



Sixty-seventh session

Item 19 of the provisional agenda*

**Follow-up to and implementation of the outcome of
the 2002 International Conference on Financing for
Development and the 2008 Review Conference**

Modalities of the financing for development follow-up process

Report of the Secretary-General

Summary

The present report, submitted in response to General Assembly resolution 65/145, provides elements for an assessment of the existing modalities of the financing for development follow-up process and, on this basis, explores detailed options regarding possible arrangements for strengthening the process. The report summarizes key intergovernmental mandates regarding the financing for development follow-up process and describes the evolution of its institutional modalities, along with those of related intergovernmental processes. It discusses in detail three options for strengthening the financing for development follow-up process, namely: (i) the continued incremental evolution of existing modalities; (ii) the creation of a new intergovernmental body; and (iii) ensuring coordination and coherence with the intergovernmental process on sustainable development financing. The report derives conclusions for consideration by Member States.

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I. Introduction

1. In its resolution 65/145 of 20 December 2010, entitled “Follow-up to the International Conference on Financing for Development”, the General Assembly noted with appreciation the efforts already taken to strengthen the financing for development follow-up process and acknowledged that the modalities of that process should be reviewed, as appropriate. The Assembly further requested the Secretary-General to submit in August 2012 a report providing elements for an assessment of the existing modalities of the financing for development follow-up process and, on this basis, exploring detailed options regarding possible arrangements for strengthening the process, taking into account the views and proposals of Member States and all relevant stakeholders and the need to ensure the coherence of United Nations processes in the field of financing for development. The present report is in response to that request.

II. Background

2. The outcome documents of the two landmark international conferences on financing for development, held in 2002 and 2008, provided the major mandates for the substantive and institutional framework of the financing for development (FfD) follow-up process. The International Conference on Financing for Development, held in Monterrey, Mexico, from 18 to 22 March 2002, resulted in the adoption of the Monterrey Consensus¹. The Consensus embraces six thematic areas (“Leading actions”) of financing for development, namely: (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; and (vi) addressing systemic issues: enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development. The concluding chapter, entitled “Staying engaged”, contains the commitment of world leaders to keeping fully engaged, nationally, regionally and internationally, to ensuring proper follow-up to the implementation of agreements and commitments reached at Monterrey and to continuing to build bridges between development, finance and trade organizations and initiatives, within the holistic agenda of the Conference.²

3. The “Staying engaged” chapter of the Monterrey Consensus provides general parameters and specific modalities for the follow-up to the Conference. The United Nations was assigned the leading role in the follow-up process, with the participation of, and in collaboration with, all relevant stakeholders. In contrast to other United Nations conferences and summits in the economic, social and related fields, the Monterrey Conference did not establish a new intergovernmental mechanism, but rather decided to strengthen and make fuller use of the General Assembly and the Economic and Social Council (ECOSOC), as well as the relevant intergovernmental/governing bodies of other

¹ Report of the International Conference on Financing for Development, Monterrey, Mexico, 18–22 March 2002 (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

² Ibid, para. 68.

institutional stakeholders, for the purposes of conference follow-up and coordination. In that context, it identified a series of interconnected elements related to: (a) interactions between representatives of ECOSOC and the directors of the executive boards of the World Bank and IMF, as well as representatives of the appropriate intergovernmental body of the WTO; (b) the annual spring meeting of the Council with the Bretton Woods institutions and WTO; (c) the biennial high-level dialogue of the General Assembly on financing for development and related issues; and (d) modalities to enable participation of all relevant stakeholders, including civil society and the private sector.³ The document further called for a follow-up international conference to review the implementation of the Monterrey Consensus.⁴

4. The Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus was held in Doha, Qatar, from 29 November to 2 December 2008. The Conference adopted the Doha Declaration on Financing for Development, endorsed subsequently by the General Assembly.⁵ The Declaration reaffirmed previous commitments and put forward new pledges under the six thematic areas of the Monterrey Consensus, as well as a new section on “Other new challenges and emerging issues”. In terms of the follow-up process, four key messages emerged from the outcome document, as follows: (i) the need to further intensify the engagement of all stakeholders, including the United Nations system, the World Bank, IMF and WTO; (ii) the need for a strengthened and more effective intergovernmental inclusive process to carry out the financing for development follow-up; (iii) the decision to hold a UN Conference at the highest level on the world financial and economic crisis and its impact on development; and (iv) the decision to consider the need to hold a follow-up financing for development conference by 2013.⁶

5. The UN Conference on the World Financial and Economic Crisis and Its Impact on Development was held in New York from 24 to 30 June 2009. The outcome document, adopted at the Conference and endorsed by the General Assembly,⁷ set forth a global consensus on the causes, impacts and responses to the crisis; prioritized the lines of prompt, decisive and co-ordinated actions; and defined a clear role for the United Nations. Its section, entitled “The way forward”, entrusted the General Assembly and ECOSOC with a range of mandates to follow-up on the outcome of the Conference. In particular, the General Assembly was invited to establish an ad hoc open-ended working group to follow up on the issues contained in the outcome document. ECOSOC was requested inter alia to make recommendations to the General Assembly regarding (i) a strengthened and more effective and inclusive intergovernmental process to carry out the financing for development follow-up and (ii) the possible establishment of an ad hoc panel of experts on the world economic and financial crisis and its impact on development.⁸

³ Ibid, para 69.

⁴ Ibid, para 73.

⁵ A/CONF.212/L.1/Rev.1, A/RES/63/239, annex.

⁶ Ibid, paras 79, 88-90.

⁷ A/RES/63/303, annex.

