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Research Report

Let's walk our talk: from the July 2015 Financing for Development Conference in Addis Ababa, Ethiopia, down the Road to Dignity by 2030

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Let's Walk Our Talk: From the July 2015 Financing for Development Conference in Addis Ababa, Ethiopia, down the Road to Dignity by 2030

Summary

In a few months' time, the international community will meet in Addis Ababa, Ethiopia, for the third International Conference on Financing for Development (FfD). The Conference is expected to decide on the means of implementation (MOI) for the Post-2015 Agenda, which will be considered for adoption in September 2015, as well as those for the climate agreement to be reached at the 21st session of the Conference of the Parties (COP21) in Paris in December 2015.

However, negotiations on the MOI have so far generated mainly declarations of intent – i.e. statements on what should ideally be done – as opposed to concrete commitments. Moreover, these declarations of intent are basically just requests for 'more'; for instance, more domestic resources, more private investments, more official development assistance (ODA). The MOI declarations that have been put forth to date are no match for the sense of urgency and ambition that marks the Post-2015 Agenda or that which is likely to mark the COP21 outcome document.

Thus, the FfD Conference confronts a twofold challenge: closing the 'specificity gap' by moving from declarations of intent to concrete, actionable MOI commitments; and closing the 'ambition gap' by identifying the MOI issues that are of strategic relevance to the successful implementa-

tion of the Post-2015 Agenda. To successfully address these two gaps, a key complicating factor will need to be taken into account: the Post-2015 Agenda is setting out to achieve sustainable development goals (SDGs) of universal applicability at a time when the world is undergoing several foundational transformation processes.

Accordingly, this paper aims to identify feasible ways and means of narrowing the identified gaps. It does so with a special focus on the national and international public finance side of the challenge.

The principal suggestion is a three-step process that could be completed at the forthcoming FfD Conference and repeated at future review meetings. In the first step, the criteria for identifying the MOI issues of high strategic relevance would be determined. These, of course, may vary as the implementation of the respective outcome documents progresses. In Step II, the focus would be on identifying qualifying MOI issues. And in Step III, the decision would be taken to establish operationalization task forces (OTFs) for each of the identified topics.

In this way it would be possible to ensure that the goals of ending poverty, transforming all lives and protecting the planet, shift from paper to reality – as we, the international community, 'walk our talk' along the road to dignity and, let us hope, beyond.

The challenges to meet: Putting in place a solid foundation for transformative means of implementation

During the past several years much has been said about the Post-2015 Agenda and its suggested goals. However, while the substantive goals such as ending poverty and hunger, ensuring healthy lives and combating climate change, have been debated extensively, the issue of means of implementation (MOI) has so far received comparatively limited attention. The forthcoming Financing for Development (FfD) Conference in Addis Ababa, Ethiopia (July 2015), affords an opportunity to redress this critical imbalance. After all, the success of the Post-2015 Agenda depends on an MOI foundation that matches, in size and quality as well as in ambition, the transformative nature of the Agenda's substantive goals; and much the same holds for the outcome agreement likely to emerge from COP21.

Yet, judging from the current state of the debate, it appears that the MOI negotiations have not yet moved beyond declarations of intent. This 'specificity gap' needs to be closed. In order for the MOI to deserve their name, they themselves must be implementable and, to this end, clearly specified.

Moreover, current statements on the MOI tend to reiterate many previous financing goals, such as strengthening domestic resource mobilization, leveraging more private finance, or meeting the 0.7% ODA/GNI target. Certainly, these and many other resource mobilization goals remain important. But they leave an 'ambition gap'. The Post-2015 Agenda is not only setting out to achieve a large number of goals, but a new type of goal: sustainable development goals (SDGs) of universal applicability. It does so at a time when global policymaking realities are undergoing far-reaching change, notably the shift towards multi-polarity. Under these conditions, successful Agenda implementation will require a carefully crafted MOI strategy that takes account of both current policymaking realities and the final aim of achieving sustainability, defined by the United Nations Secretary-General as "ending poverty, transforming all lives and protecting the planet".

The purpose of this Briefing Paper is to outline three practical steps that the FfD Conference could take in order to reduce the identified gaps. Step I discusses considerations and criteria that could guide the design of a more strategic approach to the MOI topic. Step II applies these criteria and presents examples of potentially qualifying MOI issues. Step III proposes a way of implementing this approach, specifically the creation of operationalization task forces (OTFs) charged with recommending concrete ways of pursuing MOI issues of high strategic importance in a timely, transparent and accountable manner.

