THE PRESIDENT
OF THE
GENERAL ASSEMBLY

23 April, 2014

Excellency,

I have the pleasure to transmit herewith a letter, dated 21 April, 2014, from H.E. Mr. Geir O. Pedersen, Permanent Representative of Norway and H.E. Mr. George Talbot, Permanent Representative of the Republic of Guyana, Co-Facilitators for the Third International Conference on Financing for Development, informing delegations that the next informal consultation will be held at 10:00am on 28 April, 2014 in the General Assembly Hall.

In this regard, the Co-Facilitators have developed, on the basis of the first informal consultation, an informal Background Paper which explores some of the considerations to be taken into account by delegations while considering the issues of scope and timing of the conference. The informal Background Paper, which is attached to the letter of the Co-Facilitators, also contains discussion points aimed at facilitating further deliberations.

Furthermore, the Co-Facilitators have also deemed it useful to circulate, for ease of reference, the latest Newsletter produced by the FFD Office of the Department of Economic and Social Affairs on the occasion of the Special High-level Meeting of the Economic and Social Council with the World Bank, IMF, WTO and UNCTAD.

I would like to encourage you to participate actively in the next informal consultation and, as per the letter affixed, to use that opportunity to share your views on the core issues of the scope and timing of the conference, with the aim of arriving an early agreement on these important matters.

Please accept, Excellency, the assurances of my highest consideration.

John W. Ashe

John W. Ashe

To All Permanent Representatives
and Permanent Observers
To the United Nations
New York

PERMANENT MISSION OF NORWAY TO THE UNITED NATIONS

PERMANENT MISSION OF THE REPUBLIC OF GUYANA TO THE UNITED NATIONS

21 April 2014

Excellency,

We wish to thank you for your active participation in the first informal consultation on the third international conference on financing for development held on 20 March 2014. At the meeting, delegations provided their preliminary views on all matters relating to the conference, including the date, format, organization and scope of the conference.

Based on those exchanges, we believe, as co-facilitators, that a better and early understanding on the scope and timing of the conference might be useful in exploring the appropriate modalities for the conference.

Accordingly, while all the aspects of the Conference will be considered in the course of our consultations, we now invite a more focused discussion related to the core issues of the scope and timing of the Conference with a view to seeking agreement on elements on which the Assembly can take action at the earliest opportunity.

In this connection, we are delighted to invite you to attend the next informal consultation to be held on 28 April 2014 at 10 am in the General Assembly Hall.

To help to prepare the discussion at the meeting, we are also circulating herewith an informal background paper which explores some of the considerations to be taken into account in deciding on the scope and timing of the conference. We have included some questions in the paper that can serve as discussion points during the meeting.

The recent newsletter produced by the FFD Office / DESA for the Special High - level Meeting of ECOSOC with the World Bank, IMF, WTO and UNCTAD highlights developments in relation to the various aspects of the Monterrey Consensus and the Doha Declaration and has been included for ease of reference.

Please accept, Excellency, the assurances of our highest consideration.

Geir O. Pedersen
Ambassador
Permanent Representative
of Norway to the United Nations

George Talbot
Ambassador
Permanent Representative
of the Republic of Guyana
to the United Nations

Third International Conference on Financing for Development

Considerations on Scope and Timing

In resolution 68/204, the General Assembly decided "to convene, in 2015 or 2016, a third international conference on financing for development." The first informal consultation on March 20th allowed delegations to provide preliminary views on all issues related to the conference, including the date, format, organization and scope. The exchanges have made clear that a better and early understanding on scope and timing could be helpful in the efforts to finalize the modalities for the conference. Following are some elements and questions for discussion.

1. Elements of scope

The 2002 Monterrey Consensus and the 2008 Doha Declaration on Financing for Development provide the conceptual framework, including in the context of the post-2015 development agenda, for the mobilization of resources from a variety of sources and the effective use of financing required for the achievement of sustainable development, based on the following six main chapters:

(i) Mobilizing domestic financial resources for development
(ii) Mobilizing international resources for development, foreign direct investment and other private flows
(iii) International trade as an engine for development
(iv) Increasing international financial and technical cooperation for development
(v) External debt
(vi) Addressing systemic issues: enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development.

