Financing for Development

BRIEFING NOTE

What is the Financing for Development or "FfD" agenda?

Global goals and targets, such as the Millennium Development Goals (MDGs) only go so far without a supportive and realistic financing framework. The FfD agenda is a menu of broad areas where financial resources are to be mobilized to finance the achievement of ambitious global targets.

The first FfD conference took place in Monterrey, Mexico in 2002, and led to the adoption of the so called 'Monterrey Consensus'. The second FfD conference which followed up on the Monterrey Consensus took place in Doha, Qatar in 2008. The third International Conference on Financing for Development will be held in Addis Ababa, Ethiopia, from 13 to 16 July 2015.

What is different, what is the same?

If the original MDGs were broad, the emerging post-2015 Sustainable Development Goals (SDGs) are far wider. The MDGs comprised 8 goals, 18 targets complemented by 48 indicators. The SDGs comprise 17 goal areas, and some 169 targets and indicators.

The wider agenda at least in part reflects a more inclusive preparatory process. But it also risks coming across as lacking focus and being so unwieldy that it is unmarketable. As the Economist put it, the 169 commandments of the proposed SDGs would be "worse than useless" if adopted, as they distract attention from the one ambitious goal that is actually realistic – ending extreme poverty at the $1.25 a day level by 2030. By most accounts the FfD bill is huge! The UN estimates infrastructure financing needs alone at $5 to $7 trillion annually. Other estimates place the SDGs cost at $2 to $3 trillion annually over 15 years.

The first FfD agenda (Monterrey Consensus) which accompanied the MDGs contained 6 leading actions: mobilizing domestic financial resources; mobilizing foreign direct investment and private flows; harnessing trade; increasing financial and technical cooperation (i.e. foreign aid); addressing external debt; and systemic issues (consistency and coherence in the international monetary, financial and trade system).

Perhaps unsurprisingly, the emerging FfD agenda that will support the post-2015 SDGs has also widened. The 6 leading actions above are largely retained with a few inflections that make them sound more contemporary, but are complemented by two new areas – technology, innovation and capacity building; and calls for more data, monitoring and follow-up – taking the total to 8.

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The more important change is in the global finance and development finance landscape.

The global financial and economic system went through perhaps its biggest shock during the 2008 financial crisis. The direct and indirect effects of the same (e.g. through the unwinding of unprecedented monetary responses) are still with us today and will remain with us for years to come. The other major change has to be the emergence of China in global finance. The sheer size of China's globally investable reserves seeking new opportunities and new partnerships makes it a game changer. Chinese lending to Africa and Latin America is widely believed to far exceed that of the World Bank.

Some of the most important players in the development financing landscape either did not exist or were insignificant at the time of Monterrey. These include the Global Fund, GAVI and private foundations.The pattern of financial flows to developing regions has also changed dramatically. Foreign aid flows have grown at an unprecedented rate, reaching their highest ever level just prior to the financial crisis. But despite this, other flows such as foreign direct investment and remittances, have grown even faster, and dwarf foreign aid in many developing country contexts, with the stark exception of least developed, low income and fragile states.

What has not changed is the inability of broad global policy processes such as the SDGs and the accompanying FfD agenda, to keep up with, let alone anticipate, big trends in the global finance and development finance landscape.

FfD Resources and Key Issues to Watch

UN FfD Zero Draft: provides a sense of how the FfD negotiations are progressing. Given the time left to finalization it is quite likely the final outcome will be very similar, which would be a disappointment, as the draft while comprehensive, lacks focus or specificity on who is expected to do what.

OWG proposal for SDGs: a precursor to what will finally be adopted in September 2015. A disappointment again because it reads more like the outcome of a process of keeping all stakeholders happy, than an inspiring vision for the future, which, for all its criticisms the Millennium Declaration and MDGs were at the time. Lacks specificity around measureable indicators and precision regarding data sources. Provides no sense of sequencing or prioritization.

169 commandments: critique of the SDG agenda from the Economist.

Canada's position and response: at the FfD discussions: Of note, are the calls to think differently about ODA, the need to reflect important changes in the development finance landscape, and ensure practical issues around financial means of implementation are addressed alongside the main SDGs (to avoid duplication of negotiations). We could not agree more.

Modernizing ODA: by the OECD. Of note, the proposed adoption of a new measure, Total Official support for Sustainable Development, some form of which will likely be adopted and complement traditional 'Official Development Assistance' which itself is likely to go through a process of update and revision.

Redesigning Development Finance: an initiative of the World Economic Forum and OECD, but led by the Canadian Minister for International Cooperation. Watch for some outcomes, by way of a (far too grandiose sounding) proposed 'global finance exchange'; and a likely failure of calls for a new dedicated Canadian development finance institution.

Its all about the money: a call to learn from the experience of the MDGs and put practical questions surrounding financing and implementation at the front, and not an afterthought.

Financing post 2015: research that argues for much needed realism when it comes to expectation surrounding domestic public revenue mobilization, especially in Africa. Despite significant tax effort, many countries face structural limits to how far they can mobilize resources through taxes.

Financing global health: analysis of Canada's commitments to maternal and child health, which will remain the most important Canadian priorities regardless of the outcome of SDG and FfD processes.

Domestic resource mobilization (DRM): attention is again turning to public revenue mobilization. The emerging FfD calls for all countries to bring tax mobilization ratios to at least 20% of GDP, and to bring public expenditure to at least $300 (PPP) per citizen. Our past research reflects on DRM from the perspective of 5 case studies in Sub-Saharan Africa – Burundi, Cameroon, Ethiopia, Tanzania and Uganda. From the experience of these countries, even these targets sound highly ambitious.

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