⁸ Ibid, paras 54 and 56 (b) and (e).

III. Salient features of existing institutional modalities

6. A distinctive feature of the financing for development process is its inclusive nature. The active engagement of a broad range of stakeholders from the public and private sector is a key factor. The United Nations system, the Bretton Woods institutions and the WTO have a special role to play as the major institutional stakeholders. The modalities of their participation in the process, both at the intergovernmental and staff levels, go beyond the normal practice of the General Assembly and ECOSOC.

A. General Assembly

High-level Dialogue on Financing for Development

7. By its resolution 57/250, the General Assembly decided to reconstitute its high-level dialogue on strengthening international cooperation for development through partnership as the high-level dialogue on financing for development so that it became the intergovernmental focal point for the general follow-up to the Monterrey Conference and related issues. The Assembly stressed that the High-level Dialogue should contribute to promoting policy coherence among development, finance and monetary and trade organizations within the framework of the holistic agenda of the Conference with respect to eradicating poverty and achieving sustained economic growth and sustainable development and an equitable global economic system. The Assembly also decided to hold the High-level Dialogue biennially at the ministerial level.

8. To date, the General Assembly held five High-level Dialogues on Financing for Development (in 2003, 2005, 2007, 2010 and 2011) at UN headquarters in New York. The overall theme of the High-level Dialogues in 2003, 2005 and 2007 was “The Monterrey Consensus: status of implementation and tasks ahead”. Following the 2008 Doha Review Conference the theme of the High-level Dialogues in 2010 and 2011 was slightly reformulated as “The Monterrey Consensus and Doha Declaration on Financing for Development: status of implementation and tasks ahead”. Participants at those meetings included ministers, vice-ministers and other high-level government officials, as well as senior representatives from the major institutional stakeholders (the World Bank, IMF, WTO, UNCTAD and UNDP), other international organizations and observers from non-institutional stakeholders (civil society and the business sector).

9. The format of the High-level Dialogues included a combination of plenary meetings, interactive multi-stakeholder round tables and an informal interactive dialogue. Based on the Monterrey modalities, the heads of the Bretton Woods institutions, WTO, UNCTAD and UNDP were invited to speak at the opening plenary meeting, following statements by the President of the General Assembly and the Secretary-General. Other officials from the major institutional stakeholders were invited to co-chair round tables. The High-level Dialogues of 2003, 2005 and 2007 were also preceded by informal hearings with representatives of civil society and the business sector.

10. Substantive topics of the multi-stakeholder round tables tended to closely follow the chapter titles of the Monterrey Consensus and the Doha Declaration. However, there

were some variations. For instance, in the first High-level Dialogue in 2003, the round table themes were “Regional dimensions of the implementation of the results of the International Conference on Financing for Development” and “The link between the progress in the implementation of the agreements and commitments reached at the International Conference on Financing for Development and the achievement of internationally agreed development goals, including those contained in the United Nations Millennium Declaration”. Efforts have recently been made to reduce the number of round tables and to focus them on topical issues under the FfD agenda. Thus, in 2010 and 2011, round table discussions focused on (i) the reform of the international monetary and financial system and its implications for development; (ii) the impact of the world financial and economic crisis on foreign direct investment and other private flows, external debt and international trade; and (iii) the role of financial and technical cooperation, including innovative sources of development finance, in leveraging the mobilization of domestic and international financial resources for development.

11. Each High-level Dialogue contained an informal interactive dialogue, comprising a policy discussion with the participation of all stakeholders in the FFD process. In 2003, the title of the informal interactive dialogue was “Monterrey Consensus: status of implementation and tasks ahead”. Since 2005, the discussion focused on the link between financing for development and achieving the internationally agreed development goals, including the MDGs. The outcome of the meeting was the summary by the President of the General Assembly, which was issued as a UN official document.⁹

Second Committee

12. Following the Monterrey Conference, the Second Committee of the General Assembly considered a separate agenda item on financing for development, entitled, since 2009, “Follow-up to and implementation of the outcome of the 2002 International Conference on Financing for Development and the 2008 Review Conference”. In addition, selected topics from the FfD agenda, such as “International trade and development”, “International financial system and development” and “External debt sustainability and development”, were included under the agenda item on “Macroeconomic policy questions”.

13. In recent years, as part of its deliberations on the FfD agenda item, the Second Committee held panel discussions on FfD-related topics, such as “Impact of the financial crisis on employment, migration, trade and debt” (2009), “Revitalizing the international financial system” (2009), and “Donor accountability in increasing international financial and technical cooperation for development” (2011). As a result, the annual consensus-based General Assembly resolution on FfD¹⁰ usually had a strong substantive component. However, those resolutions also contained provisions aimed at strengthening the institutional dimension of the FfD process.

⁹ A/58/555 and Corr.1 and Add.1 and Add.2, A/60/219, A/62/550, A/65/130, A/66/678.

¹⁰ A/RES/59/225, A/RES/60/188, A/RES/61/191, A/RES/62/187, A/RES/63/239, A/RES/64/194, A/RES/65/145, A/RES/66/191.

14. Lately, the General Assembly took special interest in the issue of innovative finance for development. Following an informal event on innovative sources of development finance convened in 2010, the General Assembly held, in 2011, a separate meeting of the Second Committee on innovative mechanisms of financing for development, under the FfD agenda item.