Resolution A/RES/68/204 gives further guidance on the broad areas of focus of the 3rd international conference. As outlined in para 43, the scope includes:

(1) assessing the progress made in the implementation of the Monterrey Consensus and the Doha Declaration and to 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;

(2) addressing new and emerging issues, including in the context of the recent multilateral efforts to promote international development cooperation, taking into account
   a. the current evolving development cooperation landscape
   b. the interrelationship of all sources of development finance
   c. the synergies between financing objectives across the three dimensions of sustainable development
   d. as well as the need to support the United Nations development agenda beyond 2015;

(3) reinvigorating and strengthening the financing for development follow-up process.

Building on the platform of Monterrey and Doha, the conference could provide a single, comprehensive, holistic, forward-looking approach addressing the three dimensions of sustainable development.

The assessment of the progress made in the implementation of the Monterrey Consensus and Doha Declaration could cover (though not necessarily be limited to) their six chapters.[1] There have also been significant changes to the development cooperation landscape since Monterrey. Taking these changes into consideration, there appears to be agreement that, as in the Monterrey Consensus, the scope of the upcoming conference should include all actors and all sources of financing -- public, private, domestic and international.

Paragraph 43 of the resolution also calls for taking into consideration the synergies between financing objectives across the three dimensions of sustainable development. In this context, there is a need to more systematically integrate sustainability into the Monterrey and Doha financing for development agenda, based on the understanding that all development should be sustainable. One challenge in this regard will be how to integrate all financing streams, including those related to climate, biodiversity and other important areas.

2. Considerations on the timing of the conference

The conference should contribute to the success of an ambitious post-2015 development agenda. The decision on the timing should be based on this objective. Two main views have emerged in this regard – holding the conference either before or after the 2015 Summit. Several issues have been raised for consideration.

Chicken and egg problem

Which comes first: the post-2015 development agenda or the financing framework? Agreeing to an ambitious post-2015 development agenda might be difficult without an updated and comprehensive financing framework in place. On the other hand, deciding on a financing framework without first knowing the agenda may be challenging.

Political momentum

The conference should be timed with a view to harnessing maximum political momentum. The 2015 and 2016 scenarios both have inherent risks and benefits. Strengthening and updating the Monterrey and Doha financing framework prior to the Summit on the post-2015 development agenda could generate positive political momentum and help foster commitments from Member States to an ambitious post-2015 development agenda, including the SDGs. The conference would thus serve as an inspirational milestone toward the Summit.

On the other hand, an insufficiently inclusive and ambitious outcome of the third international conference on financing for development could undermine momentum for an ambitious post-2015 development agenda and weaken the outcome of the Summit.

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[1] See: Note by the Secretary-General: Coherence, coordination and cooperation in the context of financing for sustainable development and the post-2015 development agenda, E/2014/53

Synergies with other processes and duplication of work

Duplication of work is a risk in both scenarios, and should be avoided. A clear 'division of labour' between relevant processes is important. An important question is how to prevent a duplication of the financing for development discussion in the context of the post-2015 Summit and its preparatory process. Another question is whether and how the conference should be linked with the 21st Conference of the Parties on Climate Change in 2015.

Sufficient preparation vs. more time for implementation, and logistical considerations

There is also a concern that there be adequate time to prepare for a successful conference. An earlier conference leaves less time to forge a broad consensus through consultations with all relevant stakeholders. An early conference could pose capacity challenges for some Member States, particularly in light of the large number of other processes ongoing in 2015, including the negotiations of the post-2015 development agenda. However, the number of high-level events in 2016 is hard to predict at this point.

On the other hand, an early timing (2015) may help countries shape timely national and multilateral implementation strategies, which could allow for more immediate implementation of the post-2015 agenda.

Focus of the outcome of the conference

A conference before the 2015 Summit could provide a broad financing framework that would apply across the range of potential goals and facilitate a more productive discussion on the means of implementation in the context of the post-2015 development agenda. A 2016 conference might be more focused on the agreed post-2015 development agenda, including the SDGs. At the same time, one objective should be to avoid these discussions coming at the expense of developing a comprehensive framework.

