



## **STRENGTHENING NATIONAL AND INTERNATIONAL ENABLING ENVIRONMENTS FOR SUSTAINABLE DEVELOPMENT FINANCING**

**Notes on a Multistakeholder Consultation Organized by  
The Permanent Mission of Chile to the United Nations, Brot für die Welt and  
Ralph Bunche Institute for International Studies, with the cooperation of  
Social Justice in Global Development  
United Nations, New York, 9 October 2013\***

The United Nations General Assembly created an Intergovernmental Committee of Experts on Sustainable Development Financing to elaborate “options on an effective sustainable development financing strategy” (A/RES/66/288). The Committee held its first meeting on 28-30 August 2013 and agreed to work successively on three clusters of issues, the first of which is “Assessing financing needs, mapping of current flows and emerging trends, and the impact of domestic and international environments” Those themes are to be discussed at the next meeting of the Committee on 2-6 December 2013 under the cluster chairmanship of Mr. Reginald Darius, Saint Lucia, and Ms. Liz Ditchburn, United Kingdom (A/AC.282/2013/L.1).

It was decided that only the Committee’s 30 members and personal advisors will be allowed into its meetings (plus their alternates when a seat is occupied by more than one member, but without the ability to speak). Nevertheless, some Members wished to sharpen their own reflections by discussing issues with other stakeholders, including from academic, civil society and business communities, international institutions, and representatives of Governments not having experts on the Committee. In particular, Ambassador Eduardo Gálvez of Chile, a member of the Committee, wished to know views of various stakeholders about the impact of domestic and international environments on sustainable development financing and about policy proposals that might follow from such views.<sup>†</sup>

Thus, in collaboration with the Permanent Mission of Chile to the United Nations, three organizations came together to help facilitate an informal discussion among Government representatives at the UN, civil society and business networks and invited academics. One of the partners is an academic institution, the Ralph Bunche Institute for International Studies at the Graduate Centre of the City University of New York. Another

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† During the afternoon meeting discussed herein, a Co-Chair of the Committee, Ambassador Pertti Majanen, announced that the Committee would introduce an outreach process. The Secretariat subsequently organized a Steering Committee drawn equally from members of the “Major Groups”, a stakeholder formulation dating from the 1992 Earth Summit in Rio de Janeiro, and from the formulation for civil society and business organization interaction with official stakeholders that emerged in the Financing for Development process. The meeting will consist of a one-hour briefing by the co-chairs on the work of the Committee and 5-6 minute presentations by four speakers recommended by the Steering Committee, followed by an open discussion with the audience. It will take place the morning of 5 December, during a break in the Committee’s meetings. In addition, the co-chairs of the December session have invited stakeholders to respond to two questions (<http://sustainabledevelopment.un.org/index.php?menu=1558&go=1#inputs>).

is an operational relief and development agency that is active in almost 100 countries, *Brot für die Welt* (Bread for the World), a member of the Act Alliance network. And the third prepares analyses of international economic and social development policy, Social Justice in Global Development.

The meetings also served as an experiment in returning to previous approaches to multistakeholder consultations, a modality for discussion that had developed in the lead up to the International Conference on Financing for Development (FfD) and that had been regarded as a unique process for informal and rich give and take among stakeholders from different Governments (and different ministries of Governments), international institutions, business and civil society organizations. Those modalities had gradually been replaced in FfD meetings by large and formal seminars at which a panel of experts would present analyses, after which UN representatives of Governments in the audience and other participants would pose questions of the experts or would state national or group positions on the policy matters under discussion. The United Nations devised a third modality for non-state stakeholders to present their views to Government representatives, which in this case was associated with the 2012 Rio+20 Conference on sustainable development. In that variant, one or two official representatives of a committee listen to statements by a selection of non-governmental participants and take what is learned back to the other committee members. The discussions on 9 October reported herein were intentionally organized under the older FfD modalities in the expectation they might provide more useful and interesting dialogues, as they indeed seemed to do.