B. Economic and Social Council

Special high-level meeting of ECOSOC with the BWIs, WTO and UNCTAD

15. The Monterrey Conference called for assigning to the spring meeting between ECOSOC and the Bretton Woods institutions a special role in maintaining the momentum for the implementation of the outcome of the Conference. Pursuant to paragraphs 69 (a) and (b) of the Monterrey Consensus, the meeting should include an intergovernmental segment, with the participation of representatives of WTO, to address an agenda agreed to by the participating organizations, as well as a dialogue with civil society and the private sector. ECOSOC, in its resolution 2003/47, decided to invite representatives of the UNCTAD Trade and Development Board to participate in future spring meetings.

16. The Monterrey Consensus placed the issues of coherence, coordination and cooperation related to the follow-up to the Conference at the centre of the annual spring meeting. The preparations for the meeting involved extensive consultations within the Council and of its Bureau with executive directors from the World Bank and IMF, members of the UNCTAD Trade and Development Board and the Governing Council of the WTO, as well as with the management of the participating institutions. The purpose of those consultations was to discuss substantive focus, appropriate format and innovative modalities, with a view to ensuring high-level participation and enhancing the impact of the meeting. The outcome of the meeting was the summary by the President of the Council which has been issued as an UN official document. In recent years, the President of ECOSOC was invited to participate in the meetings of the joint World Bank/IMF Development Committee to present the outcome of the spring meeting and related activities of the Council.

17. From 2003 to 2008, the meeting constituted a one-day event in April, immediately following the annual spring meetings of the Bretton Woods institutions, comprising a morning and afternoon plenary sessions and a series of parallel multi-stakeholder round tables. The overall theme generally focused on the issue of coherence, coordination and cooperation in the context of the implementation of the Monterrey Consensus and related outcomes. The topics of the multi-stakeholder round tables largely derived from issues contained in the Monterrey Consensus, as well as new challenges and emerging issues, such as supporting the development efforts of middle-income developing countries (2006 and 2008), aid effectiveness and innovative finance (2007 and 2008) and financing of climate change mitigation and adaptation. In a further innovation, the meeting in 2009 was organized around two thematic debates of the whole on: (i) addressing the impact of the global financial and economic crisis, including issues related to the international financial and monetary architecture and global governance structures; and (ii) strengthening the intergovernmental inclusive process to carry out the financing for development follow-up.

The meetings in 2003 and 2004 were preceded by informal hearings of civil society and the business sector.

18. In response to paragraph 89 of the Doha Declaration, ECOSOC, in its resolution 2009/30, recommended to the General Assembly a set of modalities for a strengthened and more effective intergovernmental process for carrying out the FfD follow-up. In particular, it was recommended that the special high-level spring meeting of ECOSOC with the international financial and trade institutions could last for up to two days and should be timed to be held at least five weeks before the spring meetings of the Bretton Woods institutions, so as to meet the needs of all parties and be conducive to high-level participation.

19. In its resolution 2012/31, the Council emphasized the need to further improve the dialogue between Member States and representatives of the BWIs, WTO and UNCTAD during the special high-level meeting of the Council and in this connection requested the President of the Council, in close consultation with Member States, to continue close cooperation and dialogue with the relevant organizations and stakeholders on all the elements of the preparations for the special high-level meeting, in particular the date and agenda of the meeting of the following year, in order to seek a more interactive, dynamic and substantive discussion on key issues related to the financing for development framework.

Substantive session

20. In the aftermath of the Monterrey Conference, there was also consideration of an agenda item on financing for development in the substantive session of ECOSOC held in July every year. The discussions of the FfD item have concluded with resolutions on FfD, focusing mostly on the institutional aspects of the process. Particularly significant in this regard was ECOSOC resolution 2009/30, which, as stated earlier, led to a change in the timing and format of the Special high-level meeting of ECOSOC with the BWIs, WTO and UNCTAD. The same resolution also recommended that greater prominence should be given to the agenda item on FfD in the work of the annual substantive session of the Council.

21. As a result, from 2010, the coordination segment of the annual substantive session of the Council devoted more time to its consideration of the agenda item on “Follow up to the International Conference on Financing for Development”. For example, the work of the coordination segment on FfD included panel discussions on “South-South cooperation and financing for development: investment, trade and technology transfer” and “Global economic governance” (2010), “Global economic governance and development: enhancing the coherence and consistency of the international monetary, financial and trading systems” and “Building on Istanbul: financial support for development efforts of LDCs, including through South-South and triangular cooperation” (2011), and “Innovative mechanisms of financing for development” (2012).

C. Multi-stakeholder consultations on financing for development

22. Pursuant to General Assembly resolution 58/230, the Financing for Development Office (FfDO) of the UN Department of Economic and Social Affairs organized a series of multi-stakeholder consultations to examine issues related to the mobilization of resources for financing development and to promote best practices and exchange information on the implementation of the commitments made and agreements reached at the Monterrey Conference.

23. The FfDO, in consultation with major institutional and non-institutional stakeholders, identified policy issues covered in the Monterrey Consensus and the Doha Declaration, on which informal and expert-level discussions among multiple stakeholders could facilitate policy debates in international forums. These issues were discussed in a series of consultations, which were held in different regions to properly take into account regional challenges and perspectives.¹¹ The consultations were technical rather than political meetings, addressing substantive aspects in order to mobilize the political will to take an agreed course of action. The topics of these consultations included: “External debt of developing countries” (2007 – present); “Regional cooperation on Financing for Development” (2010-2011); “Rethinking the role of National Development Banks” (2005-2007); “Building an inclusive financial sector for development” (2004-2005); and “Sovereign debt for sustained development” (2004-2005).