Questions to be considered include:

(1) How can the third international conference on financing for development best contribute to the success of the post-2015 development agenda?

(2) How can we ensure that the conference and its preparation avoid duplication with other relevant processes?

(3) How can the scope of the conference best integrate the economic, social and environmental dimensions of sustainable development?

Special High-level Meeting of ECOSOC with the World Bank, IMF, WTO and UNCTAD

(14 – 15 April 2014, UN Headquarters, New York)

Financing for Development

Newsletter of FfDO/DESA

Number 2014/1, April 2014

Special High-level meeting of ECOSOC with the World Bank, the International Monetary Fund, the World Trade Organization and the United Nations Conference on Trade and Development

Overview

The Economic and Social Council will hold its Special high-level meeting with the World Bank, International Monetary Fund, the World Trade Organization and the United Nations Conference on Trade and Development on 14 and 15 April at the United Nations Headquarters, New York. The overall theme of the meeting will be "*Coherence, coordination and cooperation in the context of financing for sustainable development and the post-2015 development agenda*". The meeting will be structured around three topics.

A Ministerial segment will be held on the theme:

1. *World economic situation and prospects.*

The meeting will also feature two informal thematic debates on:

2. *Mobilization of financial resources and their effective use for sustainable development;*
3. *Global partnership for sustainable development in the context of the post-2015 development agenda.*

The thematic debates will be held consecutively in an informal plenary setting, to facilitate greater engagement of all participants and promote an open exchange of views and experiences among all stakeholders. The outcome of the meeting will be a summary by the President of ECOSOC.

A note by the Secretary-General on "*Coherence, coordination and cooperation in the context of financing for sustainable development and a post-2015 development agenda*" (E/2014/53) provides detailed background information for the meeting and suggests points for reflection to inform the discussion. This newsletter summarizes some of the main points included in the note by the Secretary-General.

Theme 1: World economic situation and prospects

The global economic outlook, as projected in the United Nations *World Economic Situation and Prospects 2014*, remains broadly positive. World gross product is expected to grow by 3.0 per cent in 2014, a measurable improvement from the subdued growth of 2.1 per cent preliminarily estimated for 2013.

The improved global prospects for 2014 are primarily predicated on two considerations: a strengthened recovery in major developed economies and the stabilization of growth in large emerging economies. With the euro area finally extricating itself from a protracted recession, all major developed economies are aligned on the same upward trajectory for the first time since 2011. This will not only reinforce the recovery among developed economies, but will also produce an impetus to the growth of developing and emerging economies. Growth prospects remain relatively robust in Africa. Meanwhile, a few large emerging economies, such as China and India, have managed to backstop the growth deceleration they experienced over the past few years.

Nonetheless, the projected growth is still insufficient to narrow the output gap in the world economy in the aftermath of the global financial crisis.

The global employment situation remains weak, as long-lasting effects from the financial crisis continue to weigh on labour markets in many countries and regions. Among developed economies, the euro area is facing the most challenging situation, with the unemployment rates currently reaching 27 per cent in Greece and Spain, and youth unemployment rates over 50 per cent. The unemployment rate has declined in the United States, but remains elevated.

In developing countries and economies in transition, the unemployment situation is mixed, with extremely high structural unemployment in North Africa and Western Asia, particularly among youth. By contrast, unemployment rates in Latin America and the Caribbean are at record lows. Still, high rates of informal employment as well as pronounced gender gaps in employment continue to characterize labour markets in numerous developing countries.

Inflation on the other hand remains tame worldwide, partly reflecting excess capacity, high unemployment, fiscal austerity and a continued financial deleveraging in major developed economies. Among developed economies, deflationary concerns are rising in the euro area, while Japan has managed to end its decade-long deflation. Among developing countries and economies in transition, inflation rates are above 10 per cent in only about a dozen economies scattered across different regions, particularly in South Asia and Africa.

Growth of world merchandise trade weakened further in 2013, dragged down by slow global growth. Sluggish demand in many developed countries and faltering growth in developing countries led to a decline in world export volume growth from 3.1 per cent in 2012 to only 2.3 per cent in 2013—well below the trend prior to the financial crisis. The prospects for world trade are expected to improve, driven by a modest increase in demand in Europe, further recovery in the United States and a return to more dynamic trade in East Asia. Growth of world exports is projected to be 4.6 per cent in 2014. Trade in services, recovering faster than merchandise trade, is expected to continue growing over the forecast period.