### **Main policy pointers**

While the notes below describe in some detail the discussions that took place in the morning and afternoon sessions of the 9 October meeting, a number of policy pointers can be distilled from those discussions. They are not presented as consensus views, but as interesting ones:

- There was a notable difference of views about the impact on development of the international focus on Millennium Development Goals (MDGs). On the one hand, the goals focused political energies to boost international cooperation to help address specific social needs in developing countries. On the other hand, it would be hard to show they promoted development itself. This was not an argument against MDGs, or the Sustainable Development Goals (SDGs) likely to be adopted in 2015, but a reassertion of the broader international imperative of cooperation to promote the sustainable development of the developing countries.
- For many Governments from North and South, “Monterrey” remains a benchmark for international cooperation for development owing to its insistence on the holistic policy agenda, its processes for multistakeholder dialogue, and its success in building political momentum for stronger cooperation. The Bretton Woods institutions, as well as the UN, came to feel ownership of Monterrey. As a Government representative noted, the UN still has the power to “move people”. A number of Government representatives thus recommended holding a “Monterrey Plus” conference in the first half of 2015 to promote “sustainable and equitable development”.

- Policies to promote sustainable development financing should cover all means for generating and mobilizing financial resources, domestic and international, which requires focusing on making the domestic and international environment more development enabling. It should also support national efforts to realize and protect human rights, including economic and social rights, such as safe working conditions, and the right to development.
- A more enabling domestic environment includes peace and security, the rule of law, and an effective and adequately financed government. It would strengthen the domestic financial sector's ability to arrange long-term financing and develop appropriate access of the poor and small and medium enterprises to financial services. It was proposed that policy makers consider alternative options when deciding the proper role of government and public institutions in development financing.
- A more enabling international environment would lessen the systemic sources of the continued high risk and volatility of international financial flows, including by countering financial industry efforts to dilute international regulatory standards. It would promote more internationally coherent sets of macroeconomic policies (as opposed to universal austerity), as well as reform the international financial and trade architecture, for example by increasing fairness in the system of intellectual property rights and introducing a sovereign debt workout mechanism.
- There was considerable skepticism about the strategy under discussion in some quarters to overcome the envisaged shortfall in official development assistance (ODA) by using aid to “leverage” private funds, especially as regards tapping for-profit pools of investment funds and investment by corporations. There was also fear that the partnerships that did result would redirect ODA into the priorities of the private partners instead of social development purposes. As the United Kingdom is showing in 2013, it is possible even during a period of austerity to achieve the UN target for ODA at 0.7 per cent of gross national income. Interest was also expressed in promoting effective innovative sources of financing for development.
- Finally, the initiative to hold the day's discussions seemed much appreciated and the modalities employed seemed effective. To a degree, speakers in the morning voiced somewhat more critical views under the Chatham House Rule (see below) than was the norm in the more open afternoon discussion. In both cases, however, unscripted debate among a limited number of people who can face each other in a moderate-sized conference room brings out differences but also reveals commonalities, while building confidence in the serious purpose of the interchanges. A number of speakers looked forward to additional opportunities of this sort.

### **Morning session: frank and lively airing of views**

Twenty senior official and non-governmental stakeholders met around a table in the morning for two hours under Chatham House Rule (i.e., participants could use information learned at the meeting but could not cite speakers or their affiliations nor name any participants in the meeting). Senior representatives of governments, senior staff of the

Secretariat, notable academics and civil society leaders participated. The discussion was frank and lively, but could only start to examine the several controversies that were revealed.

Several speakers quickly expressed concern about the MDGs. On the one hand, as a speaker from a large developing country noted, they could be seen as a valuable—albeit “minimal”—response to matters of social urgency. On the other hand, they did not amount to a coherent international policy package for supporting the development of the developing countries. Moreover, as another speaker noted, the MDGs drew too much attention to quantifiable goals. Development was not so easily reduced to such goals. Indeed, certain speakers regretted that the MDGs became the instrument by which international cooperation policies and thus national development strategies had largely been set during the past decade and a half.

This was particularly relevant as the United Nations was currently attempting to devise a set of SDGs for the post-2015 period. The SDGs were expected to function much like the MDGs in focusing domestic policies and international development cooperation. Although there was recognition that “one size does not fit all”, it was feared that SDGs would potentially distort national development priorities, as Governments might skew their limited capacities to implement programmes to realize the goals that individual donors financially supported.

Speakers also feared there has been a loss of focus on a number of policy concerns that were central to international cooperation for development, as agreed in the Monterrey Consensus of 2002.<sup>‡</sup> The effort to mobilize official resources for specific social or environmental programmes to reach specific MDGs or SDGs may leave aside consideration of policies needed to make the economic, social and political environment more enabling for development overall. The latter included, besides domestic security, the full range of issues grouped under the “domestic” and “systemic” policy sections of the Monterrey Consensus. For example, one speaker highlighted a need to rebuild the development capacity of the state in some developing countries, but also address the negative impact on developing countries of the overemphasis on austerity policies in developed countries. Another speaker emphasized that there has been much misuse of public funds, both domestic (such as subsidies for fossil fuels) and international (including complicity in corruption).

