need for innovative financial solutions for raising adequate funds.

- African countries should begin to clearly show the effective use of their own limited national resources before turning to donors for aid. However, requisite support and resources should be provided for the upfront investment costs faced in the bid to transition to a green economy.

- Countries need to increase their absorptive capacity to use internal and external financial resources. However, additional conditionalities should not be placed on countries to discourage ownership of emerging development paths such as green growth.

- Continued commitment to achieving the MDGs is imperative. There is a resource gap towards achieving the MDGs, and resources committed should not be diverted to emerging SDGs –these should be supported by new resource commitments.

- There is an urgent need to accelerate regional integration and expand African solidarity and cooperation.