Private capital inflows to a number of developing countries and economies in transition declined in 2013 and early 2014, along with significantly increased volatility in the financial markets of emerging economies, resulting in equity market sell-offs and sharp depreciations of local currencies. This was partly triggered by the United States Federal Reserve decision to taper the amount of its monthly purchases of long-term assets.

The unwinding of unconventional monetary policies adopted in major developed countries indeed poses major risks for global economic growth and financial stability in the coming years. Since May 2013, when the United States Federal Reserve signalled the possibility of tapering the size of its monthly purchases of long-term assets, the world economy has already encountered two waves of financial turmoil. Yet, sustained and equitable growth will be a precondition for mobilizing additional resources for sustainable development.

Questions for discussion:

- What type of macroeconomic policies worldwide can support a strong, balanced and sustainable recovery and help close the persistent output gap in the aftermath of the world financial and economic crisis?
- How do we account for large differences in unemployment rates across regions and income groups? What policy measures can be used to reduce youth unemployment, increase formal employment, and lower the gender gap in labour markets?
- In addition to the cyclical downturn associated with the global financial and economic crisis, how have some structural factors, such as globalization and productivity impacted labour markets? What is the relationship between productivity growth and unemployment? What measures can countries take to increase employment while inducing greater productivity growth and innovation?
- How can developing countries most effectively manage the ramifications of the quantitative easing unwinding in developed countries?

Theme 2: Mobilization of financial resources and their effective use for sustainable development

A broad and comprehensive post-2015 development agenda, with poverty eradication and sustainable development at its core, will require a comprehensive financing framework. To this end, the General Assembly established the Intergovernmental Committee of Experts on Sustainable Development Financing in follow-up to Rio+20, to develop options for a sustainable development financing strategy.

Although the Committee is still in the process of formulating its report, to be issued in September 2014, some preliminary conclusions have already been reached. In particular, participants agreed that the Monterrey Consensus and the Doha Declaration on Financing for Development provide the basis for the financing framework, keeping in perspective lessons learnt and emerging challenges. In this context, it was agreed that the domestic and international policy environments, including a fair multilateral trading system, external debt sustainability and good governance at the national and international levels, have a profound impact on the mobilization of finance for sustainable development.

There is a consensus that the financing framework should emphasize the complementarities and synergies across the economic, social and environmental dimensions of sustainability. Given the large financing needs, there is also a strong consensus that all types of flows will be necessary, including domestic, international, public and private. Public financing, including ODA and domestic resource mobilization, along with an appropriate policy framework, will remain indispensable. Nonetheless, given the sheer size of financing needs, it is clear that public resources alone will not be sufficient.

In the past, different financing streams were often seen as substitutable, based on the view that money is fungible. However, recent analysis, which has focused on underlying incentives, has emphasized that different financing streams have different mandates, characteristics, goals, and incentive structures and should be seen as complementary, rather than supplementary. For example, private finance will be more efficient than public finance in many instances; however, the short term nature of some private flows might add risks that make these flows inappropriate for certain investments. In addition, private financing is unlikely to be sufficient in areas of public goods and social needs.

Although estimates of the financing needs for sustainable development are necessarily imprecise, studies conclude, without exception, that needs are extremely large. Investment requirements for an energy transition respecting agreed climate targets alone are of the order of trillions of US dollars per year. While part of the needed investment would flow automatically if energy prices were set to fully reflect supply costs and environmental damages, there would still be insufficient financing in many public goods, including financing the global commons.[1] Similarly, there is insufficient long-term financing for critical infrastructure needs, not only in the environmental pillar, but also for social needs, and for various economic entities, such as SMEs, which are important means for employment generation in many countries. An enabling environment and the rule of law, both emphasized in the Monterrey Consensus, are critical for long-term investment. Nonetheless, there is currently a shortage of financing in critical areas even in countries with relatively strong enabling environments.