24. Several of the consultations were undertaken in partnership with institutions and organizations within the UN system, such as UNCDF and UNCTAD, as well as civil society and business sector organizations. Examples of consultations undertaken in cooperation with civil society include: “Financing basic utilities for all” (2006-2007; with Friedrich Ebert Foundation) and “Systemic issues” (2004-2005; with New Rules for Global Finance Coalition). Examples of consultations undertaken with business sector entities include: “Strengthening the business sector and entrepreneurship in developing countries” (2006-2007; with The Indus Entrepreneurs (TiE)); “Public-private partnerships for improving the effectiveness of development assistance” (2004-2005; with the World Economic Forum (WEF)); and “Improving the climate for private investment” (2004-2005; with WEF).

25. Participants in these consultations have included government representatives (from both developing and developed countries), officials from multilateral organizations, academic experts, and representatives from civil society and the business sector with the relevant technical expertise and experience. Some of these meetings have been financed by generous contributions to the FfD trust fund by Member States. Further details and substantive reports on all these meetings can be obtained from the FfDO website.¹²

D. Secretariat support

26. The Monterrey Conference requested the Secretary-General to provide – with collaboration from the secretariats of the major institutional stakeholders – sustained follow-up within the United Nations system to the agreements and commitments reached at the Conference and to ensure effective secretariat support. The Secretary-General was

¹¹ A/60/289/Add.1.

¹² <http://www.un.org/esa/ffd/msc/>.

also requested to submit an annual report on those follow-up efforts. In response, the UN Secretariat¹³ prepared, in consultation with the staff of the Bretton Woods institutions, WTO, UNCTAD and UNDP, the annual report for the General Assembly on the follow-up to and implementation of the outcomes of the Monterrey and Doha conferences, as well as other outputs posted at www.un.org/esa/ffd.

IV. Modalities of related intergovernmental processes

A. Follow-up to the Conference on the World Financial and Economic Crisis and Its Impact on Development

27. By its resolution 63/305, the General Assembly established an ad hoc open-ended working group to follow up on the issues contained in the Outcome of the 2009 Conference on the World Financial and Economic Crisis and Its Impact on Development. Following a series of consultations with Member States on procedural issues, the group held, from April to June 2010 six substantive meetings on the themes: (i) the impact of the crisis on debt sustainability of developing countries; (ii) mobilization of additional resources to mitigate the impact of the crisis on the most vulnerable; (iii) access to credit and concessionary finance, fiscal space for counter-cyclical policies and the current global reserve system; (iv) improved financial regulation and supervision; (v) reform of the international financial and economic system, including voice and participation of developing countries in the Bretton Woods institutions; and (vi) strengthening the role of the United Nations in global economic governance.¹⁴ The format of the meetings included presentations by experts from international organizations, governments, academia and the private sector, who provided information on the economic outlook, evolving policies and institutional changes. The presentations were followed by interactive discussions. Outcomes of those meetings were summarized in a progress report of the Working Group to the General Assembly at its sixty-fourth session (A/64/884).

28. The General Assembly, in its resolution 65/313, decided to explore further, at its sixty-sixth session, the most efficient modalities for the intergovernmental follow-up process of the Conference and in this regard requested the President of the General Assembly to hold open, inclusive, timely and transparent consultations with all Member States. In this context, the President of the General Assembly and the Secretary-General jointly convened a High-level thematic debate of the General Assembly on the “State of the world economy and finance in 2012” (New York, 17 and 18 May 2012).¹⁵ It was highlighted that the discussions held at that event served as a contribution to the follow-up process of the 2009 Conference.

29. Pursuant to paragraph 56 of the outcome document of the Conference, ECOSOC held informal consultations on how to most effectively implement the mandates assigned to it regarding the response by the United Nations to the world financial and economic

¹³ A/RES/57/273.

¹⁴ <http://www.un.org/esa/ffd/events/2010GAWGFC/index.htm>

¹⁵ A summary by the President of the General Assembly of the high-level thematic debate is available at www.un.org/en/ga/president/66/Issues/worldfinancialcrisis/wfec.shtml.

crisis. The outcome of those deliberations was given in the summary by the President of ECOSOC (E/2009/119).

30. In its resolution 2011/39, ECOSOC recommended, inter alia, that the possible establishment of an ad hoc panel of experts on the world economic and financial crisis and its impact on development should be further considered by the General Assembly. However, the General Assembly has not yet resumed its discussions on the establishment of such a panel.

B. High-level policy dialogue with the international financial and trade institutions on current developments in the world economy

31. The state of the global economy has serious repercussions on resource mobilization through various channels, in particular in developing countries. The high-level segment of the annual substantive sessions of ECOSOC features a high-level policy dialogue with the heads of multilateral financial and trade institutions of the UN system, including the Bretton Woods institutions, on important developments in the world economy and international economic cooperation. In terms of the analytical underpinning of this dialogue, the annual flagship publication *World Economic Situation and Prospects*, jointly prepared by UN-DESA, UNCTAD and the five UN regional commissions, serves as a major point of reference.

C. Development Cooperation Forum (DCF)

32. The 2005 World Summit mandated ECOSOC to “hold a biennial high-level Development Cooperation Forum to review trends in international development cooperation, including strategies, policies and financing, promote greater coherence among the development activities of different development partners and strengthen the links between the normative and operational work of the United Nations”.¹⁶ More detailed terms of reference for DCF were outlined in General Assembly resolution 61/16 on strengthening of the Economic and Social Council.