Some participants feared that emphasis was misplaced in international discussions to promote more donor government and international organization partnerships with private sources of financing, whether foundations or enterprises. There has long been a useful practice of such partnerships in a number of specific areas of international cooperation, but they should not be seen as a substitute for increased official development assistance (ODA). It was feared that promoting the idea of “leveraging” ODA with private funds would likely distort the direction of cooperation into the areas of interest of the non-official partners. Those interests would likely overlap some of the agreed thematic areas

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<sup>‡</sup> *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002 (A/CONF.198/11, chapter 1, resolution 1, annex).*

for official cooperation, but not others. Private investors could not be relied upon to change a nation's income distribution nor eliminate its poverty. Private partners would also likely favour programmes in some developing countries and not others. In short, the price of leveraging could be distortion of the areas of assistance and the countries accorded assistance. It was suggested that ODA be reserved for explicit anti-poverty programmes.

Certain speakers were also concerned that the UN had not adequately addressed the interface of domestic security with development. One observation was that the international community needed different approaches to helping people in conflict, post-conflict and fragile states, as they were different situations. Another speaker observed that the UN needed to distinguish between three categories of post-conflict countries: 1) those that have the resources for their own reconstruction (e.g., certain oil exporting countries), 2) "donor darlings" that are favoured by the donor community, and 3) "donor orphans" that do not receive adequate assistance. The people of all States deserved domestic tranquillity.

Some speakers expressed concern about how the work of the Intergovernmental Committee of Experts on Sustainable Development Financing might unfold. Several participants called for a parallel emphasis on the full scope of Monterrey policies in that Committee and in the international community more generally. Indeed, a call was made for a "Monterrey Plus" conference in 2015 to revive the political commitment and update the Monterrey agenda. The suggested "plus" in this phrase did not refer to the passing of more than a decade since the original conference but embodied a call to explicitly integrate into the Monterrey agenda the commitments on employment, social integration and poverty eradication that had been made at the Copenhagen World Summit on Social Development in 1995, twenty years earlier. Monterrey Plus would thus be a place to address issues noted in the discussion that have high public salience now, like the lack of international support for worker safety protection that was seen in the Bangladesh tragedies and the need to maintain international social and environmental safeguard standards for investment projects.

All in all, as one speaker stated, the UN was at an "inflection point." He meant that changes in the political and economic reality outside the UN have not yet been well reflected in the intergovernmental processes at the UN, but those changes will alter the content and process of UN discussions in time. Even today, however, the UN remains the one and best place to espouse a holistic agenda, to bring all the relevant policy pieces together and the relevant people and institutions. And, as Monterrey showed, it is possible for the International Monetary Fund and the World Bank as institutions driven by finance ministries to feel ownership of a UN process. Moreover, the UN still has the capacity to move people. It can speak to their moral sense. A new "Monterrey Plus" conference can play that role. "Don't give me less than that," another speaker concluded.

### **Afternoon session: confronting disagreements**

In the afternoon of 9 October, the Permanent Mission of Chile to the UN hosted a three-hour public meeting at which about 45 senior participants sat in two concentric "U"s of tables with microphones facing a head table, and an additional 30 people sat against the outer wall without opportunity to speak. Several ambassadors and other representatives

from developing and developed countries sat at the tables.<sup>§</sup> They were joined by Secretariat officials from the Office of the Secretary-General, the Department of Economic and Social Affairs, the Economic Commission for Latin America and the Caribbean (ECLAC) and other UN organizations, plus a number of representatives of large civil society organizations and networks, a representative of a large business network, and a number of academics who work on development issues. The meeting was chaired by Professor Thomas G. Weiss, Director of the Ralph Bunche Institute of International Studies.

The session had been announced in the UN Journal, and was thus an open—albeit informal—meeting. No official record was kept of the conversation and participants were free to discuss what they heard outside the room. A number of speakers read prepared statements in their initial interventions, but an actual discussion then ensued. If the afternoon process was thus somewhat more formal than the morning session, distinct views of participants nevertheless emerged in the debate.