Despite small (but growing) pockets of socially conscious investors, private capital remains driven by the profit motive. The private sector thus under-invests in public goals because returns on these investments are not generally competitive on a risk-adjusted basis. Nonetheless, estimated financing needs still represent a relatively small portion of global savings of around $17 trillion in 2012. Thus, a strengthened financing framework that incentivizes a partial reallocation of savings to finance sustainable development could have an enormous impact.

In short, a strengthened financing framework would ask the question of how to create a global financial system — including its public, private, domestic, and international components — that incentivizes investors and other stakeholders to act in the interest of global sustainable development.

As recognized by the Intergovernmental Committee of Experts on Sustainable Development Financing, the Monterrey Consensus should form the basis of a sustainable development financing strategy. In addition, as noted in the Doha Declaration on Financing for Development, "multiple financing for development challenges and opportunities have emerged since the Monterrey Conference, including the impact of the financial crisis, additional costs of climate change mitigation and adaptation and damage to the Earth's environment." There have also been changes to the development landscape, with the growth of middle-income countries, as well as a greater focus on the role of the private sector. At the same time, the financial crisis has underscored limits and risks in private sector financing and the importance of financial market stability to the real economy.

The underlying premise of the Monterrey Consensus is that "each country has primary responsibility for its own economic and social development" while "national development efforts need to be supported by an enabling international economic environment." Domestic resource mobilization, the first chapter of the Monterrey Consensus, emphasizes the importance of national responsibility. The following chapters on international private flows, foreign aid and external debt bring in the additional financing streams. Chapters on trade and systemic issues (and, to some extent, external debt) focus on the importance of providing a stable international environment conducive to growth.

There has been substantial progress in all of these areas since the Monterrey agreement was forged. Nonetheless, the post-2015 development agenda provides a unique opportunity to redouble efforts in each of these areas, as well as to strengthen the financing strategy to address global development challenges.

1 There are a host of market failures, which would likely preclude the flow of financing. See the United Nations *World Economic and Social Survey 2011*, Chapter 5.

Questions for discussion:

- While private for-profit investors can meet many of the investment needs for sustainable development, some activities are best addressed by Governments, in many cases supported by official cooperation. What lessons can be drawn from the experiences and international discussions thus far to boost cooperation effectiveness and strengthen confidence in the efficacy of increased development cooperation flows?
- What kinds of policies would help incentivize greater private sector financing of sustainable development? How can public resources more effectively leverage private sector investments for sustainable development? What can be learned from past experiences and what mechanisms would be most effective in different circumstances?
- There is a lot of interest in corporate social responsibility. Will this be sufficient to fill financing needs, or are regulatory and other policy approaches also necessary?
- What are the implications of a comprehensive post-2015 development agenda focused on poverty eradication and sustainable development for the relationship between traditional development cooperation and climate financing?

Theme 3: Global partnership for sustainable development in the context of the post-2015 development agenda

The concept of a global partnership for development as a set of commitments on promoting development has a long history at the United Nations. This history includes the Monterrey Consensus, the Doha Declaration on Financing for Development and the Johannesburg Plan of Implementation, but goes back much further. As the international community moves towards formulating a post-2015 development agenda, which needs to be underpinned by a strengthened global partnership for sustainable development, important lessons can be drawn from past experience.

Efforts to promote development through a global partnership are reflected in a long sequence of international declarations and intergovernmental agreements. They date back to the 1969 report of the "Commission on International Development", which highlighted the need for commitments from both developed and developing countries. In the 1980s and 1990s, the General Assembly promoted development partnerships through the adoption of International Development Strategies.

The concept of a global partnership gained momentum in follow-up to the 2000 Millennium Declaration and the Millennium Development Goals (MDGs). MDGs 1-7 reflected concrete development objectives, while MDG 8 spoke to their means of implementation and called on the international community "to develop a global partnership for development". The global partnership for development embodied in MDG 8 addresses key building blocks for a more effective system of international development cooperation in five areas: (i) official development assistance; (ii) market access (trade); (iii) external debt sustainability; (iv) access to affordable essential medicines; and (v) new technologies, especially information and communications. In addition, it emphasized the special needs of LDCs, Landlocked Developing Countries (LLDCs) and Small Island Developing States (SIDS).