33. The Doha Declaration on Financing for Development re-emphasized the importance of the DCF as the focal point within the United Nations system for holistic consideration of issues of international development cooperation and recognized the efforts of the forum to improve the quality of ODA and to increase its development impact. At the 2010 MDG Summit, Member States “encouraged the continued efforts in the DCF, as the focal point within the United Nations system, to carry out a holistic consideration of issues related to international development cooperation, with the participation of all stakeholders”.¹⁷

34. Three DCFs were held up to date, in 2008, 2010 and 2012, which brought together key development cooperation actors, including Member States, multilateral organizations and players from the United Nations system as well as civil society organizations, parliamentarians, local governments and the private sector. In order to promote discussions

¹⁶ A/RES/60/1.

¹⁷ A/RES/65/1.

among the various stakeholders, the DCF featured different modalities and formats, such as interactive debates, special policy dialogues and thematic and regional workshops.¹⁸ In 2008 and 2010, most topics, addressed by the DCF sessions, were focused on trends, commitments and policies related to ODA, for example aid policy coherence, aid commitments and aid allocation, aid effectiveness, mutual accountability, and country-level capacities for coordinating and managing aid. Some topics however went beyond strictly speaking ODA and included, for example, South-South, triangular and decentralized cooperation.

35. In 2012, the programme of DCF became much more extensive due to multiple events held in parallel, as well as extended hours. Some topics addressed by this event went beyond ODA and covered other thematic areas of the Monterrey Consensus and Doha Declaration on Financing for Development, resulting in overlaps with the FfD events. For instance, one of the policy dialogues of the 2012 DCF focused on the use of development cooperation to leverage other sources of development financing, such as mobilizing domestic resources, increasing foreign direct investment and promoting international trade as an engine for development. During the same DCF, a round table addressed the theme of how development cooperation can leverage private flows and philanthropy for the realization of national and global development objectives. There was also a side event on the role of microcredit, microfinance and inclusive financial sectors in achieving the MDGs, especially with regard to gender equality and the empowerment of women.

V. Options for strengthening FfD intergovernmental follow-up

36. This section identifies three options for strengthening the modalities of the FfD process. The first option is to continue the incremental evolution that has taken place so far. The second and third options would represent more significant changes to the current follow-up mechanisms, through either the establishment of an intergovernmental body or through measures to integrate the intergovernmental process on sustainable development finance with FfD. The three different scenarios are outlined and assessed below.

A. Option 1: Continued incremental evolution of existing modalities

37. As illustrated in section III, the FfD follow-up process has undergone incremental evolution during the past decade as Member States made efforts to strengthen it and adapt it to changing circumstances and challenges. Thus, in the follow up to the Doha Conference, incremental changes were introduced to the FfD follow-up process. For example, the format and timing of the annual Special high-level meeting of ECOSOC with the BWIs, WTO and UNCTAD were updated. Greater prominence was given to the agenda item on FfD in the work of the annual substantive session of the Council. The substantive discussions in both the High-level Dialogue on Financing for Development and the Special high-level meeting of ECOSOC with the BWIs, WTO and UNCTAD kept pace with new challenges and developments. For instance, the 2012 Special high-level meeting of

¹⁸ See www.un.org/en/ecosoc/newfunct/2012dcf0.shtml.

ECOSOC featured a thematic dialogue on the issue of financing sustainable development in the run up to the UN Conference on Sustainable Development (Rio+20).

38. Moreover, recent mandates from the General Assembly and ECOSOC acknowledged the need to review the modalities of the financing for development process with a view to strengthening it.¹⁹ In its resolution 2012/31, ECOSOC addressed specific issues and areas within the institutional follow-up process that could be strengthened, including further improving the agenda and format of the Special high-level meeting of ECOSOC with the BWIs, WTO and UNCTAD (para 9), further intensifying the engagement of all stakeholders in the FfD (para 2 and 13) and appealing to Member States to consider contributing generously to the FfD trust fund (para 20).

39. In follow-up, the President of ECOSOC proposed to establish a joint working group of the Council and governing bodies of the major institutional stakeholders of the Financing for Development process. The group will explore the most effective mechanism to implement ECOSOC resolution 2012/31. In that context, it will initiate consultations on the preparations for the 2013 Special high-level meeting of the Council with the BWIs, WTO and UNCTAD and explore concrete measures to strengthen coherence and coordination between the FfD and the Rio+20 follow-up processes.

Elements for assessment

40. It however remains to be seen whether further incremental evolution along the lines undertaken and suggested above would suffice to reverse the sharp loss in political momentum witnessed during the past few years. This has been most notably evident in the instance of the High-level Dialogues on Financing for Development where there has been a clear decline over the years in the level of participation by both Member States and institutional stakeholders. While 33 Ministers and Vice-Ministers participated in 2003 High-level Dialogue, this numbers steadily fell in 2005 and 2007 and plummeted in 2010 and 2011. A total of 3 Ministers and 1 Vice-Minister attended the most recent High-level Dialogue in December 2011. Similarly, there has also been a significant decline in seniority among the representatives of institutional stakeholders participating in the High-level Dialogues. The 2003 High-level Dialogue was attended by the Managing Director of the IMF, the President of the World Bank, the Administrator of UNDP and the Secretary-General of UNCTAD. Only one of these officials participated in the 2005 High-level Dialogue and none of them since then. Another indication of loss of interest in this meeting has been the sharp drop in the number of multi-stakeholder round tables in 2010 and 2011, reducing it to three as compared to six in 2005 and 2007, and many as eight in the first such meeting in 2003.