The discussion began with a presentation of the vision for a “global partnership for development” for the post-2015 era that has been forcefully advocated over the past year or two by the Secretariat, various committees of experts and a number of Governments. It would have the UN concentrate on adopting a set of SDGs and then gather commitments from Member States and other stakeholders to mobilize the necessary financial resources to attain those goals. Together those commitments would define the content of the global partnership for development. Some of the commitments might entail traditional types of development cooperation such as ODA, but it was argued that if trade concessions were proposed for inclusion (as was the case in Goal 8 of the MDGs), it would “kill the agenda” (meaning prospects for consensus would evaporate). New voluntary partnerships would be added, including South-South cooperation and public/private partnerships. However, neither the individual national commitments nor the partnership pledges would be binding obligations; instead, moral commitments would be made by Governments, multilateral institutions and perhaps a number of foundations that disperse funds for social and environmental causes. It was envisaged that the performance of the stakeholders that made explicit commitments would be monitored and assessed against those commitments.

Advocates of this view acknowledge that traditional donor-government resources will be limited post-2015 and thus their attention has focused both on increasing the number of aid-providing partners and on using some of the donor resources that will be available so as to “leverage” non-state funds to help achieve the goals. In reality, a speaker said, global savings are large enough to meet the envisaged financial requirements to attain the goals. Some of those savings are held in large pools of funds that might be directed in part into the envisaged partnerships. One type of pool includes a number of large socially-directed funds, such as the Bill and Melinda Gates Foundation. However, there are not that many foundations directed to international development activities and thus a number of speakers envisaged that for-profit corporations would be among the potential partners. Other speakers warned that this was not a reliable strategy for international development

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<sup>§</sup> Including Brazil, Chile, China, Cuba, Finland, France, Indonesia, Israel, Lichtenstein, Mexico, Nigeria, Singapore, United Kingdom, United States, Venezuela, and the European Union.

cooperation.

In particular, a number of speakers saw considerable impediments to mobilizing private for-profit resources for social or environmental ends. For one thing, the boards of directors of most corporations mandate their management to maximize profits while keeping within acceptable degrees of risk.\*\* Similarly, the managers of public pension funds and sovereign wealth funds, some of which invest large volumes of funds annually, are not mandated to accept lower earnings in exchange for greater social or environmental benefits. As one speaker phrased it, the portfolio managers have a strong “fiduciary” responsibility, which is to protect the financial interests of present and future pensioners or future citizens in the case of sovereign wealth funds. Fund managers are also keenly aware that the volatility of financial markets and exchange rates can hurt even well-managed funds and so they are reluctant to commit to illiquid long-term investments in most developing countries. Indeed, even in developed countries, infrastructure was said to be greatly under funded.

It follows that promotion of public/private partnerships presume some degree of public policy support of the private partner. This is generally understood to include public sector guarantees or insurance of the private stake in one form or another, which prompted a warning by one Government representative that we should be wary of “socializing losses and privatising profits.” Recognizing this danger, the representative of a large business network called for “risk sharing, not risk shifting.”

One may see, in other words, a measure of scepticism among a number of the participants about the robustness of the emerging global partnership strategy for financing the SDGs. Indeed, one academic participant suggested we do not know to what degree, if any, particular financial flows contributed to realizing the MDGs. Another participant responded that it does not matter, as we know that there is a vast need for sustainable development financing and that we should focus on developing incentives to attract such financing into the general realm of investment for sustainable development. In a comparable spirit, a Government representative warned against announcing goals and then not knowing how to mobilize the finance to reach those goals. That would be a “waste of time,” he said.

In short, one could perceive a disconnection between the ambition of the strategy for mobilizing *financing for the Sustainable Development Goals* and a broader strategy of mobilizing *sustainable development financing*. In this context, a speaker worried about a narrowing of the international cooperation agenda under a strategy of *financing for the SDGs*. Indeed, a number of speakers who called for specific aid-leveraging partnerships for the SDGs simultaneously endorsed the broader vision of international cooperation on *sustainable development financing*. The latter embraced strengthening the capacity of developing countries to mobilize the full range of domestic and international resources to

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\*\* When corporations make social or environmental contributions, they are usually provided through company-owned foundations into which the corporate board places a small portion of company profits and to which it gives programme guidance. Grants, loans or equity investments from such foundations should not be profit oriented, although they are usually deemed valuable in improving the company’s public image and ultimately its profitability.

support their development. That latter vision takes its inspiration from the Monterrey Consensus. It would include the allocation of financial resources to achieve the international development goals, including the SDGs. But it would go well beyond that to facilitate the overall financing of development. In this context, several speakers sought to draw attention to enabling characteristics of domestic, international, and global economic governance environments, such as had been highlighted in Monterrey.