MDG 8 played a critical role in the MDG framework, as it recognized the importance of an enabling external economic environment. However, it lacked specific targets to finance the MDGs and development more broadly. Indeed, given the complexity of the international financial system, it would be difficult to circumscribe the wide set of actions required to develop a stable international financial system able to support development within a goal framework.

In this context, the preparations of the 2002 International Conference on Financing for Development in Monterrey, which had started three years earlier, provided a unique opportunity for the international community to spell out a broad financing for development framework, taking into account all sources of development financing, and also addressing in a systematic manner the international financial architecture, financial stability and other systemic issues as key components of the global partnership for development.

The Monterrey Consensus contained a wide range of commitments by both developed and developing countries, including financial commitments, as well as commitments to policy action at the domestic and international levels. It spelled out the means to arrive at an effective system of international development cooperation in a comprehensive manner. Similar to MDG 8, it included official development assistance, market access and debt sustainability as three of its key areas, but it also addressed domestic resource mobilization, private financing flows and systemic issues.

Since its formulation, the global partnership has inspired serious efforts and galvanized action by all stakeholders across a range of policy areas. As a result, the world has witnessed significant progress in meeting the MDGs. However, progress has been uneven and unfinished business remains. In addition, new challenges have emerged or have become more urgent.

For this reason, the post-2015 development agenda will have to be underpinned by a renewed and strengthened global partnership for sustainable development, grounded on the values of equity, solidarity and human rights, which builds on the strengths of the existing framework, while taking on board the lessons learned, and addressing new challenges. Commitments to policy action will have to be broader than in MDG 8, addressing in an integrated manner the three dimensions of sustainable development. To be effective, the global partnership will also require a strengthened, robust and inclusive monitoring and accountability mechanism, to monitor progress in implementation of commitments.

The new partnership will need to engage all relevant stakeholders, galvanizing action at the local, national and global levels. Only a joint effort, leveraging the strengths of all actors, including civil society, the private sector, local governments, national parliaments and others, will enable the realization of the shared vision embodied in a sustainable development agenda.

The new global partnership will be set out by Member States of the United Nations. At its heart, then, it will define a compact of commitments to policy actions by Member States. At the same time, the global partnership needs to provide space and flexibility for engagement with a much broader range of actors. In the quest to achieve sustainable development goals, multi-stakeholder implementing partnerships can engage and bring to the table all relevant stakeholders for a specific purpose or goal, allowing them to leverage their comparative advantages and respective strengths.

To this end, the global partnership should be embedded in a broad and comprehensive financing framework for sustainable development. Such a framework would contain renewed commitments, while providing guidance to stakeholders in their effort to contribute to sustainable development. As the financing and development landscape is increasingly characterized by many dispersed actors and high complexity, its most important contribution may lie in setting the right incentives for this broad range of actors to facilitate sustainable development financing and investment.

A broad sustainable development financing framework would also address sustainable development in all its dimensions, in an integrated manner. It would speak to the sustainable development agenda as a whole, encompassing, but not limited to, the set of sustainable development goals, to be adopted by the international community in September 2015. It would outline policy actions at the local, national and international levels. It would also address systemic issues, including the global trading system and the stability of the international financial system, and the participation of all relevant actors in global policy making and dialogue.

Questions for discussion:

- What are the lessons learned from the current global partnership? Which are the most pressing new challenges and emerging issues that a renewed global partnership for development needs to address? What would it take to forge this renewed and strengthened global partnership?
- How can the renewed global partnership for development be best integrated into the post-2015 development agenda? Should it be captured in a separate goal, and/or linked to specific goals and targets? How should it be linked to the third international conference on financing for development, and what should its relationship be to a broader financing framework for sustainable development?
- How can multi-stakeholder partnerships be most effectively used to contribute to sustainable development in the context of the post-2015 development agenda? How should they be integrated into the global partnership for development?
- What should be the role of ECOSOC in promoting a global partnership for sustainable development in the context of the follow-up to the MDGs and the elaboration of the post-2015 development agenda?■

For further Information

Please refer to the Financing for Development Web site at www.un.org/esa/ffd/ecosoc/springmeetings/2014/index.htm.