41. The revisions of the format and timing of the Special high-level meeting of ECOSOC with the BWIs, WTO and UNCTAD, implemented in 2009 with a view to improving participation, resulted in increased presence of Executive Directors from the Bretton Woods institutions. The levels however are still lower than the levels witnessed

¹⁹A/RES/65/145, para 30; A/RES/66/191, para 32; ECOSOC draft resolution E/2012/L.26, para 18.

during the mid-2000s when there was considerable political momentum attached to the financing for development follow-up process. The negative implication of these revisions seems to be reduction in the level of ministerial participation as compared to the time when the meeting was held back-to-back with the Spring Meetings of BWIs in April.

42. A noteworthy development pertaining to both the High-level Dialogues and the Special high-level meetings was the abandoning the practice of holding of informal hearings with representatives of civil society and business sector, which used to precede such meetings. In the case of the High-level Dialogue, these hearings continued until 2007 and, in the case of the Special high-level meeting, these hearings ended after 2004. The reason for the discontinuation of these meetings was not so much owing to lack of interest by non-institutional stakeholders, but rather it was due to increasingly sparse attendance and participation by UN country delegations.

43. Another indication of declining political momentum has been the absence of new multi-stakeholder consultations on FfD and, in general, the declining visibility of non-institutional stakeholders in the process. Multi-stakeholder consultations can serve to enhance the substantive profile of the FfD process, add meaningful contributions to the policy dialogue and promote consensus around policy reforms. While there were several tracks of multi-stakeholder consultations between 2003 and 2007, the only one currently active is on external debt of developing countries (organized primarily by FfDO). Given the fact that such consultations have been financed by voluntary contributions of Member States and other stakeholders, the depletion of the FfD trust fund may be related to the loss of political momentum evident in the process in recent years.

44. Looking ahead, continued incremental evolution of the FfD process may be inadequate to address the significant decline in participation across all categories of stakeholders. The option moreover does not take into account new and parallel mandates, which are emerging, such as on financing of sustainable development, which could challenge the coherence of FfD with related UN processes. Furthermore, the measures taken and proposed under this option do not keep pace with the progress in modalities of existing related processes, such as DCF.

B. Option 1: Creation of a new intergovernmental body

45. Since the adoption of the Monterrey Consensus and the Doha Declaration on Financing for Development, concrete proposals to establish a new intergovernmental body to strengthen the financing for development follow-up have been put forward by a range of FfD stakeholders.

Proposals by the Secretary-General

46. The Secretary-General, in his reports on the implementation of the Monterrey Consensus and Doha Declaration, put forward proposals to establish a new intergovernmental mechanism that could strengthen the FfD follow-up²⁰. For example, in

²⁰ See A/58/216, A/59/2005, A/60/289, A/62/217, A/63/179, A/64/322.

his first report to the General Assembly after the Monterrey Conference, the Secretary-General suggested that “Building on the experience of the Bureau of the Preparatory Committee for the International Conference on Financing for Development, the Economic and Social Council would benefit from selecting an appropriately sized and duly representative group of its Member States, who could undertake substantive face-to-face consultations, when necessary, with their colleagues in the other institutions ... The Economic and Social Council may wish to consider an appropriate mechanism, such as a geographically balanced committee or expanded bureau or similar arrangement, to assist it in effectively preparing for the annual spring meeting ... and in dealing with related aspects of the follow-up to the International Conference on Financing for Development falling within the Council’s purview”.²¹

47. In his note on “Coherence, coordination and cooperation in the context of the implementation of the Monterrey Consensus and the Doha Declaration on Financing for Development”, the Secretary-General provided background information and suggested points for reflection for the Special high-level meeting of the ECOSOC with the BWIs, the WTO and the UNCTAD (New York, 27 April 2009), under the theme “Strengthening the intergovernmental inclusive process to carry out the financing for development follow-up”.²² The Secretary-General reviewed the range of proposals made thus far and suggested effectively combining certain features, criteria and objectives. More specifically, he proposed the introduction of a representative, multi-stakeholder “Financing for Development Committee”, subsidiary either to ECOSOC or to the General Assembly. The Committee would be relatively small and have a total of 36 members. It would comprise 18 members drawn from United Nations delegations, 6 representatives from the World Bank Executive Board and 6 from the IMF Executive Board, one each from the WTO and UNCTAD, one from other relevant United Nations agencies, including the regional commissions, one from other intergovernmental organizations, and one each from the civil society and business sector communities. The Committee would meet twice a year and would replace both the Special high-level meetings of ECOSOC with the international financial and trade institutions and the biennial High-level Dialogues of the General Assembly.²³

Proposal by the G77 and China

48. In its ministerial declaration of 23 September 2011, the Group of 77 and China “stressed the importance of establishing an appropriate follow-up mechanism within the United Nations system to bridge the gap between policy making and implementation of commitments, particularly through the establishment of a Financing for Development Commission as a subsidiary body of ECOSOC.” It highlighted that “it is also important for Member States to support efforts to strengthen and further advance the Financing for Development process, which would help enhance coherence and consistency of the

²¹ A/58/216, para 182.

²² E/2009/48.

²³ Ibid, paras 58-60.

financial and trading systems to ensure they support the implementation of the internationally agreed development goals”.²⁴

Proposal by the Rio Group of countries

49. The Rio Group of countries put forward a concrete proposal on the shape and modalities such an intergovernmental body could take in the context of the review sessions undertaken in preparation for the Doha Conference.²⁵ The proposal called for a “Forum on Financing for Development”, which would meet twice a year before the semi-annual meetings of the Bretton Woods institutions, and would be followed by a results-oriented yearly discussion in the General Assembly. The main criteria guiding the design of the new mechanism were that it should be “integrated, periodic, multisectoral, dynamic and interactive, democratic, balanced and making rational use of resources”. The “Forum” itself would be composed of United Nations Member States (18, 36 or 54); Executive Directors from the Boards of the World Bank and IMF (5 from each); the President of the General Council of the WTO; the President of the UNCTAD Trade and Development Board; representatives of other relevant intergovernmental organizations (2); representatives of the UN regional commissions (5); and one representative from civil society organizations and one from business sector entities.

