The need for a coherent approach to commitments on financing and other means of implementation

Executive Summary, March 2015

Aligning approaches to different means of implementation

The successful implementation of a transformative post-2015 development agenda hinges upon the mobilization and effective use of an unprecedented amount of resources – or means of implementation (MOI) – ranging from private and public financing from domestic and international sources to other resources, such as capacity and technology.

The Monterrey Consensus and the Doha Declaration on Financing for Development provide the conceptual framework for this effort. Yet, as the Monterrey and Rio follow-up processes as well as climate change financing have largely evolved separately, and with the ambition of a post-2015 development agenda in mind that spreads across all three dimensions of sustainable development, poised to eradicate poverty in all its forms everywhere, this framework requires an update.

A renewed global partnership for sustainable development will be particularly relevant for this process, to mobilize resources, to ensure full engagement of all relevant actors and to address systemic issues to promote ownership, shared responsibility and mutual trust. It must build on the foundations agreed in the Millennium Declaration and at the Monterrey Consensus on Financing for Development, the Johannesburg Plan of Implementation and the Rio+20 Conference on Sustainable Development, among others. It also presents an anchor and normative guidance for international development cooperation in all its forms and facets.

Aligning the different approaches to means of implementation better at all levels will be vital to structure the array of development cooperation commitments, comprised of a large number of targets, many inter-linkages and diversity of financial and non-financial resources, mobilized from multiple sources and blended in various ways.

The Executive Summary of the study provides a historic perspective of the follow-up and review of relevant global summits and conferences and examines a selection of conceptual and practical challenges in bringing the different strands together.

Where do we stand?

The UN General Assembly has called for a single, comprehensive, holistic, and forward-looking approach for addressing the resource needs, in order to reinforce coherence, facilitate coordination and avoid duplication of efforts. This has been reiterated in the report of the Intergovernmental Committee of Experts on Sustainable Development Financing, whose menu of options aims at developing a coherent strategy for mobilization and effective use of resources to achieve sustainable development.

In its review of progress, the Third International Conference on Financing for Development, to be held in Addis Ababa, Ethiopia from 13 to 17 July 2015, will examine the inter-relationship of all sources of development finance and the synergies between financing objectives across all three dimensions of sustainable development.

Efforts are being made to bring together deliberations in New York on Financing for Development and the post-2015 development agenda in a joint session to examine the relationships between both processes and, in particular, follow up and review of financing for development and means of implementation (21-24 April 2015, New York).

Preparing for post-2015 and the 2016 DCF

This Executive Summary is based on a draft study on "The need for a coherent approach to commitments on financing and other means of implementation coming out of the Monterrey and Rio tracks", prepared by Prof. Tariq Banuri, University of Utah. The study will be finalized after the DCF Republic of Korea High-level Symposium, taking into account its key findings and policy recommendations. The views presented do not necessarily represent those of the United Nations or the Republic of Korea.
The study aims to generate ideas for the financing for development and post-2015 discussions in advance of the Third International Conference on Financing for Development in Addis Ababa in July 2015 and the High-level Meeting of the Development Cooperation Forum in New York in July 2016.

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Follow-up to global commitments on the range of means of implementation: a short history

The **Millennium Declaration**, adopted by world leaders in 2000, forged a global consensus on a shared vision for development. The eight Millennium Development Goals are an integral part of this vision. Member States also agreed in the Declaration "to create an environment – at the national and global levels alike – which is conducive to development and to the elimination of poverty."

The Millennium Declaration was complemented in important ways by the **Monterrey Consensus on Financing for Development** in 2002 and then later by **Doha Declaration** of 2008. The Monterrey Consensus contained policy commitments to strengthen both domestic and international economic governance and specified policy actions pertaining to the volume and effectiveness of Official Development Assistance (ODA), international trade and investment, sovereign debt management and crisis resolution, and international financial reforms. It also recognized the centrality of addressing systemic issues to ensure coherence and consistency of the international, monetary, financial and trading systems in support of development.

The **Johannesburg Plan of Implementation (JPoI)**, adopted in 2002 at the World Summit on Sustainable Development, covers some elements of the Monterrey Consensus while also providing important additional guidance on the means of implementation – both financial and non-financial. It puts a particular emphasis on the sustainable management of natural resources, calls for inclusive, integrated and nationally owned and led strategies for poverty reduction and sustainable development; the promotion of mechanisms for the development, transfer and diffusion of environmentally sound technologies and corresponding know how; and encourages the development and voluntary adoption of indicators for sustainable development. It was updated and complemented by the outcome of the **International Conference on Sustainable Development (Rio+20)** held in Rio de Janeiro in 2012. The JPoI and Rio+20 Outcome both reaffirmed the Rio principle of common but differentiated responsibilities and capacities.

Finally, mobilizing resources to address **climate change** has evolved separately over the years and finance for mitigation and adaptation efforts needs to be scaled-up rapidly, both in developed and developing countries. There is a widely shared expectation that developed countries will provide 'new and additional' financial sources for addressing climate change, achieving this 'additionality' of climate change finance on top of the ODA commitment of 0.7% GNI.

It has proven difficult to monitor and estimate climate finance. Moreover, the increasing focus on sustainable development, makes it increasingly difficult to distinguish clearly between financing for development and climate change financing, particularly from the country-level perspective. Given the particular impacts of climate change on the most vulnerable, marginalized and excluded, overlaps in objectives and activities of climate change adaptation (and mitigation) and sustainable development make clearly cut categorization between the two types of financing a growing challenge in both policy and practice.

Why do we need to align commitments?

