Some reflections on the structure of the Third FFD Conference Outcome Document

CIDSE Briefing Note

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In our conversations with governments in the lead up to the Third Financing For Development (FFD) Conference, to be held in Addis Ababa, July 2015, we have received inquiries on whether the structure of the Monterrey Outcome Document should be maintained.

Our answer is a resounding yes. In short, we strongly believe that a departure from the structure of the Monterrey Consensus would be ill-advised and prone to deepen mistrust at a time when all possible efforts should be put into strengthening trust to ensure ambitious outcomes for the three important conferences that will take place in 2015.

The Outcome Document of the International Conference on Financing for Development, held in 2002 in Monterrey (the Monterrey Consensus), addressed all financing sources in a holistic way. Transcending the usual identification of financing for development with aid, FFD provided a framework for the consideration of all different sources of finance while still placing them in the context of how they could be used to finance development. It had six chapters devoted respectively to: mobilization of domestic resources, mobilization of international private flows, international trade, external debt, official development assistance, and "systemic issues" – which included both issues of reform of the global financial and monetary system and global economic governance. An extra chapter, "Staying engaged," addressed process and institutional issues related to the follow up.

The Doha FFD Review ("Doha Declaration") included an innovation - a new chapter that focused on so-called "Other new challenges and emerging issues."

The General Assembly resolution that called the Third FFD Conference (68/204 of 20 December 2013) stated that the conference should "**assess the progress made in the implementation of the Monterrey Consensus and the Doha Declaration, reinvigorate and strengthen the financing for development follow-up process, identify obstacles and constraints encountered in the achievement of the goals and objectives agreed therein, as well as actions and initiatives to overcome these constraints**, address new and emerging issues, including in the context of the recent multilateral efforts to promote international development cooperation, taking into account the current evolving development cooperation landscape, the interrelationship of all sources of development finance, the synergies among financing objectives across the three dimensions of sustainable development, as well as the need to support the United Nations development agenda beyond 2015." (emphasis added)

Therefore, the legal basis for calling the Addis Ababa Conference closely ties it to the review of the Monterrey Consensus and Doha Declaration. It will be extremely difficult to be faithful to the mandate embedded in that General Assembly resolution if the outcome document does not preserve the structure with all its parts of the Conference that governments are called to review in Addis Ababa.

Moreover, it is worth noting that the Monterrey Consensus represented a delicate balance between views of different clusters of stakeholders about the importance of certain international and national policy issues. Thus, a decision to depart from such a structure in the upcoming review risks upsetting that balance and, depending on what chapters disappear in a new structure, may suggest a desire to "sweep under the carpet" portions of the Monterrey Consensus where there is little or no progress. We believe that both progress and the lack of it should be reported and owned integrally by the international community. For this, only a structure that closely reflects the commitments to be reviewed will be an appropriate way to proceed.

Why arguments to justify a change of the structure away from the Monterrey Consensus do not convince

Informally, we have heard a number of arguments being advanced to justify not following that structure in the Third FFD Conference. None of them suggest how to overcome the legal hurdle pointed out above. But, more importantly, we find none of them convincing in their own right, as analyzed below:

Argument #1: The Monterrey Consensus did not contemplate sustainable development and the outcomes of the Rio + 20 Conference

To say that the Monterrey Consensus was ignorant of the notion of sustainable development would be wrong. The Monterrey Consensus registers 10 references to sustainable development. The Doha FFD Review Outcome registers 7 references, including that the document speaks for the first time of a Global Partnership for *Sustainable* Development. The Doha FFD Review also addressed financing for climate change in its section on "emerging issues", while recognizing that decisions on such financing belonged to a separate track.

Granted, there is room to do more at the Third FFD Conference to recognize, in a substantive way, the need to equitably pursue financing for development given the limits of planetary resources and changing production and consumption patterns. New information about the urgency of climate change and sustainability patterns should also inform such decisions.