50. According to the proposal, the Forum on Financing for Development would be a subsidiary body of the General Assembly and would aim to review and monitor the commitments on financing for development reached at the Monterrey and Doha Conferences, identifying obstacles, challenges and emerging issues and focusing its deliberations on recommendations for action that would serve as the basis for a resolution to be subsequently adopted by the General Assembly.

Proposals by civil society

51. Numerous proposals were put forward by civil society organizations on the creation of an intergovernmental Committee to strengthen the intergovernmental follow-up process. The “Doha non-governmental organizations group” (DNG) identified their commonalities and put forward a proposal on behalf of 52 civil society organizations. The DNG recommended the establishment of a new intergovernmental follow-up mechanism that: (a) should meet periodically and frequently; (b) should produce a negotiated outcome; (c) should be at the highest level, and in particular should include high-level officials covering key economic portfolios; (d) should accord a space for civil society as had been the case from the beginning of the financing for development process; and (e) should provide the necessary legitimacy, political guidance and leadership on concrete follow-up matters.²⁶

Proposal by the business sector

²⁴ G77, Ministerial Declaration, para 19, <http://www.g77.org/doc/Declaration2011.htm>.

²⁵ http://www.un.org/esa/ffd/doha/chapter3/G-Rio_proposal.pdf.

²⁶ <http://www.un.org/esa/ffd/doha/hearings/civilsociety/KeyRecommendations.pdf>

52. A central new intergovernmental mechanism could also interact and coordinate regional and country-level bodies on FfD, as proposed by the business sector. It could complement the proposal made by the Business Sector Steering Committee in its statement at the Doha Conference, which highlighted the need “for a defined long term FfD Follow-Up process with results-oriented, operational technical exchanges on a decentralized level, involving experts from the public and private sectors, aimed at developing roadmaps, tools, and performance benchmarks”. Moreover, “global, regional and country FfD Meetings can be organized by the FfD Office and other FfD multi-stakeholders, including the private sector. Pilot FfD Countries and region could be designated. A key focus needs to be the developing and scaling up of effective mechanisms, programs, policies, and tools that leverage limited official resources, including those in development agencies, by harnessing resources from private sector and foundations. The process would include identification and sharing of challenges and impediments, success stories and failures, possible solutions and tools for advancing aid effectiveness”.²⁷ A centralized intergovernmental mechanism could help coordinate these activities at all levels.

Elements for assessment

53. The advantages of the creation of a new intergovernmental mechanism to strengthen the FfD follow-up process are manifold. Rather than limiting the process to essentially one annual meeting of ECOSOC and one biennial high-level meeting in the General Assembly²⁸, there would be a smaller dedicated body that would help ensure consistent follow-up, monitoring and ultimately implementation for the Monterrey Consensus and Doha Declaration, as well as related outcomes. Discussions in such a body could be of a more interactive nature than the formal exchange of official country and institutional positions, which takes place at the current follow-up events. The inclusion of all relevant stakeholders in such a body would allow it to take on board a wide range of view points. The body could co-exist with the formal process currently in place and would carry the momentum built at the Special high-level meetings of ECOSOC and the High-level Dialogues of the General Assembly into further discussions and concrete follow-up actions. Moreover, it would help with the preparation of these events in organizational and substantive matters, thus creating a link for a mutually reinforcing cycle between the General Assembly and ECOSOC meetings on FfD and the work of the intergovernmental body itself. To ensure maximum effectiveness of such an intergovernmental body, a first important step would be to draw upon lessons learned and best practices from other functional commissions. This could be done through a comparative report prepared by the Secretariat. In order to estimate resource requirements, a specific draft proposal would need to be submitted to the General Assembly or ECOSOC, in order to enable the Secretariat to prepare a statement on programme budget implications.

54. The disadvantage of creating an intergovernmental body relates to the lack of political will by certain Member States to create yet another intergovernmental mechanism given the already complex array of commissions, committees and other subsidiary bodies

²⁷ http://www.un.org/esa/ffd/doha/businesssector/doha_statement.pdf.

²⁸ These events are held in addition to the regular consideration of the agenda item in the GA Second Committee and the General Segment of ECOSOC’s substantive session, as noted in the previous section.

reporting to the General Assembly and ECOSOC. The assessment provided in this report shows that proposals for such a mechanism date back to 2003, yet they have not materialized until now, due to the lack of political consensus and other institutional dynamics.

C. Option 3: Ensuring coordination and coherence with the intergovernmental process on sustainable development financing

55. The United Nations Conference on Sustainable Development (Rio+20), held in Rio de Janeiro from 20 to 22 June 2012, secured renewed political commitment for sustainable development. The transition to a green economy is an important tool for achieving sustainable development and involves major structural and technological changes. Moving towards the goal of sustainable development requires the mobilization of significant financial resources, as was pointed out at the discussion on “Financing of sustainable development” at the Special high-level meeting of ECOSOC with the Bretton Woods institutions, the WTO and the UNCTAD (New York, 12-13 March 2012).²⁹

56. The Rio+20 Conference recognized the crucial importance of enhancing financial support from all sources for sustainable development for all countries, in particular developing countries, and the need for significant mobilization of resources from a variety of sources and the effective use of financing, in order to give strong support to developing countries in their efforts to promote sustainable development. In the outcome document of the Rio+20 Conference, entitled “The future we want”³⁰, world leaders agreed “to establish an intergovernmental process under the auspices of the General Assembly, with technical support from the United Nations system and in open and broad consultation with relevant international and regional financial institutions and other relevant stakeholders” with the objective to “assess financing needs, consider the effectiveness, consistency and synergies of existing instruments and frameworks, and evaluate additional initiatives, with a view to preparing a report proposing options on an effective sustainable development financing strategy to facilitate the mobilization of resources and their effective use in achieving sustainable development objectives”. In terms of institutional arrangements, it was decided that an intergovernmental committee, comprising 30 experts nominated by regional groups, with equitable geographical representation, will implement this process, concluding its work by 2014. The General Assembly was requested to consider the report of the intergovernmental committee and take appropriate action.