Positive trends in growth and poverty reduction over the last few decades have created hopes that the twin challenges of eradicating extreme poverty and closing the massive gulf between developed and developing countries could be overcome within a generation or so by building on successful development strategies that are in place. Central to these strategies was the continued provision of development finance tailored to both these goals.

However, there is a cloud to this silver lining. Environmental threats, generally, and climate change in particular have begun to loom at country level as well as in popular consciousness. Unattended, these threats have the potential of reversing the positive trends in development, besides precipitating catastrophic losses globally.

Clearly, there is an increasing urgency in addressing all three dimensions of sustainable development. While the doubling of ODA flows since 2002 was critical to advance the development agenda, the low level of climate funding is correlated with a steady deterioration in environmental indicators. The window for addressing climate change is closing fast. Delaying progress can undo hard won gains in all areas of sustainable development.

An integrated and coherent global development agenda must be supported by an equally integrated and synergistic effort for mobilizing support to address all these challenges, bringing together the development agenda pursued by the MDGs and environmental sustainability.

There are at least four reasons:

1) Poverty eradication, economic growth, and climate stabilization are not independent targets, but closely inter-related. Keeping them separate minimizes opportunities for synergy and cross-fertilization.
2) At country level, the mobilization and allocation of resources in support of the SDGs in practice are not differentiated by different tracks at global level.
3) While delivery is fragmented, the reporting on flows and other resources is often merged together and – somewhat paradoxically – this makes it difficult to separate their specific conditions and requirements.
4) Fragmented follow-up and review makes it difficult to monitor commitments, achieve transparency, and ensure compliance.

The proposed Sustainable Development Goals (SDGs) contribute to such a unified agenda, bringing together the development agenda pursued by the MDGs and environmental sustainability.

The ultimate objective of international development cooperation to support implementation of the global goals, and the realization of a renewed global partnership for development, will be **in the interest of all countries**, both developed and developing, to which the new agenda applies.

Conceptual and practical challenges: an initial overview

Delivery on the commitments related to Financing for Development, other means of implementation, and climate change financing is driven by the respective histories, contexts and a variety of emerging circumstances and arrangements. To ensure greater coherence among them, key aspects such as guiding principles, coverage, focus, actors and implementation and review practices could be examined further. This should place emphasis on implications for development cooperation operations and systems at country level.

The following initial overview describes a common vision and similarities and differences in a number of areas:

1. Achieving the SDGs will require a comprehensive approach, combining different modalities and instruments. Addressing the objectives of economic growth, poverty eradication and environmental conservation with the support of integrated development policies on the ground will be the major common task, with implications for all actors.
2. In practice, any such integration efforts will need to be based on an assessment of how to align **different underlying priorities and actions.** For example, how can access to capital markets (to overcome macroeconomic and liquidity constraints of developing countries) and to concessional financing and capacity building (to boost areas with low economic, but high social returns) be balanced, and what implications can this have on existing development cooperation operations, effective and less effective ones? How can other cross-cutting issues of relevance to human well-being be taken into account as integration of development cooperation policy is being promoted?
3. The **guiding principles** associated with the global commitments related to the different means of implementation overlap to a considerable extent, ranging from country ownership to inclusiveness and cooperation based on solidarity and non-interference. Yet, they also differ in key areas. This applies, for example, to ensuring the additionality of grant financing for climate change on top of the 0.7% goal for ODA and the principle of common but differentiated responsibilities and capabilities. Principles related to the effectiveness, transparency and targeting of resources may also differ to some extent, with lessons learned by different actors pointing to a shared priority for long-lasting development impact and results.

   3. Bringing the **main actors and institutions** engaged in follow-up to the different sets of commitments more closely together will be even more critical in future. Activities of development banks, other multilateral and bilateral partners, and specific funds need to be better coordinated to ensure alignment to national priorities and global post-2015 objectives. At country level, it will be vital to bring Ministries and other stakeholders together to ensure cooperation and policy coherence for development. Yet, this is becoming more complicated in light of the increasing diversity of actors, modalities and instruments of development cooperation and those associated with other critical resources.
4. **Implementation and review mechanisms** related to different global commitments are specialized and potentially hard to compare, or align. Their level of enforceability can vary. Such distinction may not work at country level. It is difficult – in particular at country level – to distinguish and to monitor and estimate progress, between financing for development and climate finance.

The Way Forward

Building on the call by the UN General Assembly for a single financing framework for the post-2015 development agenda, all countries must uphold and honor past commitments to deliver on, and effectively use, resources to achieve shared global goals in future.

It is important to look at the full picture of commitments in going forward, for example, how technology, featured prominently in the JPoI and less prominently in the Monterrey Consensus, can be included as a core element of a sustainable development financing framework.

Despite a lack of clarity on the financial requirements for the implementation of a post-2015 development agenda, there is an urgent need to re-emphasize the recognition that a massive injection of resources will be required for its success.

It is key that progress on any of the three dimensions of sustainable development is not undermined by efforts to ensure their integration. Aligning the three strands of commitments must be done in a way that it leads to win-win situations at country level and create additionality in terms of development impact and results.

It will also be vital to continuously build on what works at country level, and therefore to share lessons learned and good practices on all aspects outlined above.

Greater clarity on the function and roles of different development cooperation resources in different contexts will be essential. It will also be key to discuss how to avoid that the bulk of resources is channeled to climate change funds and how to limit conditionalities for the allocation of resources in this regard.

At the same time, it will be critical to show how financing streams can be accounted for separately at the sources in order to ensure that they are additional to ODA and to prevent double counting.

National systems will also need to adapt. This will apply to public financial management systems in particular. National stakeholders will have to find ways to optimize the use of all relevant resources, including domestic ones, as part of a coherent strategy for mobilization and effective use of resources to achieve sustainable development.

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