On the domestic front, as one developing country ambassador remarked, there is much that can be done to free up resources that are being “given away” in subsidies that give inappropriate incentives to consumers. It was also possible to envisage collecting more tax revenue from taxpayers that have ample capacity to pay. As another participant added, this is about creating the policy space for action to realize national development, including industrialization policies, as well as the internationally agreed social and environmental goals. It also requires further development of the financial sectors of developing countries, which do not provide sufficient modalities for moving funds into long-term financing. Moreover, equitable development requires building more inclusive financial sectors, as large portions of the population, notably the poor and the small and medium enterprise sector, do not have adequate access to financial services. This speaker also advocated considering alternative options when considering the role of the public sector in domestic financial institutions, including public banks and national development banks, of which there were relevant experiences in his region. An additional speaker emphasized the rule of law as an essential aspect of an enabling environment.

On the international front, several speakers urged not forgoing the UN ODA target of 0.7 per cent of gross national income. Indeed, a UK representative noted that his Government would achieve that target in 2013. Private international flows were also important, but warranted policy oversight, as in encouraging production linkages from foreign direct investments into the domestic economy. This has been a particular area of concern in extractive industry investments. A call was also issued for a more “fair” system of intellectual property rights and that a fair, timely and effective international mechanism for workouts from sovereign debt crises should be devised. Another speaker called for assessment of experiments with innovative sources of financing for development, which may have unintended consequences; yet another speaker looked to scaling up innovative financing mechanisms that work.

In addition, some speakers emphasized the unfinished business in global financial architecture reform. International financial flows were said to be a “destabilizing factor” in economies not adequately prepared for them. Reference was made to the imperative of prudential regulation to reduce systemic risk from potentially illiquid or insolvent banks versus the desire to support the banks’ demands to extend more credit to borrowers, which is also the basis for bank profits. Banks were said to lobby heavily to dilute regulations in their narrow self-interest and a remark of the Deputy Secretary-General of the Financial Stability Board at the UN two days earlier was recalled, in which he called for push-back against the lobbying by the banks.

In this regard, several speakers expressed appreciation of the value of the United Nations as a platform for convening all relevant actors who may then take a holistic



approach to the financing of development. A speaker added that the UN is also a forum in which Governments can take account of the normative framework of human rights, including the right to development. It is a place to clarify the role of public and private sectors and where the obligations of each lay. Yet other speakers drew a contrast with the Group of 20, which has overseen an imperfect process of financial architecture reform and has adopted its own agenda to promote long-term financing, but which does not offer civil society, let alone non-member countries, an adequate opportunity to influence decisions that affect all countries.

It was noted that the High-Level Panel of Eminent Persons, after endorsing the principles and policies adopted at Monterrey, recommended holding an international conference on finance for sustainable development in the first half of 2015.<sup>††</sup> It was now proposed that the international community take up this recommendation. Indeed, the General Assembly is currently considering a proposal to convene an international conference on financing for development in early 2015 to follow up on the Monterrey Consensus (A/C.2/68/L.25, paras. 27-30). The spirit of the discussion on 9 October would shape that conference so as to also take explicit account of the social and environmental as well as the economic imperatives in the mobilization of domestic and international resources for development. In effect, in this view, the proposed conference should be “Monterrey Plus” and aim to devise an updated holistic agenda for socially, economically and environmentally sustainable development financing.

Getting to the desired point was a political task, not a technical one. But words needed to be carefully chosen; in particular, in one view, continuing to emphasize the term “post-2015” suggested that policy would focus on the forthcoming limited set of SDGs or MDGs rather than achieving sustainable development with inclusive economic growth. This notwithstanding, another Government representative was convinced that through the UN, we can build the political momentum for equitable and sustainable development.

Finally, several Government speakers expressed appreciation for the current dialogue with civil society and other stakeholders. Indeed, the dialogue was only beginning, as it was announced that ECLAC will host a meeting in Santiago in January of regional members of the Intergovernmental Committee of Experts on Sustainable Development Financing. If that initiative encourages others, there will likely be a continuing dialogue of official and non-state stakeholders on financing sustainable development.

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<sup>††</sup> *A New Global Partnership for Development: Eradicate Poverty and Transform Economies through Sustainable Development*, Report of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda (New York: United Nations, 2013), p. 12.