Elements for assessment

57. Given the magnitude of financing requirements for a sustainable economy transition, financial resources need to be raised from the entire range of public, private and mixed sources, and through multiple channels and instruments. The Financing for Development process with its six policy areas, namely mobilizing domestic financial resources, mobilizing international financial resources, trade, financial and technical cooperation, external debt and systemic issues, provides a useful policy framework to

²⁹ A/67/81-E/2012/62.

³⁰ A/66/L.56, annex.

identify and assess financing needs for sustainable development across the entire range of funding sources.

58. Mobilizing and effectively using resources for sustainable development in accordance with national priorities requires actions in each of the policy areas of the Monterrey process. Raising and redirecting public resources, together with relevant public policies, including on taxation, subsidies and procurement, will be crucial to increase investments in sustainable development. In addition, an important strategic function of public funding is to leverage private sources and to kick-start green economy investments. Moreover, the private sector has indeed started to provide resources for the green economy transition through domestic and cross-border investment. For instance, a certain proportion of FDI to developing countries is targeted towards sustainable economy investments. Sustainable trade, as well as mobilizing resources for sustainable development within policies relating to external debt, such as through debt relief and debt-for environment swaps, have received increased attention. ODA has been critical in addressing sustainable development challenges in developing countries. In addition, innovative financing mechanisms³¹ and facilities supporting the implementation of multilateral environmental policies and agreements have been instrumental in providing funds for sustainable development purposes. These include major mechanisms such as carbon emissions trading under the clean development mechanism of the Kyoto Protocol, the Global Environment Facility (GEF) and Climate Investment Funds. Moreover, a key challenge is to create the necessary conditions at the level of the international economic and financial system to allocate and mobilize funds for sustainable development.

59. ECOSOC, in its resolution 2012/31, recalled paragraphs 255, 256 and 257 of the outcome document of the Rio+20 Conference, and in this regard stressed “the need to reinforce coherence and coordination and to avoid duplication of efforts with regard to the financing for development follow-up process”. Based on this guidance and taking into account the suitability of the well-established Monterrey framework in this regard, it is therefore an option to strengthen the Financing for Development follow-up process by integrating it with the intergovernmental process on sustainable development financing and the related intergovernmental committee mandated by the Rio+20 outcome document. In the longer term, this approach would also facilitate exploring synergies and linkages with the processes on defining sustainable development goals and the post-2015 development agenda.

60. On the other hand, this option might raise concerns over a too strong focus of the financing for development process on sustainable development, at the expense of other aspects that are not directly linked with the sustainable development agenda. These concerns, however, could be taken into account in the discussions on the specific institutional and procedural arrangement.

VI. Conclusions

³¹ See, for instance, ECOSOC’s panel discussion on “Innovative Mechanisms of Financing for Development” on 12 July 2012 (http://www.un.org/esa/ffd/ecosoc/2012/SpecialEvent_IM.htm).

61. A continued incremental evolution of existing modalities of the FfD follow-up process has been considered as one of the options to strengthen the FfD follow-up. It is unlikely however to succeed in reversing the sharp loss of political momentum witnessed during the last decade, as evidenced by declining participation in the major intergovernmental meetings of the FfD process, such as the High-level Dialogue and the Special high-level meeting of ECOSOC, by both Member States and institutional stakeholders.

62. Most concrete proposals to establish a new intergovernmental body to strengthen the FfD follow-up suggest a dynamic, efficient multi-stakeholder mechanism, composed of a limited, but duly representative membership that could effectively coordinate the monitoring and implementation of the Monterrey Consensus and the Doha Declaration. However, due to a lack of political consensus, these proposals has not materialized, despite multiple initiatives by a wide range of stakeholders over the last decade.

63. The ongoing Financing for Development process provides a comprehensive framework for discussions on financing of all aspects of development. In the outcome document of the Rio+20 conference, Member States agreed that a separate discussion is needed on options for an effective sustainable development financing strategy to facilitate the mobilization of resources and their effective use in achieving sustainable development objectives. As an integral part of its work, the intergovernmental expert committee to be established for that purpose may wish to consider how the options it may propose regarding sustainable development financing could contribute to achieving the stated intent of Member States: to explore detailed options regarding possible arrangements for strengthening the financing for development follow-up process (GA resolution 65/145 para 30), and to reinforce coherence and coordination and to avoid duplication of efforts with regard to the financing for development follow-up process (ECOSOC resolution 2012/31, para 4).

64. Some modalities of related processes may complement the options to strengthen the FfD process, considered by this report, such as different ways of involving expert advice in the intergovernmental process, increased use of ad hoc and thematic formats, complementing the intergovernmental process by UN system-wide coordination to ensure coherent and coordinated delivery, and tracking progress against a set of concrete indicators, for instance through analytical reports.