Step I – Identifying strategically important means of implementation

The aim of an MOI strategy would be to lay the foundation for sustainable Agenda implementation. To this end it fosters an efficient, effective and equitable deployment of available resources, notably national and international public finance, which is of critical importance for multiple purposes, including, in many cases, the mobilization of private finance.

Accordingly, the criteria for identifying MOI issues of strategic relevance could be based on considerations such as whether a particular instrument could potentially contribute to: (i) *reducing the costs of future growth and development*, thereby freeing up resources for initiatives designed to promote real progress – rather than efforts to prevent or correct growth and development reversals that stem from the pursuit of unsustainable policy paths and a lack of risk management; (ii) *frontloading investments*, where this is required for the speedy and decisive resolution of a policy challenge such as mitigating climate change while meeting the goal of energy security for all or fighting against communicable diseases such as Ebola; (iii) *recognizing and tapping new and innovative sources of finance*, especially when they could generate funding of a quality that is now lacking, e.g. relatively predictable flows of longer-term financing; and (iv) *reducing institutional inefficiency* that results from national and international governance arrangements lagging behind current and newly emerging policy realities and obstructing the availability of the right money at the right time and in the right amount.

Of course, this set of criteria reflects today's vantage point when it comes to priority concerns associated with fostering an efficient, effective and equitable deployment of public finance, nationally and internationally. As implementation processes advance and policy conditions change over time, this set of criteria may need to be modified.

Step II – Applying the strategically relevant criteria

Proceeding with and applying the criteria enumerated above, at least five MOI issues qualify for further consideration due to their high strategic relevance. These are discussed individually in the following sections.

1: Strengthening and expanding risk management – in order to smooth volatility and avert growth and development reversals

Disruptive events, including natural disasters, financial crises, and disease outbreaks, are likely to occur in the post-2015 era. Moreover, to the extent that development proceeds, further technological advances are realized and consumption and production patterns evolve, the frequency of episodes of economic restructuring is likely to increase, leading to a rising trend in longer-term unemployment rates.

As the 2007–08 global financial crisis and the natural disasters of recent years have shown, volatility and change tend to be costly in economic, social and human terms. And so are, of course, the human costs involved in what Schumpeter called “creative destruction”. Developing and introducing appropriate risk management mechanisms could allow countries, local communities and individuals to better cope with volatility and changes that might otherwise ruin their existence and cause serious development reversals.

Thus, a cornerstone of the MOI package designed at the FfD Conference ought to be an enhanced risk management framework. This would ideally comprise items such as an expansion of natural disaster insurance, new and innovative social security schemes fit for our increasingly dynamic multi-polar world, and, in order to strengthen governments’ capacity to better withstand future economic and financial volatility, the issuance of sovereign bonds tied to the growth of a country’s gross domestic product – so-called GDP-linked bonds.

2: Balancing dynamic and static efficiency in the field of knowledge and technology management – in order to reduce the costs of growth and development and speed up progress

Many cases of premature death could be avoided and morbidity lowered if medical and pharmaceutical technology were less expensive. And green technology could already be more widely disseminated if more relevant R&D were undertaken and the associated knowledge made available at more affordable prices. In fact, many economies and the world economy as a whole could perform better even in terms of dynamic efficiency if the intellectual property rights regimes were more focused on encouraging the expansion of the world’s knowledge pool as a global commons.

Therefore, key to progress toward sustainable and inclusive growth and development in the post-2015 era is a better public/private balance in the field of knowledge management, facilitated by appropriately designed IPR regimes and mechanisms for the transfer of technology.

3: Exploring the introduction of a currency transaction levy (CTL) – in order to enhance the availability of funds suited for front-loading purposes and meeting longer-term international financial commitments

Globalization has opened up new avenues for resource mobilization, some of which have so far remained unutilized. One of these is the collection of a very small levy – e.g. 0.005% – on currency transactions. A levy of this design could generate over US\$25 billion annually, even if it was only applied to those transactions handled by the Continuous Linked Settlement system (CLS), London, a private-sector organization whose membership comprises the world’s major banks.

The advantage of such a levy lies in its ability to generate reliable, relatively large sums of public financing that, at

present, are very difficult to obtain from governments. This type of public financing is, among other things, required for mechanisms such as advance purchase commitments, which private-sector companies and other actors may require before engaging with pro-poor pharmaceutical and medical technology or appropriate green technology.

The CTL would also generate a resource stream that could be used to meet continuous international financial obligations such as payment of life-long treatment for poor HIV/AIDS victims, the maintenance costs of international seed banks, or pooled subsidies for pro-poor risk management schemes.