But none of these updates or upgrades call for radical changes in the structure. The structure of the Monterrey Consensus, covering all sources of finance in a holistic way, was purposefully designed as a conceptual framework that could stand the lapse of time and it has been remarkable in its ability to do so. We would respectfully challenge anybody to introduce a source of finance for "sustainable development" that may have been "invented" since 2002 and may not find a home under any of the chapters.

It is true the Monterrey Consensus does not capture outcomes of more recent conferences. Indeed, the Rio + 20 Conference came years after Monterrey. So did the Third Conference on LDCs (Istanbul 2011), and the World Conference on the Economic and Financial Crisis (New York, 2009), and the list could go on. All of these conferences offered inputs on financing issues that the Third FFD Conference will need to recognize and incorporate. None of them offers an input that cannot be incorporated under the existing Monterrey structure.

Argument #2: Changing the structure of the Monterrey Consensus is necessary in order to ensure coherence between the outcomes of the Third FFD Conference and the Post-2015 process, including its means of implementation

One of the outcomes of the Rio + 20 Conference was the agreement to design Sustainable Development Goals (SDGs) building on the Millennium Development Goals (MDGs). This process was well advanced by the Open Working Group created to such effect and has, effectively, produced 17 Goals one of which is on Means of Implementation.

The notion of means of finance needed to support the realization of an internationally agreed set of goals is not something discovered after Monterrey. On the contrary, the Monterrey Consensus responded, in part, to the need to support the Millennium Development Goals which had been agreed in 2000. At the same time, one of these MDGs was about means of implementation and included a few targets. Because targets were supposed to be limited in number, simple, easily-communicable, etc. they could hardly reflect the depth and length of the programme of action reflected in the Monterrey Consensus. But they were certainly coherent with it.

In that sense, the scenario then was not that different from the one we face today. There is a Financing for Development process that needs to address a programme of action on finance and there is a set of goals which would include a goal on "Means of Implementation." We believe that the Means of Implementation targets should be coherent with decisions taken at the Third FFD Conference in the area of finance. It is unclear why this should bring any change to the six core chapters agreed in Monterrey.

Having said all that, it is also important to recognize that the relationship between FFD and the SDGs Means of Implementation can be best characterized as one of partial overlap. FFD is a process in its own right, meant to track in a holistic and coherent way progress in the development finance arena. It predates and transcends the MDGs and had its own separate rationale. The Third FFD Conference should not be used to diminish the rich international consensus reached under the FFD agenda to become subservient to the SDGs agenda. On the other hand, the SDGs include means of implementation that are non-financial. Deliberations on the Post-2015 Summit Outcome Document will be the proper place to address such means of implementation. This would not only guarantee complementarities between the Post-2015 framework and FFD agenda but also space for financial commitments to be adequately tracked and reviewed within the FFD process.

Argument # 3: The structure of Monterrey does not allow a full exploitation of the potential of synergies across sources of finance

This is not an accurate statement. The chapters act as analytical categories for approaching the different sources of finance, but nothing in them prevents work on such synergies. Indeed we see many synergies between issues in the Monterrey Consensus and Doha Review themselves. For instance, the chapter focused on international private flows contains references to public/private partnerships (MC para 24) and leveraging aid resources (para 22), and to the need for private flows to be supported by national domestic resource efforts (para 21).

The chapter on international trade contains references to ODA to support developing countries in taking advantage of trade opportunities (paras. 36 and 37) which in the Doha Review became a reference to Aid for Trade initiatives (Doha Consensus, para. 36).

The chapter on external debt contains references to how debt sustainability is linked to terms of trade (MC paras. 49 and 50) and the Doha Declaration makes a link to market access (para. 65).

Summing up, we believe that the Monterrey Consensus with its core six chapters should be at the center of the Outcome Document of the Third Conference on FFD. The Monterrey Consensus offered a suitable framework to cover all possible sources of development finance in a holistic and comprehensive way in 2002 and continues to do so. The way it was designed captured the complex and multiple interlinkages between the different sources of finance. Remaining faithful to the agenda, thereby recognizing and addressing these interlinkages in all their complexity, will be an important contribution that the Third Financing for Development Conference makes to ensure that the Post-2015 agenda is genuinely transformative.

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