4: Aligning national budgetary rules with the financial requirements of today’s policy challenges – in order to reduce the costs of institutional inefficiency

In most countries the allocation of public finance follows a pattern that has not yet been fully adjusted to today’s realities. Budgetary allocations are still being approved on an annual basis, despite the existence of many multi-year international cooperation initiatives; and only a few designated government entities, usually foreign affairs ministries and, in industrial “donor” countries, the entities in charge of development assistance, can effect public expenditure disbursements abroad, again, despite the fact that most policy areas today involve international cooperation requirements.

Considering the growing trend towards policy interdependence among states and public–private partnering, it appears timely to revisit conventional budgetary practices. Three aspects deserve consideration. *First*, how can states become more reliable partners of international cooperation efforts that require multi-year funding? A reform along this line would be an important complement of the CTL instrument mentioned before. While the CTL could finance recurrent longer-term expenditures, the suggested multi-year commitments could support investments in time-bound projects such as IFFIm, the International Finance Facility for Immunization.

Second, which governmental entities should be authorized to disburse funds abroad? And *third*, what could be done to differentiate between budget allocations that are intended to be disbursed nationally and those destined to be disbursed abroad, either for GPG-related purposes or for development assistance purposes?

5: Devising simple guidelines for reporting global public-good financing and official development assistance – in order to avoid accounting confusion and better distinguish between the two

Progress on the issues raised in point 4 could also greatly facilitate – and simplify – the task of international reporting and monitoring and rebuild trust among the cooperating parties.

All that this might imply for *industrial countries* is to answer four questions: (i) How much money is being allocated to GPGs that are in our national self-interest? (ii) What portion of

these funds is disbursed at home and what portion abroad, either bilaterally or multilaterally (including, for efficiency reasons, in developing countries)? (iii) What international "historical fairness" commitments do we have, e.g. obligations resulting from the principle of common but differentiated responsibility (CBDR)? And (iv) to what extent are we meeting the long-standing ODA target of 0.7% of GNI?

For *developing countries* the question to answer in this context would be: What amount of national public finance, including ODA receipts and other types of development assistance or solidarity funding, is being allocated to GPG-type issues in order to contribute, within the country's means and capacity, to meeting global challenges?

Developing countries with national solidarity or South-South programmes could additionally identify the amount of national public finance allocated to these purposes.

If one were to follow simple accounting and reporting procedures along these lines, it would be eminently feasible to indicate which expenditures are new and additional relative to ODA, which are for GPG-related efficiency purposes, and which pertain to GPG-related equity purposes. Further protracted international debates on these issues could be avoided, transaction costs saved, and trust in all parties' willingness to cooperate in meeting common challenges in an expeditious and mutually beneficial way restored.

Matters of accounting and reporting could be further facilitated through adoption of the policy recommendation of the Sustainable Development Solutions Network (SDSN), which calls for the creation of a new Multilateral Development Finance Committee (MDFC) to complement OECD/DAC.

Step III – Establishing operationalization task forces

The foregoing list of priority issues is intended as a representative sampling rather than a definitive and compre-

hensive selection. But, once agreement was reached on a final list of strategically important MOI issues, the operationalization of which could significantly facilitate and accelerate Agenda implementation, Step III would simply require that an OTF be established for each of the identified issues. These task forces would be composed of high-level experts on the respective topics, whose combined career experience would fully represent the relevant stakeholder groups.

The OTFs would also need to be provided with well-designed, goal-specifying terms of reference. Broadly, the objective of each task force would be to ready its particular MOI issue for implementation. As part of this process, the OTFs would quickly report back to the concerned legislative body or bodies to update them on interim progress.

If the FfD Conference were to decide to hold annual follow-up meetings on what could end up being called the Addis Ababa Accord, it would be desirable at those meetings to both review implementation of the previously agreed MOI issues and identify new issues of strategic importance to assign to the OTFs – so that an upward spiral of progress would be set in motion and another step taken on the road to dignity.

Thus, while many MOI issues, including several of those mentioned above, have been discussed in a general way by previous expert groups, the proposed OTFs would bring added value to the process. They would be tasked with identifying precisely what could or should be done in order to push a particular MOI into the policymaking mainstream. In this way they would help to close the current "precision gap" by enabling us to move beyond "just talking" and actually achieve a better match between MOI and Agenda goals. This, in turn, would close the "ambition gap" that might otherwise stall full realization of the Agenda.

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